



Credit Advisors Foundation

1818 SOUTH 72ND STREET  
OMAHA, NE 68124-1704

PHONE: (402)393-3100  
FAX: (402) 393-7660  
TOLL FREE (888) 942-9027  
[www.creditadvisors.org](http://www.creditadvisors.org)

---

## NEWS RELEASE

**Credit Advisors Foundation**  
For Immediate Release  
April 27, 2009

**Contact:** Rachel Feala  
Marketing Assistant, 402-514-3332  
[rfeala@creditadvisors.org](mailto:rfeala@creditadvisors.org)

### CHARGE OFF RATE REACHES RECORD HIGH

The credit card industry is approaching another milestone. Two major credit card issuers just announced their charge off rate will near 10 percent in May. When this many consumers attaining charge off status, the recovery of the economy is hindered.

On April 21<sup>st</sup>, Capital One announced their charge off rate reached 8.39 percent during the first quarter of this year. J.P Morgan Chase also stated Chase's first quarter charge off rate reached 7.7 percent and they expect the rate to reach 9.5 percent in the coming month. This is more than double Chase's reported 4.4 percent charge off rate from a year ago.

"I am very surprised charge off rates have reached this point," Michaela Harper Program Director at Credit Advisors Foundation said. "When I started in the financial industry, a charge off rate of two percent was considered huge."

Job losses and reductions are partly to blame for the increased rates. Consumers' income is decreasing at a faster rate than they are able to eliminate expenses. Consequently, credit card payments are skipped in order to afford necessities.

Creditors charge off accounts when the delinquency rate is great enough to indicate that the balance is at risk of going unpaid. Generally this occurs when the total past due equals six months of minimum monthly payments. Consumers receive a negative "charged off" rating of 9 on their credit report and often the debt is sold to a collection agency. This negative mark will remain on the credit report for seven years during which time collection activity will continue. Lenders are hesitant to loan money to consumers with a history of charged off accounts. Even employers check credit reports and many times they will not hire people who have a poor credit score from delinquent credit card payments.

While there is no way to remove a legitimate "charged off" mark from a credit report, consumers can improve their report by paying the balance so that the account is updated to show the debt was paid.

The best option is to not let accounts reach the charged off point in the first place. Many creditors have hardship departments and will work out a payment plan, if they are contacted before the account is charged off. The sooner a creditor is contacted the more willing they are to work out a plan that will be beneficial to the consumer. Consumers can attempt this on their own, or they can contact a credit counseling agency who will assist them with the negotiations and the repayment plan.

When creditors are reporting charge off rates nearing 10 percent it is not only the creditors who stand to lose. Consumers lose the chance to qualify for low interest rate loans, preferred insurance rates for autos and homes, and sometimes better employment opportunities for the next seven years. This trend, along with several others, will impact the economy's ability to rebound. In order to save their financial future consumers need to be proactive and contact their creditors at the first sign of trouble.

###

*Credit Advisors is a national, non-profit credit and housing counseling organization with offices in Omaha, Nebraska, Tacoma, Washington, Scottsdale, Arizona, and Mt. Laurel, New Jersey. The organization provides financial education to the community via publications, speakers, and counseling. For more information visit [creditadvisors.org](http://creditadvisors.org)*