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Consider Your EAP for Debt Relief

“Americans are falling behind on their credit card payments at an alarming rate, sending delinquencies and defaults surging by double-digit percentages in the last year and prompting warnings of worse to come.” - Source: Associated Press, December, 2007

This startling headline accompanied an analysis of financial data from the nation’s largest card issuers which found the greatest rise was among accounts more than 90 days in arrears. The gloomy statistics formed the centerpiece of a study of 325 million individual accounts by the U.S. Securities and Exchange Commission. Some experts say that these signs of financial troubles are partly a byproduct of the sub prime mortgage crisis as well as an increasing tendency to “max out” credit cards as a way of stretching one’s purchasing power.

Clifford Tan of Stanford University, a former economist for the Federal Reserve Board, sees trouble ahead for both families and the economy in general: “Debt eventually leaks into other areas, whether it starts with the mortgage and goes to the credit card or vice versa. We’re starting to see those leaks now.”

The value of credit card accounts at least 30 days late has jumped 26 percent to \$17.3 billion in October of 2007, compared with one year earlier. Serious delinquencies (90 days late) were up by 50% over those in this category one year ago.

Economists also cite America’s long-standing attitude that personal debt – even high interest credit card debt – is no big deal. “The desires of consumers to want, want, want, spend, spend, spend – it’s become the fabric of our nation,” says Howard Dvorkin, founder of Consolidated Credit Counseling Services in Fort Lauderdale, FL, which has advised more than 5 million people in debt. “But you eventually have to pay the piper and that can be a very painful process.”

Filing for bankruptcy is no longer an option for many Americans because of federal legislation in 2005 which made it harder to walk away from debt. Most wage earners are barred from declaring Chapter 7 bankruptcy where debts can be wiped out entirely and now must file under Chapter 13 which is more restrictive and requires that a payment plan be established and adhered to.

Personal finance coaches indicate that the problem is most grave for those who don’t recognize the seriousness of their situations or who thought they would “beat the system” by taking out untraditional loans – such as those with short-term low interest rates that eventually “balloon” into much higher rates for the duration.

Fortunately, help is available to you through your Employee Assistance Program! When you call, a professional counselor will conduct a confidential assessment of your situation and direct you to the appropriate provider who can help with your unique situation. This may entail a legal referral or a referral to a financial counselor or debt consolidation service. Your commitment to making necessary changes is critical to success, and your EAP counselor will help you begin that process.