Delray Credit Counseling, Corp

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Special points of interest:

- Finance Charges Reviewed
- Understanding Your Rights

Fact & Fallacy

Fallacy: Credit scoring is unfair to minorities.
Fact: Credit scores only consider items related to credit. The Equal Credit Opportunity Act (ECOA) prohibits lenders from considering factors such as race, nationality and religion. Research studies have shown that credit scoring is an accurate assessment of repayment for both minorities and non-minorities

Understanding Finance Charges

Annual Percentage Rate (APR) is the rate of interest a consumer is charged over the time period of one year. This is then broken down into monthly amounts and added onto the existing balance of an account. There are three main methods of calculating monthly finance charges;

Average Daily Balance

This method, which is the most commonly used, works as follows: The company tracks your balance each day, adding any charges and any subtracting payments as they occur. At the end of the billing cycle, they compute the average of these daily totals and then multiply this number by the monthly interest rate to calculate your finance charge.

Adjusted Balance

This system, which consumer experts say favors the cardholder, takes the balance from your previous statement, adds new charges, subtracts the payment you made and then multiplies this number by the monthly interest rate.

Previous Balance

This method generally favors the card issuer, according to consumer experts. The credit grantor multiplies your previous statement's balance by the monthly interest rate to find the new finance charge. This means you're still being charged interest on your balance even after you've made payments towards it.

It's important when applying for credit that you look at how the lender calculates their finance charges. Some methods are better for consumers, some are better for the creditors.

Also included in the monthly finance charges are any fees that are charged by credit grantors on the credit that they have extended. These

Consumer Rights

With all of the different financial options available and the different aspects of each one, it's important for consumers to know their rights. For every aspect of the credit industry, their laws in place to protect consumers.

Before accepting any form of credit a consumer should know and understand how the finance charges that will be applied. Due to the *Truth In Lending Act*, each credit grantor is required to provide, in advance the annual percentage rate on the account and their method of calculating the finance charges. This allows for consumers to make educated decisions on which credit offers to accept. The information will be provided ahead of time, before any of the charges are applied. A consumer needs to review all of a creditors terms and conditions, prior to accepting the credit.

Understanding Finance Charges

fees vary from creditor to creditor but the main fee structure is for the most part, uniform.

Among these fees include the following, but are not limited to;

Late fees, which are charged whenever a payment is not received by it's due date and could range from $10.00 to as much as $35.00 per month.

Over limit fees, which are charged whenever the balance on the account exceeds the initial credit limit. These are typically $29.00 to $35.00 per month.

Past due fees, which are charged whenever there is an amount that was not paid from the previous months billing cycle. These also typically range at $10.000 to $29.00 per month.

Transaction fees, for any time a transaction is made with the account, these could range from $1.50 to $5.00, just for using the card.

Cash advance fees will apply if cash is taken in place of a purchase and typically will carry a higher APR on that portion of the balance.

Monthly Maintenance Fees applied for having the account opened with that institution.

Annual Fees are applied once per year and my also be labeled as a **Membership Fee**. This is simply an annual cost to maintain that account.

When applying for credit, consumers should be aware of any of these fees that are included in the service agreement.

Consumer Rights Cont.

Also available to insure that consumers are treated fairly are several other acts that have been put in place to ensure equal treatment of credit applicants. The following is a listing of the these and a brief explanation of how they apply.

Fair Debt Collections Practices Act

The Fair Debt Collections Practices Act (FDCPA) was written as an amendment to the Consumer Credit Protection Act, to prohibit abusive practices by debt collectors.

One of the reasons for the amendment was stated as; "abundant evidence of the use of abusive, deceptive, and unfair debt collection practices by many debt collectors." The FDCPA covers such areas as misrepresentation, the acquisition of a consumer's personal information, communication in reference to a debt and harassment and abuse. The FDCPA is what determines when a collector can call you, and also how to stop collection calls. It's important for consumers to understand their rights in regard to collection accounts. The FDCPA governs what a collection agency can and cannot do.

Fair Credit Reporting Act

The Fair Credit Reporting Act (FCRA) essentially governs the manner in which Credit Reporting Agencies maintain and dispense information. The FCRA sets guidelines on the type of information that can be maintained, the extent of the information that is kept and the methods that the information they maintain is distributed to both consumers and to creditors. This Act also governs the accuracy requirements of the Credit Reporting Agencies to ensure that only factual information is maintained.

Equal Credit Opportunity Act

The Equal Credit Opportunity Act (ECOA) states that, "It shall be unlawful for any creditor to discriminate against any applicant, with respect to any aspect of a credit transaction" This includes race, religion, income, national origin, sex or marital status. The primary purpose of the ECOA is to insure that every consumer is given a fair chance when applying for credit. It lists all of the circumstances that would and would not be considered discrimination.

Each of the above Acts are to insure fair treatment for consumers when seeking credit. It also