

Defeat Debt

Credit Advisors Foundation

Volume 49, Issue 2

Prescreened Credit Offers: Should You Opt-Out?

Maintaining your credit history can be difficult. Trying to keep down your interest rates could be a full time job. Of course, many folks instead of doing research on which credit card issuers are offering the best rates have become dependent on prescreened, pre-approved credit offers for guidance. But what do you really know about how those offers are developed and why creditors like them so much?

Before you read further, here's a warning: reading this article may cause you to lose that adorable consumer fantasy – my creditors are my friend.



Reading this article may cause you to lose that 'my creditors are my friend' consumer fantasy.

Advantages to consumers

Targeting potential consumers by controlling certain risks creates lower expenses and losses for the creditor, which, in theory, lowers cost of credit for consumers. Additionally, because prescreening spurs competition and lowers creditor solicitation costs, it again, in theory, results in lower prices for consumers.

Four areas of concern for consumers in regard to prescreened offers

1. inconvenience
2. debt burden
3. privacy implications
4. identity theft potential

Inconvenience

Inconvenience probably

receives the lowest level of concern by regulators, Credit Reporting Agencies (CRAs) and creditors, although this may not be the case for consumers. Apparently, how many of these mailings you receive, how you dispose of unwanted mailings (known on the street as junk mail) and the time it takes is your problem, not theirs.

Debt burden

Information made available from studies reported to the Federal Reserve seems somewhat contradictory. While these studies and reports suggest that prescreened credit solicitations have not caused a large section of the public to obtain excessive amounts of debt, it is readily admitted that there are numerous individuals that have fallen into such a predicament. Results

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Opt-Out

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from a Credit Advisors Foundation break room poll indicates that of those who have credit cards, nearly 70% received their cards through prescreened, preapproved credit offers.

This raises a level of curiosity of how many consumers in DMPs received their credit through consumer initiated applications as opposed to prescreened offers.

More recently, solicitation response rate trends reflect greater participation in balance transfer offers than in additional credit accounts.

One questionable study assumption to note however as there is no backup data provided is that prescreened offers would not in and of themselves contribute to overindebtedness as a consumer with debt problems resulting in payment difficulties would probably

not receive such an offer. Another interesting assumption from reviewed surveys is that study participants did not believe they personally had too much credit due to prescreened solicitations but that the majority suspected that other consumers had fallen into the prescreened trap.

Privacy implications

Just how much access does a creditor have to your information stored by a CRA during the prescreen process? Those involved claim the information is minimal. A creditor contacting a CRA will provide certain criteria to create a solicitation list, such



Prescreened credit offers can cause concerns for consumers including inconvenience, debt burden, privacy implications, and identity theft.

as a minimum or credit score range. While the creditor would not receive information on the consumer's actual credit score, they would know that the consumer does meet the prescribed parameters. The creditor would also receive the

consumer's name and address, and information to verify the identity of the consumer that is not unique to the

consumer (the example often given is that of a partial social security number). Creditors may share this information with affiliated third parties so long as the consumer is given the opportunity to opt out.

Identity Theft

It doesn't require Sherlock Holmes to find a connection between prescreened credit solicitations and potential identity theft. More than one creditor has acknowledged that identity theft resulting from prescreened offers is generally found to be a family member, relative or person in a position of trust to the consumer. Unfortunately, even though the ID theft does not involve a stranger, the damage done to the consumer both emotionally and to their credit record is the same if not greater and requires the same time and diligence to resolve regardless of the culprit – if the thief is ever identified.

For that reason, experts

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WORD SEARCH * WORD SEARCH * WORD SEARCH * WORD SEARCH

Try your hand at the Word Search puzzle. Here are the Word Search words for this edition of Defeat Debt:

ACCOUNT ADVANTAGE BALANCE BURDEN CONCERN CONSUMER CREDITOR
 DEBT EXPENSE IDENTITY INTEREST JUNK OFFER OPT OUT PREAPPROVED
 PRESCREEN PRIVACY SCORE SOLICITATION THEFT TREND WARNING

S	O	L	I	C	I	T	A	T	I	O	N	S	O
C	P	R	E	A	P	P	R	O	V	E	D	P	B
O	R	K	G	D	Z	R	L	D	E	B	T	G	O
R	E	F	T	V	D	I	V	C	N	O	N	B	A
E	S	Q	P	A	J	V	N	K	U	I	I	U	D
P	C	J	U	N	K	A	W	T	N	E	F	R	C
N	R	P	H	T	L	C	A	R	E	U	M	D	R
R	E	M	Y	A	S	Y	A	U	B	R	T	E	E
E	E	S	B	G	K	W	T	R	T	R	E	N	D
C	N	I	D	E	N	T	I	T	Y	W	H	S	I
N	V	T	F	E	H	T	A	C	C	O	U	N	T
O	C	E	X	P	E	N	S	E	X	K	J	U	O
C	O	N	S	U	M	E	R	G	O	F	F	E	R

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recommend that you not leave delivered mail in your mailbox any longer than necessary unless it is locked. They also recommend that you shred or in some fashion destroy unwanted credit solicitations you receive.

Maintaining your credit history and protecting your identity is already difficult enough. Being forced into managing prescreened credit offer mailings, from the clutter created

to the safe and responsible disposal, may not be the best use of your time.

Remember, you can choose to opt-out.

Opting out requires that you contact the credit bureaus and request that you not be included in the criteria guided searches for creditors.

If you choose to opt-out there are a couple of different ways to go about it:

On the web at www.optoutprescreen.com or by phone at (888) 567-8688.

When you opt-out you can choose to do so for five years or permanently.

If you are in a debt management program, a time when you are not to obtain new credit, you might consider opting out for five years to remove the temptation of additional credit and the headache of dealing with the solicitations.

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We're on the Web!!

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Get out of debt with no regret



The Kitchen on a Dime

One way to save money each month is to eat breakfast at home and avoid the fast food joints. Try this light and yummy recipe from one of our own CAF staffers.

Vegetable Quiche Cups

Ingredients:

1 package (10 ounces) frozen chopped spinach

¾ cup liquid egg substitute

¾ cup shredded reduced-fat cheese

¼ cup diced green bell peppers

¼ cup diced onions

3 drops hot-pepper sauce (optional)

Preparation:

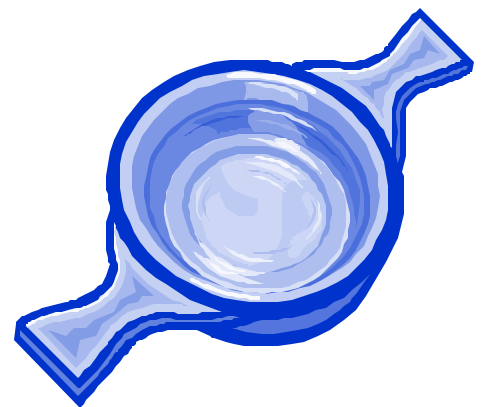
Microwave the spinach for 2 ½ minutes on high. Drain the excess liquid.

Line a 12-cup muffin pan with foil baking cups. Spray the cups with cooking spray.

Combine the egg substitute, cheese, peppers, onions, and spinach in a bowl. Mix well.

Divide evenly among the muffin cups. Bake at 350°F for 20 minutes, until a knife inserted in the center comes out clean.

Quiche cups can be frozen and reheated in the microwave. For taste variety, any combination of appropriate vegetables and reduced-fat cheeses may be used.



Vegetable Quiche Cups make a light and yummy breakfast.

Serves 6 @ 65 cents per serving