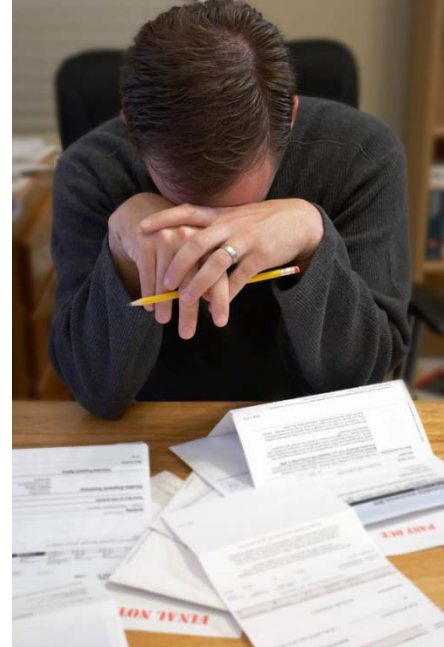


Avoiding Predators

****Knowing the Difference ...
Makes all the Difference!**

Guiding consumers who are facing a financial crisis



Sorting it Out

- Debt Settlement
- Loan Modification Companies
- Payday and other Fringe Loans



Elements of Predatory or High Cost Financial “Fixes”

- Very aggressive marketing
- Outright or borderline deceptive claims and/or advertising
- Usually targets low and moderate income consumers
- High interest rates and/or fees

Debt Settlement

- Debt Settlement Companies offer to negotiate with a consumer's creditors to accept a lump sum payment that is less than what is owed on the account.
- May use misleading or deceptive advertising

New Government Programs!

New free and easy programs are available for those who are in debt right now! Take advantage while they're still available.

**IF WE CAN'T GET YOU OUT OF DEBT IN 24 HOURS
We'll pay you \$100**

**Obama Credit Bailout Plan
See if you qualify for the Obama Credit Bailout Plan. See Now**

Source: United States Government Accountability Office / Testimony before the Committee on Commerce, Science, and Transportation, U.S. Senate April 22, 2010

- **Typical Structure:**
 - Little or no analysis of the consumer's financial situation
 - Claims of very high success rates (85% to 100%)
 - Large upfront fees (10% – 18 % of total debt)
 - First 3-4 payments go directly to settlement company
 - Grant Power of Attorney
 - Stop paying creditors / send monthly payment to settlement company or a 3rd party
- **Success Rates - According to the General Accounting Office (GAO), single digits**
- **Consequences**
 - Punitive interest rates / late fees
 - Balances increase
 - Negative credit report / impact on credit score
 - Risk of being sued / judgment
 - Income taxes on any “forgiven balance” greater than \$600

Sample Debt Settlement

\$25,000 Debt

Settle all accounts at 60%

Make only 6 Payments

Balance due on debt	\$15,000.00	\$25,000.00
15% Fee (Based on total debt)	\$3,750.00	\$3,750.00
30% Interest (for 5 months)	\$3,125.00	\$3,125.00
\$39 per Month Late Fees (for 5 months)	\$195.00	\$195.00
Taxes on \$10,000 Savings (15% bracket)	\$1,500.00	\$0.00
Total Outlay	\$23,570.00	\$32,070.00

Foreclosure / Loan Modification Scams

May 21, 2010 ... Foreclosure scam's mastermind gets 46 years in prison

Mar 22, 2010... Brown Shuts Down Fraudulent Foreclosure Relief Companies

Mar 3, 2010... More Foreclosure Scams May Hit The Boston Real Estate Market

- Charge large up-front fees before any foreclosure prevention work is done
- After collecting fees, these companies do little or nothing to help homeowners obtain a loan modification or stop a foreclosure.

Spotting Loan Modification Scams

- Misleading or deceptive advertising

Pre-Approved Loan Modification Notice

You are hereby notified that the property located at _____ has been selected for special programs by Government Insured Institutions.

We Can Save Your Home. Guaranteed. Free Consultation.

- Copycat names or look-alike websites that appear to be affiliated with a non-profit or government entity
- Written or verbal guarantees to stop a foreclosure
- Advised to stop paying the mortgage company/servicer and end any contact
- Sign deed over to modification company, then rent home back

Payday and other Fringe Loans

- Features
 - Small loans, usually \$100 to \$500
 - Fees usually range from \$15 to \$30 per \$100 borrowed
 - Fees are paid upfront, directly from loan proceeds
 - Entire loan balance is typically due on the borrower's next pay date (or two weeks from the date the loan was taken)
 - If the borrower can't repay the loan on the due date, the loan is "rolled over" and the borrower is charged another fee
- Profile of a payday loan
 - Average loan amount: \$325
 - Average fee: \$17 per \$100 borrowed
 - Average Annual Percentage Rate (APR): 416%
 - 99% of borrowers "roll over" the loan
 - Average borrower refinances 8 times
 - Americans pay \$4.2 billion per year in payday loan fees

Payday Loan Company (Ohio)

Calculate Your Payday Loan Payback Amount

Payday Loan Amount

You Borrow: \$400.00

You Payback: \$503.83

Finance Charge: \$103.83

APR: 676.75%

* Based on a 14 day loan term.

Alternatives

- Non-profit Credit and Housing Counseling
 - Payment plan with Creditors
 - Advances from Employers
 - Emergency Assistance Programs
 - Credit Union Loans
 - Cash Advances on Credit Cards
 - Military Loans
 - Small Consumer Loans (from a finance company)
 - Receive a portion of the Earned Income Credit in paycheck
-
- www.advantageccs.org
 - www.debtmonkey.com
 - www.nfcc.org
 - www.hud.gov
 - www.responsiblelending.org

You may only be someone in the world, but to someone else, you may be the world!
(Anonymous)