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Debt Management

GEORGIA CREDIT UNION
Affiliates

With thousands of Americans struggling to manage their debt, the President has acknowledged that the country is suffering a period of economic uncertainty due to the housing slump and the credit crunch. This potentially volatile economic condition led Congress recently to pass the President's economic stimulus package, which will provide taxpayers with a one-time tax rebate ranging from \$300 to \$1,200 designed to spur consumer spending.

The total amount of debt carried by Americans in 2007 was over \$13 trillion, much of which will never be repaid to lenders. Credit card debt in particular is increasing at the fastest rate experienced in years, a fact that may signal trouble for the financial institutions that issue credit cards.

The surge in credit card borrowing comes as credit card default rates are gradually rising, and may reflect the fact that it has become harder for consumers to borrow against the value of their homes, both because home values have fallen in many markets and because mortgage lending standards have tightened.

With the economy continuing to recede, the need for debt management has become more and more prevalent. Some consumers are choosing to file bankruptcy while others are seeking assistance developing a debt management plan—oftentimes initiated by the consumer or sometimes ordered by the court—that involves strategies to repay debt, minimize spending and avoid incurring additional debt.

A reputable financial institution or counselor can aid consumers by preparing a debt management plan, negotiating reduced interest rates, consolidating credit card and other types of debt, eliminating late fees, re-aging accounts so payments aren't considered delinquent, eliminating calls from collectors and providing money management tools to improve their credit history.

Consumers should be careful when selecting assistance with debt management. The most likely place for consumers to start the search for help is with the financial institution with which they have a checking or savings account. Oftentimes, a banking representative can direct account holders to various resources to assist with debt management.

Successful debt management, however, begins when consumers are genuinely ready to make long-term changes. Honestly assessing the current state of one's financial affairs and addressing deep-seated issues with spending and saving are difficult yet important steps to take in successfully managing debt.

Seeking help, developing a plan and sticking with it are the minimal actions consumers can take to receive some relief from debt and some peace of mind.

What can you do?

- Assess how much debt you really have
- Track your spending
- Stop spending on unnecessary items
- Eliminate use of credit cards
- Create a monthly spending plan
- Get a second job to earn extra income
- Pay off debts
- Understand your spending issues
- Save more