YOUR MONEY, YOUR GOALS

A financial empowerment toolkit for Legal Aid organizations

Consumer Financial Protection Bureau

February 2016

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Overview

An introduction to the CFPB

The Consumer Financial Protection Bureau (CFPB) works to make markets for consumer financial products and services work for consumers—whether they are applying for a mortgage, choosing among credit cards, asking for their credit reports, or using any number of other consumer financial products.

This means ensuring that consumers get the information they need to make the financial decisions they believe are best for themselves and their families—that prices are clear up front, that risks are visible, and that no important information is buried in fine print.

Congress established the CFPB through the Dodd-Frank *Wall Street Reform and Consumer Protection Act of 2010* (Dodd-Frank Act). To create a single point of accountability in the federal government for consumer financial protection, the Dodd-Frank Act consolidated many of the consumer financial protection authorities previously shared by seven federal agencies into the CFPB. The CFPB:

- Writes the rules for providers of financial products.
- Oversees compliance with the rules.
- Brings enforcement actions to stop violations.
- Educates the public to help them navigate the market for financial services.
- Answers consumers' questions, handles their complaints, and shares data with the public.

The CFPB's primary strategies are:

- **Education**—An informed consumer is the first line of defense against harmful practices.

- **Oversight**—The CFPB supervises banks, credit unions, and other financial companies, and enforces federal consumer financial laws.
- **Regulations**—The CFPB writes rules to create a fair marketplace and works to ensure that rulemaking is conducted in an informed, fair, and efficient manner in accordance with the law.
- **Study**—The CFPB gathers and analyzes available information to better understand consumers, financial services providers, and consumer financial markets.

The CFPB has exclusive supervisory authority and primary enforcement authority for federal consumer financial law over insured depository institutions or insured credit unions with assets totaling over $10 billion and their affiliates. The CFPB also has authority to supervise many nonbanks, such as mortgage servicing companies, private student lenders, payday lenders, and larger participants of the consumer reporting, consumer debt collection, and student loan servicing markets.

The Dodd-Frank Act also mandated creation of offices to develop financial education and policy initiatives to support the financial well-being of particular segments of the consumer population. These offices focus on servicemembers, students, older Americans, and “traditionally underserved” consumers.

The Office of Financial Empowerment within the Division of Consumer Education and Engagement, the Office tasked with serving low-income and traditionally underserved consumers, developed this toolkit because legal aid providers meet with thousands of consumers who need financial information and tools to help them address financial issues more effectively.

The CFPB hopes legal service providers will use this information, the tools found within this toolkit, and the resources at http://www.consumerfinance.gov with as many of their clients as possible. As they do, they’ll help inform and empower the individuals in the communities they serve to manage their finances in ways that help them achieve their goals and dreams. Of course, as legal aid staff adopt, implement or make recommendations based upon these materials, they should remain cognizant of professional standards applicable to their provision of services.

CFPB resources for legal aid organizations

Beyond this toolkit, the CFPB provides additional services and information that are especially useful to legal aid organizations. Examples include the following:

- **Regulatory information.** As a regulator, the CFPB has developed a long list of materials—including compliance guides —designed to explain regulations to industry and make compliance as straightforward as possible. Those same materials are of interest to legal aid organizations as concise guides to laws and regulations designed to protect consumers. http://www.consumerfinance.gov/regulatory-implementation. Included among these is a guide on the new mortgage servicing rules. http://files.consumerfinance.gov/f/201312_cfpb_mortgages_help-for-struggling-borrowers.pdf.

- **Ask CFPB.** This ever-growing compilation of answers to consumer questions covers a range of consumer protection issues related to financial products, services, and providers. http://www.consumerfinance.gov/askcfpb.

- ***Get Assistance* materials.** In addition to *Ask CFPB*, the *Get Assistance* section of the CFPB's website includes consumer friendly resources such as *Paying for College* and *Trouble Paying Your Mortgage*. http://www.consumerfinance.gov.

- **Submit a complaint.** When a client has an issue with a consumer financial product or service, he or she can submit a complaint – online or via phone, fax, or mail. The CFPB will forward the complaint to the company and work to get a response from them. http://www.consumerfinance.gov/complaint. Legal aid staff ***can also submit a complaint on behalf of a client.*** Complaints help with the CFPB's work to supervise companies, enforce federal consumer financial laws, and write better rules and regulations.

- **Information about anonymized consumer complaints** is available to the public through the CFPB's Consumer Complaint Database at: http://www.consumerfinance.gov/complaintdatabase.

- **Resources for Servicemembers, Students and Older Americans.** The CFPB has materials and resources addressing financial issues facing these populations. These can also be found at the *Get Assistance* section of the website. http://www.consumerfinance.gov.

Protecting consumer rights—the CFPB and consumer finance laws

The CFPB enforces various consumer financial laws, including the *Fair Debt Collection Practices Act* and the *Fair Credit Reporting Act*. These laws provide key protections for consumers against harmful practices they may encounter in the financial services marketplace.

The following consumer protection laws establish certain consumer rights related to financial services and products. This is not a comprehensive list, but it provides a starting place for understanding some of the many rights and responsibilities with which legal aid staff should be familiar.

Read the summary of each law below. Then follow the link listed within the "Short Description" or visit our website at http://www.consumerfinance.gov for more information.

Consumer protection law	Short description
Equal Credit Opportunity Act and Regulation B	The Equal Credit Opportunity Act (ECOA), implemented by Regulation B, makes it unlawful for any creditor to discriminate against any applicant, in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex or, marital status, age (provided the applicant has the capacity to contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised certain consumer rights. ECOA and Regulation B prohibit certain creditor practices, such as refusing to provide credit if an applicant qualifies for it because of any prohibited basis; discouraging applicants from applying for credit because of any prohibited basis; or offering less favorable terms to an applicant than to someone similarly situated because of any prohibited basis. ECOA and Regulation B require creditors, among other things, to: ▪ Notify applicants of actions taken on their applications within specified periods. ▪ If the creditor furnishes applicant information to credit bureaus, to do so in the names of both spouses on an account. ▪ Retain records of credit applications for a specified period. ▪ Solicit information about the applicant's race and certain other protected characteristics in applications for certain residential mortgages for government monitoring purposes. ▪ Provide applicants with copies of appraisals used in connection with residential mortgage applications. For more information about this law including information about how to detect discrimination and protect yourself against it, visit http://www.consumerfinance.gov/fair-lending

Consumer protection law	Short description
Home Mortgage Disclosure Act (HMDA) and Regulation C	The Home Mortgage Disclosure Act (HMDA), implemented by Regulation C, requires certain mortgage lenders to collect and report loan data that can be used to: a) help determine if financial institutions are serving the housing needs of their communities; b) assist public officials in distributing public-sector investment to attract private investment to areas where needed; and c) assist identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes. This data is available for use by the public as well as by federal and state regulatory and enforcement agencies. Data fields required to be reported under HMDA include, for each application, the action taken by the creditor; the location of the property to be mortgaged; the race, ethnicity, and sex of the applicant; and the income relied on in the application. For more information about this law, visit http://www.consumerfinance.gov/learnmore.

Consumer protection law	Short description
Electronic Fund Transfer Act (EFTA) and Regulation E	Establishes the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer services or send remittances and of the financial institutions that offer these services. "Electronic fund transfers" include transactions, for example, where a consumer swipes his or her debit card at checkout, makes purchases with a card by phone or online, or makes deposits or withdrawals at an ATM. Protects individual consumers engaging in electronic fund transfers or remittance transfers. Restricts inactivity and service fees and limits how quickly funds can expire for gift cards, gift certificates, and certain other prepaid cards. Requires all fees and other important terms to be clearly communicated in writing. Applies to any transaction initiated through an electronic terminal, telephone, computer or magnetic tape in which a financial institution is told to either deposit or withdraw from an individual's account at the financial institution. Establishes "opt in" provisions for overdraft fees on ATM transactions and non-recurring debit card transactions; financial institutions are prohibited from charging overdraft protection fees on these unless consumers opt in. For more information on the "opt in" provisions for overdraft fees, visit: http://www.consumerfinance.gov/blog/whats-your-status-when-it comes-to-overdraft-coverage. For more information on remittance transfers (also covered under Regulation E), visit: http://www.consumerfinance.gov/regulations/final-remittance-rule-amendment-regulation-e.

Consumer protection law	Short description
Fair Debt Collection Practices Act and Regulation F	The Fair Debt Collection Practices Act (FDCPA) is the main federal law that governs debt collection practices. The FDCPA prohibits debt collection companies from using abusive, unfair, or deceptive practices to collect past due debts. The FDCPA covers the collection of consumer debt such as mortgages, credit cards, medical debts, and other debts primarily for personal, family, or household purposes. It covers personal debt, not business debt. The FDCPA does not generally cover collection by the person or business from whom the consumer first borrowed money—it covers third-party debt collections (debt collection agencies and debt buyers involved in collection) and attorneys who collect debt on behalf of their clients. For a summary of this law visit: http://www.consumerfinance.gov/askcfpb/329/what-is-the-fair-debt-collection-practices-act.html.
Consumer Leasing Act and Regulation M	Ensures that people who lease personal property receive meaningful disclosures that enable them to compare lease terms with other leases and, where appropriate, with credit transactions. Limits the amount of balloon payments in consumer lease transactions. Provides for the accurate disclosure of lease terms in advertising. For more information on leasing an automobile, visit: http://www.consumerfinance.gov/askcfpb/815/should-i-buy-or-lease-whats-difference.html.

Consumer protection law	Short description
Privacy of Consumer Financial Information – Gramm-Leach-Bliley Act and Regulation P	Governs the treatment of non-public personal information about consumers by financial institutions and by institutions that re-use or re-disclose information from financial institutions. This type of information includes account information and Social Security numbers. Provides a method for consumers to prevent a financial institution from disclosing that information to other businesses or individuals by "opting out" (there are exceptions to this). Restricts when financial institutions may disclose non-public personal financial information to other businesses or individuals. Requires financial institutions to send privacy notices to consumers in specified circumstances. For a link to Regulation P, visit: http://www.consumerfinance.gov/regulations. For information about how privacy rules affect the reporting of elder financial abuse, see guidance at: http://www.consumerfinance.gov/newsroom/federal-regulators-issue-guidance-on-reporting-financial-abuse-of-older-adults.

Consumer protection law	Short description
Fair Credit Reporting Act and Regulation V	Provides guidelines and limitations for persons that get and use information about consumers to: ▪ Determine the consumer's eligibility for products, services, or employment; ▪ Share such information among affiliates; and ▪ Furnish information to consumer reporting agencies. Limits the reporting of outdated negative information. Limits who can access information in a consumer's credit file. Establishes consumer rights including the following: ▪ Consumers must be informed their file has been used against them—the information has led to a denial of a product, service, or employment. ▪ Consumers have the right to know what is in their file. ▪ Consumers have the right to dispute incomplete or inaccurate information; consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information. For answers to common questions regarding this law, visit: http://www.consumerfinance.gov/askcfpb/search?selected_facets=tag_exact%3AFair+Credit+Reporting+Act.
Real Estate Settlements Procedures Act and Regulation X	Provides advance disclosures of settlement costs to home buyers and sellers. Prohibits kickbacks or referral fees for settlement services. Regulates mortgage servicers' management of escrow accounts established to ensure the payment of real estate taxes and insurance. Requires mortgage servicers to correct errors and provide certain information requested by borrowers. Requires mortgage servicers to provide information to delinquent borrowers about mortgage loss mitigation options and to establish policies and procedures for continuity of contact with servicer personnel regarding these options. For more information about this law, visit http://www.consumerfinance.gov/knowbeforeyouowe and http://consumerfinance.gov/regulatory-implementation.

Consumer protection law	Short description
Truth in Lending Act and Regulation Z	Promotes the informed use of consumer credit by requiring disclosures about its terms and cost such as APR (annual percentage rate). Establishes uniform terminology for credit disclosures, such as APR. Gives consumers the right in certain circumstances to cancel credit transactions that involve a lien on a consumer's principal dwelling. Regulates certain credit card practices. Provides a means for fair and timely resolution of credit billing disputes. Additional examples of what this law covers: ▪ Requires a maximum interest rate to be stated in variable-rate contracts secured by the consumer's dwelling. ▪ Imposes requirements on home-equity plans and mortgages. ▪ Regulates practices of creditors who extend private education loans. For more information on this law and recent updates, visit: http://www.consumerfinance.gov/regulatory-implementation or http://www.consumerfinance.gov/eregulations.
Truth in Savings Act and Regulation DD	Ensures consumers are able to make informed decisions about accounts offered at depository institutions. Requires depository institutions (banks, credit unions, and thrifts) to provide disclosures so that consumers can make meaningful comparisons among depository institutions. For more information on this law, visit: http://www.consumerfinance.gov/regulations.

Submitting a complaint

There are many laws that protect consumer rights when it comes to consumer financial products and services. The CFPB enforces several of these laws and handles consumers' complaints about consumer financial products and services.

The CFPB accepts complaints related to the following consumer financial products and services at http://www.consumerfinance.gov/complaint:

- Credit cards
- Mortgages
- Bank (checking and savings) accounts and services
- Private student loans
- Vehicle or other consumer loans
- Money transfers
- Credit reporting
- Debt collection
- Payday loans
- Prepaid cards
- Other financial services (including check cashing, refund anticipation checks, credit repair, debt settlement, foreign currency exchange, and traveler's and cashier's checks)

As of the end of 2015, the CFPB has handled 790,000 complaints. Complaints inform the CFPB about business practices that may pose risks to consumers and help with its work to supervise companies, enforce Federal consumer financial laws, and write better rules and regulations. See *Tool 1: Submitting a complaint to the CFPB*.

Submitting a complaint on behalf of someone else

Legal aid staff can submit a complaint on behalf of a client, and the CFPB will handle the complaint as described below. This is another opportunity for legal aid staff to provide financial empowerment assistance to clients. In addition, providing a clear description of the complaint is very helpful in the CFPB's enforcement and supervision efforts, because complaints help identify bad actors and prioritize resources.

To submit a complaint for a client, legal aid staff should go to: http://www.consumerfinance.gov/complaint.

From there, select the product or service that the complaint is about—for example: bank account or service, credit card, credit reporting, money transfer, mortgage, private student loan, payday loans, debt collection, or vehicle/consumer loan.

Click the "Get started" button to fill out the complaint form. In the “My Information” section the person submitting the complaint is asked whether the complaint is being submitted on behalf of “Myself” or “Someone else.” The submitter should check the “Someone else” box and provide the submitter’s contact information in the “My contact information” section. Then, in the “Someone else” section, the submitter should indicate their relationship to the client and provide the client’s contact information.

Please note: Companies may require authorization to communicate with a consumer’s representative before responding.

Public Consumer Complaint Database: Complaints help with the CFPB’s work to supervise companies, enforce federal consumer financial laws, and write better rules and regulations. Information about anonymized consumer complaints is available to the public through the CFPB’s Consumer Complaint Database at: http://www.consumerfinance.gov/complaintdatabase.

Contact information

Online: http://www.consumerfinance.gov/complaint
Toll-free phone: (855) 411-CFPB (2372), 8am-8pm EST, Monday - Friday
TTY/TDD phone: (855) 729-CFPB (2372)
Fax: (855) 237-2392

Mail:
Consumer Financial Protection Bureau
PO Box 4503, Iowa City, IA 52244

Addressing consumer complaint process issues

The CFPB Ombudsman’s Office is an independent, impartial, and confidential resource to help legal aid staff and their clients resolve process issues arising from the CFPB activities. Legal aid staff can contact the Ombudsman’s Office at any time, but this office asks individuals to try the existing CFPB avenues for resolution first.

CFPB Ombudsman contact information

Online: http://www.consumerfinance.gov/ombudsman
Email: CFPBOmbudsman@cfpb.gov
Phone: (855) 830-7880
TTY: (202) 435-9835
Fax: (202) 435-7888

An introduction to *Your Money, Your Goals*

The CFPB designed *Your Money, Your Goals* for legal aid organizations to help legal aid staff help their clients become financially empowered consumers. Why? Finances affect nearly every aspect of life in the United States. Many people feel overwhelmed by their financial situations, and they don't know where to go for help. The financial stresses that legal service organization clients face may interfere with their progress toward their legal case and their other goals.

Staff members of legal aid organizations often work with clients on issues involving or related to their finances or financial status, so they are in a unique position to provide that help. Providing financial empowerment information and tools is a natural extension of the kind of work that legal aid staff members are already doing.

What is financial empowerment?

How is "financial empowerment" different from financial education or financial literacy? Financial education is a strategy that provides people with financial knowledge, skills, and resources so they can get, manage, and use their money to achieve their goals. Financial education builds an individual's knowledge, skills, and capacity to use resources and tools, including financial products and services. Financial education leads to financial literacy.

Financial empowerment includes financial education and financial literacy, but it focuses both on building people's ability to manage money and use financial services and on providing access to products that work for them.

Financially empowered individuals are both informed and skilled. They know where to get help with their financial challenges and can access and choose financial products and services that meet their needs. This sense of empowerment can build confidence that they can effectively use their financial knowledge, skills, and resources to reach their goals.

If you feel knowledgeable about money and comfortable in your own approach to money management, credit, debt, and financial products, you can better help other people face money issues that may be complicating their lives. As you work through each module of this toolkit, you'll learn the information and how the tools work. As you try out the tools, you may find ways to use your own money and resources to reach your goals more effectively.

The goal of the toolkit

The goal of the *Your Money, Your Goals* toolkit is to improve client outcomes by making it easier for staff at legal aid organizations to help clients become more financially empowered. Within the toolkit's modules, there are two kinds of information to help legal aid organizations achieve this goal:

1. *Information* addressed to legal aid staff to help them better understand financial empowerment, including information about financial services and products, and how to talk to their clients about these issues. This information can help them help their clients with financial decision making.

2. *Tools* that are written for the client to help them navigate their financial challenges, make decisions, and better recognize consumer financial protections. Most importantly, the information is designed to help them develop the "know how" to take action.

***Your Money, Your Goals* is a Modularized Toolkit – not a curriculum:** Because the process is designed to be client-driven, this isn't a curriculum that requires staff to use the materials in the order in which they are presented. Legal staff should use the modules and the specific tools within each module as needed.

How to use the toolkit

The ***Your Money, Your Goals*** toolkit is designed to help legal aid staff integrate financial empowerment into the work legal aid organizations already do with their clients.

The general structure and staffing of the legal aid organization may influence how financial empowerment is integrated and how staff members use the toolkit. Each legal aid organization should consider how its organizational structure corresponds to these potential roles for legal aid staff members:

Intake staff

- Incorporate questions from this toolkit into the routine intake process to assess the financial empowerment needs of clients. (See Module 1).
- Use their organizations' case management systems to flag clients that are candidates for financial empowerment information, referrals, or other support from paralegal staff, attorneys, and others.
- Distribute tools and available information throughout the organization—including the tools found in this toolkit—based on the intake.

Paralegal or staff attorney

- Use assessment information gathered by intake staff and other knowledge about the client to help identify specific modules and tools most beneficial to the client.
- Integrate conversations about finances into meeting(s) with client(s) based on the amount of time you have, and offer instruction in how to use specific tools to address financial challenges and possibly provide tools as "homework" for client.
- Follow up on information and tools covered in previous meetings. This provides accountability and momentum in dealing with financial challenges.

Some legal aid organizations have integrated a co-located social worker into their legal aid team. At least one legal aid provider has integrated a financial counselor. Clients are sent "down the hall" to these staff resources as a supplement to the legal aid they receive through the organization. Whether it is a separate staff person tasked with "financially empowering" clients or other staff in the organization integrating these concepts and tools into discussions with their clients, it is beneficial to help everyone understand better how to manage their financial lives.

Making the most of your time with clients

The amount of time legal aid staff have to address financial empowerment issues with clients will vary. At the beginning of each module, (starting with Module 2), a table suggests how to make the most of the 10 minutes, 30 minutes, or multiple sessions. Here is an example from *Module 3: Tracking and managing income and benefits.*

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
▪ Tool 1: Income and resource tracker	▪ Tool 2: Ways to receive income and benefits: Know your options ▪ Tool 3: Ways to increase income and resources	All three tools

Making referrals

Are legal aid staff expected to provide all of the financial empowerment expertise a client may need? The answer, of course, is "no."

Legal aid can make a big difference in the lives of clients by introducing them to financial empowerment especially as it relates to their legal case and providing them with some new information and tools to help them solve specific financial challenges. But some clients may need more help.

This is where a resource and referral network will be important.

Community referral partners may include certified, non-profit credit counselors, certified housing counselors, financial counselors and coaches, free volunteer tax assistance sites sponsored by the IRS, and financial education programs, among others.

Referral partners

Only refer people to organizations that:

- **Have expertise** in the area for which you are referring people to them
- **Have the time and interest** to meet with and assist them
- **Are objective**, which means they can show people the potential positive and negative consequences of specific actions
- **Will not sell** products or services in the context of helping them

A template for financial empowerment resources

Legal aid organizations often have lists of resources or referral guides, possibly online through the state specific legal assistance sites, e.g., http://www.lawhelp.org, http://www.lsc.govor other site for their clients. If the organization or community doesn't have a local referral guide for these services, the organization can use CFPB's *Creating a referral guide*[1] to help get started.[2] The organization can compare the list provided to its existing resource or referral guide to see if there are any types of resources missing. Legal aid organizations may have their own restrictions on making referrals and will have to take that into account when developing or updating the list. To complete the template, use:

- Staff's knowledge of the community
- The organization's own community resource guides, and
- Consider working with an organization or coalition familiar with financial empowerment providers in the community, for example:
  - A local United Way (http://apps.unitedway.org/myuw)
  - A JumpStart Coalition (http://www.jumpstart.org/state-coalitions.html)
  - A nonprofit credit counseling organization (http://www.nfcc.org/FirstStep/firststep_03.cfm)

Benefits of using the toolkit with clients

Sharing financial empowerment information and tools with clients may feel like a completely different job—one more thing added to an already-heavy workload. But once legal aid staff learn the contents of this toolkit, it can become natural to integrate them into the organization's work with clients.

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1 See http://www.consumerfinance.gov/your-money-your-goals.

2 See http://consumerfinance.gov/you-money-your-goals for this guide. The Department of Health and Human Services Office of Community Services has also developed a guide that can assist organizations in mapping local resources. See "*Building Financial Capability: A Planning Guide for Integrated Services*" available at http://www.acf.hhs.gov/sites/default/files/ocs/afi_resource_guide_building_financial_capability_final.pdf.

One of the jobs of legal aid staff is likely to involve assessing clients' financial situation. The toolkit includes an assessment to help discern clients' financial goals and the financial challenges they may be facing. This can help staff find the right information or tools to help their clients.

The CFPB developed *Your Money, Your Goals* because using the information and tools can improve outcomes for both clients and legal aid organizations.

Benefits for clients

For clients, integration of financial empowerment means that at a single point of service, their legal issues are resolved, and they are able to access information, tools, and referrals to begin to address their most pressing financial problems.

This toolkit can help legal aid help clients:

- Bring their cash flow budgets into balance to help pay bills on time.
- Set goals and calculate how much money they need to save to reach these goals.
- Establish an emergency savings fund.
- Access and use tax refunds.
- Track the specific ways they are using their money.
- Make a simple plan to pay down debt.
- Know better how to respond to debt collectors.
- Get and review their credit reports.
- Fix errors on their credit reports.
- Evaluate financial products and services.
- Recognize when their consumer rights may have been violated and know how to take action.

This toolkit helps link relevant financial information through a trusted source. Often, information from a lawyer or other legal aid staff carries more weight than the same information from another source. **Hearing about the importance of financial empowerment from**

legal aid staff may prompt clients to take action when they otherwise wouldn't. That action may prevent future problems that could become legal problems.

Benefits for legal aid organizations

Legal aid organizations will benefit from integration of financial empowerment services as well.

- **Financial empowerment aligns with the mission of legal aid organizations** to help low-income clients address legal challenges that may affect their ability to achieve financial stability.
- **Financial empowerment may help legal aid organizations achieve their outcomes** as well as outcomes that legal aid organizations support such as working toward a reduction in poverty.
- **Financial empowerment may help clients resolve their legal issues more quickly.** Clients of legal aid organizations sometimes find themselves repeatedly facing the same legal challenges. Without a change in underlying financial conduct, these clients are likely to seek the same service again and again. For example, a client may repeatedly face eviction due to late rent. By using a tool that helps clients manage bill payments more effectively, the toolkit offers a means to help clients begin to address what may be an underlying cause of the legal issue. The result can be a reduction in repeated services for clients, freeing up the organization's resources to help other clients.
- **Discussing financial issues and resources can help link legal aid to more resources in the community.** Building partnerships with other organizations that can help clients with their financial challenges helps strengthen the reach and connection of legal aid organizations in the community.

Tool 1:

Submitting a complaint to the CFPB

There are many laws that protect your rights when it comes to consumer financial products and services. One of the CFPB's primary functions is to enforce several of these laws and handle consumers' complaints about consumer financial products and services.

The CFPB accepts complaints on consumer financial products and services such as:

- Credit cards
- Mortgages
- Bank (checking and savings) accounts and services
- Private student loans
- Vehicle or other consumer loans
- Money transfers
- Credit reporting
- Debt collection
- Payday loans
- Prepaid cards
- Other financial services (including check cashing, refund anticipation checks, credit repair, debt settlement, foreign currency exchange, and traveler's and cashier's checks)

To submit a complaint, go to: http://www.consumerfinance.gov/complaint. From there, select the product or service that the complaint is about.

How to submit your complaint

Fill out the form, providing as much detail as possible. The form will ask for pertinent information about the circumstances of the complaint and, in general, will:

- Ask you to describe what happened, in as much detail as possible
- Ask you what you think a fair resolution to the issue would be
- Ask you for your information (name/address/email)
- Ask for detailed information about the product and company you are complaining about. Please scan and upload any documentation that you have here (Account agreements, monthly statements, proof of payment, etc.).

You will then be able to review and edit information before clicking "Submit" to send your complaint.

If you need help while you're online, click on the link that says "Form Trouble? Chat now" to talk with CFPB team members on the site.

If you don't use a computer or need help in a language other than English, you can also submit a complaint over the phone by calling the CFPB at (855) 411-CFPB (2372), toll free. U.S.-based call centers can help you in over 180 languages and can also take calls from consumers who are hearing impaired, or speech-disabled.

Here is what will happen to your complaint:

- **Complaint submitted:** The CFPB will screen your complaint based on several criteria. These criteria include whether your complaint falls within the CFPB's primary enforcement authority, whether the complaint is complete, and whether it is a duplicate of another complaint you have submitted.
- **Review and route**: If a particular complaint does not involve a product or market that is within the Bureau's jurisdiction or that is currently being handled by the Bureau, Consumer Response refers it to the appropriate regulator. Screened complaints are sent via a secure web portal to the appropriate company—the business you have the complaint with.
- **Company response:** The company reviews the information, communicates with you as needed. It then determines what action to take in response. The company reports back

to you and the CFPB via the secure "company portal." After your complaint is sent to the company, **the company has 15 days to provide a substantive response to you and the CFPB.** Companies are expected to close all but the most complicated complaints within 60 days.

- **Consumer review:** CFPB then invites you to review the response and provide feedback. Consumer Tracking: You can log onto the secure "consumer portal" available on the CFPB's website or call a toll-free number to receive status updates, provide additional information, and review responses provided to the you by the company.
- **Review and investigate:** The CFPB reviews your feedback about company responses, using this information along with other information such as the timeliness of the company's response, for example, to help prioritize complaints for investigation.
- **Analyze and report**. Complaints help with the CFPB's work to supervise companies, enforce federal consumer financial laws, and write better rules and regulations. The CFPB also reports to Congress about the complaints we receive and makes anonymized consumer complaint data available to the public on its website format: http://www.consumerfinance.gov/complaintdatabase.

Contact information

Online: consumerfinance.gov/complaint
Toll-free phone: (855) 411-CFPB (2372), 8am-8pm EST, Monday - Friday
TTY/TDD phone: (855) 729-CFPB (2372)
Fax: (855) 237-2392

Mail:

Consumer Financial Protection Bureau
PO Box 4503
Iowa City, IA 52244

This tool is included in the Consumer Financial Protection Bureau's toolkit. The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB's educational efforts are limited to the materials that CFPB has prepared.

MODULE 1:

Understanding the situation

Financial empowerment is a big topic. Knowing where to start can be hard. See below for some suggestions about how to start the money conversation. Using *Tool 1: My money picture* will help staff match each person's goals and financial situation with specific modules and tools. Staff should consider using this assessment when they feel the time is right. For example:

- Clients fill out intake paperwork for their organization or program—during intake.
- They meet with clients for an initial assessment or first meeting.

Legal aid staff may also choose to:

- Send this home with clients to fill out privately.
- Use it as a guide to ask questions in a conversational style to better understand the financial concerns and goals of clients.

Finally, staff should have a system for keeping the completed assessments confidential. This may simply mean applying the confidentiality and document storage policies that your organization uses for legal documents and other sensitive materials. When discussing this assessment with clients, staff should be sure to provide assurance of confidentiality.

My money picture, *Tool 1* of this module, may be filled out by the client or by legal aid staff to help assess which modules may be helpful for the client.

Assessment

Assessment gives you a picture of what is going on now so you can better target information and skill building opportunities for yourself or the people you serve. Assessment involves gathering information to understand conditions today as well as what someone knows, can do, or feels about a specific topic. This information is used to inform and plan for actions to change conditions, knowledge, abilities, behaviors, or beliefs.

Taking the quiz: Before jumping in to identify financial challenges for their clients, legal aid staff may want to find out how financially savvy they are by taking the *Knowledge assessment quiz* available at http://www.consumerfinance.gov/your-money-your-goals. The questions and answers may help staff with their own financial decision-making as well as helping their clients.

Starting the money conversation

Top money conversations

Your Money, Your Goals covers a wide range of topics. These "top money conversations" cover some of the most important financial issues the people you serve may be facing.

Top Money Conversations
Do you have goals for yourself and your family? Are they goals you want to reach soon or in the next few years? How do you plan to reach them? ***See Module 2: Setting goals and planning for large purchases.*** Use ***Tool 1: Goal-setting tool*** to help the person: ▪ Brainstorm a list of hopes, needs, wants, and dreams and determine whether they are short-term or long-term. ▪ Turn those hopes, needs, wants, and dreams into SMART goals. ▪ If the goal requires saving or setting money aside to pay down debt, figure out how much to save each week (or month) to reach the goal. ▪ Identify the first steps the person can take to get started, and when they'll be completed.
How do you handle unexpected expenses? Saving money now for unexpected expenses and emergencies can save you money later. ***See Module 8: Saving for emergencies, goals, and bills.*** Use ***Tool 1: Savings plan*** to help someone make a plan to save money for goals, expected and unexpected expenses, and emergencies.

It sounds like you're having trouble coming up with the money for certain bills. Sometimes that's because the timing of your income doesn't match the timing of the bills. Would you like to take a look at a tool that can help you look at your "money-in" and "money-out" to try to get the timing to work better?

See Module 5: Getting through the month. Use either ***Tool 1: Cash flow budget*** or ***Tool 2: Cash flow calendar*** to help someone find ways to better match the timing of income and expenses so that he or she doesn't come up short. If they're interested in ways to cut spending, use the tools in ***Module 4: Paying bills and other expenses.***

Do you feel like you have too much debt? Did you know that there are rules debt collectors have to follow when they contact you?

See Module 6: Dealing with debt. Use ***Tool 1: Debt worksheet*** to help someone account for his or her debt. This is an important first step toward managing and reducing debt. ***Tool 5: When debt collectors call*** includes information on the process and sample letters people can use to correspond with debt collectors.

Your credit history doesn't just determine whether you get a loan. It can also affect how much you pay for deposits on your cell phone and utilities, how much insurance costs, and even whether you can get the job you want. I've got some tools you can use if you're interested in getting your free credit report and checking to make sure it's accurate.

See Module 7: Understanding credit reports and scores. Use ***Tool 1: Getting your credit reports and scores***, along with ***Tool 2: Credit report review checklist***, to help someone identify mistakes on his or her credit report.

It sounds like you're having trouble getting an answer from the company about those extra charges on your account. You can submit a complaint to the CFPB and they'll forward it to the company and work to get a response for you.

If someone has a complaint about a financial product or service (bank accounts or services, credit cards or prepaid cards, mortgages, student loans, vehicle loans or leases, payday loans, consumer loans, debt collection, credit reporting, money transfers or virtual currency) see ***Overview: Protecting consumer rights, Tool 1, Submitting a complaint to the CFPB*** for information on submitting a complaint to the CFPB.

Use the assessment tool

If staff has a lot of contact with someone, one of the easiest ways to bring up money is to use the *My money picture* tool. Going over this series of questions will give staff a clearer picture of where the person stands and what information might be most useful. Remember, staff can:

- Ask a person to complete the assessment either during a meeting or at home.
- Cover the questions in a conversation.
- Ask a person to answer only a few of the questions.

Make the most of short-term contacts

It's great to be able to build trust and discuss financial issues with the individuals legal aid serves over the long term, but sometimes there isn't that kind of time. Staff can work on empowering people financially during short-contact meetings, too. For example, if it's early in the year and the staffer is winding up a brief meeting with someone he's just met, he could say:

You: I've been working on my taxes...not fun, but I think I'm getting a refund this year...Have you done yours yet?

George: No, not yet. I hate them. There are a lot of forms.

You: Have you ever tried a VITA site? They do your taxes for free. Have you not gotten a refund in the past? You may qualify for the EITC tax credit, which can be a lot of money back.

George: No, I always just go to the place in the mall, and sometimes I get a refund, but last year it was only like $125.

You: Think about going to the VITA site - you can get your taxes done free. The IRS trains and certifies the volunteers,so they know what they are doing. Here, let me look up the one closest to your house. If you got a refund, what do you think you'd do with it?

George: I don't know. When I've gotten one in the past it just gets used up if you know what I mean.

You: That's okay. Have you thought about doing something different?

George: Well, every year we talk about trying to get ahead a bit. Take care of some bills, you know. Maybe set a little aside.

You: Good intentions! I know I have lots of good intentions. But I find that if I don't have a plan I don't follow through. Would you be interested in talking through some options or possible plans for your refund?

Respond when people initiate

Sometimes a person brings up a financial issue directly or indirectly. Here's an example of how it could sound if someone brings up a financial issue directly. Aaliyah, with whom you have regular and focused contact, says in one of your early meetings:

Aaliyah	My utilities are due, but I don't get my next paycheck for five days, so I'm broke! You know how it is. And, I'm going to be late with the electric again.
You	Oh no. I know being late means fees. Are you in danger of getting your electricity cut off?
Aaliyah	No, I don't think so. I've only been late one other time this year that I can think of…
You	Are you sure you'll have the money next week to cover this bill as well as other expenses you will have?
Aaliyah	Well, I wouldn't say I'm sure. When it comes to money who is really sure about anything. I mean I think if I plan with my money, I'll do all of this work and still end up broke and disappointed. You know, putting all that effort into something and it gets you nowhere.
You	Gosh, I get what you mean. But even though things don't work out exactly as planned, I've found plans with my money can help me make sure I get some of the big things like my car payment, rent, and utilities covered. There are a few tools I could show you if you might be just a little interested…
Aaliyah	Mmmm. Well you know how I feel about planning, but I guess I could take a look…

Here's an example of how it could sound if someone brings up a financial issue indirectly. For example, during a meeting staff asks Aaliyah how her kids are doing, and she says:

Aaliyah	You know, they're good but we're feeling cramped at home now that they are bigger, and I'd really like to get them a yard to run around in, so we've been talking about moving.
You	That sounds like a great idea. I remember that we ran a credit report for you when we first started working together. I know that landlords often take a look at your credit…
Aaliyah	They do? I don't remember that happening before! What's on there?
You	Yes, most of the time they will look at your credit when choosing who to rent to. Why don't we take a look at your credit history together next time to make sure that everything looks right to you.

Discussing difficulties or problems

Many people have difficulty with credit or other financial products or services, and some may feel shame or embarrassment because of the situation. When discussing these problems, legal aid staff should first be empathetic. Then suggest or discuss in clear terms how to avoid a similar situation in the future. Explain how to get help from the CFPB and other federal, state, or local agencies if they can't resolve problems with the financial services provider. Use or give to the client the *Overview* section's *Tool 1: Submitting a complaint* to help him understand how to contact CFPB and how to submit a complaint if that is an action he wants to take.

Tool 1:

My money picture

Where I am – and where I want to go

Please answer the following questions based on where you are today. There are no right or wrong answers. Your answers can help us provide you with information and resources that can help you with the financial issues you care about.

If you could change one thing about your financial situation, what would it be?

____

____

Question	**Response**		
1. Do you have dreams for you or your children that require money to make them happen?	Yes	No	I don't know
2. Are you behind on rent, car payments, or your mortgage?	Yes	No	I don't know
3. Are you behind on utility payments?	Yes	No	I don't know
4. Can you count on having about the same amount of income every week?	Yes	No	I don't know
5. When unexpected expenses or emergencies happen, do you have some money set aside to cover them?	Yes	No	I don't know
6. Do your money, benefits, and other resources cover all of your bills and living expenses each month?	Yes	No	I don't know
7. Do you have student loans or other debts you're having trouble paying?	Yes	No	I don't know

8. Has your credit history made it hard to get an apartment, car, insurance, a phone, or a job?	Yes	No	I don't know
9. Do you have an account at a bank or credit union?	Yes	No	I don't know
10. Do you feel like you're spending too much to get your money and use it to pay bills?	Yes	No	I don't know
11. Have you had issues with a financial product or service like a bank account, loan, mortgage, debt collector, or credit report that you haven't been able to resolve?	Yes	No	I don't know

✔ My money picture key

Use the following chart to help you determine where to start the financial empowerment work with the people you serve.

Use the answers to the first and last questions as additional information to help you pinpoint the module and tool that will be most useful right now. If the person you're talking with is facing bills they can't pay today or this week, first help them address that situation. As you do, let them know that if they'd like, you or someone else can help them start working on ways to bring their income and expenses into balance.

Question	Response	Quick Tips
1. Do you have dreams for you or your children that require money to make them happen?	If *No* or *I don't know*, see Module 1 and 2.	▪ Brainstorm a list of your hopes, wants, and dreams. ▪ Pick one and turn it into a goal with a timeframe. Make it specific and measurable. ▪ Figure out how much you need to save or set aside each week (or month) to reach your goals.
2. Are you behind on rent, car payments, or your mortgage?	If *Yes*, call 211 or an emergency assistance center. For homeowners, call (888) 995-HOPE. See Module 4, *Tool 5: When Cash is Short*	▪ Call 211 or local emergency assistance center. By dialing 211, people in need of assistance are referred, and sometimes connected, to appropriate agencies and community organizations. ▪ For homeowners, call 888-995-HOPE or CFPB at (855) 411-CFPB (2372). You can find certified housing counselors on CFPB's website at http://www.consumerfinance.gov/find-a-housing-counselor.
3. Are you behind on utility payments?	If *Yes*, call 211 or local emergency assistance center.	

4. Can you count on having about the same amount of income every week?	If *No*, Module 3 for information on tracking and managing variable income. Call 211 or local emergency assistance center. Make a referral to your local workforce opportunity center.	▪ **Write down your total income and benefits and when they come in –** both your wages and any benefits you receive (like SNAP or rental assistance.) If your pay is irregular or changes from paycheck to paycheck, use the amount you receive in a week when you don't work extra hours.
5. When unexpected expenses or emergencies happen, do you have some money set aside to cover them?	If *No* or *I don't know*, see Modules 4 and 8.	▪ **Think about your last unexpected expense.** How much did you have to spend the last time your car broke down or something unexpected happened? ▪ **Keep track** of everything you spend money on for a week. ▪ **Review your spending** and figure out whether you can make some changes. ▪ **If you can, put aside a small amount** each week. If you usually receive a tax refund, think about setting a goal for how much of it you want to save.
6. Do your money, benefits, and other resources cover all your bills and living expenses?	If *No* or *I don't know*, see Modules 4 and 5.	▪ **Write down your total income and benefits and when they come in –** both your wages and any benefits you receive (like SNAP or rental assistance.) If your pay is irregular or changes from paycheck to paycheck, use the amount you receive in a week when you don't work extra hours. ▪ Write down your bills and the due dates. ▪ Write down your total expenses – Add all of your expenses and other uses of cash (including savings and debt repayment) for the week. ▪ If you have enough income and resources in a month to cover the bills, but your income arrives after the bills are due, reach out to the

		companies to see if it's possible to change the due date or make bi-weekly payments. ▪ Look for expenses you might be able to pay less for or temporarily cut back.
7. Do you have student loans or other debts you're having trouble paying?	If *Yes* or *I don't know*, see Modules 6 and 4.	▪ **Make a list of your debts** with the amount of your payments and when they are due. ▪ **If you can't make a payment**, **call the business.** Ask if they can change the due date, the payment plan, or the terms of the loan. ▪ If you want to reduce your debt, t**rack your spending to see if you can spend less** and make bigger payments toward your debt. ▪ Tools for student loan repayment options are available at http://www.consumerfinance.gov/paying-for-college. ▪ If you would benefit from debt management help, visit the National Foundation for Credit Counseling at: http://www.nfcc.org or find a housing counselor at http://www.consumerfinance.gov/find-a-housing-counselor. ▪ If you would like to speak with an attorney about a debt collection lawsuit, you can learn how to find a lawyer at: http://www.consumerfinance.gov/askcfpb/1433/how-do-i-find-lawyer-or-attorney-represent-me-lawsuit-creditor-or-debt-collector.html.
8. Has your credit history made it hard to get a car, insurance, a phone, or a job?	If *Yes* or *I don't know*, see Module 7.	▪ Pull your **free annual credit report** at https://www.annualcreditreport.com to find out what's in your credit record ▪ **To fix errors in your record,** report these errors to the credit reporting agencies. For more information on how to dispute credit reporting errors, visit: http://www.consumerfinance.gov/askcfpb/314/how-do-i-dispute-an-error-on-my-credit-report.html

		▪ **If you want help with** getting an error fixed or strengthening your credit, check out the information and resources listed in Module 7 that can link you to local credit or housing counselors.
9. Do you have an account at a bank or credit union?	If *no* see Module 9.	If you don't have an account and want to open one, s**hop around and compare** several banks or credit unions. ▪ **Ask them questions about:** o Their hours and the services they offer (such as online tools) o The fees they charge (monthly fees, overdraft fees, etc.) o The amount you need to open the account o Any other rules about the account ▪ If you want an account and have been turned down, ask the bank or credit union to explain the exact reason for their denial. You have the right to get a free a copy of your credit report that the bank or credit union reviewed before making their decision to deny your application. Look for errors in this credit report.
10. Do you feel like you're spending too much to get your money and use it to pay bills?	If *Yes* or *I don't know*, see Module 9.	▪ **Think about how you use financial services**. Do you need to cash paychecks? Do you need to pay your bills? Do you want a safe place for your money? Does your employer or benefits provider require direct deposit? ▪ Ask yourself what's most important to you if you want these services. Are hours and location more important to you than things like customer service, available products, or fees? How important is safety and security to you?

11. Have you had issues with a financial product or service like a bank account, loan, mortgage, debt collection, or credit report that you haven't been able to resolve?	If *No* or *I don't know*, see Overview, Tool 1.	▪ You can submit a complaint to CFPB at: http://www.consumerfinance.gov/Complaint or call toll-free at (855) 411-CFPB (2372) or TTY/TDD (855) 729-CFPB (2372)…

Resources

If you have a consumer complaint, visit
http://www.consumerfinance.gov/Complaint

For additional resources, visit the Consumer Financial Protection Bureau website:
http://www.consumerfinance.gov/askCFPB

If you would like help managing your debt or rebuilding credit, visit the National Foundation for Credit Counseling:
http://www.nfcc.org

Certified housing counselors can provide advice on budgeting, buying a home, renting, defaults, foreclosures, and credit issues:
www.consumerfinance.gov/find-a-housing-counselor

MODULE 2:

Setting goals and planning for purchases

Does the client have clear goals?

Is the client satisfied with his or her financial situation?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
▪ Tool 1: Goal-setting tool	▪ Tool 1: Goal-setting tool ▪ Tool 2: Planning for life events and large purchases	▪ Follow up to see if client has written goals. ▪ Follow up to see if client has made any steps toward reaching goals. ▪ Consider using Tool 3: Buying a car (if this is the client's goal)

Goals provide the direction for financial planning. To start the goal setting or financial planning process, consider asking clients questions such as:

- How would you like your life to be different?
- What kinds of things do you want from life?

Setting goals is a powerful process for helping clients think through their futures—in the short-term and long-term--and finding ways to turn their visions into reality. It helps clients turn their wants, hopes, and dreams for the future into something concrete and achievable.

Setting goals helps clients:

- **Work** toward making the future better.
- **Prioritize** how they use money so that it goes toward things that really matter to them.
- **Measure** and track their progress toward getting the things they want out of life.
- **Take pride** in bettering their own lives and the lives of their children.

Life events and large purchases

People often put off saving for life events and large purchases, because they feel like they don't have enough money to save or they are busy struggling to make ends meet today. They feel like they can't think or worry about saving for goals, large purchases, or even life events in the future. This can create financial challenges in the future. Not thinking about, planning for, or saving for large purchases and life events in particular may mean that there is no money to cover:

- Moving in with a partner, getting married, getting separated, getting divorced, or becoming widowed
- The birth of a child
- Faith-based celebrations associated with children
- A daughter's quinceañera
- A son's bar mitzvah
- A child's high school graduation celebration
- Post-high school training or education expenses for children
- Purchase of a car
- Purchase of a home
- Training or education to help get a different job or a higher paying position
- Starting a new job

- Tools or equipment needed for one’s trade or profession
- Wedding expenses for children
- Short- or long-term disability
- Illness
- Loss of a job (Covering the gap unemployment benefits don’t cover)
- Celebration for a landmark birthday or anniversary
- Illness or death of a family member
- Retirement
- Final expenses, e.g., the cost of a funeral

Some of these events are likely to occur, and others may never happen to the client. But some of these events are inevitable. Because of the expenses that are associated with life events, people often set goals, particularly long-term goals, around them.

Some short-term goals can take just a week, a month, or a few months to reach. Clients may also have long-term goals—things that will take many months or even years to reach. Regardless of whether they are short-term or long-term, identifying and planning for goals can help a person achieve them.

Costs of life events

What is a life event likely to cost? While there are many variables that affect the cost of life events from one person or family to another, here are some average costs of life events in the U.S.:

- Out of pocket childbirth expenses for women with insurance coverage—$3,400[1]
- Out of pocket expenses associated with breast cancer—$712/month[2]
- Quinceañera—coming of age celebration for 15-year old girls in Latino families--$15,000 to $20,000[3]
- Typical cost for final expenses—$10,000[4]

1. Rosenthal, Elizabeth, *American Way of Birth, Costliest in the World,* NY Times, June 30, 2013. See http://www.nytimes.com/2013/07/01/health/american-way-of-birth-costliest-in-the-world.html?pagewanted=all&_r=0.

2. Andrew, Michelle, *Cancer Costs Can Be Prohibitive Even with Insurance*, Washington Post, October 10, 2011. See http://www.washingtonpost.com/national/health-science/cancer-treatment-costs-can-be-prohibitive-even-with-insurance/2011/10/06/gIQA8iBfaL_story.html.

3. Kennedy, Bruce, *These Girls' Parties Can Cost More than a Wedding*, MSN Money, August 9, 2013.

4. Gibbs, Lisa and Mangal, Ismat Sarah, *The High Costs of Saying Goodbye*, CNN Money, November 9, 2012. See http://money.cnn.com/2012/11/01/pf/funeral-costs.moneymag.

Setting SMART goals

SMART goals have five important characteristics. They are **Specific, Measurable, Able to be reached, Relevant**, and **Time bound**. When setting a new goal, help the client think about the following:

Specific	**Ask yourself:** Who will achieve or benefit from the goal? What specific thing will I accomplish? Why is the goal important? Is this goal related to covering the expenses associated with an expected life event? A specific goal has a much greater chance of being met than a general one, because it provides something defined to reach for.

Measurable	**Ask yourself:** How much? How many? How will I know when it is done? You should be able to track your progress toward meeting the goal.
Able to be reached	**Ask yourself:** Is this goal something that I can actually reach? You might want to get out of high credit card debt tomorrow or become a millionaire in a year, but for most of us, those are totally impossible goals. That doesn't mean that your goals should be easy. Your goal may be a stretch for you, but it should not be extreme or impossible.
Relevant	**Ask yourself:** Is this something that I really want? Is now the right time to do this? Set goals that matter to you and are a priority in your life.
Time bound	**Ask yourself:** By what date must this goal be reached? Goals should have a clearly defined time frame, including a target or deadline date. This helps ensure they are measureable and that actions are planned to reach the goal by the target date.

Here are some hopes, wants, or dreams a client may have and examples how they can be converted to strong goals.

Hopes, wants, or dreams	Strong goals
I'd like to be able to pay all of my bills each month.	Short-term goal: I will review my budget to see if there are ways to cut my spending by the end of the month. Short-term goal: I will meet with the Community Action Program to see if I qualify for job training and other benefits by the end of the month.
I really want to save some money in case something happens in the future and I lose my job.	I will save $50 over the next six months to start an emergency fund.

I want to get out of credit card debt.	I will pay down $1,000 of my debt over the next 18 months.
I'd like a safe, stable place to raise my children.	Short-term goal: I will save $800 for the required first month rent in the next six months so that I can move into a new apartment. Long-term goal: I will save $3,000 for a down payment, apply for additional down payment help, and purchase a home in four years.
I'd like to buy a new television.	I will save $400 and purchase a new television in six months.
I'd like to help my child go to college.	Short-term goal: I will read to my child every night to show that school and learning are important. Long-term goal: I will save $5000 in a fund to help pay my child's tuition in ten years.

Building a plan

Talking to clients about achieving goals may help them with their financial challenges. The following may help legal aid staff in discussing goals with clients.

Every goal requires two things: **commitment** and **time**. To reach goals, clients may also need:

- Information
- Tools
- Assistance from a professional
- Transportation
- Other resources
- Money
- An action plan—small steps needed to reach a goal

For goals that require money to reach, clients will want to ask: How much do I need to set aside every week (or month) to meet my goal?

They need two pieces of information: the **total amount** needed to reach the goal and the **number of weeks** they have to reach the goal. Then they can put that information into this equation:

Total amount needed for goal ÷ Number of weeks to reach goal = Amount to set aside each week or month

<u>Here is an example</u>.

It is January 1st, and Anton just set a new goal to save $500 in an Emergency Fund by the time his kids start school at the end of August. He already has his first piece of information: the total amount needed for the goal $500. To get the second piece of information, the number of weeks, he needs to count the number of months from January to August and multiply by 4--(8 months x 4 weeks), which is 32 weeks.[3]

Or, he can use the number of months.

He can plug these numbers into the formula:

Weekly Goal		Monthly Goal
$500 ÷ 32 = $15.65 per week (rounded)	**or**	**$500 ÷ 8 = $62.50 per month**

Anton would need to set aside about $15.65 every week or $62.50 each month in order to have $500 by the time his kids start school. If he felt that he could not set aside that much every week or month, he could lengthen the time to reach his goal.

Other goals may not require a client to set aside money every week. They may require a client to get more information, help from a professional, use a new tool, or create an action

[3] This calculation is designed to simplify planning and can result in individuals reaching their goal more quickly. Because there are 35 weeks in 8 months, this can also allow them to miss their target for up to three weeks in the period and still reach their goal.

plan. For example, someone's goal may be: "I want to pay my bills on time every month starting next month."

Assuming lack of money is not the primary reason bills are not being paid on time, here are some steps the client could take to reach that goal:

- Collect credit card statements, loan payment statements, utility bills, phone bills, and documentation of other payments made each month.
- Highlight payment amounts and due dates.
- Fill in the bill paying calendar tool.
- Consider using automatic payment methods for some recurring bills or online bill payment.
- Set up text or email alerts on a mobile phone or computer to remind about paying bills.

The following tools can help clients identify and take action to achieve their goals. The tools also can help clients plan for major purchases, such as a car, if that is a goal for the client.

Tool 1:

Goal-setting tool

This tool can help you with the process of setting goals. Identifying goals is important, because it helps you plan for and reach what is most important to you. When it comes to your finances, goals provide the direction for all of your plans. If you don't plan to save or set aside money for your goals, you probably won't. And in order to save or set aside for your goals, you have to know how much money you'll need and by when.

All goals take time and commitment to reach. Many goals also require information, help from a professional, tools, action plans, and money. There are four steps in the goal-setting process:

Step 1: Brainstorm a list of the hopes, wants, and dreams for yourself or your family. Determine whether they are short-term or long-term. Write these in the chart below.

Step 2: Turn your hopes, needs, wants, and dreams into SMART goals using the second worksheet.

Step 3: Create an action plan to reach your goals. For long-term goals, your action plan may be long and involve many steps. For other goals, you may only need to take a few steps to reach your goal.

Step 4: Finally, for goals that require money, figure out how much you need to set aside each week (or month) to reach your goal.

If you decide to make a budget or a cash flow budget (see Module 5), be sure to include money you need to set aside for your goals.

✎ Step 1: Brainstorm list of hopes, wants, and dreams

Fill in the chart below by listing the hopes, wants, and dreams you have for yourself and your family. Write the things you hope, want, or dream about achieving in less than six months in the short-term column. Write the things you hope, want, and dream about achieving in more than six months in the long-term column.

Short-term What I want to achieve for myself or my family within six months.	**Long-term** What I want to achieve for myself or my family that will take more than six months.

✎ Step 2: SMART goals

Use your list of hopes, wants, and dreams to create SMART goals. Use the checklist to make sure your goals are specific, measurable, able to be achieved, relevant, and time bound. You may have many things you want to achieve. If you can focus on one or two, you may have a better chance of reaching that goal.

Short-term goal	
Goal:	☐ Specific ☐ Measurable ☐ Able to be reached ☐ Relevant (important to you) ☐ Time bound (is there a deadline?)
Long-term goal	
Goal:	☐ Specific ☐ Measurable ☐ Able to be reached ☐ Relevant (important to you) ☐ Time bound (is there a deadline?)

✎ Step 3: Action plan

Use the following worksheet to create an action plan. Remember to include resources you may need to reach your goals including:

- Information
- Tools
- Assistance from a professional
- Transportation
- Other resources

Steps to goal	Resources needed	Date to complete step	Check when complete

✎ Step 4: Figure out weekly target

If your goal requires money, use this chart to figure out the amount of money you will need to set aside each week to reach your goals.

Goals	Amount needed	Number of weeks to deadline	Amount needed ÷ Number of weeks = Weekly amount
Short-term			
Example: I will save $50 within 6 months to start an emergency savings fund.	$50	24 weeks	$50 ÷ 24 = $2 per week (about $8 per month)
Goal:			
Long-term			
Goal:			

Once you know how much you need to set aside each week to reach a goal, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 5: Getting through the month*. For ideas on finding money to save, see *Module 8: Saving for emergencies, goals, and bills.*

Tool 2:

Planning for life events and large purchases

This tool can help plan for life events and large purchases, such as a family celebration, a car, or even the tools you may need to make a living in your trade. Follow these steps:

1. **Think about the life events you are likely to experience and large purchases you might need to make.** If you rely on a car to get to and from work, you will probably need to replace this vehicle at some point in the future. If you use tools in your trade, they may need to be updated or replaced periodically due to normal wear and tear. Brainstorm a list of those expenses using the timeline chart below. Consider where you are now, and when you are likely to experience some life events (like a daughter's graduation party) or need to make large purchases. If your daughter is ten years old now, her high school graduation party will be in about eight years. If your car is five years old or has a lot of mileage on it, you may need to replace it within the next five years or less.

2. **Estimate the costs of these expenses.** Research the costs of these purchases or life events. If the life event or purchase is likely to happen more than five years from now, remember that the cost of almost everything gradually increases over time. This increase is called inflation.

3. **Identify potential ways to pay for the large purchases or costs associated with life events.** For example, you can borrow money to buy a reliable used or new car. If you plan to borrow money, consider saving some money for a down payment to keep your monthly payments as low as possible. Many large purchases may require a combination of financing and savings to cover the cost.

4. **Identify ways to keep the costs as low as possible.** For example, for your daughter's graduation party, can you save on the rental of a location by holding it in a rent-free or reduced-rent facility like a community hall in your community of faith? Can

you save on the meal by involving family and friends in helping you prepare food rather than hiring a catering company?

✎ Planning for life events and large purchases worksheet

	Large purchase or life event	**Cost of large purchase or life event**	**Ways to pay**	**Ways to cut expenses / reduce the overall cost**
Within 1 year				
Between 1 and 2 years from now				
Between 2 and 5 years from now				
Between 5 and 10 years from now				

Between 10 and 15 years from now				
Between 15 and 20 years from now				
Over 20 years from now				

Use *Tool 1: Goal setting tool* to estimate the money you need to set aside each week or month to reach this goal.

This tool is included in the Consumer Financial Protection Bureau's toolkit. The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB's educational efforts are limited to the materials that CFPB has prepared.

This tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this Tool. The CFPB is not responsible and has no control over how others may use the information that you provide to them about your personal or financial situation. The CFPB recommends that you do not include names or account numbers and that users follow their organization's policies regarding retention, storage, and disposal of documents that contain personal information.

Tool 3:

Buying a car

Next to buying a home, the cars people buy are the largest purchases many of them will make throughout their lives. In fact, auto loans are the third largest category of household debt, behind mortgages and student loans.

When you buy a car, you can:

- Pay for it in cash.
- Borrow money to pay for it and pay it back over time.

If you choose to borrow money to pay for it, you can get an auto loan from:

- Credit unions
- Banks
- Car dealers
- Other lenders

Depreciation

Depreciation is the gradual decrease in the value of an asset. Assets are things that you own that have value. A car is an example of an asset. Every year you own a car, it depreciates and is worth less because of wear and tear.

When you borrow money with an auto loan, you will pay more for the car because of the interest and fees on the loan. The amount of interest and fees (the annual percentage rate, or the APR) you will pay on a loan may depend in part on:

- Your credit history
- Your credit score
- The price of the car you are buying

APRs are lower for people with positive credit histories and high credit scores. The APR is also generally lower when you buy a new car.

Shop for a car loan before shopping for a car

When you decide to buy a car, you can check with several banks, credit unions, or other lenders to get a pre-approved loan. Get that pre-approval before you go to buy a car and take the pre-approval with you when you go shopping. Having a loan offer in-hand when you shop for the car puts you in a strong position.

Some people have concerns that shopping around for a loan will have an impact on their credit score. For most people, concentrating your applications in a short period of time can minimize the effect on your credit score. Any negative effect will be small while the benefits of shopping around could be big.

When comparing loans, make sure you're comparing all the terms. If you get competing offers from different lenders, including a dealer who offers you financing, you should take a close look at each of the loan terms, *including the amount financed and the length of the loan*. Some lenders may tell you they can tailor the monthly payments to suit your budget, but lower monthly payments could involve extending the lifetime of the loan. That could mean you still owe on this car when you are ready for your next one.

Deciding on a down payment

When it comes to buying a car, making a down payment can reduce the amount of interest you pay because you are reducing the amount you have to finance. Here is an example:

> *Austin can get a reliable used car for $12,000. He has saved $2,000 for the down payment, but one of his friends has suggested that he finance the full amount of the car.*
>
> *For a 4-year (48-month) loan at 4 percent APR for the full $12,000 cost of the car, Austin would pay 270.95/month and pay $1,005 in interest over the life of the loan.*
>
> *If Austin made a $2,000 down payment, he would only have to borrow $10,000. His monthly payment would be $225.79, and he would pay $837.95 in interest. His monthly payment would be more than $45 less than the monthly payment if he borrowed the full amount for the car. Over four years, this lowers his monthly expenses by $2,160. This includes the $2,000 he made as a down payment and a savings of almost $170 in interest.*

Down Payment	Amount borrowed	Monthly payment for 48 months	Interest paid over life of loan
$0	$12,000	$270.95	$1,005.00
$2,000	$10,000	$225.79	$837.95
Decrease in monthly expenses and interest savings with $2,000 down payment		**$45.16/month decrease in expenses**	**$167.05 saved over 4 years**

Get the big picture

It is important to do your research before buying a car. Getting a good loan for a car and considering the monthly costs of owning a car can help lessen your debt load and improve your cash flow. Some widely recognized independent sources such as the National Automobile Dealers Association or Kelley Blue Book offer resources that can help you compare the cost of purchasing, owning and operating a vehicle. It may make sense to pay a little more for a car with consistently lower operating and ownership costs, because it may save you money over the long term.

Resources

If you have a consumer complaint, visit:
http://www.consumerfinance.gov/complaint

For estimates on the value of a vehicle and its cost of ownership:

National Automobile Dealers Association:
http://www.nadaguides.com

Kelley Blue Book:
http://www.kbb.com

If you would like help managing debt or rebuilding credit, visit the National Foundation for Credit Counseling:
http://www.nfcc.org

Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:
www.consumerfinance.gov/find-a-housing-counselor

For additional resources, visit the Consumer Financial Protection Bureau website:
http://www.consumerfinance.gov/askCFPB

MODULE 3:

Tracking and managing income and benefits

Does the client have enough income?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
▪ Tool 1: Income and resource tracker	▪ Tool 2: Ways to receive income and benefits: Know your options ▪ Tool 3: Ways to increase income and resources	▪ All three tools

Income

Legal aid clients often struggle to make ends meet because of limited income and resources. But helping clients get a handle on their income and financial resources can help them achieve financial stability. According to the Internal Revenue Service,[4] **Earned Income** includes all the taxable income and wages that a person gets from working or from certain disability payments. Examples of **income that is not Earned Income** include retirement income, Social Security

[4] Internal Revenue Service, *What is Earned Income?* See http://www.irs.gov/Individuals/What-is-Earned-Income%3F.

benefits, unemployment benefits, alimony, and child support, as well as pay received for work while incarcerated.

Income can be:

- **Regular**—comes to the household on a schedule and in an amount that client can count on. Note that income and benefits can be temporary (as with a benefits program that provides support over a certain time period) or indefinite (as with a job that has no end date).
- **Irregular**—is not predictable.
- **Seasonal**—is only received during some months during the year.
- **One-time**—only comes one time or once a year (a tax refund, for example).

Managing income can be very challenging if it is irregular, seasonal, or one time only. Individuals may not know how much money is coming in or when it will be coming in. Bills and expenses, however, continue. Rent will be due every month even if the income does not come in.

Tool 1: Income and resource tracker can help figure out how much income and other resources a client gets each week and if a client's income is regular, irregular, seasonal, or one-time within a year. It is the first step in planning how to help manage income differently to cover spending in months with no or little income. This is also an important step in creating a cash flow budget, which is explained in *Module 5: Getting through the month.*

If the client wants to focus on ways to increase income, use *Tool 2: Ways to receive income and benefits: Know your options.*

Deductions from pay

There are two kinds of **deductions** that can be taken from pay:

- **Mandatory**, which means they *must* be taken out
- **Voluntary**, which means they are optional deductions

While some clients—such as day laborers or self-employed—may not have amounts deducted from pay, most do. Mandatory deductions generally include:

- Federal income tax

- Social Security, which is part of FICA (Federal Insurance Contributions Action). 6.2% of pay is held for Social Security with the employer contributing another 6.2% on the employee's behalf[5]
- Medicare, which is also a part of FICA. 1.45% of the paycheck is withheld for Medicare with the employer contributing another 1.45% on the employee's behalf
- State income tax (in most states)
- Local taxes (in some communities)
- In some cases, wage garnishments

Voluntary deductions may include:

- Employee share for health, dental, and/or vision insurance
- Employee contributions to employer-sponsored retirement (401K or 403B plans)
- Union dues
- Employee contributions to life insurance premiums
- Charitable contributions

If the client is self-employed or under contract, no deductions are generally taken from pay. The individual is responsible for ensuring all taxes owed are paid in full and on time to avoid penalties.

Wage garnishments

If the client has unpaid debts, and the creditor sues him for the debt and wins, the creditor might seek to collect the debt by garnishing his wages. This means that the creditor gets a court order and sends it to his employer, who must send the collector part of his paycheck (unless the law protects his income from garnishment).

[5] FICA and Medicare contributions are accurate as of November 2014.

If the client does not remember being sued for an unpaid debt and does not know why his wages are being garnished, he can ask his employer for a copy of the wage garnishment request. The request should include contact information for the creditor. His wages can also be withheld or garnished to pay child support, student loans, back taxes or other debts to a government agency. Any wage garnishment request should include some information about this type of debt, too.

Federal law limits wage garnishments

Generally, federal law limits wage garnishment so that consumers can take home enough income to live on, even if their wages are being garnished. Some state laws provide additional limits that allow consumers to bring home more income.

Wage garnishments are limited under federal law to the smaller of two amounts:

- 25% of disposable income

  or

- The amount that a person's weekly earnings exceeds 30 times the amount that equals the federal minimum wage of $7.25 ($7.25 X 30 = $217.50).[6]

In other words, if someone earns $300 a week:

- 25% of their disposable income would be **$75.00**
- The amount by which the person's weekly earnings exceed 30 times the amount that equals the federal minimum wage of $7.25 is $82.50, computed as follows:
  - Minimum wage ($7.25) x 30 = $217.50

  $300 - $217.50 = **$82.50**

In this example, federal law limits wage garnishment to $75.00 because $75.00 is less than $82.50.

All mandatory deductions are protected from garnishment. Mandatory deductions include:

- Federal, state and local taxes

[6] Note that the federal minimum wage is subject to change. See http://www.dol.gov for updates.

- FICA contributions

The individual's voluntary deductions are not protected from garnishment. Voluntary deductions are direct deductions that the person chooses on his own. They can include pre-tax contributions to a flexible spending account, health savings account or retirement savings account.

Garnishment of federal benefits and support payments

Generally, Social Security, disability, retirement, child support, and spousal support are protected from garnishment. But if a person owes a debt to the federal government for student loans or back taxes, for example, the government may be able to garnish this money. Still, there are limits to how much the federal government can garnish for a debt to the government.

If the person is facing garnishment of his income or benefits, the person should consider consulting a lawyer. This can help him understand his legal rights and responsibilities and take steps to protect his rights if that becomes necessary.

The person may qualify for free legal services through legal aid (check for state legal aid offices at http://lsc.gov/find-legal-aid or http://www.lawhelp.org) or there may also be a lawyer referral service in the area

Servicemembers can get legal assistance through their Judge Advocate General's (JAG) office. They can find their local JAG office at http://legalassistance.law.af.mil/content/locator.php.

If the debt the individual owes is to the government or is for child support there are different rules. In this case, the creditor may not need to get a court order, and the amount the creditor can take from wages may be different. This kind of garnishment can be complicated too, so the person may want to consult a lawyer.

Public benefits programs

Many legal aid programs play an important role in helping people obtain or retain public benefits from local, state, tribal or federal government. The benefit programs are designed to help individuals and families that do not have the resources to cover their basic living expenses and are often temporary.

There are two principal categories of public benefit programs — those that provide benefits regardless of income and those that limit assistance to people with low or modest incomes. The first category of programs includes the major social insurance programs such as Social Security, unemployment insurance, and Medicare. Programs in the second category are often referred to as "means-tested" programs.[7]

Some programs provide cash assistance, e.g., Temporary Assistance for Needy Families (TANF) and other programs are for specific types of benefits, e.g., food assistance from the Supplemental Nutrition Assistance Program (SNAP), formerly food stamps. Benefits received for specific uses can only be used for those purposes. For more information about various benefits available by state, see http://www.benefits.gov.

Individuals and families can only get benefits if they apply for and qualify to receive them. Some programs are funded by the federal government and run by the states. Others are administered directly by the federal government, e.g., Social Security. For many benefits, clients are entitled to apply in their own language. See http://www.lawhelp.org/resource/your-right-to-assistance-in-your-language-bas for more information. For most means-tested benefits programs, eligibility is based on:

- Income
- Circumstances – whether the client has dependents or whether the individual has a disability, for example
- Assets – savings, a vehicle (or more than one vehicle), money in investments, for example

Benefits are important financial resources that cover living expenses, which is the reason it's important for clients to track benefits the same way they track income. Having benefits can also free up cash to pay for other living expenses not generally covered by benefits, such as:

- Utilities
- Gasoline for an automobile
- Car repairs

[7] Center for Budget and Policy Priorities, *Public Benefits: Easing Poverty and Ensuring Medical Coverage,* August 2005. See http://www.cbpp.org/cms/?fa=view&id=508.

- Cell phone service
- Debt repayment

Receiving income and benefits

There are different ways to receive income and benefits. In some situations, individuals do not have a choice. For example, some public benefits must be received electronically, where benefits are directly deposited to an EBT card or a bank account. Some employees may receive their pay via a traditional paycheck. A consumer may receive income or benefits in one or more of the following ways:

- Cash
- Paper Check
- Paycheck
- Direct Deposit (to a checking or savings account or prepaid card)
- Payroll Card (prepaid card arranged by employer)
- Government benefits cards (prepaid cards arranged by a government agency)

In some states, people may receive their unemployment benefits and other government benefits on a prepaid card.[8] Instead of getting checks, they choose to receive a card, and each month the benefit amount is loaded onto the card. The federal government also allows people to have certain federal benefits, such as veterans' benefits or Social Security benefits, deposited to their checking or savings account, or a federally insured prepaid account.

If the benefit card is lost or stolen, the client should call the number on the account statement or use an online form to report this right away. If she can't find an account statement, she can call the agency that provides the benefit. The number she calls will depend on the issuing agency. If someone else uses the card and PIN number, there is a chance these benefits will not be replaced.

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[8] Some states also distribute child support via prepaid card.

The amount charged in fees for using the card depends on the contract between the government agency and the financial institution providing the card account. Clients should be sure to read the cardholder's agreement carefully before using the card.

Tool 1:

Income and resource tracker

Income is the money that comes into your household. Benefits are *financial resources* that come into your household.

You can use this tool to track all of income and financial resources that you receive during a month. Once you have written the amount and when you receive the income, benefit, or other resource, first identify whether the income is:

- **Regular**—comes at a predictable time during the month
- **Irregular**—is not predictable
- **Seasonal**—is only received during some months during the year
- **One-time**—only comes one-time or once a year (a gift or tax refund, for example)

It is usually easier to track *net income*, because that is the money you actually have available to pay for your living expenses. Net income is your gross income minus taxes and other deductions. *Gross income* is what you earn before taxes or other deductions are taken from your pay.

On this worksheet, enter net income you have earned in each category. Then:

- Add each column to get weekly income totals. Add the total for each week to get the monthly total.
- Get a total by source by adding each row.
- Put a check in the column that best describes the income: regular, irregular, seasonal, or one time.

Income for the Month of: ____

On this worksheet, enter net income you have earned in each category.

- Add each column to get weekly income totals. Add the total for each week to get the monthly total.
- Get a total by source by adding each row.
- Put a check in the column that best describes the income: regular, irregular, seasonal, or one time.

	Week 1 __/__/__	**Week 2** __/__/__	**Week 3** __/__/__	**Week 4** __/__/__	**Total by source**	***Regular***	***Irregular***	***Seasonal***	***One-time***
Job									
Second job									
Self- employment Income									
SNAP									
TANF									
Social Security / SSI									
Disability Insurance (SSDI) and veterans' benefits									

Childcare payment									
Child support									
Gift									
Tax refund									
Other									
Weekly total									

Once you have tracked your income, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 5: Getting through the month*. For more information on financial services that may help you manage your income, see *Module 9: Money services, cards, accounts, and loans: Finding what works for you*.

Tool 2:

Ways to receive income and benefits: Know your options

Salaries, wages, and public benefits can be provided in a variety of ways. These include cash, paychecks, direct deposit, payroll cards and electronic benefits transfer (EBT) cards. Each method has pros and cons when it comes to convenience, security, and fees.

The table below highlights some of the pros and cons of each method. When you are given a choice, this will help you make an informed decision about how to receive income and benefits. Note that the availability of EBT cards—and the fees and other details regarding their use—vary from state to state and from program to program.

Circle the options you think may be good ones for you.

Cash

Definition	Benefits	Risks	Tip
Paper or coin money minted by the U.S. Government	Accepted everywhere.	Could be lost or stolen Some people find it tempting to spend cash they have on hand (it "burns a hole in your pocket."). Can be more difficult to track spending for personal budgeting and tax purposes. Not all bill payments can be made in cash.	Avoid carrying around or leaving large amounts of cash in your home. If cash is lost or stolen, it's hard to get it back.

Paper check

Definition	Benefits	Risks	Tip
A paper check for salary, wages, or benefits made out to an individual	Income can be deposited to a checking or a savings account or onto a prepaid card. If you do not have a bank account, some banks and credit unions do not charge a fee to cash "on us" checks that are written from accounts that are held with their institution. Otherwise, you will have to pay a check cashing service to cash them.	Having a bank or credit union accounts is sometimes the only cost-free way to cash paychecks. If you don't have an account, unless your employer's bank or credit union cashes "on us" checks for free, you may have to pay to cash them at a bank, credit union, or check cashing service. If you deposit a paycheck in a bank or credit union account or onto a prepaid card, you may not be able to access all the funds immediately. May not be offered by all employers or government agencies.	If you cash your checks at a check cashing store, these stores may try to offer you a payday loan or money transfer services. These services can be very expensive – if you're considering one, make sure you understand the costs.

Direct deposit

Definition	Benefits	Risks	Tip
Employee pay or government benefit is electronically sent to your bank or credit union account or your own prepaid card without the use of a paper check.	Reduces your risk of loss or theft compared to carrying cash or checks because funds are sent directly to a bank or credit union account. Funds are usually available to you immediately. Funds can be accessed via a debit card, ATM card, or personal checks. For direct deposits made to a bank or credit union account, the account's debit card/ATM card has full consumer protections for funds taken by error or theft. Many employers allow you to split the deposit between checking and savings accounts, which can help you build savings. No check cashing fees. Many banks and credit unions also offer checking/savings accounts with no monthly fees when you set up direct deposit.	If direct deposit is made to a prepaid card, the card may lack full consumer protections for funds taken by error or theft. Can be charged fees if you write checks or use debit card without sufficient funds. Have to go to an ATM or get cash back at a merchant to get cash. May not be offered by all employers or government agencies.	Ask your employer how to arrange for direct deposit. If you receive your pay through direct deposit, your money is often available on your payday. Be aware of ATM fees you may be charged. Generally, you can avoid ATM fees by using your own bank or credit union's ATMs.

Payroll card and government benefits card

Definition	Benefits	Risks	Tip
Prepaid cards arranged by an employer or government agency through which people access their salary or wages, or by a government agency through which benefits recipients can access benefits payments.[9]	Safer and more secure than carrying cash or checks. These cards have full consumer protections for funds taken by error or theft.	Potential inactivity and service fees. Can be charged fees if you use the card without sufficient funds. Have to go to an ATM or get cash back at a merchant to get cash.	Ask questions about fees for using the payroll card or government benefits card. Your employer can require that you receive your pay by electronic means, but must give you a choice between a payroll card and a direct deposit to a bank or credit union account (or a prepaid card) that you choose.

[9] The availability of government benefits cards, their fees and other details vary from state to state and program to program.

EBT

Definition	Benefits	Risks	Tip
These cards replace paper-based benefits for needs-based programs such as Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Women, Infants, and Children (WIC) program, and other programs.[10]	You use it just like a prepaid or debit card	Not all merchants accept these cards. Some government benefits cards are subject to fees. Certain cards lack full consumer protections for returning funds taken by error or theft.	For EBT cards, some benefits can be lost if they are not used within a certain amount of time. Be sure to ask if this applies to your benefit and keep track of your balance.

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[10] The availability of EBT cards, their fees and other details vary from state to state and program to program.

Tool 3:

Ways to increase income and resources

If you feel like you may not have enough income and other financial resources to pay for all of your obligations, needs, and wants, you can do one of two things:

1. Increase your sources of cash, income, or other financial resources.
2. Decrease your spending or uses of cash and other financial resources.

This tool focuses on ways to increase cash and financial resources.

Before you use the tool, you should note that there are two ways to bring in more income. You can bring in more income through a *one-time activity*. This would include selling items in a garage sale or on sales websites. This would also include getting a tax refund by claiming tax credits for which you qualify.

You can sometimes bring in more income or resources on a *regular* basis. This would include getting a part-time job, applying for benefits, you may qualify for, or starting a small business.

Increasing Income through Workforce Development Programs

One way to potentially increase income for the long term is to develop skills to fill high-demand jobs in a local workforce development program. Workforce development programs provide skills training that can prepare you for a new job where you work now or for another company or organization. They may be offered through vocational schools, career-technical schools, community colleges, universities, unions, and other apprenticeship programs. Programs often focus on helping people develop the skills to fill jobs that are currently or are predicted to be high-demand.

How do you find a workforce development program in your community? Start with the U.S. Department of Labor services locator: http://www.dol.gov/dol/location.htm. If you enter your zip code, you will get a list of programs in your area.

You can also visit an American Job Center to explore careers, find out about education and training required for different careers, get advice on applying for jobs and interviews, and more. To find a center near you, visit: http://www.servicelocator.org. You can also visit http://www.careeronestop.org for online tools and information.

Your state probably has a state career or workforce development website or portal. There, you may find online interest and skills assessments and links to in-person and on-line training. Many community colleges also provide these types of assessments and services.

✎ Ways to increase cash, income, and other resources

Use the tool to identify ways you can increase your income. Note that not all of these may apply to you. Check the options that may work for you and use this as a plan to increase cash, income, and other resources.

Check if option for you	Strategy for increasing cash and sources of financial resources	Information or resources you need to access this information
One-time activity		
	Hold a yard sale/garage sale	
	Sell items online	
	Claim tax credits if you qualify	
	Other:	
Regular income		
	Seek a raise or additional hours at current job	
	Change tax withholding (if you generally receive a large tax refund.)	
	Get a part-time job	
	Do odd jobs (providing childcare, doing yard work, running errands for someone, etc.)	

	If eligible, apply for public benefits (TANF, SNAP, Medicaid, public housing)	
	Rent a room in your home if allowed in your community	
	Start a part-time small business or use your talents or hobbies to make items to sell online	
	Search the Internet for reputable opportunities to provide services to other businesses	
Long-term		
	Seek opportunities for training or education that would increase wage at current job or help you get a better job	
	Other:	
	Other:	

Once you have identified strategies for increasing income, adjust your cash flow—see *Module 5: Getting through the month.*

Resources

If you have a consumer complaint, visit:
http://www.consumerfinance.gov/complaint

For MyMoney.gov budgeting resources, visit:
http://www.mymoney.gov/Fast/Pages/Results.aspx?k=Budgeting%20worksheets&s=All

If you lose your job, visit the following for more information:
http://www.benefits.gov
http://www.dol.gov/ebsa/publications/joblosstoolkit.html

If you are in a natural disaster, visit the following for more information:

http://www.fema.gov/disaster-survivor-assistance

If you have a medical emergency you cannot afford, visit your state department of health and human services listed here:
http://healthfinder.gov/FindServices

If you would like help managing your debt or rebuilding credit, visit the National Foundation for Credit Counseling:
http://www.nfcc.org

For additional resources, visit the Consumer Financial Protection Bureau website:
http://www.consumerfinance.gov/AskCFPB

MODULE 4:

Paying bills and other expenses

Does the client pay her bills in full and on time each month?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
▪ Tool 1: Spending tracker	▪ Tool 3: Ways to pay bills: Know your options ▪ Tool 4: Strategies for cutting expenses ▪ Tool 5: When cash is short—prioritizing bills and spending	▪ Tool 2: Bill calendar

Spending

People who are financially healthy spend less than they earn. But that guidance may not feel helpful for people who may not have enough income and financial resources to pay all their bills and living expenses. For others, balancing their personal priorities and cultural expectations can create a challenge. If someone's income comes from work that is seasonal or irregular, they may be able to cover everything when they're working, but struggle to cover expenses in months or weeks when they're not.

Where does the money go?

Understanding the differences among needs, obligations, and wants is an important starting point for all clients.

- **Needs are those things an individual must have to live.** Shelter and utilities, food, clothing, and transportation are examples of needs. The difficulty with needs, however, is that there is a wide range of options for shelter and utilities, food, clothing, and transportation.
- **Obligations are those things an individual must pay because he owes money or has been ordered to pay someone money.** Debts are examples of obligations. Child support and alimony as well as judgments are also examples of obligations.
- **Wants are the things an individual can survive without.** For example, while a reliable car to get to work is a need, a new car with expensive features is both a need and a want.

Being able to separate needs, obligations, and wants can empower clients to cut back on those areas they determine are optional in their life. **Financial empowerment is about providing people with options to help them make choices for themselves.**

To help the client get a clear picture of how she or he uses money and financial resources now, use the *Tool 1: Spending tracker*. For specific ideas on cutting back on use of money and financial resources, use *Tool 4: Strategies for cutting expenses.*

Planning for and paying bills

Many people have recurring obligations like rent, utilities, car payments, child support payments, debt payments, and insurance payments. **Most of these obligations have a fixed due date, and if clients are late, even by just a few days, they will likely pay an extra fee and risk a negative entry in their credit reports. Clients can work toward avoiding late fees and other consequences of late or nonpayment by:**

- Writing down the regular bills they have.
- Setting up a bill payment calendar so they can easily see when payments are due.

Tool 2: Bill calendar can help clients visualize what they owe and when. If clients use smartphones, text messaging, or e-mail, they might prefer to explore bill reminder services and applications (apps). These services can send them reminders when it's time to pay their bills.

Another aspect of bill payment is how bills are paid. In general, one can pay one's bills using:

- Cash
- Money orders
- Checks
- Credit cards
- Automatic debit
- Online or mobile bill payment

Co-payments

Many health care providers require a co-payment (or "co-pay") at the time of service. The amount is set by the client's health, dental, or vision insurance company. Instruct clients to check their insurance cards or the insurer's websites for the amounts of their co-pays. Amounts may vary depending on the reason for a visit (illness/check-up) and type of provider (primary care/specialist).

Tool 3: Ways to pay bills: Know your options can help a person decide which method of paying bills will work. For example, if the client prefers to pay bills in person using cash, she'll have to travel to a payment location, which costs time and money for gas. If she uses automatic bill payments from a checking account, she'll save time, but she'll need to ensure that she has money in the account to cover the automatic payment. Otherwise, she may have to pay an overdraft fee.

With information about the advantages and disadvantages of each method of bill payment, the client can be empowered to make choices that can help save time or money, avoid additional or unnecessary fees, and create a reliable record of bill payment. This record may improve the person's ability to access credit.

Unexpected expenses

Managing unexpected and periodic expenses can put a strain on someone's budget and cause stress. Examples of **unexpected expenses include**:

- Fees for a school field trip for a child

- Tools or expenses related to work that were unanticipated
- The cost of attending the funeral of a friend or family member in another state
- Car or home repairs
- Health-care related expenses resulting from illness or injury

Periodic expenses are different. These occasional expenses are often predictable, but they can be hard to manage if clients do not plan for them. Common **periodic** expenses include:

- Car insurance premiums
- Life insurance premiums
- Renter's insurance premiums
- Income taxes (if clients owe money)
- Property taxes
- Holiday-related expenses
- Health-care related co-payments (not related to illness or injury)

When cash is short

Even after a client has tracked spending and found some ways to cut back to help make ends meet (*Tool 1* and *Tool 4*), he may still find himself to be short on cash to pay bills. The client is responsible for paying all obligations on time. But when he doesn't have enough money to cover obligations and living expenses he may have to make a short-term plan to get through the month.

Sometimes the plan may involve paying some bills late or missing a bill. When bill collectors are calling and he's trying to decide which obligations to pay first, it can sometimes just seem easiest to pay the "squeakiest wheel" – but this might not be the best approach. Sometimes the plan will mean ignoring the squeaky wheel for a short time until he can build a plan for repayment.

Part of making this short-term or longer-term plan is making sure the client understands the consequences of delaying paying certain bills. See below list.

Action	Some potential consequences
Five days past the due date for your rent	Pay the late fine as outlined in your lease agreement. Risk creating a pattern of late payment, which could lead to the landlord terminating your tenancy through the courts—eviction. Strain your relationship with your landlord. Create stress for you.
Miss your car payment	Pay the late fee as outlined in your loan agreement. Risk creating a pattern of late payment, which could lead to repossession of your car. Create a situation in which you need more cash the following month—to catch up the car payment you missed. Risk a negative entry on your credit reports and a drop in your credit scores.
Miss your electric bill payment	Pay the late fee. Create a situation in which you need more cash the following month—to catch up the electric bill you missed. Potentially get a negative entry on your credit reports. Risk a drop in your credit scores. If you are late for several months, your electricity could be cut off. To get it turned on, you will have catch up on payments and pay a restore fee to get your service turned back on.
Miss a credit card payment	Pay the late fee as outlined in your credit card agreement. Risk an increase in your interest rate on what you already owe (if you are 60 days late). Risk an increase in the interest rate on new purchases. Risk a negative entry on your credit reports and a drop in your credit scores.

Finally, after examining the consequences of not paying or paying bills late and creditors have been called, the client can make a short-term plan. Use *Tool 5: When cash is short: Prioritizing bills and planning spending*, to make a plan. This tool is designed to help you first protect expenses associated with earning an income. If the client misses these costs, he may harm his ability to earn the money he needs to pay any of his bills.

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Tool 1:

Spending tracker

Whether they have a lot of money to spend or are struggling to make ends meet, most people can't tell you how they spend their money during a month. Before deciding on changes to your spending, it is a good idea to understand how you use your money now. This takes three steps and commitment:

1. **Keep track of everything you spend money on for a week, two weeks, or one month**. A month is best, because most of your income and your bills will be included. But, keeping up with the tracking for a month may be a challenge.
2. **Analyze your spending**. See how much you spend in each category. Notice any trends and look for expenses you can eliminate or cut back on.
3. **Use this as information to make changes in your spending.**

It takes commitment, because this is a lot of work. But it's important work. Many people are actually able to find money to save for emergencies, unexpected expenses, and goals by tracking their spending. Others are able to make their budgets balance.

Get a small plastic case or envelope. Every time you spend money, get a receipt and put it into the case or envelope. If the receipt doesn't include what you purchased, take a few seconds and write it on the receipt. If you don't get a receipt, write down the amount and what you purchased.

Analyze your spending. Use the following tool, *Analyze Your Spending*, for each week of the month. Go through your receipts. Enter the total you spent and the date in the column that makes most sense to you. See how much you spend in each category and add the weekly amounts. Once you have these totals, add them together to get a total spending for the week. You can track your spending for one week, two weeks, or an entire month.

Notice trends. Circle those items that are the same every month (for example, rent, car payment, cell phone payment). These are often your needs and obligations. This will make creating your budget easier. Identify any areas you can eliminate or cut back on—these will generally be wants.

Here is a list of the categories that are used in the spending tracker.

Housing and utilities	Rent, mortgage, insurance, property taxes, electricity, gas, water, sewage, phone, television, Internet service, cell phone
Groceries	Food and beverages to be brought into the home, including baby formula and food
Household supplies and expenses	Things for your home like cleaning supplies, kitchen appliances, furniture, other equipment
Transportation	Gas, car payment, insurance payment, repairs
Health care premiums and expenses	Co-payments, medication, eye care, dental care, health care premiums
Childcare and school expenses	Child care costs, diapers, school supplies, school materials fees, field trip and other activity fees
Court-ordered obligations	Child Support, restitution, etc.
Debt payments	Credit card payments, payday loan payments, pawn loan payments, car title loan payments, and other loan payments
Tools or other job-related expenses	Tools, equipment, special clothing, job-related books, machinery, working animals or livestock, union dues
Savings	Saving for goals, emergencies, children's education, saving for retirement, holiday purchases, for back to school shopping
Pets	Food, healthcare costs, and other costs associated with caring for your pets
Personal care	Haircuts, hygiene items, dry cleaning
Eating out (meals & beverages)	Any meals or beverages purchased outside of the home
Entertainment	Going to the movies, going to concerts, sports equipment/fees, sporting events, lottery tickets, memberships, alcohol, books/CDs, subscriptions
Gifts, donations, and other	Donations to religious organizations or other charities, gifts, other expenses

Analyze Your Spending: Week ____ for the Month of ____________________

On this worksheet, enter each amount from your receipts into its matching category column. Take care to make sure the entry also matches the correct date. Add each column. Add the total of all of the columns to get total spending for the week. Print and complete multiple copies of this sheet to analyze spending over the period of a month or longer.

Date of month	**Housing and utilities**	**Groceries**	**Household supplies and expenses**	**Transportation**	**Health insurance premiums, expenses**	**Childcare & school**	**Court-ordered oblig.**	**Debt payments**	**Tools of the trade /Job related expenses**	**Savings**	**Pets**	**Personal care**	**Entertainment**	**Eating out**	**Gifts, donations, other**	**Total**
—																
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Total																

Review your spending for the week or month. Which items cannot be cut or reduced? List these in the chart below. When you make your cash flow budget, you will just fill these in.

Spending that <u>cannot be cut</u>	**Reason**

Are there items that can be completely eliminated? If yes, the money you spend on these items can be used on other things like saving for emergencies or goals or paying down debt.

Spending that <u>can be eliminated</u>	**Steps to eliminate**

Are there items that can be realistically reduced? If yes, list them below. Set new spending targets for these items and include them in your cash flow.

Spending that <u>can be reduced</u>	**Strategies for reducing**

Once you have tracked your spending, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 5: Getting through the month*. For more information on financial services that may help you pay your bills, see *Module 9: Money services, cards, accounts, and loans: Finding what works for you.*

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Tool 2:

Bill calendar

Bills are a fact of life, and while paying bills is no fun, most bills are at least predictable.

Figuring out which bills to expect throughout the month can be helpful in a couple of ways. It helps you plan to have enough money or other financial resources on hand to pay them. It can help you think of ways to reduce your expenses over the course of the month. Finally, some people find that thinking ahead helps reduce the stress when they arrive in the mail.

Create a bill calendar using the following tool:

- Print the bill calendar.
- Fill in the name of the month and year.
- Add numbers to represent the days of the month. Start with this week as the first week.
- Gather all of the bills you pay in one month OR use the information from your Spending tracker, from Tool 1.
- Write the due dates for these bills. Since due dates are when bills must arrive, write the date bills must be sent. If you're paying by mail, mark the due date at least 7 days before it is due. For in-person or automatic bill payment, mark one or two days before the due date to ensure you are not late.
- Fill in the calendar with the business or person you owe the money to, the date the money must be sent to arrive on time, and the amount that is due.

- Put this calendar somewhere you will see it every day to ensure you are not forgetting about important bills.

Here is a sample week to show you how the tool works:

Sun. 1	Mon. 2	Tues. 2	Wed. 4	Thurs. 5	Fri. 6	Sat. 7	End of Week
	Phone bill, $60 Rent, $500				Car payment, $180		Total bills for week: $740

Once you become comfortable with this tool, you may want to explore online bill reminder services or apps that help keep you on track for paying your bills on time.

For more information on financial services that may help you pay your bills, see *Module 9:* *Money services, cards, accounts, and loans: Finding what works for you*.

✎ ______, 20__

Sun. ____	Mon. ____	Tues. ____	Wed. ____	Thurs. ____	Fri. ____	Sat. ____	End of Week
							Total bills for week:
Sun. ____	Mon. ____	Tues. ____	Wed. ____	Thurs. ____	Fri. ____	Sat. ____	
							Total bills for week:
Sun. ____	Mon. ____	Tues. ____	Wed. ____	Thurs. ____	Fri. ____	Sat. ____	
							Total bills for week:
Sun. ____	Mon. ____	Tues. ____	Wed. ____	Thurs. ____	Fri. ____	Sat. ____	
							Total bills for week:
Sun. ____	Mon. ____	Tues. ____	Wed. ____	Thurs. ____	Fri. ____	Sat. ____	
							Total bills for week:

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Tool 3:

Ways to pay bills: Know your options

With information about the advantages and disadvantages of each bill payment method, you can make choices that may help you to:

- Save time
- Save money
- Avoid additional or unnecessary fees
- Create a reliable record of bill payment

Bill payment method	Advantages	Disadvantages
Cash	Easy to understand. When you pay cash directly to the company there are often no additional costs. Buying or using a special product such as a money order or prepaid cards may cost money.	May be inconvenient as this requires in-person payment of bills. Bill payment services may charge you fees to make a cash payment. May be difficult to prove payment unless you have a receipt. Cost of traveling to the businesses you are paying money to. Your cash can be stolen when you are on the way to pay your bills.

Bill payment method	Advantages	Disadvantages
Money order	Easy to understand. Can be mailed, so more convenient than cash. Can be safer than a check in some cases, as no personal banking information appears on the money order.	May be inconvenient because you have to buy the money order. Cost per money order. May be hard to prove payment unless you have the money order receipt and receive the receipt for payment. Costs of mailing the payments. Like cash, it would be hard to recover if lost.
Check	Convenient once the checking account is set up at a bank or credit union. Can be mailed, so more convenient than cash. Easier to prove payment if there is a dispute. Option for online bill payment through the bank or credit union. Funds in checking account are safe.	Requires an account at bank or credit union; you may not be able to get a checking account if you have a negative banking history report. The bank or credit union may charge nonsufficient fund fees, overdraft charges, or returned check fees if you pay bills by check without enough money in your account. May be difficult for some people to understand and manage a checking account. Time to write out checks and mail them. Costs of mailing the payments.

Bill payment method	Advantages	Disadvantages
Credit cards	Convenient. Can pay bills over the phone or online. Easier to prove payment if there is a dispute. Protects you from having to pay for charges if your card or information is stolen or lost. Can be set up to automatically pay recurring bills with no risk of overdraft. This can help build your credit history if you make payments on time and don't get close to your credit limit.	It creates another bill you have to pay. Creates debt—you are borrowing money to pay for bills and other items when you use a credit card. Costs more than paying for the purchase with cash or a check if you can't pay the credit card balance in full and have to pay interest on the balance.
Prepaid cards (one-time use)	Convenient. Can pay bills over the phone or online. Easier to prove payment if there is a dispute. Protects you from having to pay for charges if your card or information is stolen or lost.	Check the card agreement to understand whether you will be charged a fee for using the card to pay a bill.
Automatic debit from a checking/savings account, prepaid card, or credit card	Convenient. Reduce the chances of paying late—set it up once and forget it. Can be linked to a debit card (checking account) or credit card. Easier to prove payment if there's a dispute. Saves time.	If there is not enough money for the payment in the checking or savings account when the automatic debit happens, you would have to pay additional fees. If you have an issue with the card you are using for payments and have to replace it, you will have to remember to update the card information with the billers that are being paid with automatic debit.

Bill payment method	Advantages	Disadvantages
Online bill payment	Convenient. You can choose between making one-time payments each billing cycle or setting up recurring (automatic) payments using your bank, credit union, or prepaid card provider's online web services or through the biller's website. You can also often use a mobile app for bill payment. Be sure to keep track of your balance. It will help you avoid late fees. Automatic payments reduce the chance of being late. If set up through your bank or credit union, you may be able to receive warnings or alerts if you do not have enough money in your account to pay a bill. May include options for setting up payment from cell phones/smart devices. Saves time.	Takes time to set up and learn. Possible risks of overdraft and fees or a rejected payment if there is not enough money in the account when the payment occurs.

Tool 4:

Strategies for cutting expenses

If you do not have enough money or financial resources, you can do one of two things:

- Increase your sources of cash, income, or other financial resources.
- Decrease your spending or uses of cash and other financial resources.

This tool focuses on ways to decrease spending or uses of cash and other financial resources.

Not all of these may apply to you. Check the ideas that may be an option for you, and use this as a plan for getting more information or resources.

✎ Strategies list

Cut back on regular (recurring expenses)

Check if an option for you	Strategy for cutting expenses and other uses of financial resources	Additional information or resources you need to access this information	Estimate $ value of spending cut you select
	Television	*Check with your provider about lower cost plans or discontinue cable.*	
	Internet		

	Phone	*Check if you qualify for a "Lifeline" phone rate.*[11]	
	Cell phone plan	*Review prepaid or fixed call plans. Check if you qualify for a "Lifeline" phone rate.*	
	Review insurance; increase deductible on auto insurance to lower premium payment	*Check to see if moving all insurance coverage to one company will save you money and for other discounts.*	
	Find ways to save on energy. ▪ Turn off and unplug unused electric appliances. ▪ Insulate and use weather stripping around doors and windows. ▪ Set thermostat higher in summer and lower in winter.	*Check to see if you're eligible for weatherization programs or other incentives.*	
	Other:		

Get rid of regular (recurring) expenses

Check if an option for you	**Strategy for cutting expenses and other uses of financial resources**	**Additional information or resources you need to access this information**	**Estimate $ value of spending cut you select**
	Online video membership		

[11] For more information on Lifeline phone rates, see http://www.fcc.gov/guides/lifeline-and-link-affordable-telephone-service-income-eligible-consumers.

	Discount store memberships if don't use them regularly, or they're not saving you any money		
	Gym/health club membership (if not used)		
	Credit monitoring services		
	Other:		

Avoid fees

Check if an option for you	Strategy for cutting expenses and other uses of financial resources	Additional information or resources you need to access this information	Estimate $ value of spending cut you select
	Review financial services. Are you paying to cash your checks? Are you paying maintenance fees on checking or savings accounts? Are you paying ATM fees? Do you pay overdraft fees? Are you paying annual fees for credit cards? Know the fees you are paying for your loans.	*Could you switch to a no-fee or lower-fee account?*	
	Pay bills and fines like parking tickets on time	*Parking tickets and other fines cost more if you pay them late.*	
	Return library materials, rented DVDs, etc. on time		
	Renew license and registration on time		

	Other:		

Other methods

Check if an option for you	Strategy for cutting expenses and other uses of financial resources	Additional information or resources you need to access this information	Estimate $ value of spending cut you select
	Negotiate a new due date for bills to make them easier to handle in cash flow		
	Avoid eating out; cut one meal out per month	*If you buy lunch at work, could you save money if you bring lunch instead?* *If you have children, identify the restaurants that have "kids eat free" nights – but check what is included.*	
	Avoid bottled water		
	Avoid buying fountain drinks and coffee out		
	Use coupons		
	Buy second hand furniture or clothing if you need to replace either		
	Do not buy or rent DVDs or CDs	*Visit your local public library. To avoid late fees, you have to return the items by the due dates.*	

	Buy items you use in bulk if they are cheaper that way	*Look at the price label for cost per serving. Sometimes larger quantities don't actually save money.*	
	Maintain your car	*Get regular oil changes and keep tires inflated. This can save on fuel and can prevent major repairs.*	
	Other:		

Total reduction in spending for one month: _______________

Once you have identified strategies for cutting your spending, adjust your cash flow budget. See *Module 5: Getting through the month*.

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Tool 5:

When cash is short—prioritizing bills and planning spending

Even when you have done everything you can to increase sources of income or cut spending, you may still find yourself to be cash short.

You are responsible for paying all of your obligations on time. But when you truly don't have enough money to cover your legal obligations and living expenses—this means you have cut out everything that isn't a "need"—you may have to make a short-term plan to get through the month. Take time to consider how each of your bills impacts these areas – protecting your job, your shelter, your assets, and meeting your legal responsibilities.

This tool can help you create a short-term plan for weeks or months you cannot pay your bills or living expenses.

Protect your income	Protect your shelter	Pay your obligations	Protect your assets and health
If you need a car to get to and from work, stay current on your car payment and insurance. *Maintain other expenses needed to keep your job, such as the tools you need or to pay for required licenses.*	Whether you rent or have a mortgage, the costs of losing your home are big. *Remember to include the taxes, condo fees, and mobile home lot payments you need to stay housed.* *If possible, maintain your utilities. They are difficult to live without, and reconnection is expensive.*	Examples include: ▪ Child support ▪ Income taxes ▪ Student loans	Don't let essential insurance coverage lapse; this includes auto, renters / homeowner's, and health insurance premiums. Include the cost of your co-pays and needed prescriptions. *Not having insurance may mean you cannot drive your car and puts your assets, including your health/your family's health, at risk.*
Your expenses:	**Your expenses:**	**Your expenses:**	**Your expenses:**

Remember, you are responsible for all of your bills and expenses.

If you miss payments now, you will have to make them up in the future.

Resources

If you have a consumer complaint, visit:
http://www.consumerfinance.gov/complaint

For MyMoney.gov budgeting resources, visit:
http://www.mymoney.gov/Fast/Pages/results.aspx?k=Budgeting%20worksheets

If you lose your job, visit the following for more information:
http://www.benefits.gov
http://www.dol.gov/ebsa/publications/joblosstoolkit.html#.UM6BmXPjkt8

If you are in a natural disaster, visit the following for more information:
http://www.fema.gov/disaster-survivor-assistance

For information on enrolling in a health insurance plan, visit:
https://www.healthcare.gov

If you have a medical emergency you cannot afford, visit your state department of health and human services listed here:
http://healthfinder.gov/FindServices

Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:
http://www.consumerfinance.gov/find-a-housing-counselor

For information on finding a lawyer to represent you in a lawsuit by a creditor or debt collector:
http://www.consumerfinance.gov/askcfpb/1433/how-do-i-find-lawyer-or-attorney-represent-me-lawsuit-creditor-or-debt-collector.html

For additional resources, visit the Consumer Financial Protection Bureau website:
http://www.consumerfinance.gov/AskCFPB

MODULE 5:

Getting through the month

Is the client able to make ends meet each month?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
▪ Tool 3: Improving cash flow checklist	▪ Tool 1: Cash flow budget or Tool 2: Cash flow calendar	▪ Check in on cash flow development or management

Timing is critical for how clients manage their income from money or benefits. People often have more income or benefits one week—and pay several bills at once or splurge on something fun—but come up short the next week for a necessity.

That's why monthly budgets sometimes don't work out from week-to-week. If the timing of income doesn't match the timing of expenses and the client hasn't planned for it, the client may come up short.

A cash flow budget *projects* how and when cash and other financial resources come in and how they are used.

A cash flow budget is different from a regular budget, because it includes not only the amount for each budget item, but the timing of income (including other financial resources) and expenses. It breaks the monthly budget down week by week, accounting for when money is expected (income, benefits, and other financial resources) and when it must be spent on needs, obligations, and wants (expenses).

A cash flow budget can help the client identify where he is falling short within the month and help ensure he has the financial resources on hand to cover the most important expenses. A cash flow budget can also help better target areas where spending could be cut back or postponed.

A cash flow budget is even more important for people who have irregular, seasonal, temporary or one-time income. It can help the client project and plan ways to spread the income over the months when money is not coming in.

Making a cash flow budget

Making a cash flow budget involves three steps:

- **Keeping track of everything earned or brought in and spending for a week, two weeks, or one month.** Use the income and financial resource tracker from Module 3 and the spending tracker from Module 4 to do this.
- **Analyzing spending.** Use the spending tracker from *Module 4: Paying bills and other expenses* to do this.
- **Using this information to create a cash flow budget.** Use *Tool 1: Cash flow budget* to complete this step or *Tool 2: Cash flow calendar*. The cash flow budget is about setting targets for how a person uses income going forward.

Tool 1:

Cash flow budget

Building a cash flow budget is important because when it comes to money, timing matters. It can help you make sure you have the resources on hand to cover the most important expenses. This is especially important if your income is irregular, seasonal, or one time.

There are expenses such as rent and your car payment that you cannot cut back. These are commonly called *fixed expenses*. Cutting back on these expenses requires major changes, such a moving or selling a car. Sometimes, though, you may find that you need to do this to make your cash flow work.

If you find you want to cut back in some other areas, ***put these new target levels of spending on your cash flow budget***. For example, if you spend $350 per month on groceries, you may decide to buy and cook food in bulk and cut out bottled water to decrease the amount you spend on groceries to $300. It's important to be realistic when you set targets. Your cash flow budget is about setting targets for how you will use your income going forward.

You can create a cash flow budget using the following form.

Here are some important tips to get you started:

Beginning balance for the week

Your beginning balance for each week is the ending balance from the week before. When you start a cash flow budget, count the money you have in your pocket, on a prepaid card, or in an account you use to pay your bills to get your beginning balance.

	Week 1	**Week 2**
Beginning balance for the week	**$37.00**	**$142.37**
Sources of cash and other financial resources		
Income from job	$305.34	$290.80
SNAP	$280.00	
Public housing voucher	$650.00	
Total sources of cash and other financial resources	**$1,272.34**	**$433.17**
Uses of cash and other financial resources		
Housing	$650.00	
Utilities	$59.97	$95.50
Groceries	$180.00	$80.00
Eating out (meals and beverages)		
Transportation	$240.00	$60.00
Total uses of cash and other financial resources	**$1,129.97**	**$235.50**
Ending balance for the week	**$142.37**	**$197.67**

Move your ending balance from the previous week forward.

To get a starting balance, total your cash, prepaid card, and account balances.

Total sources of cash and other financial resources

Add your beginning balance for the week to the other income you get that week. The total is the amount you have to pay for all of your expenses during that week.

	Week 1	Week 2
Beginning balance for the week	**$37.00**	**$142.37**
Sources of cash and other financial resources		
Sources of cash and other financial resources		
Income from job	$305.34	$290.80
SNAP	$280.00	
Public housing voucher	$650.00	
Total sources of cash and other financial resources	**$1,272.34**	**$433.17**
Uses of cash and other financial resources		
Housing	$650.00	
Utilities	$59.97	$95.50
Groceries	$180. 00	$80.00
Eating out (meals and beverages)		
Transportation	$240.00	$60.00
Total uses of cash and other financial resources	**$1,129.97**	**$235.50**
Ending balance for the week	**$142.37**	**$197.67**

Add your beginning balance and all of the sources of cash and financial resources for the week.

Total uses of cash and other financial resources

Add all of your expenses and other uses of cash (savings and debt repayment) for the week. Note that some financial resources may only be used for specific expenses. For example, SNAP (Supplemental Nutrition Assistance Program) benefits can only be used for food and for plants and seeds to grow food for your household to eat.

SNAP cannot be used for:

- Any nonfood item, such as pet foods, soaps, paper products, and household supplies, grooming items, toothpaste, and cosmetics
- Alcoholic beverages and tobacco
- Vitamins and medicines
- Any food that will be eaten in the store
- Hot foods[12]

[12] For details on eligible food items, see http://www.fns.usda.gov/snap/retailers/eligible.htm.

Subtract your total uses of cash and other financial resources from your total sources of cash and other financial resources

This will give you your ending balance for the week. It will also show you whether you have enough cash and other financial resources to make it through the week.

	Week 1	Week 2
Beginning balance for the week	**$37.00**	**$142.37**
Sources of cash and other financial resources		
Income from job	$305.34	$290.80
SNAP	$280.00	
Public housing voucher	$650.00	
Total sources of cash and other financial resources	**$1,272.34**	**$433.17**
Uses of cash and other financial resources		
Housing	$650.00	
Utilities	$59.97	$95.50
Groceries	$180.00	$80.00
Eating out (meals and beverages)		
Transportation	$240.00	$60.00
Total uses of cash and other financial resources	**$1,129.97**	**$235.50**
Ending balance for the week	**$142.37**	**$197.67**

Total sources minus total uses. This becomes your beginning balance for the next week.

✎ Cash flow budget worksheet

	Week 1	Week 2	Week 3	Week 4	Week 5
Beginning balance for the week					
Sources of cash & other financial resources					
Income from job					
Income from part-time job					
Income from self-employment					
TANF					
SNAP					
Public housing voucher					
Other:					
Total sources of cash & other financial resources					
Uses of cash & other financial resources					
Credit card payments					
Payday loan payments					
Personal loans					

Other debt					
Other payments					
Savings: emergency fund					
Savings: goals					
Savings: children's education					
Savings: retirement					
Rent or mortgage payment					
Homeowners or rental insurance					
Electricity					
Gas					
Water and sewer					
Cable or satellite television					
Internet service					
Phone and cell phone service					
Groceries					

Eating out (meals and beverage)					
Car payment					
Gas for car					
Car maintenance					
Tools of the trade and other job-related expenses					
Health insurance premiums					
Health care deductibles and co-pays					
Personal care					
Childcare, diapers, and school fees and supplies					
Entertainment					
Contributions					
Total uses of cash & other financial resources					
Ending balance for the week (sources - uses)					

Be sure to use tools you may have completed in other modules to build your cash flow. Look at *Module 1: Setting goals, Module 8: Saving for the emergencies, goals, and bills Module 3: Tracking and managing income and benefits, Module 4: Paying bills and other expenses*, and *Module 6: Dealing with debt.*

Tool 2:

Cash flow calendar

A cash flow approach to managing your money involves paying attention to the *timing* of your sources and uses of cash and other financial resources. This is important, because timing matters when you are making sure you have enough to cover your expenses. *Tool 1: Cash flow budget* uses a table to track those sources and uses from week-to-week. This tool takes the same cash flow approach, but uses a calendar format to plan for the weeks ahead.

Use the information from your *Module 3, Tool 1: Income and resource tracker* and *Module 4's Spending tracker* to create a cash flow calendar using the blank calendar provided here. Start each new month by carrying over your balance from last month. Then enter the sources and uses of cash and other financial resources for each day of the week.

At the end of every week take your beginning balance, add your total sources, and subtract your total uses. That number will be what you have left, your weekly ending balance.

Here is a sample week to show you how the tool works:

<table>
<tr><th>Sun. __</th><th>Mon. __</th><th>Tues. __</th><th>Wed. __</th><th>Thurs. __</th><th>Fri.__</th><th>Sat. __</th><th>End of Week</th></tr>
<tr><td colspan="7">What came in (Income/Benefits/Resources)</td><td rowspan="4">Beginning bal.:
$130 +
Total sources including SNAP:
$585 –
Total uses
$450 =
Ending bal.:
$265 (including $100 in SNAP)</td></tr>
<tr><td></td><td>SNAP, $280</td><td></td><td></td><td></td><td></td><td>Pay, $305</td></tr>
<tr><td colspan="7">What went out (Bills/Spending)</td></tr>
<tr><td></td><td>Food, $180
Phone bill, $60</td><td></td><td></td><td>Gas, $30</td><td></td><td>Car Pay-ment, $180</td></tr>
</table>

______ 20__

Sun. __	Mon. __	Tues. __	Wed. __	Thurs. __	Fri.__	Sat. __	End of Week
What came in (Income/Benefits/Resources)							Beginning bal.: ________ + Total sources: _______ – Total uses: _______ = Ending bal.: _________
What went out (Bills/Spending)							

Reproduce this sheet to manage your cash flow for additional weeks.

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Tool 3:

Improving cash flow checklist

If you created a cash flow using the spreadsheet or the calendar, you may find that some weeks are not working out—you are not able to pay your bills on time.

Improving cash flow comes down to one of three strategies:

- Smooth out cash flow by avoiding large periodic payment by making smaller payments throughout the month or year.
- Cut out spending.
- Increase income or other resources.

Sometimes short-term changes to expenses or finding ways to temporarily increase income can help improve your cash flow now, and sometimes the changes you make will need to stay in place for a long time to make a difference.

Some of these suggestions may not work for you. Check the ones that may be options for you and use this checklist as a plan to put the ideas into action.

Strategy list

Smooth out cash flow

Check if option for you	Strategy for improving cash flow	Tips and more information	Notes
	Negotiate new due dates for bills to better line up with when you get income.	*Check with businesses you have had a long-standing relationship with first.*	
	Negotiate splitting a monthly payment into two smaller payments.	*For example, if a $700 rent payment is due the first of the month, see if you can make a $350 payment on the 1st and a $350 on the 15th.*	
	Avoid large, lump sum or periodic payments by making monthly payments—car insurance and taxes, for example.	*You may have to pay a small fee to make this arrangement, but it may make handling these payments more manageable.*	
	Set up a savings account and automatically deposit the monthly amount of large, lump sum payments into the account so you are prepared when they are due.	*For this you need regular income and a bank or credit union account.*	
	Explore level payment plans for utilities.	*This is especially important in extreme climates—with high heating bills in the winter or high cooling bills in the summer. You often have to be a customer in good standing to qualify for these programs. Check with your local utility providers.*	
	Check to see if you qualify for an energy assistance program.	*Ask for a referral to the agency in your community that manages energy assistance programs.*	

	Explore debt consolidation.	*If you have many debts and good credit, consider exploring debt consolidation with a bank or credit union. This can make managing your cash flow easier because the monthly payment may be smaller – but it may take you longer to completely pay off the debts and cost more in the long run.* *Remember that if you consolidate your debts into your mortgage, falling behind on those payments could put your home at risk. Be sure you understand the terms and are not paying more interest with your new loan.* *See the Resources list at the end of the module for credit counseling links.*	
	Refinance your car or home for lower interest rates if possible or explore extending the time you will repay the loan. If you have a home loan, talk with your lender about the possibility of a modification.	*Be sure to do the math to ensure the new rate (including the fees) really does save you money over time. While it may cost you more in the long run and may impact your credit reports and scores, it may make monthly payments more manageable. CFPB's Owning a Home tool can help you understand the various steps in choosing a home loan.* *http://www.consumerfinance.gov/owning-a-home*	
	Check to make sure you're withholding enough tax with your employer.	*This can help ensure you do not end up with a large income tax bill because your withholding was too low.*	
	If you have student loans, check to see if you have repayment options.	*See if you qualify for income-based repayment or other programs.* *CFPB's Paying for College tool can help you identify repayment options.* *http://www.consumerfinance.gov/paying-for-college/repay-student-debt*	
	Other:		

Cut out spending

Check if option for you	Strategy for improving cash flow	Tips and more information	Notes
	Television, Internet, Phone, and Cell phone Plans	*Check with your provider about bundling and lower cost plans or discontinue cable.* *Check to see if you qualify for a "Lifeline" phone rate. Visit http://www.fcc.gov and your state's public utilities commission website*	
	Review insurance; check to make sure you have the right deductibles for auto and home insurance.	*Check to see if moving insurances to one company will save you money, and check for other discounts.*	
	Find ways to save on energy: • Turn off and unplug unused electric appliances. • Insulate and use weather stripping around doors and windows. • Set thermostat higher in summer and lower in winter.	*Check to see if eligible for weatherization programs or other incentives.*	
	Eliminate online video or music pass membership.		
	Eliminate gym/health club or discount store memberships if not using regularly.		

	Eliminate credit monitoring services if you are paying for them.	*You can check each of your three credit reports for free once a year at http://www.annualcreditreport.com. Some states have laws that allow for an additional credit report from each major credit reporting agency.*	
	Pay bills and renew license and registration on time to avoid late fees.		
	Return library materials, rented DVDs, etc. on time.		
	Access community resources for some living expenses.	*See if you qualify for community food programs, clothing closets, transportation voucher programs, childcare subsidies, etc.*	
	Other:		

Increase income

Check if option for you	Strategy for improving cash flow	Tips and more information	Notes
	Take another part-time job if your schedule allows.		
	Work odd jobs.		
	Apply for benefits for which you may qualify.	*Visit http://www.benefits.gov*	
	File taxes so that you can receive a refund if you qualify.	*Consider saving some of your refund to help pay bills or cover emergencies for the rest of the year.*	
	Other:		

Resources

If you have a consumer complaint, visit:
http://www.consumerfinance.gov/complaint

For MyMoney.gov budgeting resources, visit:
http://www.mymoney.gov/Fast/Pages/Results.aspx?k=Budgeting%20worksheets&s=All

If you want more information on budgeting, visit:
http://www.mymoney.gov/tools/Pages/tools.aspx

For more information on benefits, visit:
http://www.benefits.gov

If you want more information about finding a job, visit this site to get started:
http://www.dol.gov/dol/audience/aud-unemployed.htm

To find an American Jobs Center located near you, visit:
http://www.servicelocator.org

If you lose your job, visit the following for more information:
http://www.benefits.gov
http://www.dol.gov/ebsa/publications/joblosstoolkit.html

Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:
http://www.consumerfinance.gov/find-a-housing-counselor

If you would like help managing your debt or rebuilding credit, visit the National Foundation for Credit Counseling:
http://www.nfcc.org

For additional resources, visit the Consumer Financial Protection Bureau website:
http://www.consumerfinance.gov/AskCFPB

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MODULE 6:

Dealing with debt

Is the client able to manage his debts?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
▪ Tool 2: Debt-to-income worksheet	▪ Tool 1: Debt worksheet ▪ Tool 5: When debt collectors call	▪ Tool 3: Reducing debt worksheet ▪ Tool 4: Repaying student loan debt

Understanding debt: The basics

What is debt?

Debt is money borrowed from a person or a business, and it creates a liability. **When someone owes money, she must pay it back, sometimes in scheduled payments. Debt obligates future income—it is from income not yet earned that people will make their debt payments.** While borrowing money may give clients access to something today, they may have monthly payments for months or years going forward. This obligation can decrease clients' options in the future.

Debt is different from credit. Credit is the ability to borrow money. Debt results from using credit. Someone can have credit without having debt. For example, an individual may have a credit card but no outstanding balance on it. Or he may have used that credit card in the past, but paid off the balance and not made new purchases with it.

Secured debt and unsecured debt

Secured debt is debt that has an asset attached to it. When debt is secured, a lender can collect that asset if the payments are not made. In some cases, a lender can also attempt to collect on the difference between the value of the secured asset and the outstanding loan amount. (This is called a deficiency balance.)

Here are examples of secured debt:

- **A home loan** —the debt is secured with the home that is purchased. If payments are not made on the loan, the lender can foreclose on the home, sell it, and use the money from the sale to cover some or all of the loan. Home equity and refinance loans are also secured with the home.
- **An auto loan**—the debt is secured with the car that is purchased. If payments are not made on the loan, the lender can repossess (repo) the car and sell it to cover some or all of the loan.
- **A pawn loan**—the debt is secured with the item pawned. If a payment is not made when it is due, the pawned item can be sold.
- **A secured credit card** -- The debt is secured by funds deposited at a bank or credit union. The credit limit will generally equal the deposit. For example, if a person deposits $300, her credit limit will be $300.

Unsecured debt does not have an asset attached to it. Here are examples of unsecured debt:

- Credit card debt from an unsecured card
- Department store charge card debt
- Signature loans
- Medical debt
- Student loan debt

If these loans are not paid as agreed, since there is no collateral to repossess, they often go directly to collections. For more information on student loan debt, see *Tool 4: Repaying student loans*.

How much debt is too much?

One way a consumer may know if she has too much debt is based on how much stress her debt causes her. If a client is worried about debt, she may have too much.

A more objective way to measure debt is the debt-to-income ratio. The debt-to-income ratio compares the amount of money a person pays out each month for debt payments to his income before taxes and other deductions. The resulting number, a percentage, shows how much of income is dedicated to debt—the debt load. The higher the percentage, the less financially secure the person may be, because he has less left over to cover everything else. Everything else is all of the other needs, wants, and obligations the person pays each month that are not debt. These include:

- Rent
- Savings
- Taxes
- Insurance
- Utilities
- Food
- Clothing
- Childcare
- Health care (that has not turned into debt)
- Child support and other court-ordered obligations

Debt-to-income ratio

The debt-to-income ratio is a simple calculation:

Total of your monthly debt payments ÷ monthly gross income (income before taxes).

The result is a percentage that tells you how much of your income is going toward covering your debt. For example, if you have a debt-to-income ratio of 36%, you have 64 cents out of every dollar you earn to pay for everything else, including all of your living expenses and taxes.

- Charitable contributions and gifts
- Other family expenses

Using *Tool 2: Debt-to-income worksheet*, you will determine what your debt load is. And if you find out that it is higher than you want, you can use *Tool 3: Reducing debt worksheet* to make a plan to get out of debt.

Rent-to-own arrangements

In rent-to-own arrangements for consumer goods such as furniture, fixtures, electronics, or appliances, the consumer leases the items and typically has the option to purchase the item by continuing to make payments for some specified period of time, or by paying off the balance during the term of the lease. Items rented/purchased this way tend to be more expensive. If the payments are not made as agreed, the lessor/seller can take the item back. The consumer also has the option to return the item at any time. If the item is returned by the consumer or taken back by the lessor/seller the consumer does not get a refund of money already paid. In most states, these transactions are treated as leases, but in some states they are considered credit sales under state law. Check the relevant state law.

Co-signers: Still obligated

A co-signer of a loan may not understand the extent of his or her obligation. Parents or friends may sign for a student loan or a loan to finance a car, for example. While these consumers may have the best intentions, they often do not realize that they are now also responsible for repayment of the loan.

Many consumers do not understand that under most circumstances a co-signer is in fact a co-borrower and has the same obligation to pay a debt as the borrower. In most cases a lender or creditor does not even have to first attempt to seek repayment of a debt from the borrower before seeking repayment from a co-signer. Co-signing a loan is not simply serving as a character reference for someone else; a co-signer is at risk of having to repay any missed payments. And, if the borrower defaults on the loan, a co-signer has generally agreed to repay the entire loan. The co-signer's credit score may also be affected if the borrower is late with or fails to make any payments.

Co-signing a loan may also affect a co-signer's ability to obtain a future loan because a creditor may take into account the increased amount of debt that a co-signer has as a result of co-signing for a loan.

Lenders sometimes ask for a co-signer when they are concerned that a prospective borrower will not be able to repay a loan. The co-signer helps decrease a lender's concern about repayment. A consumer should read the terms of the loan and consider carefully before taking on the risk of co-signing.

It is against the law for a debt collector to harass or make false statements to a co-signer (or a borrower).

Authorized users v. Joint account holders

Finally, there is a difference between an ***authorized user*** and a co-signer or ***joint account holder***. For example, a credit card account holder may request that a credit card company provide a spouse or other individual with a card (containing the spouse or other person's name on the card), but the account is not a joint account. Although that person is an ***authorized user***, that person is not necessarily responsible to pay for the use of the card. On the other hand, when an account is ***joint*** or ***co-signed*** both persons are responsible to pay for the use of the card and a creditor should have an agreement and proof of the joint or co-signed account.

Medical debt[13]

For many Americans, medical debt comprises a large amount of the money they owe. Forty one percent of working age adults in America reported having trouble paying for medical bills in 2012.

Medical debt has increasingly been a major factor in decline in credit scores for some individuals. And medical debt is becoming a greater factor in the reason people file for

[13] For more information on medical debt and its impact on consumers see the CFPB's *Consumer Credit Reports: A study of medical and non-medical collections* at http://www.consumerfinance.gov/reports/consumer-credit-reports-a-study-of-medical-and-non-medical-collections.

bankruptcy—they could make ends meet were it not for their medical debts.[14] The majority of individuals who filed for bankruptcy due to medical debt had health insurance.[15]

Finally, once people have medical debt, they are much less likely to seek medical care—whether preventative or prescriptive.[16] This can increase the amount they have to spend on treatment, because by the time they get medical care, the situation has become more acute and, therefore, more expensive to address.

What are the factors that can lead to medical debt?

Medical debt is almost always the result of an unplanned event—someone becoming ill or injured. Even with health insurance, co-pays and deductibles can add up. This is one reason that emergency savings is important for building financial stability.

Secondly, the costs of the care are almost never fully known upfront. Unlike the cost of a house or car, where one should know what to pay when one signs the loan agreement, when a person accepts responsibility for payment of treatment at a hospital or other medical provider, he generally has no idea how much the treatment will cost. He may also not know his share of the cost.

Invoices and bills may be confusing. Rather than one itemized bill, a client may receive several bills over a period of weeks or months with hospital stays or situations that involved multiple health care service providers. Because of this confusion, people may be more likely to not recognize the information contained on the invoice or hesitate or delay paying a medical bill. They may have questions about whether the amount was already paid by insurance, whether the correct amount was billed, or whether they actually received the billed treatment. [17]

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[14] Associated Press, *New Medical Billing Standards*, February 13, 2014. See http://bigstory.ap.org/article/new-billing-standards-help-patients-debt.

[15] See http://www.cnn.com/2009/HEALTH/06/05/bankruptcy.medical.bills.

[16] Kalousova, Lucie and Burgard, Sarah A., *Debt and Forgone Medical Care*, University of Michigan Institute for Social Research, July 2012.

[17] The Healthcare Financial Management Association (HFMA) notes “There is confusion among healthcare consumers about how to obtain clear, understandable pricing information. The differences among healthcare charges and prices and the widespread variations in service, quality, and outcomes all are shrouded in an air of

And without knowing how much the total cost should be, how much the insurer will cover, and how much of the cost will be passed on to the individual, it becomes difficult to determine whether he is being charged the right amount. That leaves consumers in a position where they need to review each medical bill carefully and contact providers or insurers when they have questions.

Uninsured individuals are generally charged more for services. Insurance companies negotiate discounts for services. This means that if one is uninsured, the bill will likely be higher than the bill that someone who has insurance receives for the same procedures and care.

What can a person do to avoid medical debt?

While there are no easy answers, there are specific things to do to lessen the impact of medical debt:[18]

- **If the person is eligible, enroll in a health insurance plan --** When choosing a plan, the person should think about both the cost of the monthly premium and the out-of-pocket costs such as deductibles, co-pays, and co-insurance. While a plan with higher out-of-pocket costs may save the person money on monthly premiums, if he or someone in his family needs to go to the doctor or hospital, he may have to pay more for those services than he would with a different type of plan.[19]
- **Get cost estimates up front**—before deciding whether to proceed.
- **Find out whether there is a prompt payment discount**, which can be substantial. This may mean cutting back in other areas for a few months in order to pay the bill and secure the discount.
- **Ask for a discount.**

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uncertainty and complexity. The all-too-common result is misunderstanding." (Brian Workinger, *Front-Line Perspectives on price Transparency and Estimation*, HFM Magazine, Sept. 2014).

[18] Ibid.

[19] For definitions of insurance terms and tips on using insurance coverage, see the U.S. Department of Health and Human Services' *From Coverage to Care: A roadmap to better care and a healthier you* at https://marketplace.cms.gov/outreach-and-education/downloads/c2c-roadmap.pdf.

- **Ask about "charity care"** from the hospital and government before or immediately following treatment.

- **If asked to put a hospital bill on a credit card, watch out.** Many hospitals have some obligation to provide for charity care for those who can't afford treatment. Once a person puts a hospital bill on a credit card, he won't be considered for a later write-down of the bill under the charity care program. Some medical providers even offer a credit card for the person to use at the provider's office. Healthcare credit cards can have tricky terms, so clients should know what they're getting into. For tips on healthcare credit cards see: http://www.consumerfinance.gov/blog/whats-the-deal-with-health-care-credit-cards-four-things-you-should-know.

- If a person can't afford to pay for the care even after charity care and discounts have been applied, they should **take steps to work with the provider to set up a reasonable repayment plan.** As one negotiates, he should ensure that as long as he pays as agreed, any reports made to credit reporting agencies will reflect that he is making payments as required by the plan. Clients should get their repayment plan agreement in writing. Also, they should consider asking for the following terms:

    - No interest on the debt
    - Monthly statements showing the amount paid and the outstanding balance
    - Request that the debt servicing stays in-house and *not* be turned over to a third party collection agency
    - An agreement that doesn't say the person will make full payment if she is late or misses a payment on her plan.

- **If the person is insured as a Qualified Medicare Beneficiary** (QMB) and receives an incorrect billing statement, charging for the remaining balance (deductible, coinsurance or copayment) on a medical bill, and those services are covered by Medicare, the person may want to dispute the bill.[20] The person should explain in the written

[20] See https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/Downloads/Access_to_Care_Issues_Among_Qualified_Medicare_Beneficiaries.pdf.

dispute that as a QMB he has no legal obligation to make further payment for these costs. There is more information about disputing a debt, and a sample dispute letter in Tool 5.

- Clients should be wary of signing an agreement that states they will make full payment of the debt if they are late or miss a payment on the plan.
- Check the credit report to make sure resolved bills are reported accurately or any errors are removed from their credit history. If the credit reporting agency doesn't respond, contact the client's state consumer protection agency, attorney general, or the Consumer Financial Protection Bureau.
- If clients do get sued by medical service providers or hospitals, they should *respond*. They can get legal assistance from the legal aid organization in the community or a lawyer.

Payday loans and deposit advance products

A payday loan – which might also be called a "cash advance" or "check loan" – is a short-term loan, generally for $500 or less.

Payday loans generally come due on the next payday. The person must give the lender access to his checking account or write a check for the full balance in advance that the lender has an option of depositing when the loan comes due.

Other loan features can vary. For example, payday loans are often structured to be paid off in one lump-sum payment, but interest-only payments – "renewals"[21] or "rollovers" – are not unusual. In some cases, payday loans may be structured so that they are repayable in installments over a longer period of time.

Some ways that lenders might give the person the loan funds are providing cash or a check, loading the funds onto a prepaid card, or electronically depositing the money into the person's checking account.

The cost of the loan (finance charge) may range from $10 to $30 for every $100 borrowed. A typical two-week payday loan with a $15 per $100 fee equates to an annual percentage rate

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[21] See http://www.consumerfinance.gov/askcfpb/1573/what-does-it-mean-renew-or-roll-over-payday-loan.html.

(APR)[22] of almost 400%. By comparison, APRs on credit cards can range from about 12 percent to 30 percent.

State laws and other factors can influence how much a person can borrow and the fees charged. Some state laws do not permit payday lending and in other states lenders may choose not to do business rather than abide by the state's regulations.

There are special protections through the Military Lending Act[23] for active duty servicemembers and their dependents who use certain payday loans and other small dollar credit products.

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[22] See http://www.consumerfinance.gov/askcfpb/44/what-is-a-credit-card-interest-rate-what-does-apr-mean.html.

[23] See http://www.consumerfinance.gov/1783/what-are-my-rights-under-military-lending-act.html.

How do payday loans work?

Here is an example of how a 14-day payday loan generally works:

Borrower visits a storefront payday lender and completes an application (there is generally no credit check or consideration of ability to repay the loan; the borrower only needs a personal deposit account so he can write a post-dated check). Loans can also be taken out online.

↓

Borrower gets loan (the median loan amount is $350) and pays $10-$30 per $100 borrowed ($15 per $100 is the median fee).

↓

The borrower provides the lender with 14-day post-dated check for the amount of the loan + the fee or $350 + $52.50 = $402.50 or authorization to present a debit against the borrower's account.

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In 14 days, the loan is due. Often, the borrower does not have $402.50 to satisfy the debt. Instead he will pay the fee ($52.50) and renew the loan for another 14 days. *(Note: 14 days is used for example purposes only. Repayment may fall on the next payday or another minimum period as specified by state law.)*

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Every 14 days, the borrower must pay the full amount or renew the debt for $52.50. The average borrower has 10 transactions a year. Applied to this loan, that would mean a fee of $525 to borrow $350.

Deposit advance loans are short-term loans made by banks. The loan is secured by the borrower's deposit account to which the bank has access. The loan is limited to a percentage of the recurring direct deposit. For example, the loan may be limited to the lesser of $500 or 50% of the scheduled direct deposit based on the amount from the previous deposit into the account.

Repayment is due the next time the direct deposit is made into the account. The bank sweeps the amount of the loan plus the fees from the account before any transactions can be made from the account. In some instances, this puts the borrower into overdraft (where she is charged more fees for any subsequent draws on the account).

Many financial institutions began discontinuing this product in 2013, but clients may still find them at some institutions.

If the person is considering these products, it's important to be aware of common misunderstandings and the facts about payday and deposit advance loans.

- The money is borrowed for emergencies.

  Fact: Most borrowers do not use their first loans for emergency expenses. The Pew Charitable Trusts' *Payday Lending in America*[24] found that 69% of first-time borrowers use the loan to pay for regular bills, while only 16% use them for emergencies such as a car repair.

- The borrowers can pay back the loan.

  Fact: While they may pay it back on time, many borrowers have to either immediately take a new loan or take another one in the same pay-period. A CFPB study[25] found that payday borrowers are in debt for a median of 199 days (nearly seven months) of the year and pay a median of $458 in fees (not including the principal). The Pew Charitable Trusts[26] found similar results – that on average, payday borrowers are in debt for five months out of the year and pay an average of $520 in fees on top of the money they have borrowed.

  The CFPB study also found that more than half of deposit advance borrowers end up taking out $3,000 in advances in a year. When they paid off their loan, those borrowers

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[24] The Pew Charitable Trusts State and Consumer Initiatives, *Payday Lending in America*, October 2013. See http://www.pewstates.org/research/featured-collections/payday-lending-in-america-85899405692.

[25] Consumer Financial Protection Bureau, *Consumer Financial Protection Bureau Study Finds Debt Trap Concerns with Payday and Deposit Advance Loans*. April 2013. See http://files.consumerfinance.gov/f/201304_cfpb_payday-factsheet.pdf.

[26] The Pew Charitable Trusts State and Consumer Initiatives, *Payday Lending in America*, October 2013. See http://www.pewstates.org/research/featured-collections/payday-lending-in-america-85899405692.

tended to take out a new loan in 12 days or less and were in debt more than 149 days in the year.

Avoiding debt traps

If the person is considering short-term loan products that meet an immediate need, it's important to know how to avoid debt traps on the path to his goals. Short-term loans that have to be paid back in just one payment or a couple of payments may lead to a debt trap.

A debt trap is a situation where people take a loan and have to repeatedly take new loans to make the payment on the first loan. For many people, it can become difficult to escape the cycle of borrowing to cover the loan payment and still be able to pay for other expenses like food, rent, and transportation.

A debt trap can happen when people use short-term loans that have to be paid back in just a couple of payments and do not have the money to repay the loan and the finance charges when they are due. These loans have many things in common. They:

- Are small dollar loans— generally under $500
- Must be repaid quickly—14 days is the median term of payday loans, for example
- Require the borrower to give creditors access to repayment through an authorization to present a check or debit a borrower's deposit account

The person should understand how the loan will be repaid and how much the loan could ultimately cost before agreeing to use this form of credit. If the person finds he cannot make the loan payment and cover other expenses without taking a new loan, the person could talk with the provider about repayment options that can allow him to pay over a longer period of time.

Here is an example scenario using different options for taking care of emergency expenses. The example examines the costs of paying for an unexpected expense with emergency savings, a credit card, or a payday loan.

COST TO REPLACE SPARK PLUGS IN YOUR AUTOMOBILE = $350

	Emergency	Credit card	Payday loan
Amount	$350	$350	$350
APR[27]		21.99% annual percentage rate (APR)	$15 for every $100 borrowed for 14 days. This means a 391% annual percentage rate (APR).[28]
Payment		Must pay at least a certain amount each month.[29] (For the purposes of the example, the individual is choosing a fixed monthly payment of $50.)	Must pay back loan amount ($350) plus fee ($52.50) within 14 days. If entire loan cannot be paid within 14 days, it can be rolled over (or extended) for another 14 days for an additional fee of ($52.50).[30]
Total cost and time to repay	$0 additional cost.	You would pay $28.11 in interest in addition to the principal borrowed. It will take just over eight months[31] to pay back the full amount. You'll pay a total of $378.11.	The total cost depends on how long it takes you to save up to pay back the entire loan. If you renew or roll over this loan seven times, you would be in debt for 14 additional weeks and could pay up to $717.50, including $367.50 in fees.[32]

[27] These are for example purposes only. Actual credit card and payday loan terms vary, and some states restrict payday loans. The CFPB notes that APRs on credit cards can range from about 12 percent to 30 percent. For payday loans, the CFPB notes that the cost of the loan (finance charge) may range from $10 to $30 for every $100 borrowed. A typical two-week payday loan with a $15 per $100 fee equates to an APR of almost 400%. See CFPB, *What is a payday loan?* November 6, 2013. See http://www.consumerfinance.gov/askcfpb/1567/what-payday-loan.html.

[28] Some states have adopted laws that limit the amount of loan above a certain amount and/or limit the interest rates of these loans.

[29] Most credit card companies allow customers to pay a percentage of the amount owed, which makes the minimum payment vary from month to month. For the purposes of this example, we are showing a fixed monthly payment.

[30] These numbers and terms are for example purposes only. Actual costs and terms of payday or signature loans will vary. *See* Consumer Financial Protection Bureau, *Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings*, April 24, 2013. See http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf.

[31] To pay off this credit card balance in full, the individual will have to make $50 payments for seven months, and then pay just over $28 in the eighth month.

[32] Two–thirds of repeat payday borrowers take more than seven loans in one year. Consumer Financial Protection Bureau, *Payday Loans and Deposit Advance Products.*

Alternatives to high-cost credit

There are ways to avoid the risk of a debt trap if the person is in a situation where she needs money quickly.

If the person is short on cash, she can consider other alternatives, including:

- Using emergency savings
- Using lower-cost short-term loan alternatives from a credit union or bank
- Borrowing from a friend or family member
- Using a credit card – while it will increase the monthly card payment, it may prove cheaper in the long run.
- Negotiating for more time to pay if the loan is for a bill that is due
- Bartering for part or all of what is being borrowed the money to cover
- Determining whether the item or circumstance the person is borrowing the money for is a need, an obligation, or a want. If it's a want, the person can consider whether it's possible to spend less money for it, not purchasing it, or waiting until he has the money for it.

Addressing debt collection issues under the FDCPA

What is a debt collector?

A consumer typically repays a debt to a creditor. In many instances, if the consumer becomes late with his or her payments the creditor may decide to have a third party—a debt collector — attempt to get the consumer to repay the debt. Under the federal Fair Debt Collection Practices Act (FDCPA), a debt collector generally is a person or a company that regularly collects debt—defaulted debts—owed to others. Debt collectors include collection agencies or lawyers who collect debts as a principal purpose of their business. Companies that buy defaulted debts from creditors or other businesses and then try to collect them are also debt collectors under the FDCPA.

There is no specific time at which creditors ordinarily send a debt to a third-party debt collector (sometimes called "sending it for collection" or "putting it into collection"). Some creditors will send a debt to a third-party debt collector when the debt is 90 days past due but other creditors may continue to try to collect a debt themselves for much longer before sending a debt to a third-party debt collector or selling the debt.

In addition, the FDCPA does not require a creditor to "write off" or "charge off" a debt or designate a debt as "uncollectable" after a set period of non-payment. For accounting reasons or to comply with directions from a regulator, a creditor may designate a debt as charged off (or use another term) once it no longer anticipates getting repaid. **However, even if a consumer has been told that a debt has been charged off, the original creditor, the debt collector, or a subsequent debt buyer is not prohibited from attempting to collect the debt.** In addition, the fact that a debt has been charged off does not mean the delinquency will be removed from a consumer's credit report.

What protections does the federal *Fair Debt Collection Practices Act* provide to consumers?

There are both federal and state laws that govern debt collection practices.

The Fair Debt Collection Practices Act (FDCPA) is the key federal law that specifically governs debt collection practices. The FDCPA prohibits debt collection companies from using abusive, unfair, or deceptive practices to collect debts.

The FDCPA covers the collection of consumer debt—debts from transactions done primarily for personal, family, or household purposes. It covers personal debt, not business debts. It also does not generally cover collection efforts by the person from whom the consumer first borrowed money.

Contacting the consumer

In general, debt collectors may not contact consumers at an unusual time or place, or at a time or place they know or should know is inconvenient. If a debt collector knows or should know that the consumer is not allowed to receive the debt collector's calls at work, the debt collector is not allowed to call the consumer there.

If a debt collector knows that an attorney is representing a consumer, the debt collector generally must stop contacting the consumer and must contact the attorney instead. This is only true if the debt collector knows, or can easily find out, the name and contact information of the attorney (the consumer should provide the collector with the attorney's name and contact information). If the consumer tells a debt collector in writing to stop contacting him, the debt collector may not contact the consumer again except to:

- Say there will be no further contact, or
- Notify the consumer that the debt collector or the creditor may take certain specific action it is legally allowed to take, such as filing a lawsuit.

However, if the consumer tells a debt collector to stop contacting him, it does not prevent the debt collector from pursuing other legal ways to collect the debt from the consumer if he owes it, including filing lawsuit or reporting negative information to a credit reporting company.

Contacting others

Under federal law, a debt collector generally may contact other people only to find out where a consumer lives, a phone number, and where the consumer works. Although there are exceptions in the law, debt collectors are generally prohibited from contacting other people for this purpose more than once to get information about the consumer's location, and collectors may not tell other people they are trying to collect a debt from a specific consumer.

Generally, a debt collector may not discuss the debt with anyone other than the consumer, the consumer's spouse or parents (if the consumer is a minor), the consumer's guardian, or attorney. If the debt collector knows an attorney is representing the consumer about the debt, the debt collector must contact the attorney instead of the consumer.

Information about the debt

Any debt collector who contacts the consumer claiming the consumer owes payment on a debt is required by law to tell the consumer certain information about the debt. That information includes:

- The name of the creditor to whom the debt is owed,
- The amount owed, and
- Statements concerning how to dispute and seek verification of the debt.

If the debt collector doesn't provide that information in the initial contact with the consumer, the debt collector is required to send a written notice including that information within five days of the initial contact.

Disputing the debt

The consumer can dispute the debt if he believes that he does not owe the debt or is unsure whether he owes money to a creditor or how much he might owe.

If the consumer disputes a debt in writing within 30 days of the required notice from the debt collector, the debt collector has to stop all debt collection activities until after the dispute has been investigated and the debt collector has provided the verification of the debt in writing to the consumer.

A consumer can also request that the creditor provide the name and address of the original creditor. If the consumer makes that request in writing within 30 days of the initial contact, the debt collector has to stop all debt collection activities until the debt collector provides the consumer the information verifying the debt.

When a consumer gets the requested information or the response to a dispute from the debt collector, the consumer can see if his records agree with the information the debt collector provided. If the consumer doesn't recognize the name of the creditor, it might be useful to ask if the debt collector purchased the debt from another company that first made the loan and, if so, what the name of that company is.

A number of states also have laws about debt collection practices, many of which are similar to the FDCPA.

Put it in writing

A consumer must make a dispute with a debt collector in writing. This should be done by written letter sent via certified mail, with a return receipt. The consumer should always keep a copy of the letter, showing the date he wrote it, so that he has a record of the request.

The CFPB has sample letters at consumerfinance.gov and in *Tool 5*: *When debt collectors ; Steps you can take* that a consumer could use to respond to a debt collector who is trying to collect a debt, along with tips on how to use the sample letters.

Harassment

The FDCPA says debt collectors may not harass, oppress, or abuse the consumer or any other people they contact. Some examples of harassment are:

- Repetitious phone calls that are intended to annoy, abuse, or harass.
- Obscene or profane language.
- Threats of violence or harm.
- Publishing lists of people who refuse to pay their debts (this does not include reporting information to a credit reporting company).

The FDCPA also says debt collectors cannot use false, deceptive, or misleading practices. This includes misrepresentations about the debt, including the amount owed, claims that the collector is an attorney if he is not an attorney, false threats of arrest, threats to do things that cannot legally be done, or threats to do things that the debt collector has no intention of doing. Debt collectors also are not allowed to use certain practices that are considered unfair.

Consumers should keep good records of their communications with a debt collector. It is a good idea for the consumer to keep a file of all letters or documents a debt collector sends, copies of anything sent to a debt collector and maintain a record of the dates and times of any phone or email conversations along with notes about what was discussed. These records can help if the consumer has a dispute with a debt collector, meets with a lawyer, or goes to court.

Where to go for information on consumer issues

Each consumer seeking assistance with debt collection issues has a unique set of facts and story to tell. But many of the issues that arise in the debt collection area are similar. The following are some examples of the typical questions that arise when consumers face debt collection issues and need places to go for information.

Consumer issues	Relevant laws	Information and links
What are a client's rights under FDCPA?	FDCPA: https://www.gpo.gov/fdsys/granule/USCODE-2011-title15/USCODE-2011-title15-chap41-subchapV	FAQs on debt collection: http://www.consumerfinance.gov/askcfpb/search?q=debt+collection
What type of debt does the client have?	FDCPA: §1692a(5) https://www.gpo.gov/fdsys/granule/USCODE-2011-title15/USCODE-2011-title15-chap41-subchapV-sec1692a (list of covered debt)	Introduction section to this module The FDCPA covers personal debt, not debts incurred for business purposes.
Who is trying to collect from the client?	FDCPA – §1692a(6) https://www.gpo.gov/fdsys/granule/USCODE-2011-title15/USCODE-2011-title15-chap41-subchapV-sec1692a DFA § 1031, as codified at 12 U.S.C. § 5531 https://www.gpo.gov/fdsys/granule/USCODE-2010-title12/USCODE-2010-title12-chap53-subchapV-partC-sec5531	Generally, the FDCPA applies to: ▪ Third-party debt collectors ▪ Entities that purchase debt that is in default at the time it is obtained ▪ Attorneys who collect debts for third parties on a regular basis A creditor, if it collects in a name other than its own that would lead a person to think a third party is attempting to collect the debt A creditor (the original lender and others) may, in collecting its own debts, violate state law prohibiting unfair and deceptive acts. Also see the CFPB Bulletin on prohibition of unfair, deceptive, or abusive acts or practices in the collection of consumer debts (July 10, 2013).
How can the client tell whether it is a scam debt collector?		How to identify scam debt collectors:
How can the client indicate that the debt is not his?		Sample letter: *I do not owe this debt*

Is the debt old?	Check FDCPA and State law. If a debt is too old, debt collectors may be prohibited from suing to collect the debt. But, it depends on the type of debt, the statute of limitations and the state law. FCRA – 15 USC §1681 et seq. In many situations, debt that is too old cannot be disclosed on a credit report.	For information about time-barred debts: http://www.consumer.ftc.gov/articles/0117-time-barred-debts.
Has the client been harassed by debt collectors?	FDCPA – 15 USC §1692d	See sample letters: ▪ Sample letter: *I want the debt collector to stop contacting me* (But note that stopping communication may mean that the consumer does not receive information that would alert the consumer that the collection will be escalated in the future.) ▪ Sample letter: *I want the debt collector to only contact me through my lawyer* ▪ Sample letter: *I want to specify how the debt collector can contact me*
The client is afraid she'll continue to be called and doesn't know what to do or say. What can she do?	FDCPA – 15 USC §1692c	See sample letters (above).
The client received notice that there was a judgment against him. Can this affect his credit report?	FCRA – 15 USC §1681c	Generally, the judgment can stay on the credit report for seven years but there are exceptions. See Module 7 for information on "negative information" and how long judgments can stay on a person's credit report.

The client acknowledges the debt, but says it was paid off years ago. What can he do?	FDCPA – 15 USC §1692 g(a),(b)	The consumer should dispute the debt. Before engaging in further collection activity, the collector will have to verify that the consumer owes it and send that verification to the consumer. See: ▪ http://www.consumerfinance.gov/askcfpb/331/what-information-do-debt-collectors-have-to-give-me-about-my-debt.html ▪ http://www.consumerfinance.gov/askcfpb/338/if-i-dispute-a-debt-that-is-being-collected-can-debt-collectors-still-contact-me-about-it-how-can-i-stop-debt-collectors-from-contacting-me.html
Is the client "collection proof"?	Information from Department of Labor on garnishment Employment Law Guide - Wage Garnishment	Information on state wage garnishment laws: http://www.small-claims-courts.com/Wage-Garnishment-Laws.html
Does the client want the creditor to contact him in a certain way?	FDCPA – 15 USC §1692c	Sample letter: *I want to specify how the debt collector can contact me*
Does the client only want to be contacted though a lawyer representing the client?	FDCPA – 15 USC §1692b(6)	Sample letter: *I want the debt collector to only contact me through my lawyer*
The client has medical bill debt. Does FDCPA apply?	FDCPA – 15 USC §1692a(5), (6) Who is trying to collect the debt? Medical provider – the FDCPA may not apply Third-party debt collector – the FDCPA applies to medical debt	A health care provider can disclose information to a debt collection agency under the Health Insurance Privacy Administration Act (HIPAA). See http://www.hhs.gov/ocr/privacy/hipaa/faq/disclosures/268.html and related FAQs. Whether the FDCPA applies generally depends on which entity is trying to collect: the creditor, or medical provider who sent the bill, to which the consumer originally owed the debt or a third-party collector.

The client has federal student debt. What are her rights?		See *Tool 4*about federal student loans http://www.consumerfinance.gov/askcfpb/655/what-are-my-options-when-dealing-collection-agency-working-us-department-education.html http://www.studentaid.ed.gov/repay-loans
The client is a co-signer on a loan. Can the debt collector contact him?	FDCPA – 15 USC §1692a(3)	Yes, see above discussion on co-signing a loan.
The client states that the debt was owed by a person who is now deceased. What should he do?	FDCPA – 15 USC §1692c	A debt collector generally may not contact someone who is not the executor or administrator of the consumer's estate unless the person is also a debtor on the loan. http://www.consumerfinance.gov/askcfpb/1481/64-i-already-told-debt-collector-who-called-about-my-deceased-relative-talk-executor-or-administrator-estate-they-keep-calling-me-all-hours-day-and-night-and-leaving-threatening-messages-what-can-i-do.html

Should a consumer use a debt settlement service?

Debt settlement companies say they can renegotiate, settle, or in some way change the terms of a person's unsecured debt to a creditor or a debt collector. That may include reducing the balance, interest rates, or fees a person owes. The consumer can try to do this himself by contacting his creditors. Debt settlement companies often charge expensive fees, and some charge illegal up-front fees. Some debt settlement companies advertise that they will help consumers, but they provide little or no assistance. If a client has a debt collection-related problem, legal aid staff can submit a complaint on behalf of the client. (See *Tool 1* of the *Overview* section for information on submitting a complaint to the CFPB.)

Consumers should avoid doing business with any company that promises to settle the debt if the company:

- Charges any fees before it settles the consumer's debts.
- Touts a "new government program" to bail out personal credit card debt.

- Guarantees to the consumer it can make the debt go away.
- Tells the consumer to stop communicating with the creditors.
- Tells the consumer it can stop all debt collection calls and lawsuits.
- Guarantees that the unsecured debts can be paid off.

Tool 1:

Debt worksheet

Before you can make a plan for your debt, you have to know where you stand. You can start by making a list of **who you owe money to and how much you owe them**. This is the first step in managing and reducing your debt.

Be sure to include debts to friends and family, credit card companies, banks, department stores, payday lenders, and to governments(for property taxes, student loans, and income taxes, for example).

On the debt management worksheet, you will include:

- The person, business, or organization you owe money to
- The amount you owe them
- The amount of your monthly payment, which includes the principal, interest payments, and any fees you may owe
- The interest rate you are paying and other important terms

To complete this worksheet, you may need to get all of your bills together in one place.

Debt worksheet

Use this worksheet to list who you owe money to and how much you owe them. This is the first step in managing and reducing your debt.

Category	Lender	Total amount borrowed	Amount outstanding	Total payment amount	Payment due date	Secured? If yes, by what.	Interest rate	Other important terms
Mortgage								
Vehicle loan								
Appliance / furniture loan								
Student loan								
Credit card debt 1								
Credit card debt 2								
Payday loan								
Car title loan								
Other								
Other								
Total monthly debt payment								

This tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this Tool. The CFPB is not responsible and has no control over how others may use the information that you provide to them about your personal or financial situation. The CFPB recommends that you do not include names or account numbers and that users follow their organization's policies regarding retention, storage, and disposal of documents that contain personal information.

Tool 2:

Debt-to-income worksheet

Your debt-to-income ratio is like your blood pressure. Your blood pressure measures the amount of pressure on your heart; your debt-to-income ratio measures how much pressure debt is putting on your budget.

Your debt-to-income ratio is a simple calculation. It is the total of your monthly debt payments divided by your monthly gross income. Gross income is the amount of your income before any taxes or other deductions are taken.

The result is a percentage. That tells you how much of your income is going toward covering your debt.

Another way of seeing the debt-to-income ratio is that it represents how much of every dollar you earn goes to cover your debt.

For example, if your debt-to-income ratio is .45, or 45%, then 45 cents out of every dollar you earn goes toward your debt. This leaves you with 55 cents of every dollar to cover your rent, taxes, insurance, utilities, food, clothing, child care, and so on.

In addition to using the debt-to-income ratio to measure how much pressure debt is putting on your budget, you can also use it as a benchmark if you take steps to reduce your debt. As you pay down your debts, your debt-to-income ratio will also decline. This means money is being freed up to use on other things like saving for your goals, unexpected expenses, and emergencies.

Figure out your debt-to-income ratio

Your total monthly debt payment (from Tool 1)…	
divided by **your monthly gross income** (Income before taxes)…	
Equals **your current debt-to-income ratio.**	

Understanding your debt-to-income analysis

If your debt-to-income ratio is higher than certain percentages, it could be difficult to pay all your monthly bills because so much of your income will be going to cover debts. A high debt-to-income ratio may also impact your ability to get additional credit, because creditors may be concerned that you wouldn't be able to handle their debt on top of what you already owe.

The following debt-to-income ratio ranges are guidelines, not rules. In fact, many creditors set their own rules. What is an acceptable level of debt to one creditor may not be to another.

- **For renters: Consider maintaining a debt-to-income ratio of 15% - 20% or less.**
  - This means that monthly credit card payments, student loan payments, auto loan payment, and other debts should take up 20% or less of your gross income.
- **For homeowners: Consider maintaining a debt-to-income ratio of 28% - 35% or less <u>just for the mortgage (home loan), taxes, and insurance.</u>**
  - This includes the monthly principal, interest, taxes, and insurance (called PITI).
- **For homeowners: Consider maintaining a debt-to-income ratio for all debts of 36% or less.**
  - This means that if you have a mortgage and other debts—credit card payments, student loan payments, auto loan payment, and payday loan payments–your debt-to-income ratio should be below 36%.
  - If you have court-ordered, fixed payments, such as child support, count these as debt for this purpose.
  - Some lenders will go up to 43% or higher for all debt.[33]

If your debt-to-income ratio is above these limits, you may want to use the following tool to develop a plan to reduce your debt and lower your debt-to-income ratio.

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[33] See http://www.fha.com/fha_requirements_debt.

This tool is included in the Consumer Financial Protection Bureau's toolkit. The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB's educational efforts are limited to the materials that CFPB has prepared.

This tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this Tool. The CFPB is not responsible and has no control over how others may use the information that you provide to them about your personal or financial situation. The CFPB recommends that you do not include names or account numbers and that users follow their organization's policies regarding retention, storage, and disposal of documents that contain personal information.

Tool 3:

Reducing debt worksheet

When it comes to reducing your debt, there are two basic strategies:

Highest interest rate method

Focus on the unsecured debt with the highest rate of interest, and eliminate it as quickly as possible, because it is costing you the most. Once it is paid off, focus on the next most expensive debt.

PRO	CON
You eliminate the most costly debt first. In the long-run, this method can save you money.	You may not feel like you are making progress very quickly, especially if this debt is large.

Snowball method

Focus on the smallest debt. Get rid of it as soon as possible. Once you have paid it off in full, continue with the payment, but now dedicate it to the next smallest debt. This is called the "snow ball method." You create "a snow ball of debt payments" that keeps getting bigger as you eliminate each debt. How? You keep making the payments, but you are redirecting them to the next debt as each debt is paid off.

PRO	CON
You may see progress quickly, especially if you have many small debts. For some people, this creates momentum and motivation.	You may pay more in total because you are not necessarily eliminating your most costly debt.

There are other things you can do, too.

- Call your creditors to see if they will lower your interest rates. If you have paid all of your bills on time, they may lower it to maintain your loyalty. If you are in a difficult position, you could explain your hardship and ask them to lower the rate.
- Get another job in the short-term. Use all of your additional earnings to eliminate debts.
- Sell something, and use the income to pay off a debt or debts.
- If you are eligible, file for tax credits, and use your refund to pay down or eliminate debts.

✎ Debt reduction worksheet

Check the method you are going to use, and then follow the instructions.

Highest interest rate method

- List your debts from highest rate to lowest rate.
- In the column labeled Extra Payment, list the extra payment you will dedicate to the debt with the highest interest rate until you have it paid off.
- When this debt is paid off, allocate the entire payment (monthly payment + extra payment) you were making to the next debt on the list.

Snowball method

- List your debts from smallest to largest in terms of the amount outstanding.
- In the column labeled *Extra payment*, list the extra payment you will dedicate to the smallest debt until you have it paid off.
- When this debt is paid off, allocate the entire payment (monthly payment + extra payment) you were making to the next debt on the list.

Lender	Total amount borrowed	Amount outstanding	Monthly payment	Extra payment	Monthly Due date	Date paid off in full

Tool 4:

Repaying student loans

The CPFB has a section on its website dedicated entirely to helping you plan for ways to pay for postsecondary education. In fact, these tools will help you think through the entire process of planning for and paying for school including:

- Choosing a loan
- Comparing financial aid packages and college costs across more than one school
- Managing your money while in college
- Repaying your student loans

If you have student loan debt, start with the Repay Student Debt section of the tool, which can be accessed at: http://www.consumerfinance.gov/paying-for-college/repay-student-debt.

Repaying student loans

There are two general kinds of student loans: federal student loans and private student loans. **Federal student loans** are loans that are funded by the federal government. Older federal student loans may have been made by private lenders and guaranteed by the federal government. No new federal student loans have been made by private student lenders since 2010. **Private student loans** are nonfederal loans made by a lender such as a bank, credit union, state agency, or a school. In both federal and private student loans, delinquent payment may impact your credit history and scores and may result in collections. Private student loans do not generally offer the widely-available, flexible repayment terms or borrower protections featured by federal student loans.

There are many options for paying back federal student loans. **Do not ignore student loan paperwork**—nonpayment and delinquency reduces options for payment plans as many require loans in good standing to qualify. Not all loans are eligible for all repayment plans. A summary of some of the repayment options includes:

- **Standard repayment.** Most borrowers start with this payment plan. This repayment plan has fixed payment of at least $50/month for up to 10 years.

- **Income-Based Repayment (IBR).** Payment is limited to 15% of discretionary income, which is the difference between your adjusted gross income and 150% of the Federal Poverty Guidelines. Payments change as income changes and the terms can last up to 25 years. After 25 years of consistent payment (you have missed no payments or caught up with payments), the loan will be forgiven. You may have to pay income tax on the portion of the loan that is forgiven. To qualify for IBR, you must be able to show partial financial hardship.

- **Pay As You Earn (PAYE).** Payment is limited to 10% of discretionary income as defined above, payment changes as income changes, and the loan term is 20 years. After 20 years of payments, the loan is forgiven as described above, and taxes may be owed on the amount forgiven. To qualify for PAYE, you must be able to show partial financial hardship. PAYE is only available for borrowers with federal Direct Loans.

- **Graduated repayment.** The payment is lower at first and then gradually increased, usually every 2 years for up to 10 years.

- **Extended repayment.** The payment is fixed or graduated for up to 25 years. The monthly payments are lower than the standard or graduated repayment plans, but you will pay more interest over the life the loan(s).

You may also qualify for **deferment** or **forbearance** in certain circumstances. In deferment, payment of both principal and interest is delayed. If you have a subsidized federal loan, the government pays your interest during the deferment. Otherwise you must pay interest or it accrues, which means builds up. When interest builds up on student loans, it becomes part of what you owe. This means you ultimately end up paying interest on the interest. **Deferments are only granted for specific circumstances including:**

- Enrollment in college, a trade school, a graduate fellowship, or a rehabilitation program for individuals with disabilities

- During unemployment

- During military services

- During times of economic hardship, including Peace Corps service

Forbearance means that you stop paying or pay a lesser amount on your loan for up to 12-months.[34] Interest accrues during forbearance.

When applying for a repayment option, be sure to continue making your loan payments until you receive written notification that you have been approved for IBR or forbearance, for example. This ensures your loan continues to be in good standing.

Finally, you may also apply for **loan forgiveness**, **cancellation**, or **discharge** in certain situations, including:

- Total and permanent disability
- Death (someone would apply on your behalf)
- Closed school
- Teacher loan forgiveness (if you are a teacher working in certain educational settings)
- Public services loan forgiveness (if you work in a public service sector and have made 120 loan payments)

Except for the above circumstances, it is very difficult to eliminate federal student loan debt even in bankruptcy. If you are interested in filing bankruptcy to discharge your student loans, you may want to talk with a bankruptcy lawyer.

In contrast to federal student loans, options for borrowers with private student loans are generally more limited. Private student loans generally feature forbearance options and may also offer alternative repayment plans, including graduated plans (plans where payments start low and gradually rise over the loan term). Some private student lenders may also modify private student loans based on borrowers' financial circumstances, on a case-by-case basis. Lenders may also offer to cancel or forgive debt upon the death or disability of a borrower or co-signer. You should contact your student loan servicer to learn more about these options.

It's important to note that unpaid federal student loans can be collected in special ways, but private student loans cannot. For instance, the Department of Education can garnish some federal benefits, such as Social Security and certain Veterans' Assistance benefits.

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[34] See https://studentaid.ed.gov/sa/repay-loans/deferment-forbearance#what-is-deferment.

If you are afraid that your federal benefits could be garnished to pay off federal student loans, you may want to consider talking to a lawyer. You should also note that these options are generally never available to a debt collector seeking to collect on a private student loan. But, the lender can still pursue you and even take you to court to try to collect the amount on a private student loan.

Tool 5:

When debt collectors call: Steps you can take

Debt collectors use persuasive techniques to get you to send in money to pay your debt. Before you send in money, you should:

- Confirm that you actually owe the debt.
- Confirm that the collection isn't fraudulent and is legitimate.

You may be able to confirm this information during an initial or follow-up discussion with the debt collector, but be careful of fraudulent debt collectors. You should ensure that you recognize the debt and know that you owe it and have not paid it before.

The letter you receive from the debt collector should contain a notice about your right to request more information about the debt.

If you are contacted by debt collectors, remember that federal law prohibits a debt collector from deceiving you by threatening to take actions they can't take or don't intend to take. You can submit a complaint to the Consumer Financial Protection Bureau (CFPB) about problems with companies or debt collectors trying to collect on a debt, regardless of whether it's a debt on a credit card, mortgage, or anything else. To submit a complaint, go to http://www.consumerfinance.gov/complaint#debt-collection or call 855-411-CFPB (2372).

Ask for more information

If you have questions about the debt, ask the debt collection agency to verify the debt before you send money or acknowledge the debt. You can do this by sending a letter of the debt collector providing you with certain information regarding the debt. That information includes the name of the creditor, the amount owed, and statements concerning how to dispute and seek verification of the debt.

You can use the sample letter on the next page to ask for more information about this debt.

- Read the information below.
- Edit the letter as needed to fit your situation. Delete any bullets that don't apply to you, or isn't information you're looking for.
- Print and send the letter as soon as you can. Keep a copy for your records.

Send this letter as soon as you can and, if at all possible, within 30 days of when a debt collector first contacts you and provides you with certain information regarding the debt. Even if 30 days have passed, you can still ask for the information.

If you ask in writing before 30 days have passed, a debt collector has certain legal responsibilities to give you some information.

If the debt collector makes vague statements about what will happen if you do not pay, read their response to your letter carefully. **Debt collectors are prohibited from** deceiving you by threatening to take actions they can't take or don't intend to take. But if they tell you that they intend to sue you, you should take that seriously.

State laws have statutes of limitations, or limited time periods when creditors or debt collectors can file a lawsuit to collect a debt. These periods of time can be two years or longer; the period of time varies by state and by the type of debt. In some states, a partial payment on the debt can restart the time period. You may want to consult an attorney or the applicable law in your state to know when the statute of limitations expires before making any payment on a debt.

Knowing whether or not a debt collector is licensed is useful (though not all states require licenses) because if the debt collector isn't conducting itself properly, you can contact the state licensing agency.

What to do if a debt collector sues

If you're sued, you should respond to the lawsuit. You can respond personally or through an attorney, but you must do so by the date specified in the court papers. When you answer the lawsuit, the debt collector will have to produce evidence that proves to the court you owe the debt.

Tip: If you dispute the debt or the amount owed, you should do that in the court action before the court makes a judgment.

In many states, lawyers who are suing you will provide notice of the suit to you by certified mail.

Judgments give debt collectors much stronger tools to collect the debt from you. Depending on your state's laws, the creditor may be able to:

- Garnish your wages
- Place a lien against your property
- Move to freeze all or part of the funds in your bank account

Warning: You also may lose the ability to dispute that you owe the debt if a court issues a judgment against you.

Don't ignore court documents

You won't be able to stop a lawsuit by a debt collector by refusing to accept the letter or by refusing to sign the receipt that shows you got the letter. By doing these things you'll essentially be ignoring the lawsuit. If you ignore a court action, it's likely that a judgment will be entered against you for the amount the creditor or debt collector claims you owe. Often the court also will award additional fees against you to cover collections costs or fees for attorneys.

A judgment is a court order. Only the court can change it. It's very difficult to get a judgment changed or set aside once the case is over. You have a much better chance to fight a collection in court if you defend the case than if you wait until a judgment is entered against you.

Sample letters

Below are sample letters you can use to respond to a debt collector. For additional sample letters you can use if you have been contacted by a debt collector and want to dispute the debt, to specify how you wish to be contacted, or to request that the collector contact you through your lawyer, visit http://www.consumerfinance.gov/askcfpb/1695/ive-been-contacted-debt-collector-how-do-i-reply.html.

Example letter to a debt collector asking to verify the debt

[Your name]
[Your return address]

[Date]

[Debt collector name]
[Debt collector address]

Re: [Account number for the debt, if you have it]

Dear [Debt collector name]:

I am responding to your contact about a debt you are trying to collect. You contacted me by [phone/mail], on [date] and identified the debt as [any information they gave you about the debt]. Please supply the information below so that I can be fully informed:

<u>Why you think I owe the debt and to whom I owe it, including</u>:

- The name and address of the creditor to whom the debt is currently owed, the account number used by that creditor, and the amount owed.
  - If this debt started with a different creditor, provide the name and address of the original creditor, the account number used by that creditor, and the amount owed to that creditor at the time it was transferred. When you identify the original creditor, please provide any other name by which I might know them, if that is different from the official name. In addition, tell me when the current creditor obtained the debt and who the current creditor obtained it from.
  - Provide verification and documentation that there is a valid basis for claiming that I am required to pay the debt to the current creditor. For example, can you provide a copy of the written agreement that created my original requirement to pay?

- If you are asking that I pay a debt that somebody else is or was required to pay, identify that person. Provide verification and documentation about why this is a debt that I am required to pay.

<u>The amount and age of the debt, specifically</u>:

- A copy of the last billing statement sent to me by the original creditor.
- State the amount of the debt when you obtained it, and when that was.
- If there have been any additional interest, fees or charges added since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each added amount. In addition, explain how the added interest, fees or other charges are expressly authorized by the agreement creating the debt or are permitted by law.
- If there have been any payments or other reductions since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each of them.
- If there have been any other changes or adjustments since the last billing statement from the original creditor, please provide full verification and documentation of the amount you are trying to collect. Explain how that amount was calculated. In addition, explain how the other changes or adjustments are expressly authorized by the agreement creating the debt or permitted by law.
- Tell me when the creditor claims this debt became due and when it became delinquent.
- Identify the date of the last payment made on this account.
- Have you made a determination that this debt is within the statute of limitations applicable to it? Tell me when you think the statute of limitations expires for this debt, and how you determined that.

Details about your authority to collect this debt.

- I would like more information about your firm before I discuss the debt with you. Does your firm have a debt collection license from my state? If not, say why not. If so, provide the date of the license, the name on the license, the license number, and the name, address and telephone number of the state agency issuing the license.

- If you are contacting me from a place outside my state, does your firm have a debt collection license from that place? If so, provide the date of the license, the name on the license, the license number, and the name, address and telephone number of the state agency issuing the license.

I have asked for this information because I have some questions. I need to hear from you to make an informed decision about your claim that I owe this money. I am open to communicating with you for this purpose. In order to make sure that I am not put at any disadvantage, in the meantime please treat this debt as being in dispute and under discussion between us.

In addition to providing the information requested above, please let me know whether you are prepared to accept less than the balance you are claiming is owed. If so, please tell me in writing your offer, with the amount you will accept to fully resolve the account.

Thank you for your cooperation.

Sincerely,

[Your name]

You can ask a debt collector to stop contacting you

The following example letter tells the debt collector to stop contacting you unless they can show evidence that you are responsible for this debt. Stopping contact does not cancel the debt. So, if the debt collector still believes you really are responsible for the debt, they could still take other action. For example, you still might be sued or have the status of the debt reported to one or all of the three national credit reporting agencies—Equifax, Experian, and TransUnion.

You may not want to make a request to stop contact if the debt is your home mortgage.

Example letter

[Your name]
[Your return address]

[Date]

[Debt collector name]
[Debt collector Address]

Re: [Account number for the debt, if you have it]

Dear [Debt collector name]:

I am responding to your contact about a debt you are attempting to collect. You contacted me by [phone/mail], on [date]. You identified the debt as [any information they gave you about the debt].

Please stop all communication with me and with this address about this debt.

[If you dispute the debt, include the following:] Record that I dispute having any obligation for this debt. If you forward or return this debt to another company, please indicate to them that it is disputed. If you report it to a credit bureau (or have already done so), also report that the debt is disputed.
Thank you for your cooperation.

Sincerely,

[Your name]

Protections for Social Security and VA benefits

When a debt collector sues you in court and gets a judgment, it can ask your bank or credit union to the money from money in your bank account. This is called garnishment.

Social Security and VA benefits as well as certain other federal benefits are generally protected from garnishment to pay a debt to a private person or company. It can be helpful to tell a collector this information when the collector first contacts you. This may affect how the debt is collected. For more information about protections for income from Social Security or VA benefits–and some limited exceptions–visit AskCFPB.

What you can expect

If a collector knows that your income is protected, this could affect the collector's decisions about how to collect on the debt. A collector can legally continue to communicate with you, ask you to pay the debt, offer a payment plan or attempt to settle the debt even if your income is protected from garnishment.

You can use this letter to tell a debt collector that you receive income from Social Security or VA benefits.

Example letter

[Your name]
[Your return address]

[Date]

[Debt collector name]
[Debt collector Address]

Re: [Account number for the debt, if you have it]

Dear [Debt collector name]:

I am responding to your contact about a debt you are attempting to collect. You contacted me by [***phone/mail***], on [***date***]. You identified the debt as [***any information they gave you about the debt***].

Please record that my income comes from protected federal [***Social Security and/or VA***] benefits. These benefits are generally protected from garnishment to pay a debt owed to a private person or company. If you forward or return this debt to another company, please provide this information to them.

Thank you for your cooperation.

Sincerely,

[Your name]

Resources

If you have a consumer complaint, visit:
http://www.consumerfinance.gov/complaint

CFPB.gov, Know Before You Owe:
http://www.consumerfinance.gov/knowbeforeyouowe

Consumer.gov, Coping with Debt:
http://www.consumer.ftc.gov/articles/0150-coping-debt

MyCreditUnion.gov, Pocket Cents:
http://www.mycreditunion.gov/what-credit-unions-can-do/Pages/paying-off-Credit-Cards.aspx

StudentAid.ed.gov, Repay Your Loans:
http://studentaid.ed.gov/repay-loans

Medicare.gov, 4 Programs that Can Help You Pay Your Medical Expenses:
http://www.medicare.gov/Pubs/pdf/11445.pdf

If you have a medical need you cannot afford, visit your state department of health and human services listed here:
http://www.hhs.gov/recovery/statewebsites.html

If you would like help managing your debt or rebuilding credit, visit the National Foundation for Credit Counseling:
http://www.nfcc.org

Housing counselors throughout the country can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:
http://www.consumerfinance.gov/find-a-housing-counselor

For information on finding a lawyer to represent you in a lawsuit by a creditor or debt collector:
http://www.consumerfinance.gov/askcfpb/1433/how-do-i-find-lawyer-or-attorney-represent-me-lawsuit-creditor-or-debt-collector.html

For additional resources, visit the Consumer Financial Protection Bureau website:
http://www.consumerfinance.gov/AskCFPB

This tool is included in the Consumer Financial Protection Bureau's toolkit. The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB's educational efforts are limited to the materials that CFPB has prepared.

MODULE 7:

Understanding credit reports and scores

Has the client ever reviewed his or her credit report?

Has the client been denied employment, a place to live, or a loan or credit due to his or her credit?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
▪ Tool 1: Getting your credit reports and scores	▪ Tool 2: Credit report review checklist	▪ Tool 3: Improving credit reports and scores ▪ Tool 4: Keeping records to show you've paid your bills ▪ Tool 5: Protecting your identity

A credit report is generally a record of some of a consumer's bill-paying history, public record information (such as a filing for bankruptcy), and prior inquiries by a creditor into the consumer's credit history at the time a consumer applies for credit. Credit reports show information about how much credit an individual has, how much of the available credit is being used, whether payments are made on time, and whether a delinquent debt has been sent to a debt collector.

A credit score is calculated based on the information in the report.

Why do credit reports and credit scores matter?

Some people say consumer reports and scores don't matter to them because they never plan to get a loan. But many people and businesses use consumer reports and scores to make decisions about consumers.

- A bank or credit card company may use them to decide whether to give a loan or offer a credit card.
- A credit card company may use them to decide what interest rate a person will pay on future charges if he is approved.
- A landlord may use them to determine whether to rent an apartment to someone.
- In many states, an insurance company may use the person's reports or scores to determine whether to give the person insurance coverage and the rates the person will pay for coverage.
- A potential employer may use a person's reports to determine whether she will get a job or a security clearance for a job. (Note: According to the credit reporting agencies, credit scores are not used by employers. Instead, a special version of the credit report is used by employers. Some states do not allow employers to use these reports in their hiring decisions unless credit history is relevant to the job's duties.)
- An existing employer may use a person's reports to determine whether he will get or keep a security clearance.

A client who does not have a positive credit history or good credit scores may face obstacles and may end up paying more for loans, credit cards, and other services.

That's why it's important to pay bills on time and pay attention to what's in a credit report. The score is calculated based on the information in the report – so at least once a year, people should take the time to make sure the information in their report is accurate.

What is in a credit report?

Credit reports are created by consumer reporting agencies, often called credit reporting companies. These companies collect information about consumers from many sources, including "furnishers" – people or companies that have and provide information about consumers' credit behavior, like the consumer's bank, lender or landlord. The credit reporting companies organize this information from furnishers into reports and sell these reports to businesses so they can make decisions about consumers.

Creditors generally are not required to report a consumer's history of making payments, though entities that do report information have a legal obligation to report accurate information and are required to have reasonable policies and procedures regarding the accuracy and integrity of information they report.

Although consumers typically use the term "credit report," the statutory term from the key federal statute specifically regulating this area, the Fair Credit Reporting Act, is "consumer report" and the companies that collect consumer information and sell it to users are called "consumer reporting agencies."

Consumer reporting agencies that compile and report public record and credit account information on consumers residing nationwide are known as nationwide consumer reporting agencies. The three biggest nationwide consumer reporting agencies or credit bureaus are Equifax, Experian, and TransUnion. Each of these companies is likely to have a file on a consumer unless the consumer has never had a credit card, an auto loan, a student loan, or a home mortgage loan or been an authorized user on an account. There are also specialty-reporting companies that compile and sell information about payday lending, check-writing history, and other consumer financial activity. To access further information about these and other consumer reporting agencies by categories including those that produce specialty consumer reports, visit: http://files.consumerfinance.gov/f/201501_cfpb_list-consumer-reporting-agencies.pdf.

A consumer's files at each of the three major credit-reporting agencies are likely to be similar, **but there may be differences** depending on the information each company has collected**.**

Sections of a credit report

A credit report typically contains five sections. These sections include:

- **Header/identifying information**—This includes name and current address, as well as other information that can be used to distinguish or trace a person's identity, either by itself, like Social Security number, or when combined with other personal information, including date and place of birth. This information may not be complete—all of the jobs a person has held, for example, may not be listed. But what is listed should be accurate. A credit report does not include some personal information such as race or ethnicity.

- **Public record information**—This section includes public record data of a financial nature, including consumer bankruptcies, judgments, and state and federal tax liens. Records of arrests and convictions generally do not appear on the credit file, but other types of consumer reporting agencies, such as employment background screening agencies, often include them. Other public records that usually do not appear in credit reports are marriage records, adoptions, and records of civil suits that have not resulted in judgments.

- **Collection agency account information**—This section will show if there are or were any accounts with a collection agency and the status of those accounts.

- **Credit account information**—This section may include accounts the person has now or had before with creditors. This may include:
    - The company name
    - Account number
    - Date opened
    - Last activity
    - Type of account and status
    - Date closed if the account is no longer open
    - Credit limit
    - Items as of date (any amount currently owed and whether the person is current or late with payments) and the balance
    - Whether the person has a past due amount and the number of payments that were 30, 60, and 90 days late

    - Whether the account was charged off
    - The date information was reported to the credit bureau

    Some accounts may not be listed, especially older accounts or those the person has closed. So there may be inconsistencies across credit files and credit reporting agencies in the contents of this section. It is important to make sure what is listed, however, does or did belong to the person.

- **Inquiries made to a consumer's file**—Companies typically look at credit reports when individuals apply for credit. The fact that a lender has reviewed a consumer's report when the consumer applied for credit is typically called an "inquiry" and becomes part of the credit record.

Each consumer-reporting agency has its own unique format despite having the same categories of information.

Negative information

In general, negative information can be reported to those who request a person's credit report for only a specified period of time—seven years for most items. A bankruptcy can stay on the credit report for 10 years, and certain other court records can be reported on the credit report for longer than seven years. For civil suits and judgments, as well as arrest records, the information can be reported on the person's credit report for seven years or for the duration allowed by the statute of limitations, whichever is longer. For criminal convictions, there's no time limit. There is no limit to the length of time that positive information can stay on a person's credit report.

Even though credit reporting companies and other companies called specialty consumer reporting companies cannot include information that is beyond the limits provided in the Fair Credit Reporting Act in most consumer credit reports, they may continue to keep the information in a consumer's file. Why? Because there is no time limit in terms of reporting information (positive or negative) when the consumer is:

- Applying for credit of $150,000 or more
- Applying for life insurance with a face value of $150,000 or more

- Applying for a job with an annual salary of $75,000 or more

What are the relevant laws?

Familiarity with certain laws and documents is important if you work with consumers on debt collection and credit reporting issues. These laws include the Fair Credit Reporting Act (FCRA), the implementing Regulation V, and the Fair Debt Collection Practices Act. You should also find out if your state has any laws in this area. For example, some states have a state debt collection practices act that is different from the Federal statutes. You might also be interested in reading the Federal Trade Commission Rules regarding disposal of information and the “red flags” of identity theft (http://www.ftc.gov/tips-advice/business-center/privacy-and-security), and reports such as the Federal Trade Commission’s July 2011 report, “40 Years of Experience with the Fair Credit Reporting Act.” http://www.ftc.gov/reports/40-years-experience-fair-credit-reporting-act-ftc-staff-report-summary-interpretations.

Example credit report

Each of the three major credit reporting agencies—Equifax, Experian, and TransUnion—has its own presentation format. This example of a credit report highlights the key sections you will find in all three agencies’ credit reports. It is an example credit report and not based on the format of any one credit-reporting agency. Each agency’s format varies in layout, look, and level of detail reported.

Example document:

This includes your name, current address, as well as other information that can be used to distinguish your identity by itself like your Social Security number, or when combined with other personal information, including date and place of birth.

	File number: 12345678 **Date issued: 9/30/2013**
Personal information	
Name: Miguel Smith	**SSN:** XXX-XX-1234
Other names: Miguel S Smith Miguel Simon Smith	**Date of birth:** 12-1-1980 **Telephone number:** 555-555-1000
Addresses reported: 457 First Street, Littletown, MI 09876 13476 Avenue A, Big City, WI 43526	
Employment data reported	
Employer name: Riviera Restaurants	**Position:** Manager
Date reported: 3/2013	**Hired:** 11/2010
Employer: Freer Chiropractic College	**Position:** Food services
Date reported: 6/2008	**Hired:** 3/2008

Public Records This section includes public record data of a financial nature, including consumer bankruptcies, judgments, and state and federal tax liens.	
Big City Wisconsin Court Docket# 200900001467 515 C St, NE, Big City, WI 43528	
Date filed: 8/3/2009	**Type:** Chapter 7 Bankruptcy
Amount: $11,987	**Responsibility:** Individual
Big City Municipal Court Docket# 200700056712 4326 Fourth Street, SW, Big City, WI 43530	
Date filed: 4/14/2007	**Type:** Civil Judgment
Amount: $4,763	**Responsibility:** Individual
Plaintiff: Bank of Big City	**Plaintiff attorney:** Lisa Perry
Collections This section will show if you have any accounts with a collection agency and the status of those accounts.	
Reliable collections (Y76381): Account# 3629	
Original creditor: ABC Megastore	**Amount placed:** $2,500
Opened: 7/2/2009	**Account type:** Open
Balance: $1,000	**Responsibility:** Individual

Account information This section includes accounts you have now or that you had before with creditors.	
Littletown Bank (B62391), Account# 2010004637	
Balance: $14,285	**Pay status:** 30 days past due
Date updated: 8/30/2013	**Account type:** Automobile
High balance: $16,500	**Responsibility:** Individual
Past due: $395	**Date opened:** 2/5/2013
Terms: $395/month 48 months	**Payment received:** $349
Account type: Automobile	**Last payment made:** 7/5/2013

	8/5/13	7/5/13	6/5/13	5/5/13	4/5/13	3/5/13
Balance	$14,285	$14,680	$14,988	$15,294	$15,598	$15,901
Scheduled Payment	$395	$395	$395	$395	$395	$395
Amount Paid	$0	$395	$395	$395	$395	$395
Past Due	$395	$0	$0	$0	$0	$0
Rating	30	OK	OK	OK	OK	OK

Bank of Wisconsin (B42394), Account# 543298760192XXXX[35]

Balance: $3,603	**Pay status:** Paid or paying as agreed	**Date updated:** 8/30/2013
Account type: Revolving; Credit Card	**High balance:** $9,869 12/09	**Responsibility:** Individual
Credit limit: $10,000	**Past due:** $0	**Date opened:** 6/1/2008

	8/2013	7/2013	6/2013	5/2013	4/2013	3/2013	2/2013	1/2013	12/2012
Balance	$3,683	$3,764	$3,848	$3,933	$4,020	$4,109	$4,200	$4,293	$4,388
Scheduled Payment	$147	$151	$154	$157	$161	$164	$168	$172	$176
Amount Paid	$147	$151	$154	$157	$161	$164	$168	$172	$176
Past Due	$0	$0	$0	$0	$0	$0	$0	$0	
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK

Continued…

$0

[35] This example is fictional. The credit card payment schedule is based on a credit card with a 22% APR. In this example, the individual is paying down a high balance of $9,869, paying the minimum payment each month calculated at 4% of the balance. He is not using the card to make additional purchases. While credit card companies use a variety of methods to determine finance charges, a simple interest calculation was used for the purposes of this example. Amounts were rounded to the nearest dollar. According to the credit card payment calculator on Bankrate.com, making the minimum payment of 4%, it will take the consumer 15 years and 3 months to pay off this credit card debt. He will also pay $8,165 in interest assuming no late fees.

	11/2012	10/2102	9/2012	8/2012	7/2012	6/2012	5/2012	4/2012	3/2012
Balance	$4,485	$4,585	$4,686	$4,790	$4,896	$5,005	$5,115	$5,227	$5,345
Scheduled Payment	$179	$183	$187	$192	$196	$200	$205	$209	$214
Amount Paid	$179	$183	$187	$192	$196	$200	$205	$209	$214
Past Due	$0	$0	$0	$0	$0	$0	$0	$0	$0
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK

Inquiries made to your account This section includes a record of anytime a company requests information from a credit reporting agency about you.	
Inquiries that display to others The following companies have received your credit report.	
Auto Loan Store 90 President Lane, Big City, WI 43529	**Requested on:** 6/2013
Super Store 100 First Street, Anytown, IA 78691	**Requested on:** 12/2012
Promotional inquiries The following companies received your name, address and other limited information about you so they could make a firm offer of credit or insurance. They did not receive your full credit report. These are not displayed to others and do not affect your credit scores.	
Dress for Success Fashion House 31 Fashion Lane, Big City, WI 43530	**Requested on:** 7/2012
EZ Loan Store 220 4th Avenue, Littletown, MI 09876	**Requested on:** 4/2013
Account review inquiries The companies listed below obtained information from your consumer report for the purpose of an account review of business transaction. These are not displayed to others and do not affect your credit scores.	
Bank of Wisconsin 457 State Street, Big City, WI 43532	**Requested on:** 3/2013

Terms used on credit reports can be confusing. Here are the definitions of some key terms used on credit reports:

Term	Explanation
Authorized user	A person permitted to use a credit card account, but who is not responsible for the account. The payment status of the account (positive or negative) is usually shown on the credit report of both the authorized user and the account's owner.

Payment status	The history of the account including on-time payments as well as delinquencies and other negative items.
Delinquent	An account that has not been paid on time and is late. Generally delinquencies are expressed as being 30, 60, 90, or 120 days or more delinquent.
Default	Default means that the consumer is not meeting the requirements agreed to when they took out the loan. An account that has been delinquent (late) for several 30 day billing cycles is generally considered to be in default.
Charge off	When a business decides an account is uncollectible. However, the consumer is still responsible for the debt, and collections will likely continue on this debt. A debt is charged off when it is so delinquent that the lender can no longer consider it as something that it is likely to be able to collect. This doesn't mean that the debt itself is erased – the consumer still legally owes the debt and it can be collected. In many cases the right to collect the debt is taken over by a collection agency.
Closed date	The date an account is closed. An account can be closed by the business or the consumer. If there is still a balance when the account is closed, the consumer is still responsible for paying this.
Discharge	When the court releases a consumer of responsibility for a debt as part of the bankruptcy process.
Chapter 7 bankruptcy	A legal process in which the consumer's assets are used to pay off creditors. Any eligible debts not paid through the assets are discharged. This will be in the public records section of the credit report.
Chapter 13 bankruptcy	A legal process in which a consumer enters into a payment plan to pay off creditors using future income. These are arranged by the courts. Once the payment plan is complete, remaining eligible debts are discharged. This will be in the public records section of the credit report.
Dispute	A right consumers have to challenge and request investigation of information they believe is incorrect on their credit reports. Consumers must initiate the dispute process.
End user	The business or individual that receives a credit report.
Information provider or furnisher	A business or individual that reports information to a credit reporting agency.

What are credit scores?

Credit scores sum up key pieces of your credit history in a number (the score) at a moment in time—like a photograph. Companies that make credit scores each use their own complicated mathematical formulas to do this. The information used in this formula comes from the credit reports – such as information on the number and type of loans and other forms of credit a consumer has used and is currently using, whether he is making payments on time, and whether he's 30 days or more late (delinquent) on any of these accounts. The formulas are created by looking at how other people whose credit file looks like the consumer's has paid their bills over time.

Credit scores provide a standardized way for businesses that offer credit to understand the risk that a consumer may have difficulty paying back a loan. The current common credit scoring formulas are designed to predict whether someone is likely to fall behind on loan payments for 90 days or more. For these scores, the higher the number, the less risky one is predicted to be.

These scores can make it easier for businesses to make decisions about whether to offer a consumer credit and how much interest they will charge. Without scores, they would have to take more time to read and interpret both the credit application and the credit report.

There are multiple companies that calculate and sell credit scores. Credit scores vary because different score companies use the information stored by the three large credit bureaus in different ways. Scores produced by different companies may also vary because they don't always share the same score range. Sometimes the three large credit bureaus store slightly different information used to calculate the score, which can also contribute to differences.

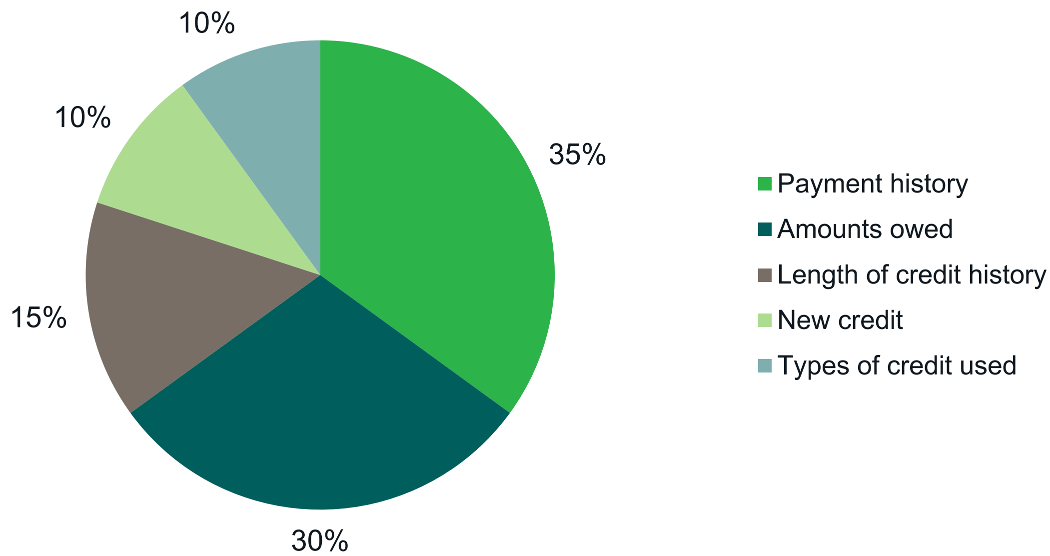
As a result, you have more than one credit score. Each company generates its own scores, and these scores may differ from each other, sometimes significantly. And, each company that creates credit scores generates different scores for different kinds of users—they may sell educational scores to consumers, but provide different scores to lenders. This can make deciding which credit score to purchase, if any, confusing for consumers.

How are scores calculated?

FICO scores (calculated using formulas made by Fair Isaac Corporation) are the most commonly used scores. These scores range from 300 to 850. A FICO score above 700 is considered good by most businesses, and the scores considered the best are 750 and higher.

The actual way that FICO scores (and other scores) are calculated is considered a trade secret. But FICO makes some information available to the public on what goes into its scores.[36]

FIGURE 1: WHAT GOES INTO FICO SCORES?[37]



Payment history tracks whether you are paying your bills on time and as agreed. This is the biggest factor in your FICO Scores. Paying bills late, not paying bills at all, and having bills that go to collections will cause your scores to drop. The impact on a score from a single late or missed payment decreases over time. Paying your bills on time can help increase your score, and debts that go to collections and to judgment will cause it to fall.

Amounts owed include the amount you are paying down on loan balances as agreed. It also includes your credit utilization rate. Your credit utilization rate is how much of your available credit you are using. As your revolving balance relative to the credit limit increases, your score will drop.

Length of credit history is the next factor that impacts your scores. Your score increases the longer you have a credit history. The more established credit accounts you have, the "thicker"

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36 Pie chart values are from FICO. See http://www.myfico.com.

37 "Amounts owed" relates to the percentage of a revolving credit limit that is being used and the percentage of an installment loan that remains to be paid off.

your credit file will be. This is a credit record with strong evidence of how you use credit and your payment behavior. If you have just one or only a few credit accounts, you will have a “thin file.”

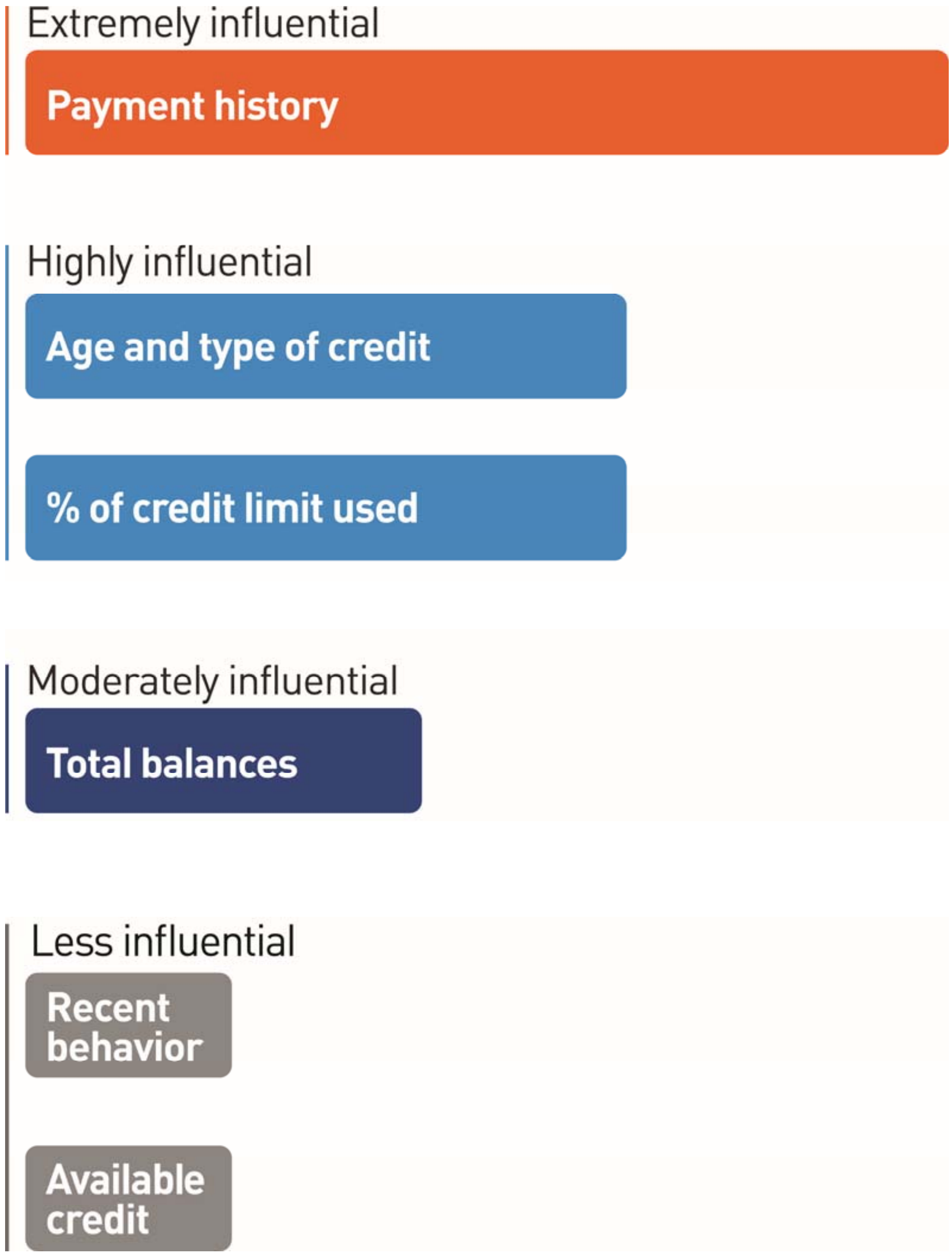
New credit is tracked by measuring your inquiries for credit. If you have too many inquiries, the model interprets this to mean you have a high demand for credit, which may be an indicator of risk, and your scores may drop. When you are shopping for credit, however, you can compare offers for a home, car, or student loan. FICO and most other models give you a short window of time – generally 30 days – when multiple inquiries for the same type of product will be considered as only one inquiry. And your score is not affected at all when companies “pre-screen” you for credit or when you check your credit report yourself (such as at annualcreditreport.com).

Finally, **types of credit used** are considered. Your FICO scores increase if you have both credit cards (revolving credit) and loans (installment credit such as a mortgage or car loan) in good standing. Generally, it is considered a positive to have a mortgage, an auto loan, and not too many credit cards.

Scores provided by VantageScore, another score provider, range from 300 to 850. Scores calculated with its earlier models ranged from 501 to 990.[38] Like the FICO Scores, the actual method used to calculate VantageScore credit scores is secret. But VantageScore provides information to the public like the graphic below, which explains how your credit history, credit usage, and other actions can influence the scores it calculates.

[38] See http://your.vantagescore.com/score-influences.

FIGURE 2: WHAT GOES INTO VANTAGESCORES?[39]



[39] "Recent behavior" refers to recent credit behavior and inquiries. "Age of credit" refers to the length of time accounts have been open.

What is your credit utilization rate?

The amount of credit you've been given compared to the amount you've used is your "credit utilization rate."

If you want to maintain your credit score, many experts advise keeping your use of revolving credit low in relation to your credit limit. That's because credit scoring formulas penalize you for using too much of the credit you have available to you.

This means your credit score may drop because you have a lower percentage of revolving credit available to you.

For example, you may have a high percentage of your credit limit charged on a card, and you want to qualify for better rates on new credit. In this case, you may want to reduce your balance amount by paying down your credit card before you apply for new credit.

The easiest way to understand credit utilization is through an example:

> *If someone only has one credit card with a $5,000 credit limit, and she has charged $3,500 on this card, her credit utilization rate is calculated as follows:*
>
> *$3,500 (amount charged to credit card) divided by $5,000 (credit limit) = .7 or 70%*
>
> *If she sets a goal of lowering her revolving utilization of this card to 25% or less, her revolving balance should be no more than:*
>
> *$5,000 (the credit limit) multiplied by .25 (25%) = $1,250*

Does this mean that only the unpaid balance is counted toward the credit utilization rate? The answer is no. Because you don't know when a credit card company will report your balance to credit reporting companies, if at any time during the month your total charges are higher than the limit the credit scoring model is based on, you run the risk of lowering your credit score.

“Credit invisible”?

The CFPB reported in 2015 on the number of U.S. consumers who have little or no credit record at the nationwide credit reporting companies. The report highlighted two groups of people. The first group is consumers without a credit report – “credit invisibles.” The second is the “unscored,” or consumers who either do not have enough credit history to generate a credit score or who have credit reports that contain “stale” or not recently reported information.[40]

The report found that:

- **About one in 10 Americans can be considered “credit invisible”** because they do not have any credit record.
- **19 million consumers have unscored credit records:** About 8 percent of the adult population has credit records that are considered unscorable based on a widely-used credit scoring model.
- **Consumers in low-income neighborhoods and black and Hispanic consumers are more likely to be credit invisible or to have an unscored record.** Almost 30 percent of consumers who live in low-income neighborhoods are credit invisible and an additional 15 percent have records that are unscored.[41]

If a consumer doesn’t have a credit history and wants to build one, see *Tool 3: Improving credit reports and scores* for information on steps he can take to build a credit history.

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[40]Analysis was conducted using information from the CFPB’s Consumer Credit Panel, which is a random sample of de-identified credit records purchased from one of the nationwide credit reporting agencies and is representative of the population with credit records. By comparing information in the credit panel from December 2010 with 2010 Census data, the Bureau was able to estimate the number of consumers who were credit invisible or had unscored credit records. See *Data Point: Credit Invisibles* at http://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf.

[41] The exact definition of what constitutes insufficient or stale information differs across credit scoring models, as each model uses its own proprietary definition.

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Tool 1:

Getting your credit reports and scores

Getting your reports

Getting your credit report is the first step to improving your credit. It is important to think about credit, because a good credit history can help you:

- Get and keep a job
- Get and keep a security clearance for a job, including a military position
- Get an apartment
- Get insurance coverage
- Get lower deposits on utilities and better terms on cell phone purchase plans
- Get a credit card
- Get loan from a bank or credit union including a loan for a house (a mortgage)
- Get a better credit score—all of the information used to calculate your score comes from credit reports

If any of these things are important to you, improving your credit report can help you get them.

Start with your free annual report

You can get a free copy of your report from each of three biggest nationwide credit reporting companies and many other credit reporting companies every 12 months.

Some states and territories allow for an additional free report each year: Colorado, Georgia, Maine, Maryland, Massachusetts, New Jersey, Vermont and Puerto Rico.

You can get an additional free report if you:

- Are unemployed and plan to look for employment in the next 60 days
- Are receiving public assistance
- Have been the victim of fraud including identity theft
- Have had adverse action taken (you have been denied credit, employment, insurance, etc.) because of information in your credit report. In this case, you have 60 days to request your report.

To order through the website, visit https://www.annualcreditreport.com. You will complete a form with basic information (your name, Social Security number, address, etc.). You will select the report(s) you want—Equifax, Experian, and/or TransUnion.

Then for each report, you will be asked a series of security questions such as: former addresses, amount of a loan you have, phone numbers that have belonged to you, counties you may have lived in, etc. Note that each credit reporting company has a slightly different process to "authenticate" you, or make sure you are you who say you are. If you are unable to answer these questions, you may want to try requesting your report from a different company. You may find that you will have to use another method.

Once the site has confirmed your identity, you can download and save a PDF version of your report, print the report, or both.

Be sure you do this in a safe and secure location. Avoid doing this on public computers, such as those at a library.

Alternative methods

Order by phone: (877) 322-8228. You will go through a verification process over the phone.

Order by mail: Download the request form from https://www.annualcreditreport.com. Print and complete the form. Mail the completed form to:

Annual Credit Report Request Service
P.O. Box 105281
Atlanta, GA 30348-5281

✎ Track when you have printed or received your credit reports

Source of credit report	**Equifax** PO Box 740241 Atlanta, GA 30374 www.equifax.com	**Experian** www.experian.com	**TransUnion LLC** PO Box 1000 Chester, PA 19016 www.transunion.com
Date report printed or received			

Beware of imposter websites offering free credit reports. Some companies offer free credit reports, but you may have to buy another product or service to get it. DO NOT use a search engine (Google or Yahoo, for example) to find the annual credit report site. Go directly to: https://www.annualcreditreport.com or go through http://www.consumerfinance.gov.

If you are under 18, you should not have a credit report unless:

- You are an authorized user or joint owner on an account
- You are an emancipated minor
- Your state law allows you to enter contracts below the age of 18, and you have done so
- You have student loans
- You have been the victim of identity theft and credit or financial fraud

Currently, only Experian allows minors (once they reach the age of 14) to obtain their own credit reports. Call (888) 397-3742 to get your file.

With TransUnion, you can send an email to childidtheft@transunion.com to see if a credit file exists. Or you can visit the TransUnion website and complete the Child Identity Theft Inquiry

Form. If the minor has a legitimate credit history (he or she is the joint owner of or an authorized user on an account), then a parent or guardian must order the report.

For the Equifax report, call (877) 784-2528. Currently, an adult—the parent or legal guardian—must order the credit report on behalf of the minor.[42]

Getting your credit scores

Unlike your credit report, which you can get at no cost to you, you usually have to pay for your credit score. There are certain instances in which you are entitled to your credit score for free, for example if you are denied a loan on the basis of your credit score. In addition, one of your lenders, such as your credit card company, may participate in a program that provides free FICO scores on statements.[43]

There are many credit scores you can purchase in the marketplace. The type of credit score most used by lenders is a FICO score. Another score also used by lenders is the Vantage Score, which you can purchase through Experian or TransUnion.

Credit scores offered online are approximations of your scores. They are not the actual scores businesses will use to make decisions about you. However, some people find they can be useful for education. You can generally see if your credit scores are moving up or down. But the actual number may not reflect your actual FICO Scores. So this may be confusing.

You cannot know ahead of time whether the scores you purchase will vary moderately or significantly from a score sold to creditors. You should not rely on credit scores you purchase exclusively as a guide to how creditors will view your credit quality. **Knowing what is in your credit report and fixing errors is more important to building your credit than buying a credit score that may not tell you what you need to know before you apply for a loan.**

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[42] See http://files.consumerfinance.gov/f/201405_cfpb_tipsheet_youth-good-credit.pdf.

[43] See http://www.consumerfinance.gov/blog/millions-of-consumers-will-now-have-access-to-credit-scores-and-reports-through-nonprofit-counselors.

Tracking when you ordered scores

To order your FICO score visit http://www.myfico.com.

There may be a cost for each score you order. These companies also offer other credit reporting and monitoring services for a fee.

Equifax score:	Date:
Experian score:	Date:
TransUnion score:	Date:

You have the right to get a free credit scores if:

- You apply for a mortgage loan and the lender uses your credit score. The lender must send you a notice telling you this and include your score.
- Your application for credit is turned down and the lender used your credit score. You will get a notice (disclosure) from the provider explaining this with your credit score.
- You get less favorable terms from a lender than the terms available to most people who get credit from that lender, and the lender used your credit score. You will get a notice (disclosure) from the provider explaining this with your credit score.

Tool 2:

Credit report review checklist

Once you get your credit report, you will want to review it carefully. Ordering it is not enough—you have to read it. Credit reports may have mistakes. And if there are mistakes, you are the only one who is likely to find them.

Use the following worksheet to review each section of your credit report. Do this for each credit report you get throughout the year. Then, keep the completed checklist with your credit report.

Your credit report contains a lot of personal and financial information. Be sure to keep any hard copies of your credit reports in a safe and secure place. If you do not want to hang on to your credit reports, be sure to shred them before getting rid of them.

Credit report review checklist

Today's date: ___________ **Name of credit reporting agency** _____________

Check for "yes"	Checklist item
	Is your name correct?
	Is your Social Security number correct?
	Is your current address correct? Is your current phone number correct?
	Are the previous addresses they have listed for you correct?
	Is your marital status listed correctly?
	Is the employment history they have listed for you accurate?
	Is everything listed in the personal information section correct?

	Is there anything listed in the public record information? Is it correct? Highlight the information you think may **not** be correct.
	Review each item under the credit account (trade account) section. Are the accounts on the list still open?
	Are all of the current balances correct?
	Are accounts where you are an authorized user or joint owner listed?
	Are zero balances recorded for debts discharged in bankruptcy? For debts paid in full?
	Are you listed as a co-signer on a loan? Is this correct?
	Are accounts that you closed listed as "closed by the consumer"?
	Is negative information reported on each credit account correct? Look for late payments and missed payments. Highlight those items you think are **not** correct.
	Are any accounts listed more than once? Check to make sure the same account is not listed multiple times in the collections section.
	Is old negative information still being reported? If yes, highlight the information that has exceeded the negative information reporting limit, which is usually seven years.
	Do you suspect that you have been the victim of identity theft after reviewing your credit reports?

If you find something wrong with your credit report, you should dispute it. You may contact both the credit reporting company and the creditor or institution that provided the information. Explain what you think is wrong and why.

To correct mistakes, it can help to contact both the credit reporting company and the source of the mistake. You may file a dispute not only with the credit reporting company, but also directly with the source of the information, and include the same supporting documentation. However, there are certain circumstances where creditors and furnishing institutions are not required to investigate.

You may file your dispute online at each credit reporting agency's website.

If you file a dispute by mail, your dispute letter should include: Your complete name, address, and telephone number; your report confirmation number (if you have one); and the account number for any account you may be disputing.

In your letter, clearly identify each mistake, state the facts, explain why you are disputing the information, and request that it be removed or corrected. You may want to enclose a copy of the portion of your report that contains the disputed items and circle or highlight the disputed items. Include copies (not originals) of documents that support your position.

Send your letter of dispute to credit reporting companies by certified mail, return receipt requested, so that you will have a record that your letter was received. You can contact the nationwide credit reporting companies online, by mail, or by phone:

You can contact the primary nationwide credit reporting agencies online, by mail, or by phone:

Equifax
Online: http://www.ai.equifax.com/CreditInvestigation
By mail: Download and complete the dispute form:
http://www.equifax.com/cp/MailInDislcosureRequest.pdf
Mail the dispute form with your letter to:
Equifax Information Services LLC
P.O. Box 740256
Atlanta, GA 30374
By phone: Phone number provided on credit report or (800) 864-2978

Experian
Online: http://www.experian.com/disputes/main.html
By mail: Use the address provided on your credit report or mail your letter to:
Experian
P.O. Box 4000
Allen, TX 75013
By phone: Phone number provided on credit report or (888) 397-3742

TransUnion
Online: http://www.transunion.com/personal-credit/credit-disputes-alerts-freezes.page
By mail: Download and complete the dispute form:
http://www.transunion.com/docs/rev/personal/InvestigationRequest.pdf
Mail the dispute form with your letter to:

TransUnion Consumer Solutions
P.O. Box 2000,
Chester, PA 19016
By phone: (800) 916-8800

Keep copies of your dispute letter and enclosures.

If you suspect that the error on your report is a result of identity theft, visit the Federal Trade Commission's ***Fighting Back Against Identity Theft*** website for information about identity theft and steps to take if you have been victimized. This will include filing a fraud alert and possibly filing a security freeze.

Whether you file your dispute directly with the creditor (information furnisher) or the credit reporting agency, they generally have 30 - 45 days to investigate your claim and five business days after completing the investigation to send you written notice of the results. Either way, if the dispute results in a business changing the information it furnished about you, the business must notify the nationwide credit reporting companies that it shared the information with. And, if you filed your dispute with a credit reporting company, it must fix your file and notify the creditor or whomever furnished the information of the error.

You can also submit a complaint to the Consumer Financial Protection Bureau at https://www.consumerfinance.gov/complaint or by calling 877-411-2372.

Steps to filing a dispute checklist

Check for yes	Steps to filing a dispute
	Write a letter to the credit bureau that sent you the report.
	Provide the account number for the item you feel is not accurate.
	For each item, explain concisely why you believe it is not accurate.
	If you can, include copies of bills or cleared checks (money order stubs) that show you have paid them on time.
	Provide your address and telephone number at the end of the letter so the credit bureau can contact you for more information if necessary.

	Make a copy of your letter before you send it to the credit bureau.
	Send the letter. You may choose to use Certified Mail with Return Receipt to have proof of when the letter was received. The consumer reporting agency or the creditor generally has 30-45 days to investigate your claim.

You can use this example dispute letter from the Federal Trade Commission to a credit-reporting agency as a guide for writing your own letter.

Example letter

[Your name]
[Your return address]

[Date]

Complaint Department
[Company Name]
[Street Address]
[City, State, Zip Code]

Dear Sir or Madam:

I am writing to dispute the following information in my file. I have circled the items I dispute on the attached copy of the report I received.

This item [identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.] is [inaccurate or incomplete] because [describe what is inaccurate or incomplete and why]. I am requesting that the item be removed [or request another specific change] to correct the information.

Enclosed are copies of [use this sentence if applicable and describe any enclosed documentation, such as payment records and court documents] supporting my position. Please reinvestigate this [these] matter[s] and [delete or correct] the disputed item[s] as soon as possible.

Sincerely,

[Your name]
[Phone number]
Enclosures: [List what you are enclosing.]

Be sure to keep copies of everything you send to the credit reporting agencies, including the dates you sent the items.

This tool is included in the Consumer Financial Protection Bureau's toolkit. The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB's educational efforts are limited to the materials that CFPB has prepared.

This tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this Tool. The CFPB is not responsible and has no control over how others may use the information that you provide to them about your personal or financial situation. The CFPB recommends that you do not include names or account numbers and that users follow their organization's policies regarding retention, storage, and disposal of documents that contain personal information.

Tool 3:

Improving your credit reports and scores

Your credit report shows information about how you have used credit, such as how much credit you have, how much of your available credit you are using, whether you have made your payments on time, and whether anyone has sent a loan you owe to a debt collector.

A credit score is a number that is used to predict how likely you are to pay back a loan. Your credit score starts with the information about you from your credit report. A mathematical prediction formula is applied to this information about you from your credit report. That prediction formula, which is called a scoring model, creates a number, and this number is your credit score.

To get and keep a good credit score:

- Pay all your loans and bills on time.
- Make sure information in your credit report is correct.
- If you currently have access to credit, don't use too much of the credit that is available to you.

If you want to qualify for credit, focus on improving your reports and scores now. Use this worksheet to ensure you are focusing on the areas that matter most.

You may want to talk with a specialized credit or housing counselor to build your plan to improve your credit report and scores. See the Resources list at the end of this module for links to get you started in finding an accredited counselor.

Strategies for improving credit reports and scores list

Check if you plan to implement	Strategy for improving credit reports and scores	Other information or resources you need
	Obtaining free credit reports annually Online at https://www.annualcreditreport.com By phone: Call (877) 322-8228 By mail: Go to https://www.annualcreditreport.com to print the form (Use *Tool 1: Getting your credit reports and scores*)	
	Reviewing the credit reports for accuracy (Use *Tool 3: Credit report review checklist*)	
	Disputing errors found on the reports (Use *Tool 3: Credit report review checklist*)	
	Understanding Credit Scores (Use *Tool 2: Getting your credit reports and scores*)	
	Paying bills on-time is the most effective way to improve your credit reports and credit scores.	
	Keeping the amount of credit available that you use low. (While there is not an "official" published limit, many financial experts recommend keeping the amount of credit used between 25% and 30%[44] of the credit available.)	

[44] For two examples, see http://www.chicagotribune.com/classified/realestate/sns-201204201830--tms--realestmctnig-a20120428apr28,0,222450.column and http://www.experian.com/blogs/news/2012/09/24/rebuild-your-credit.

	Keeping unused credit accounts open—credit card company may close account because of inactivity. (They are not allowed to charge fees if this occurs.) However, if your goal is paying down debt and you may be tempted to use the card, keeping the account open may not help you reach your goal. If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score if this means that you are using a high percentage of your total credit limit.	
	Developing a plan to take care of outstanding judgments or liens. You may be able to negotiate with a collector (See Module 6).	
	Diversifying credit sources	
	Getting on payment plan for medical debt—ensure provider is not reporting balance as outstanding. If you have medical debt, you may be eligible for assistance with your bills or may be able to get on a payment plan.	
	Paying down old debt or debt in collections. This may improve your credit history – your report – if the debt is currently being reported on any of your credit reports. However, paying off old debts may not impact your credit score. Before you make a payment on debt that you have not paid for a long time, such as three or more years, you may wish consult with a credit specialist or attorney regarding the statute of limitations on the debt. If the statute of limitations period has passed, making a payment may re-start the clock on creditors' ability to file a lawsuit to collect the debt, depending on the debt and state law.	

	Using credit building products: *Secured credit cards*. This can be a way to build a positive credit history. But because credit limits tend to be low with these cards, be sure to watch your credit utilization rate and not get too close to using the full limit. *Credit building loans*. Visit a bank or credit union to find out about these products. With some credit builder loans, you make monthly payments first, and receive the loan amount when it is paid off. This helps you avoid taking on debt while you build a positive payment record. These loans can be very effective in creating new history and can have a positive impact on your reports and scores. Some non-profit organizations provide access to secured cards or credit builder loans. Be sure to ask about the terms, just like you would ask a bank or credit union for details about their products.	
	Other:	

Tool 4:

Keeping records to show you've paid your bills

When repairing or building credit – or managing finances more generally – it is important to create a paper trail. What does this mean? It means you must keep records. You keep records so you can prove you have:

- Paid a bill on time that a creditor has reported late.
- Paid a debt that a creditor has reported unpaid.
- Sent a letter to a debt collector who has claimed he did not receive it.
- Insurance coverage.
- A warranty for a cell phone.
- Paid your rent in cash (receipt).

This can be difficult. Here are a few steps to getting your record keeping system in place.

- **Get a calendar or use the Bill Calendar.** Write onto the calendar when regular payments are due. Ask legal aid staff for help on getting started with this using tools from Module 4.
- **Hang this calendar in a place you will see it daily or in your money management spot.**
- **Find a money management spot in your home**. It can be a desk, a file cabinet, a drawer, or a crate.
- **Get folders or envelopes.** You can even re-use large envelopes you receive in the mail. Give each category a color. For example, you could identify them like this:
    - Income in green folder

- Saving and Asset Investments in yellow folder
- Expenses in blue folder
- Debt in purple
- Credit reports in manila folder

Put insurance policies, deed to home, title to car, birth certificates, warranties for big items like washer and dryer, and other permanent documents in another folder. Consider storing this folder in a portable fireproof box—portable so you can take it if you need to evacuate your home and fireproof so it is protected in case of a fire. Alternatively, you can store these in a safe deposit box at a bank or credit union.

- **Put information in the right folder during the month.**
  - Receipts from grocery store—put it in the blue folder
  - Slip from deposit into savings—put it into the yellow folder
  - Checking account statement—put into the yellow folder
  - Paycheck stub—put it in the green folder
  - Credit card bill—put in green folder
  - Dispute letter to credit reporting agency and return receipt—put in manila folder
- **Once a week, sit down to pay bills.** Always check them for accuracy first. Check your account balances. Total up spending so far in each category if you have a budget.
- **Then take all of the records for the month and store them together.** Either:
  - Keep them in the folders, put a big rubber band around them and put a label with the month on it, OR
  - Take the information out of each folder and put it in a big envelope and write the month on it.

By doing this, you keep all of the information for each month together.

For bills paid online or via mobile or taxes filed using electronic filing (e-filing), print out confirmation pages and store that as described above.

✎ Keeping records checklist

Check if "yes"	**Important Record**
	Tax returns and supporting documentation including e-fling confirmations
	Paycheck stubs
	Bank records
	Debts—loan agreements, statements of payment
	Insurance documents
	Monthly credit card statements – paper or electronic
	Receipts—for anything that you need to include on your taxes, for any big purchases, for anything you may want to return.
	Technology and appliance instructions and warranties
	Medical bills and anything related to prescriptions
	Wills, power of attorney, or any other important legal document
	Birth certificates, marriage license, death certificates
	Retirement documents
	Documentation of money owed to you

Resources

If you have a consumer complaint, visit:
http://www.consumerfinance.gov/complaint

If you would like help managing your debt or rebuilding credit, visit the National Foundation for Credit Counseling:
http://www.nfcc.org

Certified housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:
http://www.consumerfinance.gov/find-a-housing-counselor

FDIC.gov, Credit Repair:
http://www.fdic.gov/consumers/consumer/ccc/repair.html

Consumer.gov, Building a Better Credit Report:
http://www.consumer.ftc.gov/articles/pdf-0032-building-a-better-credit-report.pdf

For additional resources, visit the Consumer Financial Protection Bureau website:
http://www.consumerfinance.gov/AskCFPB

If you have a consumer complaint, visit:
http://www.consumerfinance.gov/complaint

Tool 5:

Protecting your identity

Though it might not seem like it, your identity is one of the most precious things you possess. Criminals who are able to steal your identifying information can pretend to be you, buying things on accounts that you own or are under your name. This leaves you with their bills! It can also create problems with your credit reports and scores.

Identifying information is anything that is specifically unique to you, such as your:

- Credit card and bank account numbers
- Driver's license number
- Date, city, and state of birth
- Social Security number
- Passwords or PIN numbers

Many people think that identity theft happens primarily online, and if you don't shop online, you are safe. The reality is that most identity thefts take place offline—just the opposite of what many people think. In addition, in over half of the cases of identity theft, the thief is someone that the victim knows. Because of this, it's important to be cautious with your identifying information–both online and in the real world.

Steps to protect your identity checklist

Steps to protect your identity	**Check for "yes"**
Check your credit report	
Remove your name from all three credit bureaus' (Equifax, Experian, and TransUnion) mailing lists by calling to opt-out at (888) 567-8688 or online at http://www.optoutprescreen.com – choose "forever" removal option. This prevents prescreened offers from falling into other people's hands.	
Check your credit at all three credit agencies each year using the free https://www.annualcreditreport.com. If you see anything that is incorrect or suspicious, contact them immediately. (See *Module 7: Understanding Your Credit Reports and Scores* for more information).	
Limit access to your information	
Don't carry your Social Security card or number in your wallet or purse.	
Remove your name from many direct mail marketers' lists by registering with the *Direct Marketing Association* online form at http://www.dmachoice.org. Removing your name from marketers' lists will create fewer opportunities for thieves to steal your information.	
Remove yourself from most telemarketers' lists by registering your phone number with the *Do Not Call Registry* at (888) 382-1222 or at http://www.donotcall.gov. Numbers registered with the National Do Not Call Registry after February 2008 remain on it permanently on the National Do Not Call Registry.[45]	
Never give your personal information to someone who calls you and asks for it, even if they say there are from your financial institution.	
Use a shredder, scissors, or your hands to tear all papers with identifying information or account numbers into tiny pieces before throwing them out.	
Give out your Social Security number only when absolutely necessary. Often when someone asks for it, you are not required to give it to them.	

45 See http://www.consumer.ftc.gov/articles/0272-how-keep-your-personal-information-secure#offline.

Practice online security	
Commit all passwords to memory. Never write them down or carry them with you (not even on a post-it by your computer!).	
Make sure passwords include upper- and lower-case letters, numbers, and do not include any words that can be found in a dictionary or names and dates that can be associated with you (your children's names and birthdates, for example). Longer passwords are better. The best practice is to have a different password for each account. If you find it too hard to keep track of so many passwords, have separate, longer, harder-to-guess passwords for your financial accounts than for ordinary uses like your e-mail.	
Don't give out your financial or personal information over the Internet, unless you have initiated the contact or know for certain with whom you are dealing.	
Never share identity information online unless the site is ***secure*** with an encryption program so no one can intercept your information. **If secure, the web site address will start with https, not http**. There will also be a lock icon ( ) in front of the web address.	
Do not reply to emails asking for personal banking information, **even if they have a bank or PayPal logo! Financial Institutions will never ask for personal information via email.**	

According to the Federal Trade Commission (FTC), identity protection means treating your personal information like cash or a valuable commodity. This means being careful not to leave it around, and being thoughtful about who is asking for it, why they need it, and how they're going to safeguard it for you.

This is the FTC's list of common red flags that your identity has been stolen:

- There are mistakes on your bank, credit card, or other account statements.
- There are mistakes on the explanation of medical benefits from your health plan.
- Your regular bills and account statements don't arrive on time.
- You get bills or collection notices for products or services you never received.
- You receive calls from debt collectors about debts that don't belong to you.

- You get a notice from the IRS that someone used your Social Security number.
- You receive mail, email, or calls about accounts or jobs in your minor child's name.
- You receive unwarranted collection notices on your credit report.
- Businesses turn down your checks.
- You are turned down unexpectedly for a loan or job.

If your identity has been stolen

The FTC recommends the following steps if you determine that your identity has been stolen:

1. **Place a fraud alert on your credit file**

   Call one of the nationwide credit reporting agencies, and ask for a fraud alert on your credit report. The company you call must contact the other two, so they can put fraud alerts on your files. An initial fraud alert is good for 90 days. If you want to place an extended alert on your credit report after your identity has been stolen, you must file either a police report or a report with a government agency such as the FTC, known as an "identity theft report." An extended alert is good for seven years. An extended alert requires that the creditor contact you in person or through the telephone number or other contact method you designate to verify whether you are the person making the credit request.

   - **Equifax:** (800) 525-6285
   - **Experian:** (888) 397-3742
   - **TransUnion:** (800) 680-7289

2. **Consider a security freeze**

   You can also place a "freeze" on your credit report. A security freeze means that potential new creditors cannot access your credit report. Only a limited number of entities can see your file while a freeze is in place, including existing creditors, certain government entities like child support agencies, and companies that monitor your credit file at your direction to prevent fraud. Because most businesses will not open credit accounts without checking your credit report, a freeze can deter identity thieves from opening new accounts in your name. Be mindful that a freeze does not prevent identity thieves from taking over existing accounts.

Credit reporting agencies may charge for this service. In some states, identity theft victims are not charged to place a security freeze.

3. **Order your credit reports**

   Each company's credit report about you is slightly different, so order a report from each company. When you order, you must answer some questions to prove your identity. Read your reports carefully to see if the information is correct. If you see mistakes or signs of fraud, contact the credit reporting company.

4. **Create an identity theft report**

   An Identity Theft Report can help you get fraudulent information removed from your credit report, stop a company from collecting debts caused by identity theft, and get information about accounts a thief opened in your name. To create an Identity Theft Report, first file a complaint with the FTC at ftc.gov/complaint or (877) 438-4338; TTY: (866) 653-4261. Your completed complaint is called an FTC Identity Theft Affidavit. Next, you can take your FTC Affidavit to your local police, or to the police where the theft occurred, and file a police report. Get a copy of the police report. The two documents comprise an Identity Theft Report.

For more information from the Federal Trade Commission, visit: http://www.consumer.ftc.gov/features/feature-0015-identity-theft-resources.

MODULE 8:

Saving for emergencies, bills, and goals

Does the client have money set aside for emergencies or unexpected expenses?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
▪ Tool 1: Savings plan	▪ Tool 2: Benefits and asset limits ▪ Tool 4: Increasing your income through tax credits	▪ Tool 3: Finding a safe place for savings

Savings is money set aside today to use in the future. Sometimes it's for something people know they will need soon, and sometimes it's for something that won't happen for several years. People save for many reasons:

- Unexpected expenses and emergencies
- A bill they know will be due every few months, like car insurance
- Annual expenses like children's school supplies
- Their own goals, like a new TV, appliances, a home, their children's education, and retirement

Emergency savings

Everyone has unexpected expenses and emergencies – a car repair, the need to travel to help a sick family member, paying the bills when there's been a cutback in hours or even job loss.

When people save for unexpected expenses and emergencies in advance, they can handle them when they happen without having to skip paying other bills or borrow money.

When a consumer borrows money for unexpected expenses, she has to pay fees and sometimes interest. And on top of that, she'll probably have to use some of her income going forward to pay back the money she borrowed. **So saving money now for unexpected expenses and emergencies can save money later.**

Emergency fund

An emergency fund or a rainy day fund can be an important part of your savings plan. Having your own money set aside to cover unexpected expenses can save you money on interest, fees, or other costs that come from borrowing the money you need.

How much should you save? Start with $500 as your goal.[46] This is enough to cover a lot of common emergencies: many car repairs, a plane ticket to care for a sick family member, or to pay minor medical costs. Once you reach $500, consider reaching for $1,000. This may be enough to help cover your rent if you lose your job, take care of major car repairs, and pay for many household repairs.

Other reasons to save

It is also important to save for periodic expenses—those that come only once or a few times a year such as renter's insurance, income taxes, automobile insurance, and children's

[46] While the target amount for an emergency fund will vary from person to person based on their needs, $500 to $1,000 has been suggested as a starting point. See http://www.AmericaSaves.org.

school supplies. While they're not unexpected, it still may be hard to come up with all the money when you need it.

Saving money is particularly important for people whose income fluctuates, or varies. An hourly worker who is not guaranteed a fixed number of hours each week has fluctuating income. Someone who is employed seasonally and, for example, only receives income for eight out of twelve months because work stops has fluctuating income, too.

Regular saving while a person is earning income is crucial to ensuring that he can cover his expenses and pay bills on time when his income is lower than expected or stops for a period of time.

How to save—opportunities

Anyone who has tried to save knows that setting money aside isn't easy. First, a client must make the decision to save. Then she must find the money to save. There are basically only two ways to find money to save:

- **Decrease spending on one item or many things**. Then, put that money "not spent" into savings. The easiest way to find a chunk of money to save is to eliminate one major cost.
- **But the big challenge is turning that "money saved" into savings**. Money saved by not spending can be put away into a savings jar or envelope at home and then into a savings account at a bank or credit union or onto a prepaid debit card. If there isn't a place to set it aside, it can be easy to spend it instead of save it.
- **Increase income**. Clients may be able to find a part-time job or file tax returns to claim any tax credits they qualify for. For example, the tax refund can be saved for emergencies or unexpected expenses, set aside for annual expenses (back to school or holiday shopping), used to pay down debts, used to take care of car repairs, or set aside for household maintenance. See *Tool 4: Increasing your income through tax credits*.

Introduce clients to *Tool 1: Savings plan* to figure out why they need to save, how much they need to save, and how they can start to find the money to save.

Making savings automatic

If the client receives a regular paycheck, one way to build savings is through direct deposit into a bank account or onto a payroll card or by setting up a system of savings.

- If the person has a bank account and direct deposit, the person can have some of the deposited money moved automatically to a savings account every time he is paid. If the weekly paycheck of $245 is directly deposited into a checking account every week, the account owner can have $10 automatically transferred into a savings account. Once this system is set up, the account holder may forget about that $10. And by the end of the year, he will have over $500 in that account.
- **If you receive a tax refund, you can choose to split it in up to three different accounts.** The IRS has a special form that allows you to split your refund. You can put some in your checking account if you need to spend it soon. You can also put some in your savings account or a retirement account or even buy a savings bond. The IRS will automatically send the amount of money you choose to each account you designate when it sends out your refund.

Receiving your pay through direct deposit

Using direct deposit saves you both time and money. You don't have to wait in line or pay a fee to cash your check first. And the funds are generally available as soon as they are deposited. That means you get paid on time, at the start of the payday, even if you aren't working that day.

If the client's employer allows him to split his direct deposit, he could consider putting some of his paycheck into savings and the rest into his checking account for bills and other expenses. He should ask the bank about any fees associated with the checking and savings accounts.

Some payroll cards have a savings or "purse" feature. This feature lets the person set aside some of his paycheck on the card for savings. The client should ask his employer about the specific features of the payroll card. He also should ask about the card's fees.

Savings plan

Most people in the U.S. don't have enough savings to cover a $1,000 emergency.[47] Whether they are low-income or high-income, most people can expect around $2,000 worth of unexpected or emergency expenses in a year.[48] These include medical bills that aren't covered by insurance, auto repairs, home and appliance repairs, and bills that still need to be paid even if a consumer loses his job. They could also include legal judgments that a consumer is ordered to pay.

What is a savings plan?

A savings plan is a plan that includes:

- **The person's reasons for saving.** This could include goals, setting up an emergency fund, money to pay for automobile insurance in three months, or to ensure there is enough money set aside for back to school expenses.
- **The amount the person needs to save.** This is the total amount of money the person needs to save. Does this have to be saved all at once? No. The savings plan will help consumers come up with an amount of money they can save each and every week or month to reach all of their savings goals.[49]
- **How to find that money to save.** This refers to the specific strategies the consumer will use to find that money she needs to save. Many people do not have unused income. They have to make choices about cutting back on one expense (or more) to afford something else. Or they have to figure out a way to get more income. ***Another example of a strategy is using automatic-savings-direct deposit or transfer of a set amount into a savings or other account if there is a regular paycheck.***

[47] Dickler, Jessica, *Most Americans can't afford $1000 in emergency expenses*, CNN Money, August 11, 2011. See http://money.cnn.com/2011/08/10/pf/emergency_fund.

[48] Consumer Federation of America. See http://www.consumerfed.org.

[49] While the target amount for an emergency fund will vary from client to client based on their needs, $500 to $1,000 has been suggested as a starting point. See http://www.AmericaSaves.org.

- **Where to put that savings.** Savings should be in a safe and secure place to make sure the money saved is available when needed. An important part of a client's savings plan is identifying specifically where the money saved will be put.

What are the benefits of a savings plan?

- It builds a client's own personal safety net.
- Clients can have peace of mind knowing they have a little set aside for the unexpected expenses or emergencies.
- As they watch small amounts add up, clients will move closer to reaching their goals and almost always pay less than when they use credit and rent-to-own.
- And, the client can save money by avoiding late fees, interest charges, and other costs related to not covering expenses or borrowing money. And when she avoids borrowing, she doesn't have to commit future income to paying off debt.

Here is an example scenario using different options for taking care of emergency expenses. The example examines the costs of paying for an unexpected expense with emergency savings, a credit card, or a payday loan.

COST TO REPLACE SPARK PLUGS IN YOUR AUTOMOBILE = $350

	Emergency savings	Credit card	Payday loan
Amount	$350	$350	$350
APR[50]		21.99% annual percentage rate (APR)	$15 for every $100 borrowed for 14 days. This means a 391% annual percentage rate (APR).[51]
Payment		Must pay at least a certain amount each month.[52] (For the purposes of the example, the individual is choosing a fixed monthly payment of $50.)	Must pay back loan amount ($350) plus fee ($52.50) within 14 days. If entire loan cannot be paid within 14 days, it can be rolled over (or extended) for another 14 days for an additional fee of ($52.50).[53]
Total cost and time to repay	$0 additional cost.	You would pay $28.11 in interest in addition to the principal borrowed. It will take just over eight months[54] to pay back the full amount. You'll pay a total of $378.11.	The total cost depends on how long it takes you to save up to pay back the entire loan. If you renew or roll over this loan seven times, you would be in debt for 14 additional weeks and could pay up to $717.50, including $367.50 in fees.[55]

[50] These are for example purposes only. Actual credit card and payday loan terms vary, and some states restrict payday loans. The CFPB notes that APRs on credit cards can range from about 12 percent to 30 percent. For payday loans, the CFPB notes that the cost of the loan (finance charge) may range from $10 to $30 for every $100 borrowed. A typical two-week payday loan with a $15 per $100 fee equates to an APR of almost 400%. See CFPB, *What is a payday loan?* November 6, 2013. See http://www.consumerfinance.gov/askcfpb/1567/what-payday-loan.html.

[51] Some states have adopted laws that limit the amount of loan above a certain amount and/or limit the interest rates of these loans.

[52] Most credit card companies allow customers to pay a percentage of the amount owed, which makes the minimum payment vary from month to month. For the purposes of this example, we are showing a fixed monthly payment.

[53] These numbers and terms are for example purposes only. Actual costs and terms of payday or signature loans will vary. *See* Consumer Financial Protection Bureau, *Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings*, April 24, 2013. See http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf.

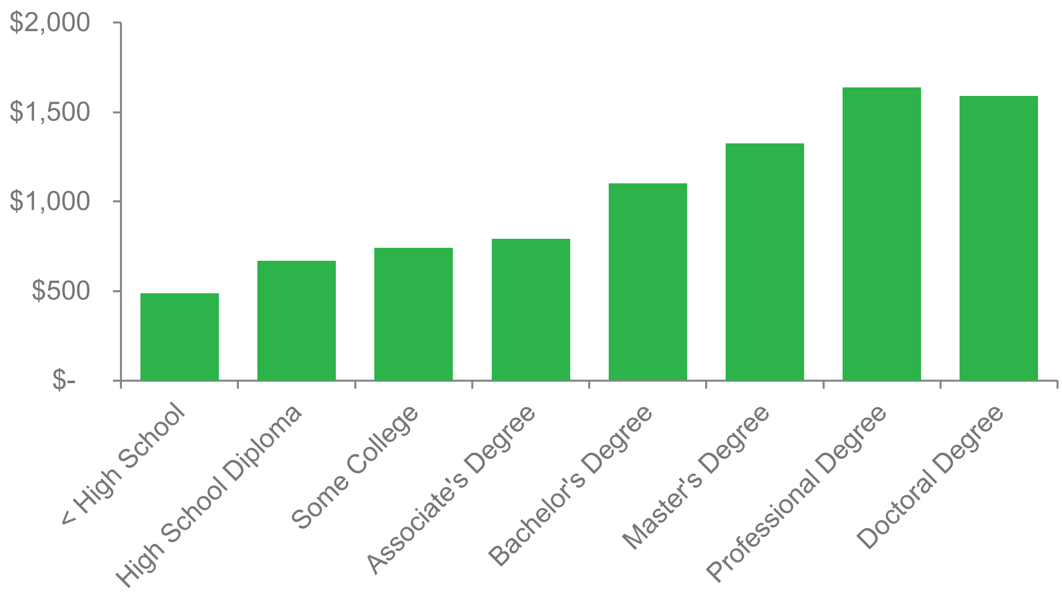
[54] To pay off this credit card balance in full, the individual will have to make $50 payments for seven months, and then pay just over $28 in the eighth month.

[55] Two–thirds of repeat payday borrowers take more than seven loans in one year. Consumer Financial Protection Bureau, *Payday Loans and Deposit Advance Products.*

Saving for education

Individuals with children may want to work toward making a better life for their children. Saving for children's postsecondary education or training may be one of their financial goals, because they see it as a path to "a better life." Training and education after high school graduation (including completion of a General Education Development test or GED) is likely to lead to higher wages on average, less chance of unemployment, and a greater chance for financial security.

FIGURE 1: MEDIAN WEEKLY EARNINGS, 2014



Source: Bureau of Labor Statistics, accessed September, 2015. See http://www.bls.gov/emp/ep_chart_001.htm.

Saving for children's education can help pay for the increasing costs of training and education after high school. Money saved for postsecondary education can also reduce the amount of money that must be borrowed and may increase the number of options children have for schooling after high school. There are many financial products geared toward helping people save for children's education, but the first step is setting a goal and setting aside money specifically for it.

Once someone has done this, he can save for postsecondary education in a savings account, a certificate of deposit, or an investment option designed specifically to help people save for postsecondary education. One option is a 529 college savings plan. These are tax-advantaged savings plans designed to help parents, guardians, and grandparents save for children's education.

For more information on saving for college using a 529 Plan, visit http://www.collegesavings.org.

Savings accounts for children

People who want to teach their children about saving may be able to start a savings account for their children. Each financial institution has its own policies, so research both local and online bank and credit union options.

What are the benefits of opening a savings account for a child?

- Providing a safe place for a child to put money earned or received as gifts
- Introducing a child to saving and using financial services
- Helping a child to build assets and learn to plan for the future

A new way to save for retirement

If a client would like to get started on saving for retirement, but her employer doesn't offer a retirement plan, the U.S. Treasury has developed *myRA* to help consumers set aside money for that goal. It is an account that's designed to make saving for retirement easier for workers without a retirement plan at their job.

Here are some important features of a *myRA* account:

- It costs the consumer nothing to open an account.
- Consumer pays no fees for maintenance of the account.
- Consumer contributes an amount he chooses ($5, $20, $200 – whatever fits the budget).
- Enjoy the tax advantages this type of investment brings.

The consumer can set up automatic contributions, and if she changes jobs, the account stays with her. She can also withdraw the money she put into her account at any time without paying tax or penalty.

It's safe. The investment is backed by the U.S. Treasury and will not go down in value.

Consumers can sign up online at no cost with three simple steps:

- Open a myRA account at http://www.myRA.gov.
- Set up automatic direct deposits from paycheck or other sources.
- Access the account online and watch the savings grow.

Visit http://www.myRA.gov to learn more, or call 855-406-6972 to speak with a *myRA* representative.

Saving while receiving public benefits

If the client is receiving public benefits and wants to start saving for emergencies and goals, he may want to know about asset limits. Knowing the asset limits may help your clients avoid unexpectedly losing benefits when they're saving to reach their goals.

Since different benefits have different limits, Tool 2 may be helpful for figuring out the asset limits for *the client's* benefits. This will help avoid the client losing benefits unexpectedly.

Assets

Assets are things that one owns. Assets can include money in a savings or checking account, as well as a car, home, land and business inventory.

Asset Limits

Asset limits are rules about how much a person can have in assets before his benefits are reduced or eliminated. Since assets help individuals and families achieve financial security, some assets will not count against the allowable limit. Generally, the assets that may count against the allowable limit are "liquid," which means they are similar to cash. Some examples of liquid assets are money in a checking account, savings account, or investment accounts. On the other hand, a home or a car that a person owns are assets, but since they're not liquid assets, some states do not count them against the allowable limit.

A safe place to save

Setting aside money to save can be hard. It's important to understand the risks and the benefits of each of the places where one can put the money until the person wants or needs to use it, and to be aware of the potential costs of each financial product.

Tool 3: Finding a safe place to save can help consumers identify where they'd like to keep their savings.

Federal insurance for financial institutions

Two organizations established by the federal government ensure that the money people deposit in banks or credit unions will be there when they want to withdraw it. The Federal Deposit Insurance Corporation (FDIC) insures money in banks. The National Credit Union Administration (NCUA) insures money in credit unions.

In general, the limit is $250,000 per depositor, per insured institution. So, if you have no more than $250,000 in a savings account in an insured bank and the bank fails, you will get all your money back. FDIC and NCUA do NOT insure money that people use to buy stocks, mutual funds, life insurance policies, annuities, or other securities, even if they are purchased from a bank or credit union.

Banking history reports

If a person is considering opening a savings account, it's important to understand the impact that his banking history report may have on the type of account he may be able to open.

When a consumer completes an application to open an account at a bank or credit union, the bank or credit uinion often contacts companies called “specialty consumer reporting agencies” that have information on checking account history. Banks and credit unions contact companies like ChexSystems, TeleCheck, Early Warning, and others like them to find out if the person has had prior difficulties using a checking account, including writing bad checks or suspected fraud.

These agencies collect information about how consumers manage their savings and checking accounts. Banks and credit unions then use the information to assess the risk of opening an account for a specific person based on his or her past history of managing accounts like the one they want to open.

The report includes:

- Information about the accounts, such as routing transit number and/or account number
- The date information was reported about an account
- The reason for the report
- Information on returned checks from retailers and other businesses that is reported to a reporting agency such as SCAN (Shared Check Authorization Network)

If a consumer is denied a checking account he has the right to review his credit file. The bank or credit union’s denial notice should give the name, address, and phone number of the consumer reporting company and instructions for getting a copy of the consumer’s credit file. The request should be made right away, because the person’s right to get a free copy only lasts for 60 days from the date he learns of the denial. When the person receives a copy of the report, he should review it for accuracy. A credit counselor or financial coach may be able to help the person understand the credit file. For more information about credit reporting, see Module 7.

Finding and fixing mistakes in your banking history report

If you find mistakes in your banking history report, you can dispute them by sending a letter describing the mistake and including copies of any evidence. You may use either regular or certified mail to send your letter.

You can order your own free ChexSystems report online at http://www.consumerdebit.com, call for more information at (800) 428-9623, or send a written request to:

Chex Systems, Inc.
7805 Hudson Road, Suite 100
Woodbury, MN 55125.

You can request your annual file disclosure from TeleCheck Services by calling (800) 366-2425. You can order your TeleCheck Services Report by sending a written request and include a daytime phone number, a copy of your driver's license, your Social Security number, and a copy of a voided check to:

TeleCheck Services, Inc.
Attention: Consumer Resolution – FA
P.O. Box 4514
Houston, TX 77210-4515.

To request your Early Warning report, call (800) 325-7775.

Tool 1:

Savings plan

This tool can help you make a plan to save money for:

- Your goals
- Expenses
- Unexpected expenses and emergencies

There are two steps to making a savings plan. First, answer the set of questions below to see if setting up an emergency fund or rainy day fund may be right for you.

If yes, complete the savings plan using the worksheet that follows. To complete this worksheet, you will need to know:

- **Your savings goals.** If you haven't set these, consider using the information and tools in *Module 1: Setting goals*.
- **Strategies you can use for saving money.** The worksheet encourages you to be as specific as possible. See the example in the worksheet to get started.
- **Where you will put the money you save.**

✎ Is an emergency fund or rainy day fund right for you?

Answer the following questions to see if setting up an emergency fund or rainy day fund may be right for you and your family.

Goals: Do you have the savings needed to reach your goals?	**Yes**	**No**
Expenses: Do you have money set aside for expenses that come one to four times per year? *For example, automobile insurance, renter's insurance, tools for your trade, back to school expenses, birthdays, holidays (gifts, special food, etc.)*	**Yes**	**No**
Unexpected Expenses and Emergencies: Do you have money set aside for unexpected expenses or emergencies? *For example, a flat tire or other car trouble, medical expenses, need for a new appliance, job loss*	**Yes**	**No**
Living expenses for months or weeks with no income or income that is less than expected: Do you have money set aside to cover your living expenses during the months you will be earning little or no income?	**Yes**	**No**

If you answered no to any of these questions, developing a savings plan may be a great next step for you.

For questions above to which you answered “no,” how do you pay for goals, expenses that come one to four times each year, and unexpected expenses and emergencies? Check all that apply to you.

_____ I don’t know. It just seems to work out.

_____ I don’t pay other bills to cover the emergency or unexpected expense.

_____ I borrow money from other family members or friends.

_____ I get a payday loan.

_____ I get cash through a pawn shop.

_____ I use a credit card.

_____ I use my tax refund.

_____ I use a car title loan.

✎ Savings plan[56]

Name ____ **Date** ______

Savings goal	Total amount needed	Months to reach goal	Monthly amount to save	Strategies for saving and amount saved per month	Safe and secure place for savings
Example: *To save $1,000 in an emergency fund within 10 months.*	*$1,000*	*10*	*$100*	*Cut back to basic cable, $40* *Cut out one fast food meal per week for family, $60* **Total saved per month, $100**	*Savings account at a bank or credit union. Will generally require a minimum deposit.*

Once you have your savings plan, be sure to add it into your budget or cash flow calendar. For more information on cash flow budgets, see *Module 5: Getting through the month*. For more information on setting up an account to save in, see *Module 9: Money services, cards, accounts, and loans: Finding what works for you.*

56 This table refers to a monthly savings plan. Irregular savings deposits as well from such places such as Federal and State EITC returns can also be entered as a one-time deposit. An example could include depositing $200 of a $2,000 EITC return.

Tool 2:

Savings and benefits: Understanding asset limits

If you are receiving public benefits, you may want to complete this tool to know how your savings might affect your benefits.

Assets are things you own that have value. Your money in a savings or checking account is an asset. A car, home, business inventory, and land are examples of assets, too.

> **Asset limits and savings**
>
> Even if you receive public benefits, you can generally have some savings. Savings are important for building your financial stability.

Assets help you build financial security for you and your family. **But if you receive public benefits, some of your assets may affect the benefits you receive.** Generally, the assets that may be counted when applying for benefits are "liquid." They include money in checking accounts, savings account, and investment accounts. If you own your own home or a car, these assets will generally not count against qualifying for benefits. In some states, however, if the value of your car exceeds a certain amount, the amount over that value may be counted.

If you save money from the Earned Income Tax Credit or any other portion of your tax refund, this savings is generally not counted against your limit for up to 12 months.

If you receive public benefits (such as cash assistance (TANF), food stamps (SNAP), Supplemental Security Income (SSI), Medicaid, etc.) you may want to review the following tool with your case manager. It is important to note that some benefits are federal, and some benefits come from the state. Be sure you find out the rules that apply to the benefits you get in your own state.

Your case manager will share with you a completed copy of this chart. **Please note that rules regarding benefits change regularly, so check the rules annually to ensure accuracy.**

Benefits and asset limits list

Benefit[57,58]	Do you have this?	Asset limits	Contact and other information
SNAP[59] Supplemental Nutrition Program, also called Food Stamps		While the states have discretion, the Federal Asset Limits for SNAP benefits are up to $2,250 in countable resources (bank account) or $3,250 if one household member is over 60 or disabled.[60] States using broad-based categorical eligibility have no asset limits.[61] This means that if an individual qualifies for TANF, SSI, or General Assistance, he or she automatically qualifies for SNAP. In 23 states and the District of Columbia there are no asset limit tests for SNAP. In an additional 13 states, households with seniors or people with disabilities and gross income under 200 percent of poverty do not face an asset limit. [62]	To get information about SNAP benefits in your state, call your state hotline number. You can find the hotline number by visiting: http://www.fns.usda.gov/snap/state-informationhotline-numbers

57 This information is current as of August 2015.

58 United States Department of Agriculture Food and Nutrition Service. See http://www.fns.usda.gov/snap/eligibility.

59 In general, only your liquid assets – like cash or money in savings or checking account – are counted. This means that you may still be eligible to receive benefits even if you own a home or, sometimes, a car. Whether an asset counts against the limit depends on the program and the state.

60 Certain resources are NOT counted, such as a home and lot, the resources of people who receive Supplemental Security Income (SSI), the resources of people who receive Temporary Assistance for Needy Families (TANF, formerly AFDC), and most retirement (pension) plans. The procedures for handling vehicles are determined at the state level. See United States Department of Agriculture Food and Nutrition Service, http://www.fns.usda.gov/snap/eligibility.

61 States have the option to enroll people using broad-based categorical eligibility. This effectively eliminates the asset test specifically for SNAP because people are enrolled based on their enrollment in other programs. See http://www.fas.org/sgp/crs/misc/R42054.pdf. See also United States Department of Agriculture Food and Nutrition Service, http://origin.www.fns.usda.gov/snap/rules/Memo/BBCE.pdf.

TANF - Temporary Assistance for Needy Families		$1,000 to $3,000 in most states. Nevada's limit is $6,000.[63] Colorado, Illinois, Ohio, Louisiana, Alabama, and Virginia have eliminated asset tests for TANF eligibility. Eight states have eliminated asset limit tests for TANF[64]	To find out more about your state or tribal TANF program, visit: http://www.acf.hhs.gov/programs/ofa/help
SSI - Supplemental Security Income		$2,000 if single $3,000 if married Individuals with significant disabilities with an age of onset of disability before turning 26 years of age are now able to save up to $14,000 annually into a tax advantaged ABLE account without loss of benefits.[65]	To find out more about SSI or to apply for benefits, visit: http://www.socialsecurity.gov/agency/contact to get the contact information for your local Social Security Administration Office

62 See *Broad Based Categorical Eligibility in the SNAP Memo as of Nov. 2012 (updated April 2015)*, http://www.fns.usda.gov/sites/default/files/snap/BBCE.pdf.

63 Nevada increased its limit to $6,000 in 2014. https://dwss.nv.gov/TANFFacts.html#DWSSresources.

64 Urban Institute, *Welfare Rules Databook: State TANF Policies as of July 2013*, Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services Report 2014-52, September 2014, pages 74 and 166. See http://anfdata.urban.org/databooks/Welfare%20Rules%20Databook%202013.pdf. Additionally, since the most current version of the HHS publication was released, Illinois also eliminated asset limits on TANF. See https://www.dhs.state.il.us/page.aspx?item=69797, section H.

65 For more information, go to National Disabilities Institute at http://www.realeconomicimpact.org/public-policy/able-act.

SSDI **Social Security Disability Insurance**		No asset limits	To find out more about SSI or to apply for benefits, visit: http://www.socialsecurity.gov/agency/contact to get the contact information for your local Social Security Administration Office
Public Housing		Generally, only the income from assets is used in determining eligibility.	To find out more about public housing options and eligibility, contact your local housing office: http://portal.hud.gov/hudportal/HUD?src=/states
Rental Assistance			In addition to income requirements, these programs may have asset limits that are considered for eligibility.
Low Income Energy Assistance Program (LIHEAP)		Some states and tribal governments use categorical eligibility for LIHEAP. This means if someone in the household receives TANF, SSI, or SNAP, they are eligible for LIHEAP benefits. While most states do not have asset limits, where they exist they range from $2,000 to $5,000.	To find out about your state or tribal LIHEAP program, visit: http://www.liheap.ncat.org/snapshots.htm

Other Energy Assistance Programs			
Family Medicaid[66]		No asset limit test due to Affordable Care Act Regulations that took effect in 2014.	To find out more about your state's Medicaid program, visit: http://www.medicaid.gov/medicaid-chip-program-information/by-state/by-state.html
State Child Health Insurance Program (SCHIP or CHIP)		No asset limit test in most states; contact state administrator for details.	To find out more about your state's CHIP program, visit: http://www.medicaid.gov/medicaid-chip-program-information/by-state/by-state.html

[66] See https://www.federalregister.gov/articles/2012/03/23/2012-6560/medicaid-program-eligiblity-changes-under-the-affordable-care-act-of-2010#h-28.

Medicare Part D Extra Help (also known as Low-Income Subsidy)		This program helps Medicare beneficiaries with their out of pocket prescription costs for Medicare Part D, including their premiums, co-insurance and copayments. You qualify automatically for the subsidy if you are already enrolled in SSI and Medicaid. If you apply directly for this benefit, your combined savings, investments, and other countable assets cannot be more than $27,250, if you are married and living with your spouse, or $13,640 if you are not currently married or not living with your spouse. (Assets exclude home, vehicles, personal possessions, life insurance, burial plots, irrevocable burial contracts or back payments from Social Security or SSI.) However, you can still enroll in an approved Medicare prescription drug plan for coverage.[67]	For information about eligibility, contact your State Health Insurance Counseling and Assistance Program (SHIP). The SHIP offers free help with your Medicare questions. To find your state SHIP program, visit https://www.shiptacenter.org
Medicare Savings Programs		These are a set of state programs that help Medicare beneficiaries with their Medicare premiums. In some cases, these programs may also pay Medicare Part A (Hospital Insurance) and Medicare Part B (Medical Insurance) deductibles, coinsurance, and copayments. Your combined savings, investments, and other countable assets cannot be more than $10,930, if you are married and living with your spouse, or $7,280 if you are not currently married or not living with your spouse. (Countable assets exclude your home, one car, burial plot, up to $1,500 for burial expenses if you have put that money aside, furniture and other household and personal items).[68] Some states have higher or no asset limits.	For information about eligibility, contact your State Health Insurance Counseling and Assistance Program (SHIP). The SHIP offers free help with your Medicare questions. To find your state SHIP program, visit https://www.shiptacenter.org/
Other:			

[67] See http://www.ssa.gov/medicare/prescriptionhelp.

[68] See https://www.medicare.gov/your-medicare-costs/help-paying-costs/medicare-savings-program/medicare-savings-programs.html#collapse-2624.

Tool 3:

Finding a safe place for savings

Setting money aside can be hard. It often means you have to cut back on spending or you might have to find a way to earn more income. Once you have set money aside, you need to find a safe place to store that money. Even though it has some drawbacks, a secret place in their home may feel like a safe place for some people. For other people, it may be an account in a bank or credit union.

If you do not know where to put your money or want to make sure the place you have chosen is safe, use the following tool. Think about the benefits and risks of each option below. Some benefits and risks are listed to help you get started.

Safe place to keep your money	Benefits	Risks	Other important information
A secret place in your home	No costs to maintain it Easy to access Convenient	Can be lost, stolen or destroyed in a fire or natural disaster Might put you at risk of a home invasion crime	
With a family member or friend	No costs to maintain it	Can be lost, stolen or destroyed in a fire or natural disaster Might put your friend or family member at risk of a home invasion crime	

Safe place to keep your money	Benefits	Risks	Other important information
On a prepaid card	Easy to access Convenient No bank or credit union account needed	May have fees for activation, loading funds, using the card, etc. May not be insured for you or have the same protections from loss or theft as a savings account if the card or PIN are lost or stolen.	Check the card agreement to ensure that you understand the fees and whether you have protection from loss or theft.
In a federally insured savings, checking, or share account	If the institution is federally insured, up to $250,000 per depositor is protected. Unlike cash, the money cannot be lost, stolen, or destroyed in a fire or other disaster. You can generally get it back if someone steals it by using your ATM or debit card.	May be charged fees if you do not follow the rules for the account, such as having to keep a minimum balance to avoid a monthly fee.	You may not be able to open an account for a period of time if you have had an account closed because of unpaid account fees and debts in the last five years. Be sure you understand any monthly fees and other fees.
U.S. Savings Bonds	The money cannot be lost or destroyed in a fire or other disaster. If you have a paper bond, the funds can be recovered The rate is guaranteed for the length of the bond.	You lose some of the interest if you cash the bond before it matures.	
Other			

Based on this information, the best place for me to keep my savings is: _________.

This tool is included in the Consumer Financial Protection Bureau's toolkit. The CFPB has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not a replacement for the guidance or advice of an accountant, certified financial advisor, or otherwise qualified professional. The CFPB is not responsible for the advice or actions of the individuals or entities from which you received the CFPB educational materials. The CFPB's educational efforts are limited to the materials that CFPB has prepared.

This tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this Tool. The CFPB is not responsible and has no control over how others may use the information that you provide to them about your personal or financial situation. The CFPB recommends that you do not include names or account numbers and that users follow their organization's policies regarding retention, storage, and disposal of documents that contain personal information.

Tool 4:

Increasing your income through tax credits

Tax credits can make a big difference. They may give you a refund that can be saved for emergencies or unexpected expenses, set aside for annual expenses (back to school or holiday shopping), used to pay down debts, and more. The Earned Income Tax Credit (EITC) is a benefit for working people who have low- to moderate-income. Your tax refund is based on your income and filing status.

For the 2015 tax year the following income limits and maximum tax credits apply:[69]

Household size	Income limit if filing as single or married filing separately	Income limit if married filing jointly	Maximum tax credit
Three or more qualifying children	$47,747	$53,267	$6,242
Two qualifying children	$44,544	$49,974	$5,548
One qualifying child	$39,131	$44,651	$3,359
No qualifying children	$14,820	$20,330	$503

Also, **investment income** must be $3,400 or less for the year.

[69] See http://www.irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit/EITC-Income-Limits-Maximum-Credit-Amounts-Next-Year.

Your kids are "qualifying children" if:[70]

- They have a social security number that is valid for future employment
- They have lived in the U.S. with you (or your spouse if married filing jointly) for more than half of the year.
- They are under age 19 or under age 24 if they are a full-time student or are "permanently and totally disabled."
- They are related to you: your son, daughter, stepchild, eligible foster child, brother (including step or half), sister (including step or half) or are a descendant of any of these.

If you do not have any qualifying children, you may still be entitled to the Earned Income Tax Credit if you are between ages of 25 and 65, live in the U.S. for half of the year, and do not qualify as a dependent for anyone else.

There is also a Child Tax Credit, which reduces the taxes you owe by up to $1,000 for each qualifying child under the age of 17 who meets each of the following tests:[71]

- **Relationship Test** – The child must be your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister or a descendant of any of these individuals, which includes your grandchild, niece, or nephew. An adopted child is always treated as your own child. A child lawfully placed with you for legal adoption is treated as your child for the purposes of the Child Tax Credit.
- **Support Test** – The child did not provide more than half of its own support.
- **Dependent Test** – You must claim the child as a dependent on your federal tax return.
- **Citizenship Test** – The child is a U.S. citizen, U.S. national, or U.S. resident alien.
- **Residence Test** – The child lived with you for more than half of the year. There are some exceptions to the residence test, which can be found in IRS Publication 972, Child Tax Credit.

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[70] See http://www.irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit/Qualifying-Child-Rules.

[71] See http://www.irs.gov/uac/Ten-Facts-about-the-Child-Tax-Credit.

If the amount of your Child Tax Credit is greater than the amount of income tax you owe, you may be able to claim the Additional Child Tax Credit. The Child Tax Credit phases out if your adjusted gross income exceeds the following:

- $110,000 if married filing jointly
- $75,000 if single, head of household, or qualifying widower
- $55,000 if married filing separately

This information changes every year. To make sure you have the most current information, visit: http://www.irs.gov/Individuals/EITC-Income-Limits,-Maximum-Credit--Amounts-and-Tax-Law-Updates.

More information on the Child Tax Credit is available at http://www.irs.gov/uac/Ten-Facts-about-the-Child-Tax-Credit.

Consider visiting a Volunteer Income Tax Assistance (VITA) Program to file your taxes and make a plan to use your tax refund. The IRS trains the volunteers, and getting your taxes done doesn't cost you anything. This preserves your income and can make a big difference in your ability to start and fund your savings or pay your bills and expenses. Find one at http://irs.treasury.gov/freetaxprep or call (800) 906-9887.

Resources

If you have a consumer complaint, visit:
http://www.consumerfinance.gov/complaint

For additional resources, visit the Consumer Financial Protection Bureau website:
http://www.consumerfinance.gov/AskCFPB

MODULE 9:

Money services, cards, accounts, and loans: Finding what works for you

Has the client considered using different financial products or services to help manage income and expenses?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
▪ Tool 1: Know your options: Money services, cards, accounts and loans	▪ Tool 2: Ask questions: Choosing where to get what you need ▪ Tool 3: Money services and banking basics ▪ Tool 4: Opening an account checklist	▪ Tool 5: Money transfers and remittances ▪ Tool 6: Managing a bank or credit union account ▪ Tool 7: Using a prepaid card ▪ Tool 8: Garnishments from your bank or credit union account

Finding and choosing financial products and services

Understanding financial products and services can be complicated because there are so many people and businesses that provide financial services. Banks and credit unions may come to mind but there are many other places that offer financial services. Here are a few:

- Department stores—credit cards or charge cards
- Automobile dealers—car loans
- Retail superstores, convenience stores, grocery stores, and other stores—check cashing, bill payment, money orders, prepaid cards, and money transfers
- Check cashers and payday lenders – check cashing, money transfers, bill payment, money orders, prepaid cards, and short-term loans
- Online companies —money transfers, bill payment services, loans, financial management tools, online "wallets" or "accounts," and prepaid cards
- Mortgage companies—loans for homes
- Commercial tax preparers—refund anticipation checks (RACs) and prepaid cards
- Consumer finance companies—loans
- U.S. Postal Service—money orders and money transfers

The federal government issues student loans, offers savings bonds, and provides the Direct Express® card to recipients of federal benefits if they do not have a bank account.

Sometimes, even an employer may act as a financial service provider by giving a loan against an employee's wages or a loan from her retirement savings account. Selecting a financial service provider can be hard because there are so many choices. Helping a client select the right financial service provider starts with figuring out the reason he needs one. Does he need a safe and secure place to put the money he is saving toward a financial goal? Is he looking for a convenient way to pay his bills? Does he need a loan to purchase a car?

Use *Tool 1: Know your options: Understanding what you need* to help figure out the primary reason the client needs financial products or services.

Then use *Tool 2: Ask questions: Choosing where to get what you need* to help your client ask the right questions before using a financial service provider. *Tool 3: Money services and banking basics* offers more information about the financial services that are available.

If a bank or credit union account is the client's choice, use *Tool 4: Opening an account checklist* and *Tool 6: Managing a bank or credit union account* to help him get started.

If my employer offers me a payroll card, do I have to accept it?

No. Your employer can't require you to receive your wages on a payroll card. Your employer has to offer you at least one other alternative.

For example, some employers will give you a choice between direct deposit into your bank account, direct deposit to a payroll card, and a paper check. Others may only give you a choice between the first two of these options. Depending on the state you work in, your state's laws may also require that your employer make additional options available.

Your employer or the card issuer also must provide you with the card's terms and conditions. So before you agree to receive your wages on a payroll card, make sure you understand the fees you may be charged for using the card, such as for ATM withdrawals and purchases. Some cards charge fees for receiving paper statements, calling customer service and checking account balances. Some cards may charge an inactivity fee if you do not use it.

Understanding the terms and the fees you might pay will help you compare the card with your other option(s).

If you start using a payroll card and you don't like it, you can ask your employer to switch you to another option.

Tool 1:

Know your options: Money services, cards, accounts, and loans

Deciding where to get financial products can be hard, because there are so many choices. Begin by thinking about the reasons you need a financial product. Below, pick your top three reasons.

Checklist of common reasons to find a financial service provider

Ranking	What I want to do or accomplish?
	I want a safe and secure place to keep my money.
	I want to be able to make purchases without having to carry cash or go into debt.
	I want a low cost and easy way to pay and manage my bills.
	I want to bank and pay bills online.
	I want to have my paycheck directly deposited.
	I want to accumulate savings.
	I want to save for retirement, my children's education, or other life events.
	I want to buy a car.
	I want to buy a home.
	I want to be able to get small loans quickly and without a hassle.
	I want to build my credit history.
	I want to send money to someone.

Check off the three reasons for finding a financial service product and provider you identified above and read about the options that may be the best fit for your priorities.

☐ **I want a safe and secure place to keep my money.**

Financial service provider	Products that can meet your need
Bank or credit union	Savings account, checking account, or certificate of deposit
Retailer, bank or credit union, check cashing store or online	Prepaid card (May currently lack the same consumer protections as a debit card linked to a checking account)

TIP: *Don't carry around large amounts of cash or leave cash in your home. It's not safe and could be stolen or lost. Banks and credit unions are safe places to keep your money. To avoid fees, be sure to ask if you have to keep a minimum amount in the account and always monitor your account regularly to know how much money you have in it. To reduce your risk of overdraft fees, tell your bank or credit union that you don't want to pay overdraft fees when you pay with your debit card or make an ATM withdrawal.*

☐ **I want to be able to make purchases without having to carry cash or go into debt.**

Financial service provider	Products that can meet your need
Bank or credit union	Debit card (attached to a savings or checking account)
Retailer, bank or credit union, check cashing store or online	Prepaid card

TIP*: Read the information you receive about the fees related to using your product. If you are being charged fees that you don't understand, ask questions. If no one can explain the fees to you, it could be a red flag and you may want to think twice before choosing this product. To avoid fees, be sure to ask if you have to keep a minimum amount in the account and always monitor your account regularly to know how much money you have in it. To reduce your risk* *of overdraft fees, tell your bank or credit union that you don't want to pay overdraft fees when you pay with your debit card or make an ATM withdrawal.*

☐ **I want a low cost and easy way to pay and manage my bills.**

Financial service provider	Products that can meet your need
Bank or credit union	Checking account Bill payment services Money orders
Retailer, bank or credit union, check cashing store or online	Money orders Bill payment services Prepaid cards (Use like a debit card to pay bills; some offer bill payment services)
U.S. Postal Service	Money orders

TIP: *Make sure to check how you can pay for your bills. Some utilities and other companies accept only certain bill payment options. You may want to consider setting up scheduled, automatic payments that send money from your bank or credit union account or your prepaid card to the company you need to pay. You can set this up through the company you need to pay. If the amount changes, the company will notify you at least ten days before the money is scheduled to be sent.*

☐ **I want to bank and pay bills online.**

Financial service provider	Products that can meet your need
Bank or credit union	Checking account and online banking
Internet-based bill paying service	Online bill paying
Retailer, bank or credit union, check cashing store or online	Prepaid card (use like a debit card to pay bills; some offer online bill payment services)

☐ **I want to have my paycheck directly deposited.**

Financial service provider	Products that can meet your need
Bank or credit union	Savings account or checking account
Employer	Payroll card (prepaid card arranged by your employer)
Retailer, bank or credit union, check cashing store or online	Prepaid card

☐ **I want to accumulate savings.**

Financial service provider	Products that can meet your need
Bank or credit union	Savings account or certificate of deposit

TIP: *You can open an account for yourself or a joint account with your spouse or another person. If you open a joint account with someone, that person will usually have the same rights to the money in the account that you do, so only open a joint account with someone you trust with your money. To avoid fees, be sure to ask if you have to keep a minimum amount in the account.*

☐ **I want to buy a car.**

Financial service provider	Products that can meet your need
Bank or credit union	Car loan
Automobile dealer	Dealer financing

☐ **I want to buy a home.**

Financial service provider	Products that can meet your need
Bank or credit union Mortgage company	Mortgage

☐ **I want to be able to get small loans quickly and without a hassle.**

Financial service provider	Products that can meet your need
Credit card company	Credit card
Pawn shop	Pawn loan
Some credit unions and Banks Finance company	Deposit advance loans (requires a bank account) Signature loan
Payday loan provider	Payday loan (requires a bank account)

TIP: *Use the annual percentage rate (APR) to compare how much loans cost. You can compare the cost of loan products with different fee structures on an "apples-to-apples" basis. It also takes into account the amount of time you have to repay the loan.*

☐ **I want to build my credit history.**

Financial service provider	Products that can meet your need
Bank or credit union	Credit builder loan Loan for an asset (car, home, etc.)
Other lenders	Credit builder loan Credit card
Credit card company	Secured credit card Credit card

TIP: *Check your credit reports regularly (at least once a year) and make sure the information in your credit reports is correct. Visit http://www.annualcreditreport.com to get a free copy of your credit report from the nationwide credit reporting companies. You can receive a free credit report once every 12 months from each one of them. Call 1-877-322-8228 or visit http://www.annualcreditreport.com.*

☐ **I want to send money to someone.**

Financial service provider	Products that can meet your need
Retailer, some check cashing stores, U.S. Postal Service, online companies	Money Transfers Peer-to-peer transfers (using the internet or a mobile app to send money from your account or credit card directly to another person's account.)
Bank or credit union	Wire Transfers or other money transfers Some banks and credit unions now offer peer-to-peer transfer services.

TIP: *Protections apply when you send money abroad. Before you pay, you should receive information about the exchange rate, the fees and taxes you'll pay, and the amount that will be received. You will also receive information about when the money will be available at its destination, your right to cancel the transfer, how to get help if errors are made, and how to submit a complaint. Other protections also may be available to you, depending on how you send the money and the laws in your state.*

Tool 2:

Ask questions: Choosing where to get what you need

Once you know the reasons you want a financial product or service and the type of place that offers it, use this tool to identify the questions that are most important to you. Then make notes about the answers and use this tool to compare them.

Financial service provider comparison

	Financial service provider 1: __________	**Financial service provider 2:** __________	**Financial service provider 3:** __________
Convenience and access			
Do I feel welcome?			
Is it close to where I live or work? Is it open during hours I can visit (such as lunch, after work, or on weekends)?			
Can I get information in my own language or in a format that is accessible to me?			
Can I pay bills and check balances any time of day by phone, online, or with a mobile app? Is there a charge for these services?			
Is staff available to answer my questions in person, by phone, text or via email? Is there any cost?			
If I transfer money, how convenient is it for the recipient to receive the funds?			

Accounts, cards, and money services			
Does it offer savings or checking accounts?			
Does it offer check cashing, money transfers, prepaid cards, or bill payment services?			
If I get a checking or savings account, will I get an ATM card? Debit card?			
Are there monthly account maintenance fees?			
Is there a fee for going below the minimum balance?			
Are there fees for making purchases or other costs, such as inactivity fees? What are they?			
Is there a fee for making a deposit?			
What are the fees if I overdraft? Can I transfer funds to avoid overdrafts?			
Will I earn interest on savings? What is the rate of interest I will earn (APY)?			
How often will I receive account statements? Is there choice between online and paper statements?			
Loans and credit cards			
Does it offer credit cards, small dollar loans, mortgages, lines of credit?			
What are the fees associated with getting a loan?			
What are the fees associated with getting a credit card? Are there annual fees?			
What is the interest rate on the loan or credit card? What is the interest rate including all fees on the loan (APR)?			

If I am borrowing money, how much will my payment be? When is it due? How long will it take to repay? What will the total cost be?			
Safety and security			
Is the money I deposit FDIC or NCUA insured?			
Is my money protected if someone steals my debit card or prepaid card and or uses it without my permission?			
If I transfer money, is the time it will arrive guaranteed? Will I get information about the fees, taxes, and the exchange rate before I pay for the transfer?			
Other criteria important to me			
Does it offer additional services I need like a notary services or safe deposit boxes?			
Other:			
Other:			

Tool 3:

Money services and banking basics

Part of selecting the right financial service provider is knowing what product(s) or service(s) you need. Use the following tool to learn more about the basic financial products or services that may be available to you. Identify the places in your community where you can get the products or services you are interested in.

Common financial products or services

Transaction or payment products or services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
	Checking account	Deposit money in and withdraw money from this account by writing checks or using a debit card. Suitable for frequent transacting. Many checking accounts include access to mobile and online bill pay. Always keep track of your account activity to ensure sufficient balances to cover payments and withdrawals and avoid overdraft fees.	
	Check cashing	Turn paychecks, government checks, or personal checks into cash, often for a fee.	

	Debit card	You can use this card to make purchases at businesses (like grocery stores and gas stations) with money in your checking account. You can also use this card to make deposits to and withdrawals from a checking account at ATMs.	
	Automated teller machine (ATM) card	Deposit or withdraw money from a savings or checking account. Many ATM cards are also debit cards that can be used to make purchases. An ATM card that is not also a debit card cannot be used to make purchases at businesses. You will often not be charged a fee by using ATMs that are owned by your bank or credit union or within the same ATM network.	

	Prepaid card	A card that you use to access money you have paid in advance. A prepaid card can refer to a number of different types of cards. Gift cards are prepaid cards that typically are used up after you deplete the value on the card. You can also buy prepaid cards that you can add money to (reload) and continue using over and over. Some types of prepaid cards also allow you to take money out at an ATM. Reloadable prepaid cards generally charge a monthly maintenance fee, and some charge for deposits or each time you use the card. Prepaid debit cards may carry fewer consumer protections in the event of loss or a disputed charge than debit cards. Some prepaid cards also offer a “reserve” feature you can use to help you save when you have extra money. This feature allows you to move some of your funds to a place where you can’t use them when you are paying for items or using your card at an ATM. You can move the money in the reserve back to your regular account if you need it.	
	Money transfer	Send money from one person or place to another.	
	Bill payment services	Use cash, a money order, a bank account, or another payment method to pay utility, mortgage, or other bills, in person, by phone, through a website, or through a mobile phone application.	
	Money order	Buy a money order to pay a business or other party; can be used instead of a check.	

Depository products or services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
	Savings account	Deposit money in and withdraw money from an account; earn interest (currently interest rates are low). Not intended for frequent transacting.	
	Certificate of deposit	Deposit a fixed amount of money for a specific amount of time. Funds are generally inaccessible during the CD term unless you forfeit interest as a penalty. The size of the penalty varies, and could amount to more than the interest you have earned if you withdraw the money before the maturity date. Generally earns more interest than savings.	

Credit products or services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
	Credit card	Borrow money up to an approved credit limit. Make purchases using the card or the number and card security code. A minimum monthly payment is required. Will be charged interest on unpaid amounts; can be charged other fees based on terms of contract.	

	Line of credit	Borrow money up to an approved credit limit. Getting approved for a line of credit is different from a credit card. It may be secured with collateral (such as a home), or be unsecured. Can be used for overdraft protection in a checking account.	
	Car loan	Borrow money to buy a used or new car. This will be an installment loan. The car will generally be pledged against the loan (collateral).	
	Business loan	Borrow money to start or expand a business. Ordinarily, this will be an installment loan with periodic payments due. Equipment or other business assets, or personal assets may be pledged against the loan (collateral).	
	Mortgage	Borrow money to build or buy a home. This will be paid back in installments. The home will generally be pledged against the loan (collateral).	

Credit building products or services

Check if you want to learn more about it	**Common financial products or services**	**Description**	**Where can you get this product or service?**
	Secured credit card	Borrow money up to a limit that is secured by a deposit. This deposit acts as collateral if you do not pay the credit card as agreed.	
	Credit building loan	Borrow money specifically to improve credit scores. This may be available at banks or credit unions in your community.	

Other products or services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
	Small dollar / signature loan	Borrow small amounts of money. Generally, the loans have to be paid back quickly and the interest rate and fees are higher than bank or credit union loans or credit cards.	
	Payday loan	Borrow small amounts of money. You provide a check written for some time in the future—generally two weeks. If you don't repay the loan and fees in full, the lender can cash the check. If your account does not have enough money in it to cover the amount, you may have to take out a new loan for the amount you don't repay.	
	Pawn shop loan	Borrow money against an item. If you do not pay back the loan as agreed or renew the loan, the pawn shop can sell the item to cover the debt. The loan amount is often much less than the item is worth.	
	Car title loan	Borrow money against your car, which is given as collateral. If you do not pay back the loan as agreed or renew the loan, the car can be sold to cover the debt. The loan amount is often much less than the car is worth.	

Technology-based services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
	Online banking	Manage your bank or credit union account through a secure website. This option may include a method to pay bills from your account, and is available through many banks and credit unions.	
	Mobile banking	Use your smart phone to manage accounts and make payments through your bank or credit union's website or mobile application.	

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Tool 4:

Opening an account checklist

Opening an account at a bank or credit union

If you decide that a checking or savings account is the right product for you, opening an account at a bank or credit union is really quite simple.

First, you may want to get a recommendation from a trusted friend or family member for a bank or credit union. Find out about:

- The services they offer
- The fees they charge
- The interest they pay for savings accounts

You will usually need between $25 and $100 to open a savings or checking account at a bank. Some credit unions may only require a deposit as low as $5 to open an account.

TIP: **Be sure to find out how much you must keep in the account at all times to avoid fees. This is called the "minimum balance requirement."** This may not be the same amount of money you need to open the account, so it's important to understand.

You will also need two forms of identification to open an account. Some banks or credit unions will take one form of identification and a bill with your name and address on it. You will usually be required to present:

- A U. S. government or state issued form of identification with your photo on it, such as a driver's license, U. S. Passport, or military identification

  and one of the following:

- Your Social Security card

- A bill with name and address on it
- Your birth certificate

If you do not have a U. S. government-issued form of identification, some banks and credit unions accept foreign passports and Consular IDs, such as the Matricula Consular card, which is an official Mexican Government identification document. Other countries, such as Guatemala and Argentina have similar IDs. Consulates in the United State offer them. Visit your country's consulate for more information about how to get an ID card, and with the banks and credit unions to learn whether they accept it.

Accounts that pay interest

Interest is considered income. If you earn interest, you must pay taxes on it. In order to open an account that pays interest, such as a savings account, you must have a Social Security number or an Individual Taxpayer Identification Number (ITIN).[72]

If you do not have a Social Security number, you do not have an ITIN, or you have not applied for an ITIN, you can open an account that does not pay interest.

If your faith community's beliefs do not allow you to receive interest, some banks and credit unions have developed no-interest accounts that may meet your needs.

Barriers to opening an account

Not having the proper identification can be one barrier to opening an account. Another potential barrier is a negative rating with specialty consumer reporting agencies like ChexSystems, TeleCheck, Early Warning, and others that report on checking accounts or banking histories.

These agencies collect information from merchants, banks, and credit unions about how consumers manage savings and checking accounts. Banks and credit unions use reports developed by these agencies to decide if someone can open a new account. You may have a negative rating if you or someone you had a joint account with has struggled with a checking or savings account in the past and:

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[72] Internal Revenue Service. See http://www.irs.gov/Individuals/General-ITIN-Information.

- Had a lot of bounced checks and non-sufficient funds (NSF) fees
- Not paid debts and fees owed to a bank or credit union related to an account
- Been suspected of fraud related to a checking account
- Have had an account closed (involuntarily) by a bank or credit union within the last 12 months

Involuntary closures stay on your ChexSystems report for five years and on the Early Warning System report for seven. Overdrafts remain on your consumer record for five years, even if you have paid back what you owe the bank or credit union. Each bank or credit union has its own policies about the way the information in your banking history report impacts your ability to open an account. This can include the amount of time that has passed since events like an involuntary closure or repeated overdrafts occurred.

Some banks and credit unions require you to pay these old charges and fees before you are allowed to open a savings or checking account. In other cases, you may be offered the opportunity to open a "second chance" or checkless checking account that has different features and restrictions than standard checking accounts offer. Depending on the account's rules, you may be allowed to open a standard checking account after six to twelve months if you have not over drafted or bounced any checks.

You can order your own ChexSystems report online from ChexSystems at http://www.consumerdebit.com. You can call for more information at (800) 428-9623, or send a written request to:

ChexSystems, Inc.
7805 Hudson Road, Suite 100
Woodbury, MN 55125

You can order your TeleCheck Services Report by sending a written request to:

TeleCheck Services, Inc.
Attention: Consumer Resolution – FA
P. O. Box 4514
Houston, TX 77210-4515

To request your Early Warning report, call (800) 325-7775.

If you find mistakes, you can dispute these by sending a letter (you may choose to use certified mail) describing the mistake and copies of any evidence.

Opening an account checklist

Use this checklist to ensure you have what you need to open an account at a bank or credit union.

Check for "yes"	Information needed	Additional questions
	A U.S. or foreign government-issued form of identification with your picture on it. Note that each bank or credit union has its own policy on which foreign IDs it accepts.	
	Another form of identification: your Social Security card, a bill with your name and address on it, your birth certificate.	
	A Social Security number or ITIN (individual taxpayer identification number). Without it, you may only be able to open an account that doesn't pay interest.	
	Money to open the account	
	Information about minimum balance required in the account to avoid monthly service fees	
	Information about monthly service fees	
	Information about direct deposit and if it eliminates the monthly fee	
	Information about per-check or transaction fees	
	Information about fees associated with use of ATMs	
	Information about internet banking and online bill pay access and any costs	
	Information about overdraft fees	

	Information about low balance alert notifications	
	Other:	

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Tool 5:

Money transfers and remittances: What you need to know

Consumers in the United States send billions of dollars in remittance transfers each year. The Consumer Financial Protection Bureau (CFPB) has issued rules to protect consumers who send money electronically to foreign countries.

A "remittance transfer" is an electronic transfer of money from a consumer in the United States to a person or business in a foreign country. It can include transfers from retail "money transmitters" as well as from banks and credit unions that transfer funds through wire transfers, automated clearing house (ACH) transactions, or other methods.

Disclosures

The rules generally require companies to give disclosures to consumers before they pay for the remittance transfers. The disclosures must contain:

- The exchange rate
- Fees and taxes collected by the companies
- Fees charged by the companies' agents abroad and intermediary institutions
- The amount of money expected to be delivered abroad, not including certain fees charged to the recipient or foreign taxes
- If appropriate, a disclaimer that additional fees and foreign taxes may apply

Consumers must also receive information about when the money will arrive and how the consumer can report a problem with a transfer. Instead of issuing a separate pre-payment disclosure and receipt, a company may provide a single combined disclosure before the sender pays for the transfer, so long as proof of payment is given when payment is made.

Companies must provide the disclosures in English. Sometimes companies must also provide the disclosures in other languages.

Other protections: The rules also generally require that consumers get 30 minutes (and sometimes more) to cancel a transfer if it has not yet been received. Consumers can get their money back if they cancel.

- Companies must investigate if a consumer reports a problem with a transfer. For certain errors, consumers can generally get a refund or have the transfer sent again free of charge if the money did not arrive as promised.
- Companies that provide remittance transfers are responsible for mistakes made by certain people who work for them.

The rules also contain specific provisions applicable to transfers that consumers schedule in advance and for transfers that are scheduled to recur on a regular basis.

What is covered?

The rules apply to most remittance transfers if they are:

- More than $15
- Made by a consumer in the United States
- Sent to a person or company in a foreign country

This includes many types of transfers, including wire transfers. The rules apply to many companies that offer remittance transfers, including banks, thrifts, credit unions, money transmitters, and broker-dealers. However, the rules do not apply to companies that consistently provide 100 or fewer remittance transfers each year.

Tool 6:

Managing a bank or credit union account

If you decide to open a bank or credit union account, it's a good idea to learn in advance the rules related to that account and to find out how much you could be charged in fees. Each bank and credit union has its own rules and fees so it's a good idea to shop around first.

No one likes to see fees reducing their checking account balance every month. You may not be able to eliminate all the fees charged by your bank or credit union, but here are six steps to reduce the number or amount of fees you pay:

1. **Keep track of your balance** to avoid spending more than you have available or going below your minimum balance requirement.

   For example:

   - Check your balance at the ATM before you withdraw cash.
   - Ask if your bank or credit union offers low-balance warnings via e-mail or text.
   - Ask your bank or credit union when the money you deposit will be available for your use.
   - Ask your bank how it processes debits to your account (debits are when money is taken out of your account).
   - Know that your charges and withdrawals are not always processed in the order in which you make them.
   - Monitor your account online, with text alerts, or with a mobile app. You can set up alerts for low-balance to help you avoid fees or to help you save.

2. **See if there's a low-fee or free checking account you can open.** Many financial institutions waive monthly service fees if you maintain a minimum balance or sign up for

direct deposit. Ask about accounts you may be eligible for, such as a senior or student account, or just a basic checking account with a low minimum balance requirement and a limited number of "free" checks and withdrawals.

3. **Watch out for overdraft fees.** Overdrafts occur when you spend or withdraw more money than is available in your checking account and your bank or credit union pays the difference and charges you a fee. Many banks and credit unions will charge you overdraft fees for each transaction you make without enough money in your account, with each one costing you between $30 and $35.

4. **Use your financial institution's ATMs.** When you use ATMs in your bank's network, there is generally no charge. Many banks or credit unions offer ATM locator maps on their websites and mobile apps.

5. **Open and review all of the mail** from your bank or credit union. Review account statements every month to make sure they are correct and report errors immediately. You must also be notified when your minimum balance requirement, fees, or other account terms change.

Finally, it is important to never knowingly write a check for funds you do not have in your account. This can create a number of problems for you. In addition to being charged fees for nonsufficient funds from the bank or credit union and the merchant (if the check was written to a merchant), it could severely impact your ability to access financial services in the future, and even subject you to criminal prosecution.

Overdraft Coverage Programs

An overdraft occurs when you spend or withdraw more money than is available in your checking account. Banks or credit unions can advance you money to cover the shortfall and charge you a fee. This is sometimes called overdraft coverage or overdraft protection.

On the surface, overdraft programs seem like they might be a good deal—they prevent people from being charged bounced or returned check fees by the merchant and the financial institution. But in reality, this protection can be expensive. The bank or credit union may charge you daily when you overdraw your account when you pay for something with a check, online, or with your debit card. Finally, you must pay the bank or credit union back for both the amount covered by the financial institution and the fees.

You can't be charged a fee for an overdraft with your **debit card** unless you "opt in" to overdraft coverage and fees. This means you have to actively choose to have it. If you have opted in previously, you can opt out now.

Even if you don't opt in, however, you can still be charged an overdraft fee if a recurring payment you have set up with your debit card number or via a direct billing arrangement overdraws your account. If you want to have a checking account and don't want to pay overdraft fees, use one of these approaches:

- Keep track of your balances. Remember, not all deposits are available for use immediately.
- Sign up for low balance alerts that you can receive via email or text at your bank, credit union, or with your prepaid card provider.
- Know when regular electronic transfers, such as rent payments or utility bills, will be paid.
- Link your checking account to your savings account, credit card, or line of credit. If you run out of money in your checking account, the bank will pull money from the place you've chosen. The fee for this is usually lower than an overdraft fee.

Tool 7:

Using a prepaid card

A prepaid card is a card that you use to access money you (or someone) have paid in advance.

A prepaid card can refer to a number of different types of cards. For example, gift cards are a type of prepaid card that typically is used up after you deplete the value on the card and can often be used at only one retailer.

But you can also buy a prepaid card that you can repeatedly add money to and continue using over and over. You "load" money on the card by paying in advance, and then you spend that money by using the card. Some types of prepaid cards also allow you to take money out at an ATM. Prepaid cards may charge fees for certain services that they provide.

For some prepaid cards, you can purchase a reload pack to add money to your prepaid card. You may be able to buy a reload pack at the same retailer where you bought your prepaid card or at other retailers. The "pack" is actually another card that is activated when you buy it, or it may be a code you receive when you pay the cashier. In some cases, you can only buy a reload pack with cash.

When you get a reloadable prepaid card, you generally have to activate it. Usually the issuer is required by law to verify your identity before they can activate a prepaid card.

- You must provide your official name, street address (no P.O. boxes), date of birth, and Social Security number or other taxpayer identification number, or, if you are a non-U.S. citizen, another identification number. This may be your passport number, alien identification number, or the number of another government-issued document that shows where you are from and has your photograph.

All the major prepaid card providers give some protection against fraudulent and unauthorized charges, but some card providers have stronger protection than others. In addition, you likely have the protections provided by the networks such as Visa, MasterCard, American Express, and Discover.

- **You should register your card to make it more likely that you get some protections.**

Checking your prepaid card balance

There may be several ways to check your prepaid card account balance. You should check the terms of your prepaid card program to determine what methods to check your account balance are available.

- **Automated customer service:** You often can call customer service (the number is usually on the back of your card) to check your balance, and if you get your balance through the automated phone system, you usually won't be charged a fee.
- **Live customer service:** You can call customer service to check your balance, but some card providers will charge you a fee to talk with a live agent.
- **Online/Mobile:** Some cards allow you to check your balance on the internet or with a mobile app. You may need to set up an online account with the card provider to check your balance online. Usually this service is free.
- **Text message:** Some prepaid card providers will provide your account balance through text message free of charge, but you may pay a fee to your cell phone provider for receiving the text.
- **ATM**: Some prepaid cards allow you to check your balance at an ATM, but you may pay a fee for this service. You can sometimes request a paper statement that shows your balance and transactions, but many prepaid card providers that offer paper statements charge a fee for this service.

Is the money on my prepaid card FDIC-insured?

Many prepaid cards will hold your money in a bank account that is FDIC insured. Depending on how the account is set up, the government may guarantee you it will protect up to $250,000 of the money loaded on your prepaid account if the bank where the funds are held fails.

Tool 8:

Garnishment from your bank or credit union account

When a collector sues you for a debt and wins a judgment, it can ask your bank or credit union to turn over money from your account. This is called a garnishment. Generally, money in your bank account that is from your wages or from another person can be garnished. But certain money in your bank account *cannot* be garnished by private creditors.

Banks must automatically protect Social Security, VA, and certain civil service retirement benefits from garnishment if they are direct deposited into your account. Other income may also be protected from garnishment by private creditors. Examples include state public assistance, federal student assistance, payments from a disability insurance policy, and income from a retirement plan. In some states, state unemployment compensation may also be exempt. (There are some exceptions to this rule, which are explained below.)

Here's how the automatic protection works.

Your bank protects two months' worth of benefits

If a collector tries to garnish money in your account, your bank must look at your account history to see if you received any Social Security or VA benefits by direct deposit in the last 2 months. The bank must protect 2 months' worth of benefits from garnishment and let you use that money. If your account has more than 2 months' worth of benefits, your bank can freeze the extra money.

Here is an example:

- If you receive $1,000 in Social Security each month, your bank will see that $2,000 in Social Security was direct deposited in the last 2 months. *The bank must allow you to use up to $2,000 in the account.*
- But if you receive $1,000 in Social Security benefits by direct deposit each month, and you have $3,000 in your account, the bank can freeze $1,000 of the $3,000. *The bank must give you access to the remaining $2,*000 so you can continue to pay bills and withdraw cash as usual.

Benefits on a prepaid card

Many people receive Social Security or VA benefits on a prepaid card. If your benefits are loaded onto a Direct Express card or to another prepaid account, they are still automatically protected from garnishment just like money in a bank account.

Exceptions

Social Security and Social Security Disability Insurance (SSDI) can be garnished to pay government debts such as back taxes or federal student loans, and debts for child or spousal support. Some other benefits, such as Supplemental Security Income (SSI), are protected from garnishment – even to pay a government debt or child or spousal support.

If the bank freezes your money

If your bank freezes any money in your account, it must send you a notice of garnishment. Then, you can ask to have a judge decide whether your money should be protected from garnishment based on factors such as the source of your income and state law.

It is very important for the judge to know that your money comes from Social Security or VA benefits before the judge decides whether your money should be turned over to the debt collector. You can seek help from a lawyer. If you can't afford a lawyer, you may be eligible for free legal help.

Automatic protections don’t apply to paper checks

If you receive Social Security or VA benefits by check and then deposit the check into your bank account, the bank does not have to protect two months’ worth of benefits in the account automatically. This means that your entire account balance could be frozen and you’ll need to go to court to prove that it comes from protected federal benefits and should not be garnished.

To take advantage of the automatic protections for direct deposited Social Security and VA benefits, you can sign up to have these benefits direct deposited to your bank account or loaded onto a prepaid card.

Consider finding legal help in your state

Federal and state laws may protect the money you receive from other sources from garnishment. This may include money you receive from a pension or retirement plan, federal student loans, child support or spousal support payments. Other laws in your state may protect some of your money and assets, too. To learn more about how they may be protected, consider finding legal help. You may even qualify for free legal help.

If your debt is owed to the government (for example for taxes or student loans) or is for child support there are different rules. In this case the creditor may be able to garnish federal benefits in your bank account. If this happens to you, you may want to consult a lawyer.

Money you owe to the bank or credit union

With some exceptions, your bank may legally use your deposits to collect a debt you owe to the bank. For instance, if you’ve become delinquent on a credit card account with the same bank that holds your checking account, the bank may be allowed to collect your delinquent credit card account balance from your checking account. This could depend on your deposit contract with your bank. Generally, your bank or credit union is not allowed to pay itself from money in your account if the money can clearly be traced to protected income, such as federal retirement benefits. In most states, civil retirement benefits are also protected from “set-off.” Some states also protect a certain minimum amount in your account.

Resources

If you would like help managing debt or rebuilding credit, visit the National Foundation for Credit Counseling:
http://www.nfcc.org

Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:
www.consumerfinance.gov/find-a-housing-counselor

FDIC.gov, Credit Repair:
http://www.fdic.gov/consumers/consumer/ccc/repair.html

Consumer.gov, Building a Better Credit Report:
http://www.consumer.ftc.gov/articles/pdf-0032-building-a-better-credit-report.pdf

For additional resources, visit the Consumer Financial Protection Bureau website:
http://www.consumerfinance.gov/AskCFPB

If you have a consumer complaint, visit:
http://www.consumerfinance.gov/complaint