Delray Credit Counseling, Corp.

DCC DOLLARS & $ENSE

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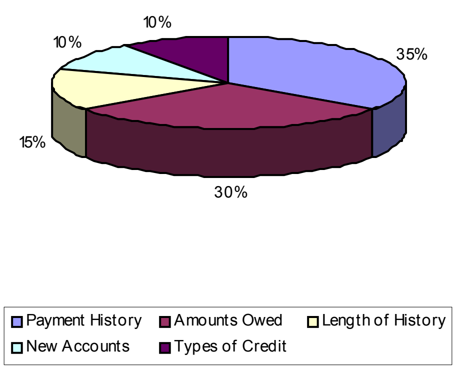
Special points of interest:

- Factors included in your credit score.
- Holiday Budgeting.
- Evaluating minimum payments.
- Accelerated payment options.

Factors of your Credit Score



Though no single factor will determine your credit score, the above is a an accurate assessment of how much each piece of information in your credit file counts towards your overall score.

Based on the amount of information in your credit file, your total debt may have more of an impact then a good payment history. A low debt to income will not guarantee a good score just the same as a perfect payment history doesn't mean perfect credit.

It will be different for everyone as to which factor is more important.

Understanding Your Credit Score

Understanding your credit really is the key to making your credit work for you, instead of you working for your credit. First you want to understand what is in your credit file.

Amounts Owed

- Total number of accounts with an outstanding balance remaining.
- Total ratio for account balances versus the credit limit.

Total remaining balance on any installment loans.

Types of Credit in Use

- Total number of accounts, varying in type. Including credit cards, installment loans, retail accounts, finance accounts or mortgages.

Payment History

- Payment information on individual accounts.
- Number of accounts paid as agreed.
- Any adverse public records.
- Number of past due items

Length of Credit History

- Length of time since the accounts were opened.
- Time since recent activity.

New Credit Accounts

- Number of recently opened accounts.
- Number of recent inquiries

For more information on credit scoring, visit www.myfico.com or www.equifax.com

Total Unsecured Debt Is Steadily Rising

According to the Federal Reserve statistics of consumer credit, the total amount of unsecured debt on revolving accounts (credit cards, retail cards etc) rose 150 million dollars from 1998 to 2002. This was an average increase of 37.5 million per year. The amount increased each year was progressively more from one year to the next. Though the information released in these statistics is general and does not specify the exact manner in which consumer debt is increased, we can look at some small specifics

Unsecured Debt Is Steadily Rising, cont.

to see how it is all possible. An example of this would be the upcoming holiday season, everyone's favorite time of the year.

* "International Mass Retail Association pegs the average holiday budget is at $863.00, about the same as last year. However an American Express Retail Index telephone survey found consumers plan to spend as much as $1,700.00. More than half of the consumers shopping this year will put purchases on credit card accounts and of those, less than 40% will pay the balances in full when they receive their bills. With the general public following suit of the previous years the average amount overspent by consumers will range from 15-30% above their intended budget."

By looking at only one example that includes a time period when shopping is at it's peak, we can see how the average consumer can get caught up in spending too much. Using a credit card for transactions while shopping is a convenience that needs to be used with discretion. When planning for holiday shopping consumers should look at what they are able to purchase from their income and existing savings. If there are items just out of reach, a credit card can allow the convenience of having that gift for the holiday. Just keep in mind that it should be paid for when the statement comes in. Credit is useful for attaining items when the funds aren't available however consumer should look to pay for what has already been purchased first, when the funds are made available. Again, this is just one example of how the consumer debt load is rising, but it's one everyone can relate to.

High interest rates and low minimum payments is another reason for the steady increase. See the next section for additional information on payment versus finance charges.

*Taken from a recent publication on, www.debtsmart.com

Minimum Payments Are Only Making A Minimum Effect.

Most consumers look at their monthly payment each month and see where it drops by a few dollars and don't see that it would have an impact by sending less money each month. In the short term, from month to month or even looking at it quarterly it doesn't appear as though it would. This is one reason why successful financial planning, requires long term perspective.

> "...successful financial planning, requires long term perspective..."

The average budget that we're looking at is $1,700.00 and the average interest rates, for the accounts is about 20%. That equates to around $30.00 per month going towards interest. The average payment on this account would be around $34.00 per month. So at the end of each billing cycle a consumer would pay $30.00 towards interest and $4.00 towards principle. Based on the previous statistics, more than 60% of consumers will *not* pay their balances in full after they receive their invoices. With making minimum payments, by June, a consumer would have paid approximately $180.00 in interest and $24.00 towards the principle of their debt. If a consumer continues with the minimum payment schedule, when the balance has been paid in full they would have paid the principle and a total finance charge of $3,740.00. Working on this schedule a consumer would celebrate the holidays 19 more times before this one was paid for.

What would happen if we took this same scenario, balance and interest rates the same, but made a fixed double payment of $70.00 per month? It would take two years and five months to pay it in full and the total interest paid would *only be* $407.00. Which one sounds better? Option two of course! Everyone knows that making double payments is sometimes hard to do, but consumers also know that if they can pay less in interest it benefits them more. In the instance that a consumer cannot make a double payment, they should at least keep the payment the same from month to month. That in it's self will help to save money in the long run.

We've looked at a relatively low balance here but this applies on a larger scale as well. Double all the figures (except the interest) and you'll see the same thing. Of course the amount of the payment is more each month and the difference in the payment from month to month may vary enough to effect a consumers budget. One bill may come in at $100.00 and the following month, be for only $80.00. If $20.00 per month will help the budget a little, reduce your payment, but remember to try to keep it the same the next month. Financial hardship may leave a consumer making minimum payments each month. The trick is to set an amount that you can afford to budget to a particular creditor each month and when the minimum payment comes in at that amount, pay it and don't go any lower. Keep it the same from that month on.

For more information, visit our website at www.delraycc.com or speak with a Certified Credit Counselor at (800) 982-8445