

Multiple Handouts

TIPS ON HOW TO CORRECT CREDIT CARD PROBLEMS

- Reduce your expenses by paying off the balance on your highest rate loans first. These are usually your credit cards.
- Pay for future purchases using cash or a check.
- If you have serious problems paying off your credit card debt, turn to a reliable credit counselor. Some can help you for little or no cost.
- After credit counseling, consider enrolling in a debt management plan (DMP). In a DMP, you deposit money each month with the credit counseling organization, which uses your deposits to pay your unsecured debts, like your credit card bills, student loans, and medical bills, according to a payment schedule the counselor develops with you and your creditors.

A successful DMP requires you to make regular, timely payments and could take 48 months or more to complete.

- Beware of debt consolidation traps. These are loans that you get in order to help pay off what you owe on several credit cards. They can be either secured loans, such as home equity loans, or unsecured loans that you promise to repay.

Beware of companies and Websites that charge high rates and application fees. Look for hidden charges. Ask for references before signing the agreement.

Choosing the wrong debt consolidation loan can make matters worse and put you further into debt. Shop around so that you have a way of deciding on the debt consolidation loan that best meets your needs and budget. Research different lenders and collect quotes before deciding.

- Use bankruptcy only as a last resort.
- The Money Smart modules Money Matters and To Your Credit have detailed information about credit counseling and debt management.

OTHER CARDS

Stored Value Cards

Stored value cards include:

- Telephone cards with prepaid minutes.
- International gift cards that can be used anywhere the VISA or MASTERCARD logo is displayed.
- Payroll cards.

Some advantages of stored value cards are that they:

- Reduce or eliminate check-cashing fees.
- Offer 24-hour access to funds; no need to wait in lines.
- Make money transfers more easily available to families.
- Offer the ability to make purchases using credit card networks.
- Reduce the need to carry a lot of cash.
- Provide a “pseudo bank account” that contains funds that do not have to be withdrawn entirely, as with a check-cashing service.

Be sure to ask about any fees associated with a stored value card, such as monthly fees or inactivity fees.

Cash Cards

Cash cards, similar to prepaid phone cards, contain a set amount of value, which can be read by a special cash card reader. Participating retailers will use the reader to debit the card in increments until the value is gone. The cards are like cash because they have no built-in security; if lost or stolen, they can be used by anyone.

Smart Cards

A smart card resembles a credit card in size and shape, but inside it is completely different. The inside of a smart card usually contains an embedded microprocessor or computer chip. The chip is under a gold contact pad on one side of the card. Think of the computer chip as replacing the usual magnetic strip on a credit card or debit card.

The most common smart card applications are:

- Credit cards.
- Electronic cash.
- Computer security systems.
- Wireless communication.
- Loyalty systems (like frequent flyer points).
- Banking.
- Satellite TV.
- Government identification.