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# Consumer Briefings

April / May 2009

## Millions of Credit Card Interest Rates on the Rise



Anyone who has recently seen the interest rates on their credit cards more than double isn't alone. Citing economic conditions, American Express, Bank of America, Citibank, Capital One, and HSBC are raising rates on potentially millions of credit card holders. Fortunately though, there are a few steps that credit card holders can take to try and keep their old rate and Better Business Bureau offers the following advice for fighting back against skyrocketing interest rates.

Bank of America is one of the most recent banks that have decided to increase interest rates for customers. Effective in June, any Bank of America credit-card customer who carries a balance and has an interest rate below 10 percent will see his or her rate jump into double-digit territory. According to the Wall Street Journal, this could affect as many as 4 million card holders.

"For many people, this is the worst possible time to see interest rates rise on their credit cards," said Karen Nalven, BBB President. "The best defense against rate hikes is to manage credit responsibly and maintain a good track record for paying bills on time, for those who don't have a stellar record, there are still a few things to do to keep from paying even more every month."

For anyone who has experienced a sudden jump in credit card interest rates, BBB offers the following advice:

### Contact your credit card company.

While most interest rate hikes affect only customers who carry a balance, some customers in good standing have seen their rates increase as well. Anyone who believes their rate was increased by mistake should contact their credit card company. There is evidence that credit card companies might be willing to negotiate rates in order to keep cardholders as customers, so it doesn't hurt to contact the company and discuss options.

### Pay off the account.

If the cardholder doesn't want to accept the new rate, they can choose to keep their current rate and pay off their outstanding balance, as long as they don't make any new purchases. If any new purchases are made, the higher rate will be enforced.

### Find a better deal elsewhere.

Other credit card companies might be offering better deals, such as low introductory rates that will give the holder a less expensive way to pay down debt. There are many Web sites that compare current credit card offers, including [www.bank-rate.com/credit-cards](http://www.bank-rate.com/credit-cards), so shop around for a better deal.

### Manage credit responsibly.

According to banks, most rate hikes affect people who maintain balances on their card or have rates that are too low for the market. Therefore, one of the best ways to avoid a sudden interest rate hike is to use credit cards responsibly which includes paying bills on time and not carrying a balance.

### Keep an eye on new regulation.

The Federal Reserve has passed regulation, effective July 2010, which will limit a bank's ability to raise interest rates on cards. In the meantime, some members of Congress and the Obama administration are encouraging reform of the credit industry and increased oversight to restrict practices such as arbitrary interest rate hikes and exorbitant rates.



## Deceptive Auto-Warranty Solicitations Spike Nationwide

Better Business Bureau is warning consumers to be extremely wary of telemarketing calls and mailers which claim their auto warranty had or is about to expire. BBB advises that the deceptive solicitations could persuade car owners to purchase an extended auto service contract of questionable value.

BBB has seen a considerable spike in both complaints and inquiries from consumers who state that they received misleading mailers or high-pressure telemarketing calls claiming their auto warranty was about to expire. Complaints against Auto Warranty Processing Services rose by more than 40 percent over the prior year. In 2008, more than 140,000 consumers across the country contacted their BBB to confirm the legitimacy of companies claiming to sell auto warranties.

"The BBB is hearing from consumers nationwide who are being solicited by telemarketers and mailers trying to scare

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## BBB Warns Against Swine Flu Scams: Scammers are creating their own epidemic of spam e-mails

Relying on reports from online security experts, Better Business Bureau is warning consumers to be on the lookout for fraudulent emails and Web sites trying to take advantage of the current swine flu outbreak.

"Scammers read newspapers, watch TV and surf the Internet. They know that by using a hook from the day's top headlines, that they'll be able to catch lots of fish," said Karen Nalven, president of BBB serving West Florida. "Right now, issues associated with swine flu and a potential pandemic are of global interest, and that means scammers have a very large pond to go phishing in."

According to McAfee Avert Labs, an online security company, spammers began pumping out e-mails as soon as the first accounts of swine flu were being reported in the news, accounting for two percent of all spam messages. The messages include such subject lines as, "Madonna caught swine flu!" and "Swine flu in Hollywood!" The company reports that the e-mails do not



contain malware but often link to online pharmacies.

BBB offers the following advice to avoid swine flu scams:

Avoid opening e-mail from an unknown source and do not click on any links in the body of the e-mail or open any attachments. Instead, delete the e-mail or report it to the Federal Trade Commission by forwarding the e-mail to [spam@uce.gov](mailto:spam@uce.gov).

Don't believe online offers for vaccinations against swine flu because a vaccine does not exist. For more information on swine flu and updates on progress in fighting the outbreak, go to [www.cdc.gov/swineflu](http://www.cdc.gov/swineflu)

Make sure your anti-virus and anti-spyware software is up to date and all operating system security patches have been installed. If your computer becomes infected as the result of a spam e-mail about swine flu, you can report it to the Internet Crime Complaint Center at [www.ic3.gov](http://www.ic3.gov).

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them into thinking their auto warranty is about to expire, and if they don't sign-up now the offer will expire," said Karen Nalven, BBB President. "In addition to these telemarketers possibly giving you incorrect information about your coverage, they are potentially ignoring federal laws such as the Do-Not-Call registry."

BBB has received complaints from consumers across North America who were informed that their car warranty was about to expire, when such was not the case, and that they needed to take immediate action in order to avoid a lapse in coverage. BBB research shows that the consumer is actually being sold an extended service contract and despite the impression given, the offer is not associated with the car manufacturer's warranty.

The value of the various extended service contracts being sold also has been called into question, as many consumers complained that the contract had numerous conditions that might be difficult to meet. For instance, pre-existing conditions often are not covered, proof of maintenance records may be required and restrictions on authorized repair facilities and repair charges must receive prior approval making many of these contracts virtually worthless. Others report difficulty in obtaining refunds.

**BBB offers the following advice for dealing with a firm selling extended auto service contracts:**

- **Never give personal information, including Social Security, bank or credit card numbers, over the phone to an unknown telemarketer.**
- **When considering an extended service contract or any other type of telephone solicitation, insist on getting a contract in which all terms and conditions are clearly explained before signing up or providing credit card or other payment information.**
- **Read your auto manufacturer's warranty and contact your dealer or manufacturer so that you are not purchasing duplicate coverage.**
- **Before purchasing extended warranty coverage, consumers should always check the company out first with BBB at [www.bbb.org](http://www.bbb.org).**
- **Consumers can place their phone number on the federal do not call list by visiting [www.donotcall.gov](http://www.donotcall.gov). If the consumer is already on the list but continues to receive telemarketing calls, he or she can use the same Web site to report the incident to the FTC.**

**For more information you can trust on avoiding fraud and identity theft, go to [www.bbb.org](http://www.bbb.org).**

# BBB on Differences Between Debt Consolidation, Debt Negotiation and Debt Elimination Plans

Consumers are being battered on all fronts and offers from companies to help get them out of debt are extremely tempting in troubling times. Offers of debt negotiation, debt settlement, and debt elimination are three different options available to consumers. Better Business Bureau advises consumers to ensure they understand these critical differences before enlisting the help of a company to manage their debt or they could end up making their current financial situation worse.

The unemployment rate in the US rose from 7.2 to 7.6 percent in January according to the U.S. Department of Labor, and more families are struggling to make ends meet. While the unemployment rate continues to rise, so do complaints filed with BBB against companies that claim to help consumers manage their debt. In fact complaints against debt consolidation and negotiation companies rose by almost 19 percent in 2008 over the previous year.

"Every day, consumers are bombarded with ads and e-mails offering services to manage or reduce debt and it's hard to know which offer will work for them or if the company can be trusted," said Karen Nalven, BBB President. "Trusting the services of some debt negotiation, consolidation or elimination firms can actually lead to increased debt."

To help consumers understand various options for dealing with debt, BBB offers a brief explanation of debt negotiation, consolidation and elimination services and tips on finding help to deal with debt:

## Debt Negotiation/Settlement

Debt negotiation companies claim that they will negotiate with a consumer's lenders to lower the total amount of debt owed for an upfront fee. Unfortunately, some consumers who paid for debt negotiation services found out that the company never contacted their lenders, but instead, took their money and ran. Because the debt negotiation company made it sound like they had everything under control, the consumer stopped talking directly with their lenders and ended up slipping deeper into debt. Relying on debt negotiation firms could also put a dent in a consumer's credit report.

## Debt Consolidation

Debt consolidation companies offer to roll up various debts allowing the debtor to make one lower payment to the company, rather than many payments to the different lenders.

While debt consolidation can make paying monthly bills more manageable, some companies tack on high fees and charge exorbitant interest rates, which means the consumer is paying much more in the long run.

## Debt Elimination

Companies that offer debt elimination rely on many different schemes but they all hinge on the notion that credit lines are illegal. Debt elimination companies typically provide, for an upfront fee, a document for the lender that supposedly absolves the consumer of the debt. Unfortunately, the document has no bearing whatsoever on the debt owed and consumers paying for such services have found that they've wasted money on a debt elimination scheme that would have been better spent on actually paying back their debts.

Before enlisting the help of a business to manage debt, BBB offers the following advice for consumers.

- **Stay in contact with lenders and try to work out a plan with them first before enlisting outside help.**

- **Always check the company out first with BBB. BBB Reli-**

**ability Reports on debt negotiation, consolidation, and elimination companies are available online for free at [www.bbb.org](http://www.bbb.org).**

- **Start with a credit counseling service. Credit counseling services are often non-profits that offer financial guidance for a small fee, or even for free. Click here for more advice on choosing a credit counseling agency.**

- **Beware of offers that sound too good to be true. There is no easy fix for reducing debt and any company that makes huge claims and guarantees, probably can't deliver.**

For more advice on dealing with debt including how to manage a budget, go to [www.bbb.org](http://www.bbb.org).



## BBB on Top Five Ways to Prevent ID Theft Online

BBB recommends consumers take the following five steps to prevent ID theft whenever they are online:

### 1. Don't fall for a phishing e-mail.

Phishing—using e-mail or phone calls to pose as a trustworthy organization in order to coerce sensitive information from victims—is on the rise. According to a survey for Gartner, Inc., 3.6 million U.S. adults lost money in phishing attacks in the 12 months ending in August 2007, as compared with the 2.3 million who did so the year before. The amount of money lost totaled \$3.2 billion.

Phishing e-mails can look legitimate with graphics and official logos of banks, government agencies, or credit card companies. The e-mails usually include hyperlinks that direct the victim to a Web site designed to install viruses and malware or solicit bank account or Social Security numbers.

In order to prevent ID theft through phishing e-mails, computer users should completely delete unsolicited e-mails from banks, credit unions, investment firms and government agencies with which they do not already have an established relationship. If the recipient does have an existing relationship with the supposed originator of the e-mail, BBB recommends calling the organization to confirm whether or not the e-mail is legitimate before taking any further action. The IRS and other government agencies do not use e-mail to contact consumers about any issues or problems that require action on the part of the recipient, so e-mails purporting to be from government agencies should be deleted immediately.

### 2. Create strong passwords and protect them.

Developing a habit of regularly changing passwords makes it much more difficult for ID thieves to steal personal information. Some passwords, however, are stronger than others. Attributes of a secure password include a combination of numbers, capitalized letters and even symbols. Consumers should never use sensitive information for a password such

as their Social Security number, mother's maiden name or birthday.

### 3. Be safe and secure when on the go.

Computer users on the go should be wary of entering passwords or sensitive information into a computer that isn't theirs, such as at an Internet café, library, computer lab or airport kiosk. Hackers can actually record their target's keystrokes to learn passwords and other information.



Wi-Fi networks, either on the road or in the consumer's own house, present even more opportunities for ID thieves. The easiest way to protect a Wi-Fi network at home is to not broadcast the Service Set Identifier. A safe rule of thumb is to avoid exchanging sensitive information through the Internet when using a public Wi-Fi connection and to simply wait until a trusted network can be used.

### 4. Guard personal computers with anti-virus, anti-spyware, and firewall protection.

Opinions vary, but the amount of time it takes for an unprotected personal computer to become infected with a virus or malware can range from four to thirty-four minutes. That's why a computer must have good anti-virus software, as well as anti-spyware and firewall protection. Consumers can purchase protective software, but there are also a number of reputable, free programs available for download online. BBB advises consumers to do their research into a company beforehand to make sure it provides legitimate, reliable software. Also, many operating systems already provide firewall protection so users should always make sure this protection is enabled.

### 5. Only transfer information over a secure server.

When it comes to giving out personal information online, consumers should only do so on a secure server. On a secure server, the information is encrypted as it is being transmitted; that way, others can't read it if they should intercept it.

## Become an Informed Consumer by Checking with BBB First

In order to help consumers make better-informed decisions on where to spend their hard-earned dollars, Better Business Bureau now assigns letter grades to local businesses ranging from A+ to F. The letter grade system—which replaces a less-detailed scale of “satisfactory” or “unsatisfactory”—represents BBB's degree of confidence that the business is operating in a trustworthy manner and will make a good faith effort to resolve customer concerns.

Consumers can research the grades of more than 50,000 local businesses by reviewing BBB Reliability Reports™, which are available online and free of charge at [www.bbb.org](http://www.bbb.org). In addition to noting the business's letter grade, BBB Reliability Reports™ also include details about integrity and performance, such as the number of complaints a business has received, their response to complaints, and details on any government actions against the business.

BBB's proprietary ratings formula takes into account 16 weighted factors, using objective information and actual incidences of a business' behavior that have been verified and evaluated by BBB professionals. Specific issues affecting a business's rating

are described in detail in BBB Reliability Reports™. Ratings factors include:

- The business's overall complaint history with BBB, including the number and severity of complaints to BBB from customers.
- Whether complaints have been resolved in a timely manner or the business has demonstrated a good faith effort to resolve them.
- How long the business has been operating and whether it meets appropriate competency licensing.
- Government actions against the business related to marketplace activities.
- Advertising issues evaluated by BBB.
- Whether the business is a BBB Accredited Business and has committed to BBB standards.

Rating factors also take into account BBB's opinion as to whether business models and industries operate in violation of the law, misrepresent products and services, and are likely to generate trade practice concerns and/or have high levels of customer dissatisfaction. Both BBB Accredited Businesses and non-accredited businesses in BBB's database have received a letter grade as part of their report.

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