



THE novadebt CONNECTION

A GARDEN STATE CONSUMER CREDIT COUNSELING ORGANIZATION

February 2010

Community Outreach

By: Becky Winters, Education Developer

Novadebt reaches into our communities to help when needs are identified. In addition, we also respond when disaster strikes in our own country and abroad. We did so for Hurricane Katrina and the Tsunamis. In this spirit of compassion, Novadebt employees company wide responded to the call for help in connection with the January 12, 2010 earthquake in Haiti. During that evening, a major 7.0 magnitude earthquake struck. It was the most powerful quake to hit the impoverished country in more than 200 years. The tremor struck 15km (10 miles) south-west of the capital Port-au-Prince, and was quickly followed by three strong aftershocks, all greater than 5.5 magnitude, within a 7 day period. During the period January 20 through January 29, employees made contributions to the **American Red Cross** targeted for use in the recovery effort. The **American Red Cross** is working with its partners in the global Red Cross and Red Crescent network, including the Haitian Red Cross, and other partners to assist those affected by this disaster. Additionally, funds raised by any undesignated outreach efforts in all of our office locations during these two weeks were targeted for this effort.

February also brings a lighter celebration in support of our annual commitment to the *Making Strides Against Breast Cancer* campaign. On February 11, our Outreach Group will hold a Valentine's Day Candy and Cookie Sale. Our group has also initiated a new fundraising effort, which will be ongoing this year to support *Making Strides*. Previously read books are donated by employees and then sold at a price range of \$1.00 - \$5.00. This fundraiser accomplishes a few things; getting rid of old books and catching up on our reading during the winter months, while helping our outreach initiatives.

Last but not least, Novadebt's Freehold office will be the location for a VITA (Volunteer Income Tax Assistance) site from February 1 through April 15. The VITA Program offers free tax help to low- to moderate-income (generally, \$49,000 and below) people who cannot prepare their own tax returns. While preparing your return, volunteers can also help you determine if you meet the requirements for the Earned Income Tax Credit (EITC). EITC is a federal income tax credit that is refunded to qualified taxpayers after their taxes have been paid. Even if you don't have to pay any taxes on your income, you may still qualify for a refund. EITC is based on the amount of your earned income, is set up on a sliding scale and claimed by filing a federal income tax return. To locate the site nearest to you, call 1-800-829-1040.

Thank You Novadebt!

"I am steadily paying off my credit card debt and would not have been able to do this without Novadebt's services. I have always been treated with professionalism. Novadebt has been my best advocate with credit card companies and I am looking forward to being debt free."
~ Barbara, MA

"I really appreciate everyone's kindness at Novadebt. Their knowledge and suggestions helped improve my situation. Most importantly, I never felt judged. Thank you very much Novadebt!"
~ Diane, CA

If you have any comments, questions, or suggestions for future news bulletins, please email bulletin@novadebt.org.



Dear Kim...

Welcome to the newest section of our newsletter...**Dear Kim.**

My name is Kim Cole and I am the Education Outreach Coordinator for Novadebt. In my 7 years with Novadebt, I have been asked all kinds of financial related questions. The common thread is that everyone feels they are the only one with that particular question, and they are wrong.

At Dear Kim, our clients will have the opportunity to ask their questions relative to personal finance and view answers to those questions in print.

We will select a few questions each month to respond to in the newsletter. If your question is not one of the lucky questions chosen for print, we will still provide you with a reply directly.

Novadebt will only publish your first name and state, and we will happily accept anonymous questions.

Please send your questions via email at kcole@novadebt.org or through the mail:

Novadebt
Attn: *Dear Kim*
P.O. Box 160
Adelphia, NJ 07710-0160

Dear Kim:

I am currently on the debt management program with Novadebt. I recently received a call from one of my credit card companies that told me if I paid \$5,000 on my debt of \$9,200, they would consider my account paid off. The only problem is that they wanted the whole amount now, and I don't have the \$5,000. Should I call them and see if they will take it in payments?

Sincerely,
Roger,
Detroit MI

Dear Roger:

What has been offered to you is a settlement. My first suggestion would be to call our office and speak with a qualified client care representative before agreeing to anything. I would like to explain the settlement process to you. A settlement takes place when a creditor or collector offers to accept less than the full balance and agrees not to continue collection activity.

In theory a settlement sounds wonderful, in practice it may cause more harm. FICO recently released the credit score point reduction for debt settlement, and depending on your current credit score, you could lose from 45-125 points for accepting a settlement. This can be an extreme hit, particularly if you have had a good payment history and are just experiencing a financial "hiccup".

The next question you need to ask yourself is how will you get the \$5000 together? Are you comfortable with making that kind of payment? In most cases a creditor or collector will not take a settlement in installments.

Lastly, one of the most overlooked issues stemming from a settlement is the tax ramifications. Any forgiven balance that exceeds \$600 is taxable income. Please keep this in mind. If you are in a 15% tax bracket, you will have a \$630 tax liability.

As you can see there is a lot more to the settlement process than just coming up with the payment. If you are having any issues with your ability to maintain your current debt management program, I strongly urge you to speak with our client care department, and then have an updated counseling session with our client guidance department.

Good Luck,
Kim