

# CONSUMER CREDIT COUNSELING SERVICE OF THE BLACK HILLS

A United Way Agency

JULY & AUGUST 2011

2310 N. MAPLE AVE. RAPID CITY, SD 57701



## Debt settlement might hurt your finances

When people become overwhelmed by their debt, they can become vulnerable, ready to do whatever it takes to get immediate relief from their financial problems. Unfortunately, debt settlement companies often capitalize on this vulnerability. They promise an end to the collection calls and a chance to pay less than the full amount of debt owed, often in a short time. Debt settlement can seem like the perfect solution for those struggling with their debt. But what consumers don't understand is that working with debt settlement companies often makes their finances worse, not better.

This was the case for one retiree who sought the assistance of a debt settlement company to pay off her credit card debt. After making payments for several months, she noticed that none of her balances were going down. In fact, she had paid about \$2,000 to the debt settlement company, but not a single cent of it had been applied to her debt.

When she realized what was happening, she met with a counselor at Consumer Credit Counseling Service of the Black Hills to stop the payments to the debt settlement company. Together, she and her counselor created a workable plan to help resolve her financial problems. She's now making headway with her debt, though she cannot recoup the \$2,000 she paid to the debt settlement company.

Regrettably, this story is a familiar one for the CCCS/BH counselors who work with clients every day. CCCS/BH counselors have even encountered clients who sincerely believed they understood how debt settlement works, only to realize they didn't know what they were signing up for. People who choose debt settlement can find themselves out thousands of dollars, but no closer to being out of debt.

**“Because the consumer’s monthly payments are put into an account, their creditors are not getting paid. These non-payments cause the consumer to incur late charges, interest and penalties...”**

### How does debt settlement really work?

Debt settlement companies attract customers by offering to reduce debt by 30% to 70%. Their sales pitches often promise to put an end to collections calls and the stress caused by debt.

When an individual seeks a debt settlement company's services, he or she signs a contract and begins making payments to the company. However, those payments are not sent to the individual's creditors. Some of the money might go toward paying fees to the debt settlement company. The rest is kept in an account until the individual has sent enough money for the debt settlement company to offer a settlement to one of his or her creditors.

Because the consumer's monthly payments are put into an account, their creditors are not getting paid. These non-payments cause the consumer to incur late charges, interest and penalties; the balances they owe their creditors actually increase. The non-payments to creditors are reported negatively on the consumer's credit report, and every non-payment lowers the consumer's credit score. This cycle can go on for months, or even years, until the debt settlement company has enough money to offer the creditors a settlement.

Perhaps worst of all, debt settlement companies cannot guarantee that a consumer's creditor will even accept a settlement. And, because the creditors are not getting paid, they might take additional action, including suing the consumer.

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### July and August

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# From the Director...

We are halfway through 2011; are you at the halfway point of reaching your 2011 goals? Are you making progress on your goals, or do you need to modify them? Nothing says you can't update or change your goals today. Don't wait until 2012.

If you set financial goals for yourself, take time now, midway through the year, to see where you are. A good tool to help you do this is a budget. Although the word "budget" might bring to mind some type of punishment, a budget is actually a useful – and freeing – tool. A budget is a plan to help you achieve what you set out to do. A budget can help you track your spending so that

you reach your financial goals.

Where do you want to be in six months? Do you want to have money in savings? Do you want to have a debt or two paid off? Are you hoping to trade in a car, or save for the closing costs on a new home? Are you dreaming of a debt-free Christmas? Write down what you want to achieve. If your goals require money, how much money will you need, and in what period of time will you need it?

Next, brainstorm all the ways you could achieve your goal. Have you developed the habit of spending money on things that aren't really important to you? Would cutting back on entertainment expenses free up enough

money to help you reach your goal? Or is your goal important enough that you would consider getting a part-time job? Using a budget can help you figure out how you're spending your money now, and help you make adjustments so that you're spending your money in ways that help you get the life you really want.

Throughout your life and throughout any given year, your goals may change. What you valued at the beginning of 2011 may not be what you value now. Don't wait for the beginning of a new year to chart your course. Update your goals now and modify your budget so that you reach those goals.

—Bonnie

## Debt settlement continued from page 1

Even if the creditors accept settlements, consumers still owe tax on the full balance of debt that they owed. If the debt settlement company is able to get a creditor to settle, the debt settlement company is going to charge the consumer fees, if they haven't already.

The Federal Trade Commission oversees debt settlement companies that provide services by phone. Debt settlement companies that sign up consumers over the phone cannot charge upfront fees. Debt settlement companies can charge upfront fees if consumers sign up for programs online or in person. Recently, one couple who turned to CCCS/BH for help had paid \$6,000 in fees to an online debt settlement company. Only \$600 of that was put in an account to pay their creditors.

Individuals should explore all their options when they need help paying off debt. They might find that a debt management plan, such as CCCS/BH offers, is a better solution. In a debt management plan, an individual makes a monthly payment to a credit counseling agency, and the agency pays the individual's creditors. Or perhaps taking out a loan to consolidate debt would be a workable solution.

For those seeking debt relief, it's essential to remember the old adage that if something sounds too good to be true, then it probably is. Call 605-348-4550 for more information on CCCS's Debt Management Program.

## Do you have your legal documents in order?

Summer got off to a stormy start this year, with tornadoes striking many states and flooding hitting close to home. Having a few basic legal documents in place can help you and your loved ones cope with all kinds of situations that involve loss of property, illness or death. Every adult should have these basic legal documents on file.

**A will.** In this document, you specify how you want your assets distributed and what funeral arrangements you want. Only one-third of Americans currently have written wills.

**A durable power of attorney for health care.** Use this document to identify the person or people who will make medical decisions for you if you are unable to make

them yourself.

### **A durable power of attorney for finances.**

This will designate the person or people who will handle your finances if you become unable to make financial decisions yourself.

**A living will.** This tells doctors and other medical professional exactly what kind of care you do or don't want to receive if you are terminally ill and/or become incapacitated.

### **Additionally,**

[www.smartmoney.com](http://www.smartmoney.com) recommends all adults have plenty of insurance — including life insurance and disability insurance to help cope with the unexpected.

# RCCDC's mission is affordable housing for local families

## History

The Rapid City Community Development Corporation (RCCDC) was incorporated in 1995. It was formed with initial capitalization donations, or core funding, from five local lenders: US Bank, Wells Fargo, First Interstate Bank, Pioneer Bank & Trust and Great Western Bank. Black Hills Federal Credit Union has since joined the group.

## Board

The RCCDC is a non-profit organization. It has a volunteer Board of Directors made up of the member banks listed above, along with representatives from Black Hills Board of Realtors, City of Rapid City, First American Title Company, and Upper Deck Architects. Consumer Credit Counseling Service of the Black Hills (CCCS/BH) serves as an administrative assistant for the corporation.

## Mission

The mission of RCCDC is to promote the welfare of Rapid City and its adjacent areas by making loans in the form of equity or debt. The RCCDC is committed to providing safe, affordable homeownership opportunities for individuals and families who meet the Department of Housing and Urban Development (HUD) area median income limits per household.

## How the program works

Grant funds from the City of Rapid City in the form of Community Development Block Grant funds (CDBG) and other sources are used; these funds enable the program to continue. The grant funds are used to provide down payment/closing cost assistance, to purchase or rehabilitate housing, and to purchase lots on which to build homes. RCCDC files a second mortgage for the funds provided in the program. The funds are recovered when homes are sold or refinanced; this creates a revolving loan fund for the future.

The assistance loan is at 0% interest for the maximum of 30 years, and the borrower makes no monthly payment on the assistance loan. The full loan amount becomes due



and payable when the borrower sells the home, refinances the home for cash out, no longer occupies the home, or pays off the first mortgage.

The core construction funding is available for 0% interest loans for the construction of homes. The RCCDC program is subject to lot and funds availability. Individuals or families must meet the income, eligibility, and program guidelines to qualify.

In 2009, the RCCDC also received a Neighborhood Stabilization Grant. This program was implemented with stimulus funds to restore foreclosed homes and put them back on the market for purchase by individuals who meet the income guidelines. The project was aimed at preventing neighborhoods from becoming blighted by high numbers of foreclosures.

## Work completed to date

To date, 41 families have received down payment and closing cost funds. The RCCDC has built 23 new homes and is in the process of building four more. Three homes have been rehabilitated. Two of these were completed with funds from the 2009 NSP Grant from South Dakota Housing Development Authority. The RCCDC also partnered with Habitat for Humanity and the Dakota Land Trust by purchasing two lots on which both non-profits built homes last year.

For more information about RCCDC, call Cheryl Pesicka-Chapman at 605-348-4550 ext. 107.

## Hours Of Operation

Mon .....8am - 5pm  
Tues.....8am - 9pm  
Wed.....8am - 9:30pm  
Thurs.....8am - 9pm  
Friday.....8am - 3pm

2310 North Maple Avenue  
Rapid City, SD 57701

Offices also in  
Spearfish, Sturgis and Pierre

## RCCRC

Consumer Credit Counseling  
Service of the Black Hills

## Board of Directors 2011



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# Consumer Credit Counseling Service

OF THE BLACK HILLS

A DIVISION OF RUSHMORE CONSUMER CREDIT RESOURCE CENTER

**PRESORTED  
STANDARD  
US POSTAGE  
PAID  
PERMIT #618  
RAPID CITY SD**



## Class Schedule for CCCS/BH: July & August 2011

*Credit When Credit Is Due, Make Your Move ... A Guide to Homeownership, and CheckWise are FREE.*

*Start Right: Build Your Own Business - \$50.00 charge. To pre-register for classes, call 605-348-4550.*

Classes in Rapid City will be held at our office at 2310 N. Maple Ave. Classes in Pierre will be held at 3060 E. Elizabeth Street

**Wednesday, July 6                      Rapid City, SD**

Credit When Credit Is Due  
6:00-9:00 p.m.              Lessons 1-6

**Tuesday, July 12                      Rapid City, SD**

Start Right: Build Your Own Business  
6:00-9:00 p.m.              Lesson 1-10

**Wednesday, July 13                      Rapid City, SD**

Credit When Credit Is Due  
6:00-9:00 p.m.              Lessons 7-12

**Sunday, July 17                      Pierre, SD**

Credit When Credit Is Due  
6:00-9:00 p.m.              Lessons 1-6

**Monday, July 18                      Pierre, SD**

Credit When Credit is Due  
6:00-9:00 p.m.              Lessons 7-12

**Wednesday, July 20                      Rapid City, SD**

Make Your Move ... A Guide to Homeownership  
6:00-9:00 p.m.              Lessons 1-5

**Tuesday, July 26                      Rapid City, SD**

Credit When Credit Is Due  
8:30 a.m.-3:30 p.m.      Lessons 1-12

**Tuesday, July 26                      Rapid City, SD**

CheckWise  
6:00-8:00 p.m.              Lessons 1-6

**Wednesday, July 27                      Rapid City, SD**

Make Your Move ... A Guide to Homeownership  
6:00-9:00 p.m.              Lessons 6-11

**Wednesday, August 3                      Rapid City, SD**

Credit When Credit Is Due  
6:00-9:00 p.m.              Lessons 1-6

**Tuesday, August 16                      Rapid City, SD**

Start Right: Build Your Own Business  
6:00-9:00 p.m.              Lessons 1-10

**Wednesday, August 17                      Rapid City, SD**

Credit When Credit Is Due  
6:00-9:00 p.m.              Lessons 7-12

**Wednesday, August 24                      Rapid City, SD**

Make Your Move ... A Guide to Homeownership  
6:00-9:00 p.m.              Lessons 1-5

**Sunday, August 28                      Pierre, SD**

Make Your Move ... A Guide to Homeownership  
6:00-9:00 p.m.              Lessons 1-5

**Monday, August 29                      Pierre, SD**

Make Your Move ... A Guide to Homeownership  
6:00-9:00 p.m.              Lessons 6-11

**Tuesday, August 30                      Rapid City, SD**

Credit When Credit Is Due  
8:30 a.m.-3:30 p.m.      Lessons 1-12

**Tuesday, August 30                      Rapid City, SD**

CheckWise  
6:00-8:00 p.m.              Lessons 1-6

**Wednesday, August 31                      Rapid City, SD**

Make Your Move ... A Guide to Homeownership  
6:00-9:00 p.m.              Lessons 6-11