YOUR MONEY, YOUR GOALS

A financial empowerment toolkit for workers

Consumer Financial Protection Bureau

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INTRODUCTION PART 1:

Financial empowerment and workers

Welcome to the Consumer Financial Protection Bureau's *Your Money, Your Goals: A financial empowerment toolkit for workers*!

Worker

The term "worker" is used throughout this toolkit to refer to anyone who works or is seeking work.

Many people feel overwhelmed by their financial situations, and they often don't know where to go for help. The financial stresses workers face may interfere with their productivity at work as well as their progress toward other goals—personal goals, family goals, or even life goals.

As someone who works for or is part of an organization that supports workers or people seeking work, you're in a unique position to provide that help. That's because they may already know you and trust you. And in many cases, they may already be sharing financial and other personal information with you because of other services you provide to them. Providing basic financial empowerment information and tools and making referrals to your community partners may be a natural extension of your relationship with workers and of the services you are already providing to them.

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 increasing 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.

Financial empowerment

Empowerment is the process of increasing people's capacity to make choices and transform those choices into actions and desired results, according to the World Bank. *Financial* empowerment is building the knowledge and ability of individuals to manage money and to choose and use financial services products that work for them.

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

We designed *Your Money, Your Goals* to help you help workers become financially empowered. Because it is a toolkit, it's different from a financial education curriculum. A curriculum generally has a specific set of goals, and you usually work through most or all of the material in the order it's presented.

This toolkit is a collection of important financial empowerment information and tools you can choose based on workers' current needs and goals. In other words, *the aim isn't for you to cover all of the information and tools in the toolkit.* Instead, the aim is to help you identify and share the specific information and tools that are best suited to help workers get started on reaching their goals and solving their financial challenges. And, when they want or need additional help, the toolkit's aim is to help you refer them for financial counseling or coaching.

The CFPB

CFPB is the abbreviation for the Consumer Financial Protection Bureau. The CFPB works on behalf of consumers to make consumer financial products and services work for them – whether they are applying for a mortgage, choosing among credit cards, asking for their credit report, or using those or any number of other consumer financial products and services, including bank accounts, prepaid cards, payday loans, and student loans.

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.

Financial empowerment and economic stability

Financial empowerment may help workers transition from the support services they may be receiving from your program or organization. This won't happen solely because of the way that you use the information and tools in the toolkit. But sharing the information and tools with workers may help increase their financial stability and reduce their future need for human services.

The CFPB's Office of Financial Empowerment developed this toolkit because individuals like you meet with thousands of workers that need high quality, unbiased financial information and tools to help them better address financial issues. As you use this toolkit and other resources at www.consumerfinance.gov, you can help workers you know or serve become more financially empowered, reduce their financial stress, and manage their finances in ways that achieve their goals and dreams.

Financial empowerment can build economic stability

Sharing financial empowerment information and tools may feel like it's completely different than the work you normally do—one more thing you're being asked to add to your workload. But, once you become familiar with the toolkit, we believe it can become natural to integrate its information and tools into the work you do.

Sharing information and tools on managing income and using it to build emergency savings, deal with debt, improve their credit, use financial services, or take steps to achieve their goals may ultimately help people keep more of the money they work so hard to make.

In your role, you may already be helping workers figure out how to get, protect, or in some cases, increase their income. Or, you may be helping them figure out how to make ends meet when income stops due to layoffs, furloughs, strikes or seasonal fluctuations in work. This is financial empowerment!

The information and tools in the *Your Money, Your Goals* toolkit can help improve workers' economic stability by giving them a new understanding of financial concepts and some financial tools they can apply to their own goals. Depending on what the people you work with need, you may be able to help them take the first steps to:

- Set goals and calculate how much money they need to save to reach these goals
- Save money
- Establish an emergency savings fund
- Access and use tax refunds
- Track the specific ways they are using their money
- Bring their cash flow budgets into balance
- Make a simple plan to pay down debt
- Get and review their credit reports
- Fix errors on their credit report
- Evaluate financial products and services
- Know how to take action when they have a problem with a financial product or service

Making referrals

You can make a big difference in workers' lives by introducing them to financial empowerment and providing them with some basic information and tools to help them solve specific financial challenges.

Workers may look to you or to others in your organization for quality information and referrals on topics like these:

- "My credit report has information that's not accurate. How can I fix it?"
- "How can I know if the student loan I can get at the bank is better than one I can get at school?"
- "Should I borrow money from my credit card or take out a small loan to cover my bills until my next paycheck?"
- "My employer says I have to have direct deposit. Everywhere I go, the banks and credit unions seem to charge fees. How can I find the right account for me?"

But some workers may need more help than you are equipped to provide or that is not available from your organization. This is why building your resource and referral network is important.

Referral partners in your community 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. These referral partners are often found at non-profit agencies.

It is important that these individuals and organizations don't try to sell products or services to people when they are seeking financial empowerment assistance. Otherwise, there could be a conflict of interest—when the organization's interests interfere with providing unbiased information and advice to clients. Partner organizations should objectively show workers the upside and the downside of specific actions they take and the impact these actions have on their financial situations.

To get you started in making these types of referrals, there are instructions and a template for developing a local referral guide in the supplemental module entitled *Creating a referral guide*.

Referral partners

When identifying referral partners, make sure they:

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

Using the toolkit

The goal of the *Your Money, Your Goals* toolkit is to make it easier for you to help workers become more financially empowered.

The toolkit is divided into modules:

- **The five-part introduction is for *you*.** This information can help you prepare to use the toolkit.
- **Modules 1 through 9 include information on specific topics and tools workers can use to put that information to work.** *Think of each module as a specific set of tools you can use depending on the situation.*

That's why you don't need to start with Module 1 and work all the way through the toolkit. For example, you may have a conversation with a worker who has just lost her job. Starting with *Setting goals* would likely not be useful to her. But if she doesn't have enough cash to cover basic living expenses, tips for managing cash flow and identifying new resources could be useful at this particular time.

You may have a group of workers that have expressed a desire to get out of debt. In this situation, a focus on cash flow may be useful, but it may be better to start by helping them develop simple plans to pay down their debt.

Your work may not allow you to meet with a group or individual very often – you may even meet with them just once. This toolkit will also help you identify ways to start a conversation or provide training that opens the door for you to make referrals to others in your community who may provide financial education, coaching, or counseling.[1]

To make the best use of the toolkit we advise giving people one or two tools at a time. Getting all 30 tools at once—or even five tools at one time—is likely to be overwhelming for most people. A better approach is to identify one topic and the specific tools that will make the biggest difference for each worker or group of workers at that time.

Giving workers tools

Giving people tools to take home to work on can be helpful. At home, they may have access to information they need to complete the tools.

But don't send too many tools home with someone at once. Be sure to identify the topic and tools that will make the biggest difference for each worker or group of workers at that specific time. You can always let them know how they can access other tools when they are ready.

If you are planning to send tools home with workers, limit it to one or two that you have shown them how to use. If you give them too many tools at once, they may feel overwhelmed and not use any of them.

Working with individuals and groups

The *Your Money, Your Goals* toolkit can be used in one-on-one settings, with small groups, or as part of a training. (See Part 5 of the Introduction for more information on how to use the *Your Money, Your Goals* toolkit in group-based settings.)

You may have opportunities to use the toolkit with individual workers. Using the toolkit in a one-on-one setting allows you to target the information and tools based on the specific needs of each person. You can use the assessment tool in Part 2 or the tips in Part 3 to help you understand the needs of each worker and figure out which information and tools are the right starting point.

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[1] See http://files.consumerfinance.gov/f/201407_cfpb_your-money-your-goals_implementation-guide.pdf for additional tips on identifying information to share based on your level of contact.

You may also be able to use the toolkit in a group-based setting at:

- Meetings
- Brown bag lunches
- Training events

In addition to the information in the toolkit, you can use the accompanying Training Guide. It is organized by toolkit module and includes PowerPoint slides and instructions for leading group-based sessions. Participatory activities are included for each module to help make group sessions dynamic, engaging, and effective.

How do I find the time?

You may be wondering how you're going to find the time to add sharing financial empowerment into your already-packed schedule or into trainings. One way to think about financial empowerment work is that it is not a service you "add-on." Instead, it's something you can integrate into the work you are already doing.

This doesn't mean that it won't require time on your part. While it requires some time, that time will be front-loaded.

In order to integrate financial empowerment into your work, you'll have to spend time:

- Learning the toolkit content.
- Becoming familiar with the topics and the tools in the toolkit and, if you anticipate using the toolkit in group settings, the accompanying Training Guide.
- Thinking about ways to introduce financial empowerment in the context of the services you provide to workers.
- Potentially capturing the outcomes of financial empowerment for your organization.

This section provides you with two tools to get you started:

- ***Tool 1: Financial Empowerment Checklist*** provides you with a tracking template for recording which tools or information you have shared with a particular worker or group as you bring financial empowerment into the work you're already doing with them. It can also be used to share output level data with your organization and as a tool to connect one meeting with a worker or group of workers (for example, in a brown bag lunch series) to the next if you see individuals or groups more than one time.

- ***Tool 2: Financial empowerment self-assessment*** can help you develop an understanding of your own financial knowledge, skill, and confidence. As you will see in the answer keys, the questions asked in this assessment are directly related to modules in *Your Money, Your Goals*.

Quick reference icons

Look for these icons throughout the toolkit to find the types of content that are most useful to you.

The pencil indicates an interactive tool, worksheet, or checklist for your completion.

The checkmark symbol indicates an answer key.

The speech bubble identifies terms, tips, and ideas presented within a particular tool.

The link icon indicates a list of additional resources.

Integration

Integration of financial empowerment means identifying where and how you can weave financial empowerment information and tools into the work you are already doing.

Why is integration of financial empowerment such a promising strategy? Here are a few reasons:

- It builds on established relationships you may have.
- Workers are busy—there can be efficiency in addressing many issues in one stop.
- Financial and economic issues cut across situations and challenges: work readiness, apprenticeship training, making employment-based decisions, basic needs, housing (and all issues related to safe housing), health and health care, child rearing and care, transportation, and so on. Financial empowerment integration may present a more holistic approach to providing services to workers, apprentices, and job seekers.
- It provides opportunities for reinforcement during "natural" discussions with workers.
- It may result in better outcomes for the workers and your organization or program.
- It may make it easier to connect hard to reach populations with unbiased financial empowerment information and tools.[2]

[2] Giuffrida, Inger, *Integrating Financial Education into the Work that You Do*, April 2010.

Tool 1:

Financial empowerment checklist

This financial empowerment checklist can help you identify the information and tools to share with individual workers or groups of workers. It can also help you keep track of the information you have shared, including any referrals you have made for them.

The checklist is organized by topic or module, followed by each tool associated with it. The questions following each module name can help you identify the financial empowerment problem addressed in the module and through the tools.

Remember, even if you meet with them regularly, you won't cover all of the tools with each worker or group you meet with. Instead, find the right module or tools based on the individual's or group's most pressing financial empowerment problem or the topic they're interested in.

To use the checklist:

- Print one copy of the checklist for each individual worker or for each group of workers.
- When you have covered the topic or tool, put a check next to the tool or write in the date.
- Use the notes section if you are working with people on an ongoing basis. Include information about your discussions, specific challenges, and whether you made referrals.
- If you use the tool to track discussions with an individual, be sure to follow your organization's rules regarding privacy and document storage.

✎ Financial Empowerment Checklist

Worker name/Group description: ____________________________________

Check or date	Tool	Notes and referral information
Module 1: Setting goals—*Does the person have clear goals? Is the person satisfied with his or her financial situation?*		
	Goal setting tool	
	Planning for life events and large purchases	
	Buying a car	
Module 2: Saving emergencies, goals, and bills—*Does the person have money set aside for emergencies or unexpected expenses?*		
	Savings plan	
	Benefits and asset limits	
	Finding a safe place for savings	
	Saving in retirement	
Module 3: Tracking and managing income and benefits—*Does he or she track their income and know their options for receiving pay and benefits?*		
	Income and financial resource tracker	
	Ways to increase income and resources	
	Choosing how to receive your income and benefits	
	Increasing income through tax credits	

Module 4: Paying bills and other expenses—*Does he or she pay bills on time each month? Does the person understand the financial products they use to pay bills and spend money?*		
	Spending tracker	
	Bill calendar	
	Choosing ways to pay bills	
	Strategies for cutting expenses	
	When cash is short: prioritizing bills and planning spending	
Module 5: Getting through the month—*Is the individual able to make ends meet each month? Does the timing of income match the timing of bills and expenses?*		
	Cash flow budget	
	Cash flow calendar	
	Improving cash flow checklist	
Module 6: Dealing with debt—*Is the person able to manage his debts? Is he being contacted by debt collectors?*		
	Debt worksheet	
	Debt-to-income worksheet	
	Debt reduction strategies worksheet	
	When debt collectors call	
Module 7: Understanding credit reports and scores—*Has the person ever requested and reviewed his or her credit report?*		
	Getting your credit reports and scores	

	Credit report review checklist	
	Improving credit reports and scores	
Module 8: Money services, cards, accounts, and loans: Finding what works for you —*Has an employer told the person that the company requires direct deposit? Is the person interested in finding lower cost financial products or services to help manage income and expenses?*		
	Know your options: Understanding what you need	
	Ask questions: Choosing where to get what you need	
	Money services and banking basics	
	Opening an account checklist	
	Remittances	
Module 9: Protecting your money—*Does the person know how to take basic steps to avoid abusive or deceptive practices and be protected from identity theft? Has he or she been harmed by a financial product?*		
	Red flags	
	Protecting your identity	
	Submitting a complaint to the CFPB	
	Learning about consumer protection	

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. Be cautious how you use this tool. 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:

Financial empowerment self-assessment

Financial empowerment involves building people's ability to use financial management knowledge, skills, and tools to access and use resources, products, and services to achieve their goals.

Since financial empowerment covers a wide range of topics, it can be hard to know where to start. Identifying what you know and don't know may be the best place to start. Using this approach, you may find that you know more than you think you do. Secondly, you may find areas where you could benefit from a little more information or know-how.

Use this three-part self-assessment to develop an understanding of your financial knowledge, skill, and confidence. As you will see in the answer keys, the questions asked in this assessment are directly related to modules in *Your Money, Your Goals*.

Financial empowerment self-assessment: Part 1

Answer each of the following questions by checking either the "true" or "false" column.

Questions	**True**	**False**
1. Goals are not important to financial planning or budgets.		
2. To have enough money for emergencies you must save 3 to 6 months' worth of living expenses.		
3. A cash flow budget helps you track whether you will have enough cash to cover your bills from week to week.		
4. If you can't pay all of your bills and collectors are calling, the "squeaky wheel" that calls you the most should be paid first.		
5. The only way to receive the income you've earned from working is by receiving a paycheck.		
6. Credit is when you owe someone money.		
7. The amount of your monthly debt payments may impact your ability to access new credit.		
8. A poor credit history may keep you from getting an apartment, and in some states, insurance or even a job.		
9. The only cost of having a checking account is the monthly service fee.		
10. As a consumer, you have almost no rights when it comes to financial products.		

Financial empowerment self-assessment: Part 1 results

Number correct:	**____________out of 10**
Topics to Learn More About:	

Financial empowerment self-assessment: Part 2

Use check marks to show which word or phrase (rating) best describes how you feel today.

Statement	**Rating**				
	Doesn't apply	*Strongly disagree*	*Disagree*	*Agree*	*Strongly agree*
1. I have money set aside for emergencies.					
2. I know how to claim state and federal tax credits.					
3. I am not worried about how much money I owe.					
4. I am confident about the information on my credit reports and my scores.					
5. I don't worry about being able to pay my bills and expenses.					
6. I understand how credit works.					
7. I know how to get incorrect information on my credit report fixed.					
8. I feel confident about helping workers begin to manage some of their financial challenges.					
9. I know where people in my community can go for credit and debt counseling and for free tax filing assistance.					
10. I know where to get help if I have questions on financial topics or have an issue with a financial product or service.					

✎ Financial empowerment self-assessment: Part 3

Use check marks to show whether your answer to each question is "yes," "no," or "I don't know."

Question	Answer		
	Yes	*No*	*I don't know*
1. I have a savings or checking account at a bank or credit union, and I make regular deposits and withdrawals.			
2. I have applied for, received, and used a credit card.			
3. I have applied for and received a loan for a car or a home.			
4. I have taken out a payday loan.			
5. I have requested my own credit report and reviewed it.			
6. I track my income and spending.			
7. I have taken a loan from a pawn shop.			
8. I have used a check cashing business.			
9. I have had a car or other type of personal property repossessed for nonpayment.			
10. I have received calls from debt collectors.			
11. I understand my rights and know what to do if I believe a financial services provider has tried to take advantage of me.			
12. I receive my pay via a method other than a paycheck. (Payroll card, direct deposit, or cash, for example.)			

✔ Answer key for financial empowerment self-assessment: Part 1

Here are the answers for Part 1. If you did not answer the question correctly, see the toolkit module listed next to the answer for more information. Reading through the module can help you understand the answer to the question and build your financial empowerment knowledge and confidence.

Questions	True	False	Module
1. Goals are not important to financial planning or budgets.		✕	Module 1
2. To have enough money for emergencies you must save 3 to 6 months' worth of living expenses.		✕	Module 2
3. A cash flow budget helps you track whether you will have enough cash to cover your bills from week to week.	✕		Module 5
4. If you can't pay all of your bills and collectors are calling, the "squeaky wheel" that calls you the most should be paid first.		✕	Module 4
5. The only way to receive the income you've earned from working is by receiving a paycheck.		✕	Module 3
6. Credit is when you owe someone money.		✕	Module 7
7. The amount of your monthly debt payments may impact your ability to access new credit.	✕		Module 6
8. A poor credit history may keep you from getting an apartment, and in some state, insurance, or even a job.	✕		Module 7
9. The only cost of having a checking account is the monthly service fee.		✕	Module 8
10. As a consumer, you have almost no rights when it comes to financial products.		✕	Module 9

✔ Answer key for financial empowerment self-assessment: Part 2

There are no right or wrong answers for Part 2. That's because the answers are your opinions about your own financial knowledge, feelings, and situation. Use the following chart to count up how many of each answer you had:

Rating	***Does not apply***	***Strongly disagree***	***Disagree***	***Agree***	***Strongly agree***
Total for each					
		Total of *strongly disagree + disagree*:		Total of *agree + strongly agree*:	

- If the total of *Agree* + *Strongly agree* is greater than the total of *Strongly disagree* + *Disagree*, you feel good about many aspects of your financial life.
  - List any that you rated as *Disagree* or *Strongly disagree* below and read the modules that relate to these areas in the toolkit to learn more.
- If the total of *Agree* + *Strongly agree* is less than the total of *Strongly disagree* + *Disagree*, you may be feeling stress about many aspects of your financial life.
  - Consider reviewing the entire toolkit and working through the worksheets on your own before using them with the workers you serve.

Statement	If your rating is ***Disagree*** **or** ***Strongly disagree*****, check out…**
1. I have money set aside for emergencies and goals.	Modules 1 and 2
2. I know how to claim state and federal tax credits.	Module 2 and 3
3. I am not worried about how much money I owe.	Modules 6 and 7
4. I am confident about the information on my credit reports and my scores.	Module 7
5. I don't worry about being able to pay my bills and expenses.	Modules 4 and 5
6. I understand how credit works.	Module 7
7. I know how to get incorrect statements on my credit report fixed.	Module 7
8. I feel confident about helping workers begin to manage some of their financial challenges.	Considering reviewing all of the content modules.
9. I know where people in my community can go for credit and debt counseling and for free tax filing assistance.	See the resources listed at the end of modules 6 and 7 and the supplemental guide for creating a strong financial empowerment resource and referral network.
10. I know where to get help if I have questions on financial topics or have an issue with a financial product or service.	See the resources listed at the end of modules 6 and 7 and the supplemental guide to creating a strong financial empowerment resource and referral network. Also see Module 9 to learn about submitting complaints to the CFPB.

✔ Answer key for financial empowerment self-assessment: Part 3

There are no right or wrong answers for Part 3 because it helps you identify the financial products or services and situation you've had experience with. This is important because the workers you serve may have used products or services you haven't used or have experienced situations that you haven't. If you're not familiar with some of these topics, you may want to learn more about them. Use the materials in the second column to learn more. You may also find it beneficial to review those modules even if you have experience with these situations, products, services, and providers.

Question	Modules of interest
1. I have a savings or checking account at a bank or credit union, and make regular deposits and withdrawals.	Module 8
2. I have applied for, received, and used a credit card.	Modules 7 and 8
3. I have applied for and received a loan for a car or a home.	Modules 6, 7, and 8
4. I have taken out a payday loan.	Modules 6 and 8
5. I have requested my own credit report and reviewed it.	Module 7
6. I track my income and spending.	Module 3
7. I have taken a loan from a pawn shop.	Modules 6 and 8
8. I have used a check cashing business.	Modules 3 and 8
9. I have had a car or other type of personal property repossessed for nonpayment.	Modules 6 and 7
10. I have received calls from debt collectors	Module 6
11. I understand my rights and know what to do if I believe a financial services provider has tried to take advantage of me.	Module 9

12. I receive my pay via a method other than a paycheck. (Payroll card, direct deposit, or cash, for example.)	Modules 3 and 8

Resources

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

INTRODUCTION PART 2:

Understanding the situation

If your role in your organization includes meeting with individual workers, you may be wondering where you should start. This tool may help you figure out a beginning point.

When you feel the time is right, you can simply ask the individual to complete the assessment. You can then match the answers with modules in the toolkit or share the "Quick Tips" as a starting point for assistance. If your organization uses an intake form, it may be willing to consider adding some or all of the questions to it too.

The assessment is simple and only has a few key questions, so you might decide to gather the information in a conversation. Reading the assessment and recording the answers may be useful if you're working with someone that has limited literacy levels, is an English language learner, or with whom a question and answer format would be more productive.

Introducing the assessment may be uncomfortable if you're not used to asking these types of questions. Part three of the introduction provides tips on starting the conversation. You can say something like this:

We know that many issues in getting work, maintaining employment, and running a household involve money. You know where you are and where you'd like to go, and we would like to provide you with information and tools to help you use your money to reach your goals. To get us started, we have this questionnaire, which you'll see covers several topics. Your answers will help us build a plan to get you the information and tools that are going to be most useful to you right now. We won't use the information you provide in any other way.

Remember, financial empowerment is a big topic. Knowing where to start can be hard, but using this assessment will help you identify what is going on with the workers you serve and provide them with the right information, tools, or referrals.

For example, if a worker or apprentice has a goal to buy a car or a home, you can target *Understanding credit reports and scores* because learning how to improve his credit history may help him qualify for a lower cost loan. If you have a worker that is unable to make ends meet every month due to seasonal periods of unemployment, you can target *Getting through the month*.

This tool will help you match each worker's goals and financial situation with specific modules and tools. It will also highlight circumstances where the person could benefit from a referral to a specialized counselor or an attorney.

Finally, be sure you can provide assurance of confidentiality and describe your system for keeping this information secure (e.g., a locked drawer in a file cabinet). If you keep a copy of the assessment, be sure you have a system for keeping the information completely confidential. As you proceed, be sure to follow your organization's policies when it comes to storing and handling personal information.

Using the goal and financial situation assessment

Use of this assessment is optional. It can help you efficiently and effectively determine where to start in the toolkit, but you may find that you already ask similar questions in your existing intake or assessment tools. If you do choose to use this assessment, consider using it when:

- Workers fill out paperwork for your organization or program if appropriate
- You meet with people for an initial assessment
- Any time you have the opportunity to meet one-on-one with a worker

You may also choose to:

- Send this home with workers to complete privately
- Use it as a guide to ask questions in a conversational style to better understand the financial concerns and goals of the workers you serve

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?

____

____

My money picture questions

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 a 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 analyze the "Goals and Financial Situation" assessment." This analysis will help you determine **where to start the financial empowerment** work with the people you serve.

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.	▪ 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.	If "yes", 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 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*, call 211, local workforce opportunity center, or local emergency assistance center. See Module 3.	

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 2 and 4.	▪ **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 use this information to figure out whether you can make some changes. ▪ **If you can, put aside a small amount** each week. Even small amounts will add up. 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 of your bills and living expenses each month?	If *No* or *I don't know*, see Modules 4 and 5.	▪ **Write down your total income and when it comes 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 (savings and debt repayment) for the week. ▪ 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 make changes** and increase your payments. If you need or would like help in managing your debts, visit the National Foundation for Credit Counseling: at http://www.nfcc.org or find a certified housing counselor at www.consumerfinance.gov/find-a-housing-counselor. Tools for understanding student loan repayment options are available at http://www.consumerfinance.gov/paying-for-college.
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** to find out what's on your credit record at www.annualcreditreport.com ▪ **If there are errors,** contact credit reporting agencies. Find out more about how to address errors by visiting www.consumerfinance.gov. ▪ **If you need help** or would like help in strengthening your credit, check out the resources listed in #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* or *I don't know*, see Module 8.	▪ 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:** ▫ Their hours and the services they offer (like online tools) ▫ The fees they charge (monthly fees, overdraft fees, etc.) ▫ The amount you need to open the account ▫ Any other rules about the account

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 8.	▪ **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 collector, or credit report that you haven't been able to resolve?	If *No* or *I don't know*, see Module 9.	You can submit a complaint to CFPB at http://www.consumerfinance.gov/Complaint or call toll-free at (855) 411-CFPB (2372).

Resources

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

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INTRODUCTION PART 3:

Starting the money conversation

Everyone has questions about money. Even the wealthiest people in the world may turn to someone when they have financial questions.

It can be difficult, though, to talk about money, even with people that you know well. It can feel uncomfortable to raise the topic of personal finance because it's so personal. That can make it seem even more difficult to talk about it.

But you may already be talking with them about other issues that concern them or about their goals. Talking about money can get easier if you **start the conversation at the right time in a way that acknowledges their personal goals.** By approaching financial issues in a non-judgmental way, you will build trust that can allow you to help them start to address their financial challenges.

How should I bring up money topics?

The answer is: "it depends." How you bring up money topics will depend on both the opportunity you have for meeting with workers and the purpose of your meetings. In general, you will have the opportunity to meet with people individually, in small groups (fewer than ten people), or in large groups. You may be meeting with them to discuss:

- Workers' rights and benefits
- Specific workplace complaints
- Training education or opportunities

- An announced furlough or layoff

In most cases, you will be meeting with them at the worksite.

With individuals, it may be easier to bring up money topics because you can personalize the approach. You can:

- Introduce financial empowerment as part of meeting to cover benefits, or structure financial empowerment into your procedures for providing services to workers.
- Bring up financial topics that directly relate to his/her current situation or the purpose of your meeting.

  "*With this scheduled furlough, maybe we should talk about how you are going to make ends meet with a 40% reduction in your hours. Here is some information about prioritizing your bills . . .*"

- If the worker is open to using the *My money picture* assessment, it can help provide a clear picture of where he or she stands and what information might be most useful. Remember, you can:
  - Ask the worker to complete the assessment individually either in your office or at home.
  - Cover the questions in the assessment verbally or as part of a conversation.
  - Ask the worker to answer only a few of the questions.

Starting the conversation with groups may be more difficult because you cannot tailor the approach or content to specific individuals. Use your purpose for meeting with the group and the guidance provided in Part 5 of the Introduction: *Using Your Money, Your Goals with groups* as the starting point. In general, however, to get the group to open up about financial issues consider using small group discussions, case studies, or exercises that enable participants to work together. When you use these participatory training techniques, you'll find that people generally open up about their financial situations, which can benefit them and the other people in the training.

Starting the conversation

If financial empowerment is not already a part of your regular work, knowing when to bring up the topic can be a challenge especially in a one-on-one context. Here are five ways to start the conversation:

- Make the most of shorter discussions you have to introduce a tool or make a referral.
- Integrate financial empowerment into organizational training, programs, or procedures.
- Follow up with workers when they bring up financial issues directly or indirectly.
- Use the existing assessment tool in intake or assessment meetings with workers.
- Provide participatory training on key topics to groups of workers.

Discussing difficulties or problems

Many people have difficulty with credit or other financial products or services, and some may feel a sense of shame or embarrassment because of their situation. When you discuss these problems, first be empathetic. Then try to 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 a financial services provider.[3]

The CFPB has already handled hundreds of thousands of consumer complaints about a wide range of consumer financial products and services. Based on these complaints and research, the CFPB takes action to stop practices that are unfair, deceptive, abusive, or otherwise violate the law. In many cases, the CFPB partners with other federal agencies and state officials to address

[3] See *Module 9: Protecting consumer rights* for information on submitting a complaint to the CFPB and other authorities.

these problems. Through enforcement actions, the CFPB can require companies to refund money to customers when their consumer rights have been violated.

If you file a complaint with the CFPB, they will forward your complaint to the company and work to get a response. After they forward your complaint, the company has 15 days to respond to you and the CFPB. Companies are expected to close all but the most complicated complaints within 60 days. You'll be able to review the response and give feedback. If the CFPB finds that another agency would be better able to assist, they will forward your complaint and let you know.

The CFPB also shares complaint data with state and federal agencies who oversee financial products and services, and publishes a database of non-personal complaint information so the public knows what kinds of complaints they receive and how companies respond.

You can submit a complaint:

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

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INTRODUCTION PART 4:

Emotions, values, and culture: What's behind our money choices?

Everyone has situations where they know what they "should" do, but find themselves doing something else instead - especially when it comes to money. For example, you may have decided to save part of your tax refund to build an emergency fund. Instead, you use it to help a family member pay down his medical debt, because not helping a family member pay off a debt would go against the values you were raised with. Or you may use it to splurge on something you have wanted. You've been working hard and making this splurge for yourself or family feels good.

Financial decisions, no matter how well intended, are never made in a vacuum. Many things influence both our short- and long-term financial decisions. This information focuses on three of the influences on financial decision-making: emotions, values, and culture.

Emotional influences on financial decisions

When people talk about money, it's not just about the numbers. They are really discussing *what money means to them*. Attitudes and behaviors around money are wrapped up in feelings around security, failure, family, love, and status. It's important to acknowledge that emotions and feelings about money affect the way people handle their finances. Openly discussing these issues in either one-on-one or group settings can increase workers' awareness about the factors that may be influencing the way they manage and use their income.

Emotions may cause people to make short-term choices that conflict with long-term goals. Instead of just asking them to provide you with the basic numbers, try asking questions about how they feel when you're discussing their finances. You could try questions like:

- "What does money mean to you?"
- "What is your first memory about money?"
- "What is the most difficult thing about money for you? For your family?"

Cultural influences on financial decisions

No decisions, including financial ones, are made in a vacuum. People make all of their decisions within the very powerful context of culture, including family, ethnicity, region, community, socio-economic status, generation, and religion. Each of these factors influences beliefs, values, and experiences about money and the way financial decisions are handled.

Cultural influences are heavily rooted in values. Consider the ways common American values—such as individualism, practicality, honesty, and hard work[4]—might influence people's financial choices. Businesses, governments, and the media also influence values around money.

Conflicts around culture and values

Sometimes, you will find that workers are caught in the middle of cultural conflicts around money. Their family culture may value saving and avoiding debt, while their broader community may value material things like new cars or expensive clothes, which could require taking on debt to purchase. Or the culture in which they were raised might emphasize caring financially for parents as they age, while their co-workers are not expected to take on that same responsibility.

Sometimes, these conflicts take place within a family. One spouse may have cultural influences or a family background that encourage them to save for their children's education, while the other may feel that children should be responsible for their own educational expenses. One parent may want to save the family's tax refund; the other will think that money should go

4 Kohl, L. Robert, Values Americans Live By, 1984. See http://www.claremontmckenna.edu/pages/faculty/alee/extra/American_values.html.

towards things the family needs or simply wants now. These kinds of conflicts can lead to emotional decisions that may not look rational on the outside but make perfect sense given each person's background, values, and culture.

Discover the cultural and emotional context

When you discuss finances with workers in individual or group settings, ask questions to help them understand their underlying attitudes, needs, goals, and roadblocks. Ask questions like:

- "Who handles the finances in your family?"
- "How does your community of faith view money?"
- "How did your family handle finances when you were growing up? Did you discuss money openly?"
- "How do your friends view money? How do you think this may influence you?"
- "What are some of the beliefs and attitudes about money you see in your workplace? How do these beliefs and attitudes affect you?"
- "What do you want your children to learn about money? What do you think they are learning from you now?"

It's often difficult for people to open up about money. Taking the time to help them understand the cultural and emotional influences on their values and attitudes about money can provide both you and the workers you serve with new insights. These insights can help them make lasting and productive changes that help them reach their goals.

INTRODUCTION PART 5:

Using *Your Money, Your Goals* with groups

While the toolkit can be used to share financial empowerment information and tools in a one-on-one setting, it may be most appropriate for you to share them with groups of workers at:

- Regular meetings
- Interventions, such as a plant closing, furlough of workers, or large lay off within an industry or community
- Brown-bag lunches at work sites
- Apprenticeship trainings
- Trainings in which you add specific information from the toolkit to the topics you are presenting
- Trainings that are specifically designated for financial empowerment or financial education

Using the training materials

To help you provide this information to groups, the toolkit has a supplemental training guide with PowerPoint slides with instructions for each of the content modules of the toolkit

(Modules 1 – 9). These notes are written for both speakers (lecture-style presentation) and facilitators (participatory-style training).[5]

The amount of time you have will, of course, determine the amount of material you can cover. To assist you in integrating financial empowerment training into the way is most appropriate for you and the groups you are serving, each module of the training guide includes:

- Aten-minute option
- A 30-minute option
- A full-session option.

The Training Guide also indicates which materials you should have on hand for the group, such as photocopies, training supplies, or props.

Choosing content

Because this is not a curriculum, you may not necessarily start with the first content module. To choose where to start, determine which material would be most beneficial to your group now. If you are meeting with a group of workers who are just starting their jobs, *Module 3: Tracking and managing income and benefits* may be most useful to them. On the other hand, if you are meeting with workers who have been furloughed, *Module 5: Getting through the month* may be more important.

Begin with the module and tools that can benefit the workers immediately. If you have the opportunity to meet with them again, add other modules or tools that are also relevant to them.

This table lists six common scenarios and the modules you may want to consider using in order of relevance.

Worker Scenario	First Module	Second Module	Third Module
Starting a job	*Module 3: Tracking and Managing income and benefits*	*Module 2: Saving for emergencies, goals, and bills*	*Module 5: Getting through the month*

[5] The training slides are available in English and Spanish at www.consumerfinance.gov/your-money-your-goals.

Furlough	*Module 4: Paying bills and other expenses*	*Module 5: Getting through the month*	*Module 6: Dealing with debt*
Lay-off	*Module 4: Paying bills and other expenses*	*Module 5: Getting through the month*	*Module 6: Dealing with debt*
Seeking work after a period of unemployment	*Module 7: Understanding credit reports and scores*	*Module 1: Setting goals and planning for large purchases*	*Module 6: Dealing with debt or Module 4: Paying bills and other expenses*
Preparing for Bargaining	*Module 3: Tracking and managing income and benefits*	*Module 2: Saving for emergencies, goals, and bills*	
Approaching retirement	*Module 4: Paying bills and other expenses*	*Module 1: Setting goals and planning for large purchases*	*Module 8: Money services, cards, accounts, and loans: Finding what works for you* or *Module 9: Protecting your money*

After you've shared some information with a group, if individual workers indicate that they would like to learn more, you can determine the right modules to start with by using the *My money picture* assessment in Part 2 of the Introduction or by answering the questions below.

Key question	If no, consider starting with:
Does the worker have clear goals? Is the worker satisfied with his or her financial situation?	*Module 1: Setting goals and planning for large purchases*
Does the person have money set aside for emergencies or unexpected expenses?	*Module 2: Saving for emergencies, bills, and goals*
Does he or she track their income and know their options for receiving pay and benefits? Do they have enough income?	*Module 3: Tracking and managing income and benefits*
Does he or she pay bills on time each month? Does the worker understand the financial products they use to pay bills and spend money?	*Module 4: Paying bills and other expenses*

Is the individual able to make ends meet each month?	*Module 5: Getting through the month*
Is the individual able to manage his debts?	*Module 6: Dealing with debt*
Has the person ever requested and reviewed his or her credit report?	*Module 7: Understanding credit reports and scores*
Has an employer told the worker that the company requires direct deposit? Has the worker considered finding lower cost financial products or services to help manage income and expenses?	*Module 8: Money services, cards, accounts, and loans: Finding what works for you*
Does the person know how to take basic steps to avoid abusive or deceptive practices and be protected from identity theft? Has he or she been harmed by a financial product?	*Module 9: Protecting your money*

Tips for sharing *Your Money, Your Goals* with groups

Preparation is the first step, whether you'll be using using the toolkit in an individual or group setting. Reading through it and trying out the tools is the best way to prepare to use the toolkit in any context.

Once you have determined the module you want to use:

- Determine how much time you will have with the group: 10 minutes; 30 minutes; a full training session, or more.
- Find and read the corresponding section in the Training Guide—the module as well as the section within it that matches the amount of time you have.
- Develop your own examples or stories where appropriate to illustrate concepts.
- Make any training props or photocopies needed and ensure that any other needed supplies are on hand.

You could also consider:

- Offering individual sessions for group members if you have the staff or volunteer capacity. In one-on-one settings, workers may be more likely to open up about their financial concerns. And, you will be able to clearly target information and tools to the individual's needs.

- Making referrals to other organizations in your community that can provide assistance on specific financial empowerment topics or provide more general financial empowerment support. Create and use your ***Resource and Referral Guide*** to make the appropriate referrals for the group members.[6]

Finally, as you prepare, be sure to consider the emotional and cultural influences on individuals' choices about money and their financial decisions. You may choose to facilitate a discussion using the questions in *Emotions, values, and culture: What's behind our money choices*, or use the information to increase your own ability to communicate financial empowerment information effectively with diverse groups of workers.

[6] See *Creating a Referral Guide* at http://files.consumerfinance.gov/f/201407_cfpb_your-money-your-goals_referral-guide.pdf.

MODULE 1:

Setting goals and planning for large purchases

Every person or family has a different idea of the future they want to build. Some of the ideas they have are focused on the next few weeks or months, and others are long-term. What do you want for yourself and your family in the near future? What do you want to see in the next few years? These ideas of your future are your hopes, wants, and dreams.

If you're like most people, thinking about some of your goals means thinking about the money you need to achieve them. Your goal may be having enough money to pay all of your bills each month even if your income varies from week to week. It could be having enough money to cover expenses if you are laid off due to seasonal changes in work or to pay off a short-term loan from a family member or lender. Your goals could also include saving money to buy gifts at holiday time, set up an emergency fund, purchase a used car, move to a nicer apartment, make a repair on your home, send your child to college, pay for training or education for yourself, pay off student loans, or to put into a retirement account.

Life events and large purchases

People often put off saving for these important goals 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 these things 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
- Your daughter's quinceañera
- Your son's bar mitzvah
- Your child's high school graduation celebration
- Post-high school training or education expenses for your children
- Purchase of a car
- Purchase of a home
- Training or education to help you get a different job or a higher paying position
- Starting a new job
- Tools or equipment needed for your trade or profession
- Wedding expenses for your 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
- Your own final expenses

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

One way to think about financial empowerment is to begin by thinking about your goals, including the ones that have to do with life events that are likely to impact you and your family.

Once you know where you are and where you'd like to go, you can start moving in the direction you've chosen.

Depending on the goal, it can take just a week, a month, or a few months to reach. These are short-term goals. You may also have long-term goals—things that will take many months or even years to reach.

Costs of life events

What is a life event likely to cost? While there are many variables that affect the costs 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

Setting goals is a powerful process for thinking through your short-term and long-term future and finding ways to turn your vision into reality. It helps you turn your needs, wants, hopes, and dreams for the future into something concrete that you can take steps to achieve.

Setting goals helps you to:

- **Work** toward making your future better
- **Prioritize** how you spend your money so that it goes toward things that really matter to you
- **Measure** and track your progress toward getting the things you want out of life
- **Take pride** in bettering your life and the lives of your children

SMART goals have five important characteristics. They are **specific, measurable, able to be reached, relevant**, and **time bound**. When setting a new goal, think about the following:

Specific	**Ask yourself:** What will I achieve or who will 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 (Did I achieve the goal by the target date?) and that actions are planned to reach the goal by the date.

Here are some hopes, wants, or dreams you might have for your family and how they could be translated into 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 my union rep or worker center staff to see if I qualify for benefits or job training opportunities 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 five weeks 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 by June. **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 $5,000 in a fund to help pay my child's tuition in ten years.

Turning goals into financial targets

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

When figuring out **how much you need to set aside every week** to meet your goal, you need two pieces of information: the **total amount** that you'd like to save and the **number of**

weeks you have to reach your goal. Then, you can plug those two pieces of information into this formula:

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

Here is an example: It is January 1st, and you've just set a new goal to save $500 in an Emergency Fund by the end of August. You already have your first piece of information: the total amount you'd like to save is $500. To get the second piece of information, the approximate number of weeks, just count the number of months from January to August and multiply by 4. You should arrive at 32 (8 months X 4 weeks).[7]

You can plug these numbers into the formula:

$500 ÷ 32 = $15.65 (rounded)

The formula shows that you would need to set aside $15.65 every week in order to have $500 by the beginning of August. (To get the monthly total, divide the savings goal by 8 months instead of 32 weeks.)

Here is an example: It's the beginning of May and your new goal is to save $500 to buy new school shoes, clothing, and school supplies for your kids at the end of August. How much do you need to save every week to meet this goal? Your first piece of information is that you need a total of $500. To find the approximate number of weeks you have to save, count the months from May until August and multiply by 4. You have 16 weeks. Now, plug it in to the formula:

$500 ÷ 16 = $31.25 per week

You would need to save $31.25 per week (or about $125.00 a month) in order to meet this goal.

After doing these examples, did you notice how the three pieces of information (total amount of savings, number of weeks, and amount needed to save every month) are related to each other?

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

Though the amount of total savings is the same in both, you'd need to save more each week in the second example, because you have fewer weeks to save. This relationship is a good rule to remember.

If you shorten your length of saving time (like from 32 weeks to 16 weeks), but keep your money goal the same ($500), you will need to double the amount of savings per week (from about $15.65 to $31.25) to reach your goal.

It's helpful to use this formula when figuring out if your goal is actually reachable.

Once you have your savings 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 for your goals, see *Module 2: Saving for emergencies, goals, and bills*.

Savings accounts for children

Workers 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
- Help a child to build assets and learn to plan for the future

What about revising goals?

Goals aren't something to set and then forget. You need to keep your goals in sight, and you may sometimes need to revise them.

Revise your goals when:

- The goal has been achieved

- The amount of saving every week or month toward the goal is more than what makes sense for your family
- Emergency savings are used and need to be replenished
- Your circumstances change due to life events (such as when you lose a job or get a new job, start earning more money, have a new child, have a health emergency, etc.)
- Your values change and a goal no longer feels relevant

To revise one of your goals, take a look at what has changed.

If one of your goals has been achieved, it's time to start the process again and set a new goal. Think about what you want for yourself and your family and create a new goal.

If the amount of saving every week or month toward the goal is more than what is possible for you, think about if you can change either the amount of total savings or the length of time you have to save.

For example, in September you decide to buy a new television by the end of November. You've looked at models, and the one you want is $600. If you start saving at the beginning of September, you have approximately twelve weeks to save. When you plug this into the formula to see how much you'd need to save each month, you find that you would need to save $50 every week (or about $200 every month) in order to meet this goal. But what if you don't have $50 extra dollars in your cash flow budget? Does that mean buying a new television is a bad goal?

No - it just means you need to adjust your goal. Are you willing to buy a less expensive television? If you decide that you can spend $300 on your new TV instead of $600, you've cut the amount you need to save each week in half.

But if you don't want to buy a cheaper television, you can decide to lengthen the time you'll save up for it. Instead of saving for three months, you can extend the time you'll save to six months. By giving yourself twice as much time to save, you can bring your weekly savings down to $25 and purchase your desired television in February instead of November.

If your Emergency Savings have been used, they've done their job. Now it's time to replenish them. Create a new goal by figuring out how much Emergency Savings you'd like to have and by when. Calculate the amount you need to save weekly or monthly and start saving. (See *Module 2: Saving for emergencies, goals, and bills* for more information on this topic.)

When your circumstances change due to life events (such as when you lose a job or get a new job, start earning more money, receive a lump sum from a tax refund or inheritance, have a new child, have a health emergency, etc.), take stock of your new situation and your goals. If you have less money to put toward savings goals, adjust the length of time and/or the total savings for your goals to make them manageable in your new situation. For example, if you get a tax refund, consider putting some of the lump sum toward one of your goals. This may help you reach the total you need for a goal faster.

When your values change and a goal no longer feels relevant, think about what you want for your family in the future. If the goal you set before no longer feels relevant to your life, set it aside and begin setting new goals that do feel relevant.

Your personal balance sheet and retirement

You may have heard the term *balance sheet* used when people talk about companies. But a balance sheet is important they're important for individuals and families, too.

A balance sheet is an accounting of all of your *assets*—the things that you own—and all of your *liabilities*—the money that you owe. Assets include savings, investments including college savings or retirement accounts, businesses, homes, and more. But in order to get assets, you often create liabilities such as a mortgage for a home or a loan for a car.

The difference between your assets and your liabilities is your *net worth*.

Many people consider net worth the true measure of both wealth and financial stability, not income, because income can be used up.

Net worth is important at any stage of life. But it is particularly important as you begin to think about retirement because for most people, retirement means living on a fixed income from:

- Social Security
- A fixed payment from a pension or a defined benefit plan that was provided through an employer
- Payments from personal savings for retirement in workplace-based 401k or 403b plans as well as other accounts like IRAs

One way to help ensure financial stability in retirement is increasing net worth. And the best way to do this prior to retirement is to eliminate liabilities. Lessening or eliminating debt before retirement means that less of your income will be tied up in loan or mortgage payments.

Tool 1:

Goal-setting tool

This tool can help you with the goal-setting process. Identifying goals is important, because it helps you plan for and reach what is most important to you. And 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.

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. You may also want to brainstorm a list of the life events you anticipate experiencing as well as the costs associated with some of these life events. 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 using the final section of the worksheet.

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. (If you want to write more than one short-term goal and one long-term goal, make another copy of the worksheet for this step.)

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 savings target

Use the chart below to figure out much you need to save for those goals that need money. Start with the goals you circled above and then calculate your **monthly** savings goal. *Note: To figure out an estimated weekly goal, divide your "monthly savings goal" by 4.*

Goals	Amount needed	Approximate number of weeks to deadline	Amount needed ÷ Number of weeks to deadline = Weekly savings goal
Short-term			
Example: I will save $300 within 6 months to start an emergency savings fund.	$300	24 weeks	$300 ÷ 24 = $12.50 per week (about $50 per month)
Goal:			
Long-term			
Goal:			

Once you have your savings 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 2: Saving for emergencies, bills, and goals*.

Tool 2:

Planning for life events and large purchases

This tool can help plan for life events and large purchases, such as your daughter's quinceañera, a car, or even the tools of the trade you need to make a living.

There are five 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 in your future, maybe even more than once. If you use tools for your trade, these may need to be periodically updated or replaced 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 (your daughter's quinceañera or bat mitzvah) or need to make large purchases. If your daughter is eight years old now, her quinceañera will be in seven years. If your car is five years old or has a lot of mileage on it, you may need to replace it within five years or less.

2. **Estimate the costs of these expenses.** Research the costs of large purchases or life events. If the life event or need to make a large 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. (See Module 2, Tool 4 for more information on 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 quinceañera or bat mitzvah, 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?

	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 to cover the large purchase or life event.

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 mortgage 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.

Auto loans are available from:

- Credit unions
- Banks
- Finance companies
- Car dealers

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 is worth less because of wear and tear.

When you borrow money to buy a car, 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 APR) you will pay on a loan may depend on:

- Your credit history and score
- The term of the loan
- 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. 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 that could mean extending the lifetime of the loan. That could mean you still owe on the car when you are ready for your next car.

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 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 4 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 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 price on 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

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/

Certified 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 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

MODULE 2:

Saving for emergencies, goals, and bills

Savings is money you set aside today to use in the future. 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

Why save for unexpected expenses and emergencies? Because they will happen.

Emergency savings

Everyone has unexpected expenses and emergencies—a suddenly needed car repair, the need to travel to help a sick family member in another state, paying the bills when you've had a cutback in hours or even lost your job.

When you save for unexpected expenses and emergencies in advance, you can handle them when they happen without having to skip paying your other bills or borrow money. When you have to skip paying other bills to pay for an emergency, you often pay late fees. And if it results in loss of service (your utilities are shut off, for example), then you have to come up with even more money to turn them back on.

When you borrow money, you have to pay fees and sometimes interest. And on top of that, you will probably have to use some of your income going forward to pay back the money you borrow.

So saving money now for unexpected expenses and emergencies can save you money later.

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 school supplies. While not unexpected, they can still surprise you.

Saving money is particularly important for people whose income fluctuates, or varies. An hourly worker who is not guaranteed a fixed number of hours per week has fluctuating income. Someone who is employed seasonally—receiving income for only eight out of twelve months because work stops—has fluctuating income, too.

Regular saving while you're earning income is crucial to ensuring that you can pay your expenses and bills on time and in full when your income is lower than expected or stops for a period of time.

But knowing it is important to save and actually saving are two different things altogether. That's why it's important to learn *how to save.*

Getting started

Anyone who has tried to save knows that setting money aside isn't as easy as it sounds. First, you have to make the decision to save. Then you also have to find the money to save. There are basically only two ways to find money to save:

- **You can 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 cut one major cost. This may mean dropping a service you're paying for but may not be using very often, or cutting back on television services (from premium cable service to basic) or cell phone services (from unlimited texts and calling to a limited or prepaid plan).
- If there are not "major costs" to cut, you may have to cut back a little bit in several different categories of spending—cutting out one meal out per month, for example, or consolidating errands to spend less on gas.
- **But the big challenge is turning the money you've saved by spending less into savings**. You have to move that money you have saved by not spending into a

savings jar in your home and then into a savings account at a bank or credit union or a savings bond. If you don't have a place to set it aside, it can be easy to spend it instead of save it.

- **You can also increase your income**. This can mean taking another part-time job or ensuring you file your taxes and claim tax credits you qualify for. For example, you can save your tax refund for emergencies or unexpected expenses, set it aside for annual expenses (back to school or holiday shopping), use it to pay down debts, use it to take care of car repairs, or set it aside for household maintenance. Again, you must make sure that some of that new income gets moved into the place you have decided to save it.

  The information in *Module 3, tool 4: Increasing your income through tax credits* explains the Earned Income Tax Credit (EITC) and the Child Tax Credit and how they can help you increase the income you have available to pay bills, pay down debt, or save for your goals.

Make savings automatic

If you receive 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*.

- **Using direct deposit saves you both time and money.** You don't have to get your check cashed to use it. And the funds are generally available as soon as they are deposited. That means you get paid on time, even if you aren't working on payday and that you get paid at the start of the payday, not the end of the day.
- **If you have a bank account, then you can arrange to have some of the money deposited moved automatically to a savings account.** If your weekly paycheck of $500 is directly deposited into your checking account every week, you can have $20 automatically transferred into a savings account. Once you set this system up, you may "forget" about that $20. And by the end of the year, you will have $1,000 in that account.

If your employer allows you to split your direct deposit, consider putting some of your paycheck into savings and the rest into your checking account for your bills and other expenses.

Some payroll cards have a savings or “purse” feature that lets you set aside some of your paycheck on the card for savings. Ask your employer about the specific features of your payroll card. When you do, be sure to ask about the card’s fees.

Asset limits and savings

Even if you receive public benefits, you can generally have some savings. Savings are important for building your financial stability. Knowing your state’s asset limits can help you make a savings plan.

People who save successfully generally choose a system of saving for their goals. These can include savings for their children’s education and for their own retirement expenses. They make the decision one time, set up the system, and then they save money from every paycheck without having to think about it. If your income is seasonal or fluctuates, however, there may be times you need to temporarily decrease the amount of savings that is automatically deposited from your paycheck.

Check with your employer to learn more about direct deposit and other options for automatically saving some of your paycheck. This can help you be ready for long-term expenses or for those weeks or months you income stops or is less than you planned because of seasonal changes in the availability of work.

You can use *Tool 1: Savings plan* to figure out why you need to save, how much you need to save, and how you can start to find the money to save.

Savings and public benefits

If you are receiving public benefits, you may want to know about asset limits. Asset limits are rules about how much you can have in assets before your benefits are reduced or eliminated. Different benefits have different limits.

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.

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”—money in checking accounts, savings account, and investment account are examples of liquid assets. If you own your own home or a car, these assets will generally not count against qualifying for benefits.

You can use *Tool 2: Benefits and asset limits* to figure out the asset limits of the benefits you receive. This can help you save without unexpectedly losing your benefits.

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 you can put the money until you want or need to use it. As you consider the options, you'll also want to be aware of the potential costs of each financial product.

Tool 3 – Finding a safe place for savings can help you identify where you'd like to keep your 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.

The more you know, the safer your money. FDIC

NCUA

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.

How will you know if deposits in a bank or credit union are insured? You can look for these FDIC or NCUA logos. These will be on the door, displayed on the bank or credit unions websites, or on all materials from the bank or credit union.

Your banking history report

If you are considering opening a savings account, it's important to understand the impact that your banking history report may have on the type of account you may be able to open.

When you complete the application to open an account at a bank or credit union, they often contact 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 you have had prior difficulties using a checking account, including writing bad checks or suspected fraud.

These agencies collect information about how consumers manage savings and checking accounts. They do this for financial institutions that are a part of their network. Financial institutions 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 similar accounts.

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 you are denied a checking account based in whole or in part on a report from any of these specialty consumer reporting agencies, you have the right to a free disclosure of certain information in your file. The notice you receive from the bank or credit union will give you the name, address, and phone number of the consumer reporting company and how you can contact it to obtain your free disclosure.

Finding and fixing mistakes in your banking history report

If you find mistakes in your banking history report, you can dispute these by sending a letter (you may choose to use regular or certified mail) describing the mistake and including copies of any evidence.

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.

Savings plan

Did you know that most people in the U.S. don't have enough savings to cover a $1,000 emergency?[8] Whether you have low income or high income, most people can expect around $2,000 worth of unexpected or emergency expenses in a year.[9] These unexpected expenses include medical bills that aren't covered by insurance, auto repairs, home and appliance repairs, and bills that you still have to pay if you lose your job are the most common. For individuals with fluctuating or seasonal income, the amount of money needed to cover weeks or months

8 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.

9 Consumer Federation of America. See http://www.consumerfed.org.

when the income is less than expected or nonexistent will be even greater than the $2,000 for unexpected or emergency expenses.

A savings plan includes:

The reasons you are saving. This could include one of your goals, an emergency fund, money to pay for your automobile insurance in three months, money to cover the months you are likely to be laid off due to work that's seasonal, or to ensure you have enough money set aside for back-to-school expenses.

The total amounts you need to save. Your savings plan will help you come up with an amount of money you can save every month to reach all of your savings goals.

How you are going to find that money to save. These are the specific strategies you are going to use to find the money you want to set aside to save. Most people find they have to make choices about cutting back on one expense (or more) to have the money to save for something else. Or they have to figure out a way to get more income. If you have a regular paycheck, another strategy can be using direct deposit or transfer of a set amount into a savings account each time you get paid. And, if you usually receive a tax refund, you might want to build a plan to save part of your refund. *Module 3, Tool 4: Increasing your income through tax credits* explains the Earned Income Tax Credit (EITC) and the Child Tax Credit and how they can help you save for your goals.

Where you are going to put that savings. You have to work hard to save money, and you'll want to make sure you put it in a safe and secure place. An important part of your savings plan is identifying specifically where you will put the money you have saved.

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, because you won't pay interest, fees, or other costs that come from borrowing the money you need. How much should you save? Start with $500 as your goal.[10] 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 cover your rent if you lose your job, take care of major car repairs, and pay for many household repairs.

What are the benefits of a savings plan?

- Your plan builds your own personal safety net one paycheck at a time.
- As you build savings, you can have peace of mind knowing you have a little set aside for the unexpected or emergencies.
- As you watch small amounts add up, you'll move closer to reaching your goals and almost always pay less than when you use credit and rent-to-own.
- And, you'll save money by avoiding late fees, interest charges, and other costs related to not covering expenses or borrowing money. And when you avoid borrowing, you don't have to commit future income to paying off your 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.

10 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.

COST TO REPLACE SPARK PLUGS ON YOUR AUTOMOBILE = $350.

	Emergency savings	Credit card	Payday loan
Amount	$350	$350	$350
APR[11]		21.99% annual percentage rate (APR)	$15 for every $100 borrowed for 14 days. This means a 391% annual percentage rate (APR).[12]
Payment		Must pay at least a certain amount each month.[13] (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).[14]
Total additional cost and time to repay	$0	You would pay $28.11 in interest in addition to the principal borrowed. It will take just over eight months[15] to pay back the full amount.	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 $367.50 in fees.[16]

[11] 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.

[12] Some states have laws that limit the amount of loan and/or limit the interest rates of these loans.

[13] 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.

[14] 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.

[15] 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.

[16] 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 retirement in the workplace

There are many options for saving for retirement. They range from putting money into a savings account at a bank or credit union to opening an Individual Retirement Account (IRA) to saving through your workplace. While some workplaces offer pensions or defined benefit plans, most employers offer defined contribution plans. Saving for retirement through defined contribution plans can be a good way to build retirement savings because of the benefits they provide including:

- Matching contributions—employers often match your contribution up to a certain, predefined level.
- Tax advantages—depending on the kind of account you have, you can contribute income pre-tax reducing your tax liability now. You are deferring the taxes until you make your withdrawals. You can also contribute after-tax dollars (Roth) and make your withdrawals tax-free.
- Self-direction—you can decide how to invest the money.
- Vesting—vesting is the amount of time you have to work for an employer to be entitled to benefits from a retirement plan. One advantage of a retirement savings plan is that all the money *you* contribute to it is yours from the moment you put it in, and so are any earnings those contributions generate. However, many employers that make matching contributions require you to stay at your job a certain period of time in order to benefit from those matching contributions and the earnings those assets provide.
- Portability—unlike traditional defined-benefit pensions, employer-sponsored retirement savings plans are portable. This means you can take your money with you if you leave your job. If you leave that job, you always have the choice of rolling these assets into an IRA, where they continue to have the same tax advantages as your other IRA assets.

Below are common retirement savings mechanisms in the workplace.[17] To understand more about your options, consult your union representative or the human resources staff at your place of employment.

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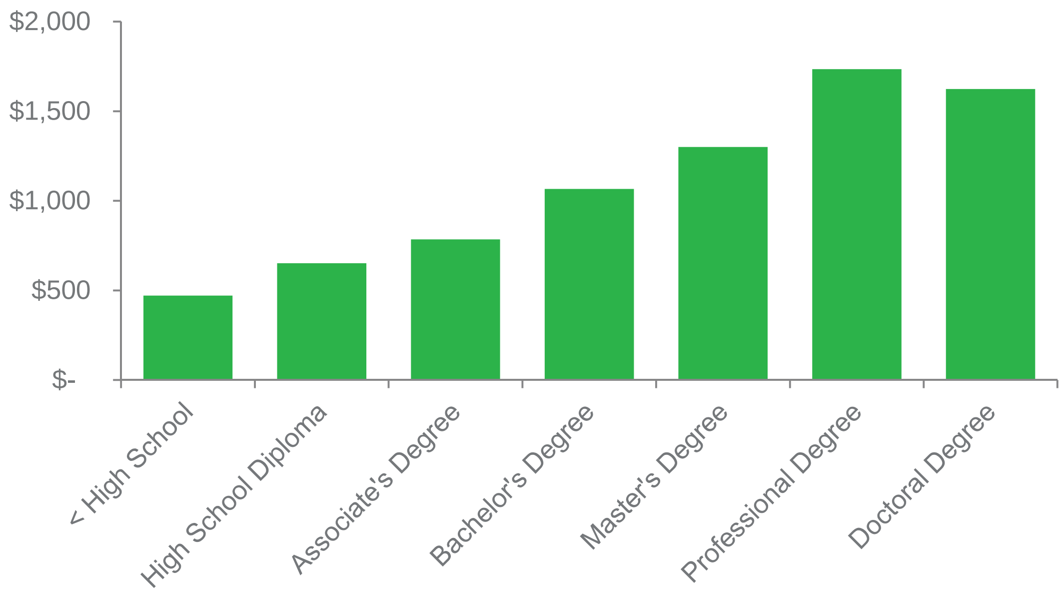
[17] FINRA Investor Education Foundation. See http://www.finra.org.

- **401(k) Plans.** Corporations and nonprofit organizations can sponsor 401(k) plans. An employer may offer just a traditional plan or both a traditional 401(k) and a Roth 401(k). Each employer's plan differs in some ways from other plans, but the basic elements are essentially the same. Among the most important are that your contributions are deducted directly from your earnings and deposited into your account, you select the investments from the menu your plan provides, and you enjoy tax benefits for participating. Your employer may provide a full or partial match to your contribution, but you may have to work for the company for a certain period of time to fully benefit from the match.
- **403(b) Plans.** Nonprofit employers, including educational institutions, hospitals, museums, and foundations, may offer 403(b) plans to their employees. Traditional 403(b)s are tax-deferred salary reduction plans and Roth 403(b)s are tax-free plans to which you contribute after-tax income. These plans resemble 401(k)s in many respects though they may allow larger catch-up contributions, are less likely to offer matching contributions, and their investment menus are typically limited to annuities and mutual funds.
- **457 Plans.** State and local governments may offer 457 plans to their employees. For the most part, these savings vehicles work very much like traditional 401(k)s—they allow you to set aside pretax income in a tax-deferred account. However, there's no Roth version of a 457 plan, and employers do not match contributions. If you're 50 or older, you may have more generous catch-up provisions if you're within three years of the plan's retirement age. Plus, with a 457, you are permitted to make penalty-free withdrawals any time after you retire from your government job, even before you're 59 1/2.
- **Thrift Savings Plan.** If you work for the federal government as a civilian or military employee, you can save for retirement through a Thrift Savings Plan, usually abbreviated as TSP, as part of either the Federal Employees' Retirement System (FERS) or the Civil Service Retirement System (CSRS). The federal TSP resembles traditional 401(k) plans in many ways. You contribute pretax income through payroll deductions, and your TSP assets grow tax-deferred until retirement, when you start making withdrawals. At that point, you pay taxes at your regular rate on the amounts you withdraw. Your TSP plan assets are portable, your contributions are always 100% vested, and if you leave your job you can roll over the money to an IRA.

Saving for education

Workers with children may want to work toward making a better life for them. Saving for children's postsecondary education or training may be a financial goal for them, because they see them as a path to "a better life." Training or education after completion of high school (including completion of a General Education Development test or GED) can be an important investment of both time and money. It 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, 2012



Source: Bureau of Labor Statistics, *Employment Projections. Education Pays...*, accessed April 2014. See http://www.bls.gov/emp/ep_chart_001.htm.

Saving for children's education can help pay for the increasing costs associated with training and education after high school. Money saved for 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 tax-advantaged savings plans 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.

Tool 1:

Savings plan

This tool can help you make a plan to save money for:

- Your goals
- Expenses
- Unexpected expenses and emergencies
- Living expenses for the months during which income is less than expected or not earned due to seasonal work

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 and planning for large purchases*.
- 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 a new appliance, job loss*	**Yes**	**No**
Living expenses for months 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 a refund anticipation loan (RAL).

____ I use my tax refund.

____ I use a car title loan.

____ I ask people who owe me money to pay it back.

Savings plan[18]

Date ______

Savings goal	Total amount needed	Months to reach goal	Monthly amount to save	Strategies for saving	Amoun t 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*	*Savings account at a bank or credit union. Will generally require a minimum deposit*
				Cut out one fast food meal per week for family	*$60*	
				Total saved per month	**$100**	

18 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.

Once you have your savings plan, 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 setting up an account to save in, see *Module 8: Money services, cards, accounts, and loans: Finding what works for you*.

Direct deposit and savings

If you receive a regular paycheck, one way to build savings is through direct deposit into a bank account or onto a payroll card.

Using direct deposit saves you both time and money. You don't have to get your check cashed to use it. And the funds are generally available as soon as they are deposited. That means you get paid on time, even if you aren't working on payday. It also means that you get paid at the start of the payday, not the end of the day.

If you have a bank account, you can arrange to have some of the deposited money moved automatically to a savings account. If your weekly paycheck of $245 is directly deposited into your checking account every week, you can have $10 automatically transferred into a savings account. Once you set this system up, you may forget about that $10. And by the end of the year, you will have over $500 in that account.

If your employer allows you to split your direct deposit, consider putting some of your paycheck into savings and the rest into your checking account for your bills and other expenses. Some payroll cards have a savings or "purse" feature. This feature lets you set aside some of your paycheck on the card for savings. You will need to find out the specific features of the payroll card offered through your employer. And be sure to ask about the card's fees.

Check with your employer to learn more about direct deposit.

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Tool 2:

Benefits and 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 are examples of liquid assets. If you own your own home or a car, these assets will generally not count against qualifying for benefits. In some states, however, if a car exceeds a set value, the amount over that value may be counted.

If you have saved money from the Earned Income Tax Credit, this savings is not generally counted against your limit for up to 12 months.

Do you receive public benefits? For example, food stamps (SNAP), cash assistance (TANF), Supplemental Security Income (SSI), Medicaid, etc.	Yes	No

If you answered *yes* to the question above, you may want to review the following tool.

It 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 state.

Please note that rules regarding benefits change regularly, so check this annually to ensure accuracy.

Benefits and asset limits list

Benefit[19,20]	Do you have this?	Asset limits	Contact and other information
SNAP[21] Supplemental Nutrition Program, also called Food Stamps		While the states have discretion, the Federal Asset Limits for SNAP benefits are up to $2,000 in countable resources (bank account) or $3,250 if one household member is over 60 or disabled[22] States using broad-based categorical eligibility have no asset limits.[23]This means that if an individual qualifies for TANF, SSI, or General Assistance, they automatically qualify for SNAP.	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

[19] This information is current as of November 2014 and pertains to 2014.

[20] United States Department of Agriculture Food and Nutrition Service. See http://www.fns.usda.gov/snap/eligibility.

[21] In general, only your liquid assets – like cash or money in savings or checking account – are counted. This means that you may still 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.

[22] 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.

[23] States have had 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.

Benefit[19,20]	Do you have this?	Asset limits	Contact and other information
TANF - Temporary Assistance for Needy Families		$1,000 to $3,000 in most states. Nevada's limit is $6,000.[24] Colorado, Illinois, Ohio, Louisiana, Alabama, and Virginia have eliminated asset tests for TANF eligibility.	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	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
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 counted.	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.

[24] Nevada increased its limit to $6,000 in 2014. https://dwss.nv.gov/TANFFacts.html#DWSSresources

Benefit[19,20]	Do you have this?	Asset limits	Contact and other information
Low Income Energy Assistance Program (LIHEAP)		Some state and tribal governments use categorical eligibility for LIHEAP. This means if someone in the household receives TANF, SSI, or SNAP, the household can be eligible for LIHEAP benefits.[25] 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, visit: http://www.liheap.ncat.org/snapshots.htm
Other Energy Assistance Programs			
Family Medicaid[26]		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
Other:			

25 See http://www.acf.hhs.gov/programs/ocs/resource/liheap-eligibility-criteria.

26 See https://www.federalregister.gov/articles/2012/03/23/2012-6560/medicaid-program-eligiblity-changes-under-the-affordable-care-act-of-2010#h-28.

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Tool 3:

Finding a safe place for savings

Setting money aside can be hard. It often means you have to cut back on spending somewhere else. For example, you might have given up premium cable or satellite dish service for basic. Or you have found a way to earn more income. You have taken on another part-time job, or you received a tax refund.

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. There are some benefits and risks of each option listed already to get you 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	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 debit card (stored value 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 or checking 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: _______.

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Tool 4:

Saving for retirement

In general, financial planners coach people to count on needing between 60% and 100% of their current income to meet everyday expenses when they retire. This means that if you earn $28,000 today, you will need between $16,800 and $28,000 per year. When you think about how much you'll need, remember that estimates made in today's dollars are a starting place. Because of inflation, everything will probably cost more when you retire than it does now.

All of this common wisdom, however, depends on what you want to do during retirement.

One thing that's often missed in articles about saving for retirement is the notion of simplifying before you retire. Ask yourself if there are expenses that you can cut back on now to give you more flexibility in the future.

For example, if you own your home, can you work hard now to pay off your mortgage? This would limit your future housing expenses to property taxes, insurance and home repairs. Can you ensure you have a good quality car paid off before retirement? Or does relocating to a less costly area make more sense—one that includes a good public transportation system that eliminates your need for a car?

This is the reason planning ahead is so important. Planning gives you a chance to think about the goals you have and the variables that could help you reach them or could keep them out of reach.

What is inflation?

Inflation is the general increase in the cost of items over time. In practical terms it means that what you can buy with a dollar today is more than what you will be able to buy with a dollar five years from now.

Think about what you paid for common items ten years ago. In general, you pay more dollars for the same gallon of milk, pair of jeans, or dinner at a restaurant today than you did then.

For example, if estimated inflation is 3% a year, this means that something that costs $1 today is likely to cost $1.16 in 5 years and $1.34 in ten years.

One big variable is the actual cost of everything in the future. Because of inflation, you can expect things to cost more money. The same apartment your pay $500 a month for today could cost $672 ten years from now (assuming an annual inflation rate of 3%). As you work on your retirement estimates, you will need to factor in inflation, too.

So you can use general expert advice as a starting point to get you going. But, to ensure you are saving what you need, you must know what you want to do during retirement. Then, you can plan for all of those costs and take into account the savings you may have built by reducing your expenses before you retire.

Retirement facts and figures

- In 1940, the average life expectancy of a 65-year-old was almost 79 years; today it is about 85. This means, on average, if you retire at 65, you'll have to think about how to cover living expenses for *20 years*.
- By 2033, the number of older Americans will increase from 46.6 million today to over 77 million.
- An estimated 165 million workers are covered under Social Security.
- 51% of the workforce has no private pension coverage.
- 34% of the workforce has no savings set aside specifically for retirement.

Source: Social Security Basic Facts, Social Security Administration, April 2, 2014.

Estimating your retirement expenses

Planning what you will need during retirement and what you want to do, too, can help ensure you are saving the right amount now. To start, factor in the following expenses[27]:

[27] The U.S. Department of Labor includes these items in their retirement planning guide entitled *Savings Fitness: A guide to your money and your financial future*. See http://www.dol.gov/ebsa/pdf/savingsfitness.pdf.

Saving—Just because you are retiring, you shouldn’t stop saving. You will want to continue saving, but may need to save at a lower rate. Keeping an emergency fund can help cover unexpected things that will continue to happen even after you retire.

Taxes—Taxes on your home, income, and other property will continue after you retire.

Housing—Estimate your housing cost at the time you plan to retire. If you own a home, this will be your monthly mortgage amount. Don't forget to include your annual real estate tax amount and housing upkeep costs. If you are renting, add your monthly rental amount. Other fees that might be included in this category are big-ticket home expenses such as a stove, refrigerator, water heater, new roof and so on. Be sure to include the cost of homeowners or renters insurance.

Utilities—You will need to continue to pay for utilities in retirement. If you plan to rent, some of these utilities may be included in the rent.

Food, household supplies, and personal care—Estimate the amount of money you will spend every month for groceries, household supplies like cleaning products, and personal care expenses like haircuts. Your estimates should take into account the size of your household at retirement.

Transportation—If you plan on owning a car after retirement, estimate your annual car maintenance, gasoline costs, and automobile insurance. You may also want to budget for the cost of replacing the car at least once depending on when you retire. If you rely on public transportation such as trains or buses, estimate the cost of monthly passes and so on.

Health—You have to have some money saved up for medical emergencies that Medicare or your insurance policy won’t cover. You may also want to budget for prescription medicine co-pays, preventative health care expenses that aren’t covered, and other care expenses that are not covered by insurance.

These are basic living expenses that you will need to ensure are covered. Use the following worksheet to begin estimating these costs. Note that this is just a preliminary estimate. It does not factor in the likely future cost of those items.

Retirement expense list

Expense	Monthly estimate	Annual estimate	____-year estimate
Saving			
Regular savings			
Emergency fund			
Other:			
Taxes			
Property tax			
Other:			
Housing			
Rent			
Renter's insurance			
Mortgage payment			
Maintenance			
Utilities			
Gas			
Electricity			
Water and sewer			
Garbage pick up			
Telephone			
Internet/cable			
Other:			

Food, household supplies, personal care			
Groceries			
Personal care			
Clothing			
Cleaning and laundry			
Pet supplies			
Other:			
Transportation			
Car payments			
Car insurance			
Fuel			
Car maintenance			
Parking			
Public transportation			
Other:			
Health			
Health, vision, dental insurance			
Co-pays			
Prescriptions			
Other:			
Other			
Gifts			
Donations			

Other:			
Other:			

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Resources

To find a local attorney, visit the American Bar Association's lawyer referral directory at: http://apps.americanbar.org/legalservices/lris/directory/

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

MODULE 3:

Tracking and managing income and benefits

Income

Income is the money that comes into your household. You use income to pay for the things you need and want. You get income from part- or full-time work, self-employment, and investments. You can also get income in the form of gifts from others, tax refunds, or even inheritance.

Income can be **regular**—this means it comes into your household on a schedule and in an amount that you can count on. It can also be **irregular**. This means you cannot predict exactly when you will receive it or how much you will receive. These ups and downs can make it hard to be sure that you'll have money to pay your bills and have enough on hand for expenses like food and transportation.

Sometimes income is **seasonal**—you may receive it for only some months out of the year. For example, if you work in the building industry, you may be very busy with work from March through November, but not working at all from December through February, especially if you live in a northern state. Finally, income may be a **one-time** occurrence. Your tax refund is an example of a one-time source of income within a year.

When you don't know how much money is coming in or when it's coming in, managing income can be very challenging. Even when income is irregular, seasonal, or one-time, your bills and expenses will continue. Rent will be due every month even if the income does not come in.

It can also be hard to plan to use irregular, seasonal, or one-time income to cover expenses in the months you may not have income. When you have the money, you may need or want to spend it rather than setting it aside for bills and expenses in other months.

You can use *Tool 1: Income tracker* to get a picture of your income. It is the first step in planning how you can manage your income differently to cover spending in months you may not have income. This is also an important step in creating a cash flow budget, which is explained in *Module 5: Getting through the month.*

If you find that your income is less than you need or want, you can use *Tool 2: Ways to increase income and resources.*

Your contract

If you are unclear about your income, benefits, or assistance provided during furloughs or layoffs, consult your contract. For help understanding your contract, see your representative.

Deductions from your pay

There are two kinds of deductions you may have from your pay:

- Mandatory, which means they must be taken out
- Voluntary, which means they may be optional

Mandatory deductions include:

- Federal income tax
- Social Security, which is part of FICA (Federal Insurance Contributions Action). 6.2% of your pay is held for Social Security with your employer contributing another 6.2% on your behalf.[28]
- Medicare, which is also a part of FICA. 1.45% of your paycheck is withheld for Medicare with your employer contributing another 1.45% on your behalf.
- State income tax (in most states)
- Local taxes (in some communities)

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

- 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

Wage garnishments

A wage garnishment involves a deduction from your pay. The best way to avoid the problems garnishment can cause is to pay your bills on time. But if you do face garnishments, it's important to understand how it works.

If you've been sued for an unpaid debt and a court orders you to pay it, the creditor may work with you to create a plan to pay it. They may, however, seek payment from your assets (real estate, vehicles, bank accounts, future wages, etc.) This can involve the forced sale of, for example, your house or car. A common way for a creditor to collect and unpaid debt is to garnish your wages. Garnishment is a tool that can be used to collect an unpaid debt directly from your wages or from your bank account.

Garnishment of wages

A wage garnishment allows a creditor to get paid for debts you owe directly from the wages your employer pays to you.

If the creditor you owe money to is not a government (such as a credit card company or a doctor or hospital) the creditor may sue you on the debt, and then get a court order to get paid directly by your employer from your wages. There are federal limits to how much of your paycheck the creditor can take. There may also be additional state limits.

Generally, federal law limits the amount that can be garnished from your wages to whichever of the two following formulas comes out to the smaller amount:

- 25% of disposable income

  or

- The amount that a person earns each week over the amount that equals the federal minimum wage times 30 ($7.25 X 30 = $217.50).[29]

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

- 25% of their disposable income would be **$75.00**
- The amount that person earned each week over the amount that equals the federal minimum wages times 30 would be $82.50
  - Minimum wage ($7.25) x 30 = $217.50
  - $300 - $217.50 = **$82.50**

In this example, only $75.00 could be garnished because $75.00 is less than $82.50.

All mandatory deductions are protected from garnishment outright including:

- Federal, state and local taxes
- FICA contributions

Generally, money going to pay Social Security, disability, retirement, child support, and alimony is protected from garnishment by regular creditors. If you owe the federal government or student loans, however, this money may not be protected. Voluntary deductions are not protected.

The process for getting a garnishment order from a court varies depending on what state you are in. But in all cases before a private creditor can garnish your wages the creditor should have sued you for an unpaid debt and gotten a court judgment saying you owe the creditor money, and how much. You should have received notice of that lawsuit and had a chance to raise any defenses to the debt. In most cases you also should receive notice that the private creditor is trying to get paid from your wages, and should have a chance to raise any defenses to the garnishment.

[29] Note that the federal minimum wage is subject to change. See www.dol.gov for updates.

Because garnishment of wages by a private party involves getting court orders, and complicated formulas for how much of your wages can be taken, you should consider consulting a lawyer. This can help you understand your legal rights and responsibilities and take steps to protect your rights if that becomes necessary.

There may be a legal aid office or legal clinic in your area that can offer you free legal help if you meet their criteria. You can find a legal aid office at http://lsc.gov/find-legal-aid

Servicemembers should consult their local JAG office. You can find one at http://legalassistance.law.af.mil/content/locator.php

You can also contact a lawyer referral service in your area and ask for an attorney with experience in garnishment and debt collection. Some attorneys may offer free services or charge a reduced fee.

If the debt you owe 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 your wages may be different. This kind of garnishment can be complicated too, so you may want to consult a lawyer.

Managing unemployment income

If you lose your job through no fault of your own and are looking for work, you may be eligible for unemployment insurance benefits. Unemployment benefits are set and administered by the state that you live in, but the Federal Department of Labor oversees them.

To get unemployment benefits, you must apply and certify with the department that administers unemployment in your state (often a state department of labor). You can do this in person, online, or over the phone. After you begin receiving payments, you will have to follow your state's rules regarding looking for work and other activities to remain eligible for unemployment benefits,

After you apply, it may take a few weeks to receive your first payment.

Additionally, unemployment only pays a portion of what you earned before losing your job. For many people, this may not be enough to cover the cost of their needs and obligations. The amount could be less than half of what you earned if you have a limited work history.

Finally, unemployment generally only lasts for 26 weeks. Under some circumstances, extended benefits are available in some states for an additional 13 or 20 weeks.[30]

When receiving unemployment, remember:

- **There will be a delay of a few weeks before you receive unemployment benefits**. You must have another source of income, such as emergency savings, to bridge the gap between your last paycheck and the start of unemployment benefits.
- **You will probably receive less money from unemployment benefits than the amount you earned in your job**. You will need another source of income to cover your living expenses or find ways to cut living expenses so that you don't fall behind.
- **You will only receive benefits for a certain amount of time.** Your unemployment benefits may run out before you find work. If it's possible to save some of your unemployment income, it's important to think about setting money aside each week for emergencies.
- **There is a chance your employer could contest your application for unemployment benefits.** If this happens, there may be even further delay in your receiving unemployment benefits.

For more information on unemployment benefits, visit:
http://workforcesecurity.doleta.gov/unemploy/uifactsheet.asp

Worker's compensation

If you are injured on the job or contract a work-related illness, you may be able to receive wage replacement benefits, medical treatment coverage, vocational benefits, and other benefits through worker's compensation. Worker's compensation is insurance most employers are required to carry for their employees.

If you are injured, your employer must file a report with the worker's compensation insurance provider, the state worker's compensation board, and you.

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[30] http://workforcesecurity.doleta.gov/unemploy/extenben.asp

Federal employees are covered by worker's compensation administered by the Department of Labor Office of Worker's Compensation Programs. Individuals that work for state or local governments or private corporations are eligible through worker's compensation administered by state worker's compensation boards. For more information on worker's compensation in your state, visit: http://www.dol.gov/owcp/dfec/regs/compliance/wc.htm.

Disability coverage[31]

Just over 1 in 4 of today's 20 year-olds will become disabled before they retire.[32] This causes financial hardship for families. In addition to some benefits that may be available through worker's compensation if the disability occurred as a result of a workplace related illness or injury, workers may be eligible for short-term or long-term disability benefits.[33]

The Social Security Administration pays disability benefits to you if you meet all of these criteria:

- The Social Security Administration decides that you cannot work because of your medical condition(s)—this means you cannot work at your job or any other type of job.
- Your disability has lasted or is expected to last for at least one year or to result in death.

Social Security does not provide benefits for partial disability or for short-term disability.

There are two ways to apply for disability through the Social Security Administration:

- Apply online at www.socialsecurity.gov.
- Call 1-800-772-1213, to make an appointment to file a disability claim at your local Social Security office or to set up an appointment for someone to take your claim over the telephone. The disability claims interview lasts about one hour. If you are deaf or hard of hearing, you may call the TTY number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days.

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[31] www.usa.gov. Life and Disability Insurance.

[32] http://www.ssa.gov/news/press/basicfact.html. Social Security Basic Facts. April 2, 2014.

[33] In addition, some states offer short-term disability insurance coverage.

You may also be eligible for Medicare—the federal health insurance program—if you have a disability. To find out more about Medicare eligibility, visit: http://www.medicare.gov/people-like-me/disability/disability.html.

Supplemental disability insurance

Disability insurance can supplement Social Security benefits and provide coverage for short-term disabilities. Disability insurance helps you replace lost income. Many employers offer some type of disability insurance coverage, or you can get an individual disability insurance policy.

There are two types of disability policies: short-term (up to two years) and long-term. Long-term policies have benefits that can last the rest of your life. When purchasing disability insurance, be sure to understand how disability is defined—some policies do not consider you disabled unless you are unable to perform the duties of ***any job,*** not just the duties of your current job. You may also want to understand how much money you will receive, how long after a disability determination you will have to wait to get payments, and how long benefits last.

Covering expenses as a seasonal worker

If you are regularly out of work for two to six months each year, paying bills can be especially difficult. One way to handle this is to build your spending plan using less income in the months where you do have money coming in.

For example, if you net $3,000 each month from March to November, you have a net income of $27,000. Rather than living on $3,000 in March through November, consider living on $2,250. ($27,000 divided by 12). Then put the $750 into a savings account for use during December, January, and March.

Or, you could prepay expenses (such as utility bills) in the months you have income to avoid being late or not having enough money for essential expenses when you aren't earning income.

Benefits

Benefits are payments from local, state, or federal government. They are designed to help individuals and families that do not have the resources to cover their basic living expenses.

You can only get benefits if you apply for them. And then, you will only receive them if you qualify for them. For most benefits programs, eligibility is based on:

- Income
- Circumstances, such as whether you have dependents or whether you have a disability
- Assets, such as savings, a vehicle (or more than one vehicle), money in investments

Benefits are like income and can be used to pay for some of the things you need. The difference between income and benefits is that benefits are often designated for specific purposes. For example, if you qualify for the Supplemental Nutrition Assistance Program (SNAP), you can only use those benefits to purchase groceries. If you qualify for Medicaid, you can only use those benefits to cover qualified health expenses.

Benefits are important financial resources that cover living expenses. That's why it is important to track benefits the same way you keep track of your 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
- Cell phone service
- Debt repayment

In some states, people receive their unemployment benefits and other government benefits on a prepaid card.[34] Instead of getting checks, they receive a card, and each month the benefit

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

amount is loaded onto the card. These government benefit cards are sometimes called Electronic Benefit Transfer (EBT) cards.

If your EBT card is lost or stolen, be sure to call to report it lost or stolen right away—the number you call will depend on the issuing agency. If someone else uses the card and PIN number, there is chance these benefits will not be replaced.

The federal government also provides prepaid cards for receipt of certain federal benefits, such as veterans' benefits or Social Security benefits. In most cases, you can also choose direct deposit to a checking or savings account or a prepaid card of your choice.

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

One major advantage of both EBT cards and direct deposit to a checking account or prepaid card for benefits is that individuals do not have to go anywhere to pick up benefits each month. Benefits are automatically transferred to the household's account or card each month on a specific date.

Getting income

There are different ways to receive income and benefits. In some situations, you do not have a choice. For example, some public benefits can only be received electronically by direct deposit to an EBT card or a bank account. Some employers may only pay you using a traditional paper paycheck. You may get your income in one or more of the following ways:

- Cash
- Personal check
- Paycheck
- Direct deposit (to a checking or savings account or prepaid card)
- Payroll card (prepaid debit card arranged by employer)
- Electronic benefits transfer (EBT)

Why does this matter? Each way to get income has advantages and disadvantages. Some of these advantages and disadvantages may help or hinder your management of your income. To better understand the pros and cons of each method, use *Tool 3: Choosing how to receive income and benefits*.

Once you have 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*.

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 the income and financial resources you receive during a month. Once you have written the amount and when you receive the income, benefit, or other resource, first, identify whether it 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)

Gross income is what you earn before any taxes or other deductions are taken from your pay. If you work on an hourly basis, it's the hours you worked times your hourly pay. Net income is the amount of money you take home. Net income is your gross income minus taxes and other deductions. It's usually easier to track net income, because it is the money you actually have to use to pay for your living expenses.

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.

Income for the month of: ____

	Week 1 __/__/__	Week 2 __/__/__	Week 3 __/__/__	Week 4 __/__/__	**Total by source**	***Regular***	***Irregular***	***Seasonal***	***One-time***
Job									
Second job									
Self- employment Income									
SNAP									
TANF									
SSI									
SSDI									
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 manager your income, see *Module 8: Money services, cards, accounts, and loans: Finding what works for you*.

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Tool 2:

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:

- 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 increase cash and sources of financial resources.

Before you use the tool, you should note that there are two ways to bring in more income. You can sometimes 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 not be receiving, or starting a small business.

Increasing Income through Workforce Development Programs

One way to potentially increase income for the long term is by participating workforce development programs in your community. Workforce development programs provide skills training that can prepare you for a new job where you work now or for another company or organization. Workforce development programs can be run by public or private organizations. The workforce development system includes vocational schools, career-technical schools, community colleges, universities, unions, and other apprenticeship programs. Programs often focus on helping individuals develop the skills to fill high-demand jobs or jobs that 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 a CareerOneStop Center (http://www.careeronestop.org) 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.

Your state likely also has a state career or workforce development website or portal. These sites often include online interest and skills assessments, as well as 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 those that may be an option for you, and use this as a plan for getting more information or 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	
	Seek opportunities for training or education that would increase wage at current job or help you get a better 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.)	
	Rent a room in your home	
	Start a part-time small business or use your talents or hobbies to make items to sell online	
	Apply for public benefits (TANF, SNAP, Medicaid, public housing)	
	Search the Internet for reputable opportunities to provide services to other businesses	
	Other:	
	Other:	

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

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Tool 3:

Choosing how to receive income and benefits

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 has potential pros and cons when it comes to convenience, security, and fees.

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

	Definition	Benefits	Risks
Cash	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
TIP: Avoid carrying around or leaving in your home large amounts of cash. If cash is lost or stolen, it’s hard to get it back.			
☐ *This is a good option for me.* ☐ *This is not a good option for me. Ways to get more information:*			
Paychecks	A check for salary or wages made out to an employee	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.	Bank and credit union accounts are 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.

TIP: If you cash your checks at a check cashing store, these stores may try to offer you a payday loan or overseas money-wiring service. These services can be very expensive – if you're considering one, make sure to understand the costs.

- ☐ *This is a good option for me. Ways to get more information:*
- ☐ *This is not a good option for me.*

Direct deposit	Employee pay 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 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 checking account, the account's debit card has full consumer protections for funds taken by error or theft. Income can be sent to a bank or credit union account. 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

TIP: Ask your employer how to arrange for direct deposit. If you receive your pay through direct deposit, in many cases, your money is 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.

☐ *This is a good option for me. Ways to get more information:* ☐ *This is not a good option for me.*			
Payroll cards	Prepaid cards arranged by an employer through which employees access their salary or wages	Safer and more secure than carrying cash or checks The payroll card has 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 Requires some extra effort to access cash when cash is needed
TIP: Ask questions about fees for using the payroll card. Your employer can require direct deposit, but must give you a choice between direct deposit to a payroll card and a bank or credit union account that you choose.			
☐ *This is a good option for me. Ways to get more information:* ☐ *This is not a good option for me.*			
Electronic benefit transfer card (EBT)	EBT replaces paper-based benefits for programs such as Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Women, Infants, and Children (WIC) program, and other programs.[35]	You use it just like a prepaid or debit card.	Not all merchants accept EBT cards. Some EBT cards are subject to fees. Certain cards lack full consumer protections for returning funds taken by error or theft.
WARNING: 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.			
☐ *This is a good option for me. Ways to get more information:* ☐ *This is not a good option for me.*			

[35] The availability of EBT cards—and the fees and other details regarding their use—vary from state to state and from program to program.

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 2014 tax year the following income limits and maximum tax credits apply:[36]

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	$46,997	$52,427	$6,143
Two qualifying children	$43,756	$49,186	$5,469
One qualifying child	$38,511	$43,941	$3,305
No qualifying children	$14,590	$20,020	$496

Also, **investment income** must be $3,350 or less for the year.

[36] http://www.irs.gov/Individuals/Preview-of-2012-EITC-Income-Limits,-Maximum-Credit--Amounts-and-Tax-Law-Updates

Your kids are "qualifying children" if:

- They have lived in the U.S. with you (or your spouse if married filing jointly) for more than half of the year.
- Are under age 19 or under age 24 if they are a full-time student or are "permanently and totally disabled."
- 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 credit if you are between ages 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. For the Child Tax Credit, a child is qualified if they meet the following tests:[37]

- **Relationship Test** – To claim a child for purposes of the Child Tax Credit, they must either 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. An adopted child includes a child lawfully placed with you for legal adoption.
- **Support Test** – To claim a child for this credit, the child must not have provided more than half of their own support.
- **Dependent Test** – You must claim the child as a dependent on your federal tax return.
- **Citizenship Test** – To meet the citizenship test, the child must be a U.S. citizen, U.S. national, or U.S. resident alien.
- **Residence Test** – The child must have 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.

[37] 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 here: 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 volunteers are trained by the IRS, 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

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 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/

Certified 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

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

MODULE 4:

Paying bills and other expenses

It's a rule of thumb that to stay financially healthy you should spend less than you earn. But for some people, that rule of thumb may not feel helpful because they don't have enough income and financial resources to pay all their bills and living expenses. For others, balancing their personal priorities and their cultural expectations can create a challenge. And if your work is seasonal or irregular, you may be able to cover everything when you're working, but struggle to cover expenses in months or weeks when you're not.

Where does the money go?

No matter what your situation, it is important to start by understanding the differences among needs, obligations, and wants.

Needs are the things you must have to live. These include shelter and utilities, food, clothing, and transportation. The difficulty with needs, however, is that there is a wide range of options for shelter and utilities, food, clothing, and transportation. Determining what you can afford to get and maintain or sustain may be a challenge when it comes to needs.

Obligations are the things you must pay because you owe money or have 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 you 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.

But, it's not always so clear-cut. One person may view something as a want, and another person may see it as a need.

Financial empowerment is about understanding your options and making choices that work for you. Being able to separate needs, obligations, and wants for yourself empowers you to set priorities and cut back on the things you decide are optional.

Many people who track their spending for a week or a month discover that they're spending money in small ways that add up and sometimes don't match their priorities. Once they track their spending, they're better able to make decisions about which bills and expenses can be reduced. To get a clear picture of how you use your money and resources now, use the spending tracker in *Tool 1* to get started.

If you are trying to make ends meet or find money to save you may also want to cut back on the money and financial resources going to bills and living expenses. When this is the case, the key is to identify which bills and expenses can be cut. For specific ideas on cutting back on uses 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, and insurance payments. Most of these obligations have a fixed due date, and if you are late, even by just a few days, you will likely pay an extra fee and risk a negative entry in your credit history. It can help you avoid late fees and other consequences of late or nonpayment if you can:

- Write down the regular bills you have
- Set up a bill paying calendar so you can visually see when payments are due

Tool 2: Bill calendar can help you document what you need to pay and when.

If you use a smartphone, text messaging, or e-mail, you might prefer to explore bill reminder services and apps. These services can send you reminders when it's time to pay your bills.

Another part of bill payment is *how* bills are paid. In general, you can pay your bills using:

- Cash

- Money orders
- Checks
- Credit cards
- Automatic debit
- Online bill payment

Tool 3: Choosing ways to pay bills can help you decide which method of paying bills will work for you. For example, if you prefer to pay your bills in cash, you'll have to travel to a payment location – which costs you time and money for gas. If you have a checking account and have set up automatic bill payment, you'll save time, but you'll need to ensure that you have money in the account on the day the automatic payment is made. Otherwise, you'll probably have to pay an overdraft fee.

With information about the advantages and disadvantages of each method of bill payment, you can be empowered to make choices that can help you save time or money, avoid additional or unnecessary fees, and create a reliable record of bill payment.

Unexpected expenses

Managing unexpected and periodic expenses can put a strain on your budget. Here are some examples of **unexpected expenses**:

- Fees for a school field trip for one of your children
- Tools of the trade you did not anticipate needing to buy
- The funeral of a friend or family member in another state
- Car or home repairs
- Health-care related expenses resulting from illness or injury. (If you have a work-related illness or injury, see the information in Module 3 on worker's compensation.)

Periodic expenses are different. These are expenses that happen occasionally. They are often predictable, but they can be hard to manage if you do not plan for them. Common periodic expenses include:

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

Co-payments

Many health care providers require a co-payment (or "co-pay") at the time of service. The amount is set by your health, dental, or vision insurance company. Check your insurance card or the insurer's website for the amounts of your co-pays. Amounts may vary depending on the reason for your visit (illness/ check-up) and type of provider (primary care/ specialist). Prescription co-pays are based on a formulary, a list that details what medications are covered and how much you have to pay for each one.

When cash is short

When your income is less than usual or you've had an unexpected expense, your regular bills and living expenses don't stop. When you can see that you're coming up short for your bills and living expenses, you can either try to find ways to increase cash and resources (See *Module 3: Tracking and managing income and benefits*) or look for ways to cut your spending. *Tool 4: Strategies for cutting expenses* includes some tips and suggestions that can help you try to match what's coming in with what's going out.

Even after you've tracked your spending and found some ways to cut back to help make ends meet, you may still find yourself to be short on cash to pay your bills. This is even more likely to happen if you have periods when you don't have income because you're temporarily out of work.

You are responsible for paying all of your obligations on time. But when you truly don't have enough money to cover your obligations and living expenses you may have to make a short-term plan to get through the month.

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

Part of making this short-term or longer-term plan is making sure you understand the consequences of delaying paying certain bills.

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 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.
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 and 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 to catch up on payments, *and* pay a restore fee to get your service turned back on.

If you find you can't pay all of your bills on time, try calling your creditors to make short-term arrangements. *Do not ignore them*. This generally makes the problem worse for you.

Finally, after you have considered the consequences of not paying or paying bills late, and have called your creditors, make a short-term plan. Use Tool 5: When cash is short: prioritizing bills and spending, to make a plan. This tool is designed to help identify the expenses that can help you keep your job (like making your car payment so you can get to work and earn the money you need), keep your housing, and meet your obligations.

When creditors call

Don't ignore bills you can't pay. If you must miss a payment, call and explain that you will miss a payments and the reason for it. You may also wish to consult an attorney or certified housing or debt counselor for specialized assistance in this situation.

Consider the risk to your income, shelter, assets and the legal implications of delaying payment on your court-ordered obligations first, and then decide which bills to pay first.

Module 6: Dealing with Debt has information on how you can respond to debt collectors. For additional information on what creditors and debt collectors can and cannot do if you owe them money, visit Ask CFPB at http://www.consumerfinance.gov/askCFPB.

If a creditor (a credit card company or medical provider, for example) threatens to sue you, respond to any court documents. If you don't respond at all, the court will usually assume that you agree with everything that the creditor says, and issue a money judgment against you. If you can't go to court on the date scheduled, tell the court that you need a special appointment. You should also try to find an attorney who can advise or represent you at the hearing. If you don't think you can afford a lawyer, check out the CFPB's online tool for finding a provider of free legal services at www.consumerfinance.gov/askcfpb/1549/how-do-i-find-attorney-my-state.html or call the Center for Elder Rights Advocacy at: (866) 949-2372.

Your rights in debt collection

The Fair Debt Collection Practices Act (FDCPA) says debt collectors may not harass, oppress, or abuse you or any other people they contact. Some examples of harassment are:

- Repeated phone calls that are intended to annoy, abuse, or harass you or any person answering the phone
- 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)
- Calling you without telling you who they are

The FDCPA also says debt collectors cannot use false, deceptive, or misleading practices. This includes misrepresentations about the debt, including the amount owed, that the person is an attorney, threats to have you arrested, threats to do things that cannot legally be done, or threats to do things that the debt collector has no intention of doing.

It is a good idea to keep a file of all letters or documents a debt collector sends you and copies of anything you send to a debt collector. Also, write down dates and times of conversations along with notes about what you discussed. These records can help you if you have a dispute with a debt collector, meet with a lawyer, or go to court.

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 exactly 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:

- **Keep track of everything you spend money on for a week, two weeks, or one month**. A month is best, because all of your income and your bills will be included. But, keeping up with the tracking for a whole month can be a challenge.
- **Analyze your spending.** See how much you spend in each category. Notice trends. Identify areas you want to eliminate or cut back on.
- **Use this as information to figure out where you can make changes.**

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 doing this work. Others are able to make their budgets balance.

Get a simple 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 this on the receipt. If you don't get a receipt, write one out on scrap paper.

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 areas you can eliminate or cut back on—these will generally be wants.

Here is a list of the categories used in the spending tracker:

Savings	Saving for goals, emergencies, children's education, retirement, holiday purchases, back to school shopping
Debt payments	Credit card payments, payday loan payments, pawn loan payments, car title loan payments, and other loan payments
Housing and Utilities	Rent, mortgage, insurance, property taxes, electricity, gas, water, sewage, phone, television, Internet service, cell phone
Tools of the Trade / Job-Related Expenses	Tools, equipment, special clothing, job-related books, machinery, working animals or livestock; union dues
Household supplies and expenses	Things for your home like cleaning supplies, kitchen appliances, furniture, other equipment
Groceries	Food and beverages to be brought into the home, including baby formula and food
Eating out (meals & beverages)	Any meals or beverages purchased outside of the home
Pets	Food, healthcare costs, and other costs associated with caring for your pets
Transportation	Gas, car payment, insurance payment, repairs
Health care	Co-payments, medication, eye care, dental care, health care premiums
Personal care	Haircuts, hygiene items, dry cleaning
Childcare and school expenses	Child care costs, diapers, school supplies, school materials fees, field trip and other activity fees
Entertainment	Going to the movies, going to concerts, sports equipment/fees, sporting events, lottery tickets, memberships, alcohol, books/CDs, subscriptions
Court-ordered obligations	Child Support, restitution, etc.
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	Savings	Debt payments	Housing and Utilities	Tools of the Trade / Job-Related Expenses	Household supplies and expenses	Groceries	Eating out	Pets	Transportation	Health care	Personal care	Childcare & school	Entertainment	Court-ordered obligations	Gifts, donations, other	Total
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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 8: 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 they are not fun to pay—most are at least predictable.

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

Create a bill calendar using the following tool:

- Print the bill calendar and 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.
- Write the due dates for these bills. Since due dates are when bills must arrive, write the date bills must be sent:
  - If 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.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	End of Week
1	2	3	4	5	6	7	
Bills:	Bills: Phone bill, $60 Rent, $500	Bills:	Bills:	Bills:	Bills: Car payment, $180	Bills:	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 8: Money services, cards, accounts, and loans: Finding what works for you.*

______, 20__

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

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

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Tool 3:

Choosing ways to pay bills

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

- 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.

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 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.

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. Can help build your credit history if you make payments on time and don’t get close to your credit limit.	Creates another bill you have to pay Creates debt—you are borrowing money to pay for bills and other items. 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.
Automatic debit from checking/savings account, prepaid card, or credit card	Convenient. No chance of being late—set it up once and forget it. Can be linked to a debit card (checking account) or credit card. Easier to prove payment should a dispute arise. 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.
Online bill payment	Convenient. You can choose between making one-time payments each billing cycle or setting up recurring (automatic) payments using your bank or credit union’s online web services. Either way, keep track of your balance. It will help you avoid late fees. Automatic payments reduce the chance of being late. 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 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

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
Cut back on regular (recurring expenses)			
	Television	*Check with your provider about lower cost plans or discontinue cable.*	
	Internet		

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
	Phone	*Check if you qualify for a "Lifeline" phone rate.*[38]	
	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 insurances 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			
	Online video membership		
	Discount store memberships if not using regularly		

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

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
	Gym/health club membership (if not used)		
	Credit monitoring services		
	Other:		
Avoid fees			
	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:		

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
Other methods			
	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 restaurants with "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.*	

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
	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*.

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.

Use the following tool to help you make a short-term plan to get through the months you cannot pay your bills or living expenses.

When cash is short worksheet

Protect your income	Protect your shelter	Protect your assets	Pay your obligations
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. *Be sure to pay taxes, condo fees, mobile home lot payments, too.* *If possible, maintain your utilities. They are difficult to live without, and reconnection is expensive.*	Don't let essential insurance coverage lapse: auto, renter's/ homeowner's, health. *Not having insurance may mean you cannot drive your car and puts your assets, including your health/your family's health, at risk.*	Examples include: ▪ Child support ▪ Income taxes ▪ Student loans
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 those up in the future.

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Resources

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.govhttp://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

If you have a medical emergency 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 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

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

MODULE 5:

Getting through the month

When it comes to money, timing matters. People often find themselves flush with cash or resources one week and pay several bills at once or splurge on something fun. But then they come up short the next week for a necessity.

That's why monthly budgets sometimes don't work. If the timing of your income doesn't match the timing of your expenses and you haven't planned for it, you'll come up short. While it might not feel like you have a "cash flow", chances are you have at least some resources coming in and bills going out. That means you have "cash flow."

A cash flow budget is a projection of how you will get and use your cash and other financial resources.

Tracking your money and expenses

Some banks and credit unions provide online financial management tools that include income and spending tracking, budget, and cash flow tools. If you have an account at a bank or credit union, check to see if these tools may be available for you.

You may also want to explore using online financial management tools. When you enter personal or banking information, ensure that the website is secure.

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 your income and expenses. It breaks your monthly budget down week by week, accounting for when money is expected (income) and when it must be spent on needs, wants, and obligations.

A cash flow budget can help you identify where you're falling short within the month. It can help you ensure you have the financial resources on hand to cover the most important expenses—so you don't fall short covering the rent, for example. A cash flow budget can also help you target areas you could consider cutting back or postponing spending.

A cash flow budget is even more important for people who have irregular, seasonal, or one-time income. It can help you project and plan ways to spread the income you receive over the weeks or months you don't have money coming in.

Making a cash flow budget

Making a cash flow budget involves three steps:

- **Keep track of everything you earn and spend money on for a week, two weeks, or one month.** You can use the Income and financial resource tracker from Module 3 and the Spending tracker from Module 4 to do this.
- **Analyze your spending.** You can use the spending tracker from *Module 4: Paying bills and other expenses* to do this.
- **Use this information to create a cash flow budget.** You will use *Tool 1: Cash Flow Budget* to complete this step or *Tool 2: Cash Flow Calendar*. Your cash flow budget is about setting targets for how you will use your 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 may 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 will 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, count the money you have in your pocket, on a prepaid debit 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		
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 food[39]

39 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					
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 2: Saving for emergencies, bills, and goals, Module 3: Tracking and managing income and benefits, Module 4: Paying bills and other expenses*, and *Module 6: Dealing with debt.*

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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 trying to make 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>31</td><td>1</td><td>2</td><td>3</td><td>4</td><td>5</td><td>6</td><td rowspan="5">Beginning bal.:
$130 +
Total sources including SNAP:
$585 –
Total uses:
$450 =
Ending bal.:
$265 (including $100 in SNAP)</td></tr>
<tr><td colspan="7">Sources</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">Uses</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
__	__	__	__	__	__	__	Beginning bal.: _________ + Total sources: _______ – Total uses: _______ = Ending bal.: __________
Sources							
Uses							

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

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 and 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

Check if option for you	Strategy for improving cash flow	Tips and more information	Notes
Smooth out cash flow			
	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, it may make monthly payments more manageable.*	
	Check to make sure your 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. http://studentaid.ed.gov/repay-loans/*	
	Other:		

Cut out spending			
	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.	*Your can check each of your three credit reports for free once a year at http://www.annualcreditreport.com.*	
	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			
	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

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

Or, you can visit your state department of labor website for state specific resources. To find a one-stop career 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#.UM6BmXPjkt8

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:
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For additional resources, visit the Consumer Financial Protection Bureau website:
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If you have a consumer complaint, visit:
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MODULE 6

Dealing with debt

What is debt?

Debt is money you have borrowed from a person or a business. When you owe someone money, you have a liability. **When you owe money, you have to pay it back, sometimes in scheduled payments. You will often have to use money from your future income to make those payments.**

While borrowing money may give you access to something today, you may have monthly payments for months or years going forward. This obligation can decrease your options in the future.

Debt is different from credit. Credit is the *ability* to borrow money. Debt results from using credit. You can have credit without having debt. For example, you may have a credit card that you don't currently owe money on because you paid the balance off and haven't made new purchases with it.

Good debt, bad debt?

Sometimes people label debt as good debt or bad debt.

Some debt can help you reach your goals or build assets for the future. People will often say that borrowing for your education, for a reliable car, to start a business, or to buy a home can be a good use of debt.

But it's not always that simple. For example, borrowing to further your education may be a good use of debt because earning a certification or a degree may lead to a better paying job and more job security. But if you take on the debt and don’t earn the certificate or degree, this student debt has set you back instead of helping you reach your goals.

Taking out a loan to get a reliable car to get to and from your job can help you pay your bills and save for goals. However, if you borrow 100% of the car’s value, you may end up owing more than the car is worth. Or if you buy a more expensive car than you need, you’ll have less money for other bills each month. While it may get you to work, it might keep you from getting to your financial goals.

Student loan debt

For many people, student loans make up a big portion of the debt they owe. Sometimes people borrow more than they will be able to afford given the likely pay they will earn in their profession. Sometimes people get into trouble because they do not understand the terms of their loans and the consequences of letting interest build up.

Borrowing money to start a business may help create income for yourself and others. If the business fails, however, you may end up owing money and not having any income you can use to make the payments.

Finally, taking out a loan to buy a home of your own may be a way to reach your personal goals. But if you are unable to keep up with the payments or you end up owing more than your home is worth, that debt may set you back for a long time.

That’s why even debt that many people consider “good” should be approached with caution.

Some people consider loans such as credit card debt, short-term loans, and pawn loans “bad” debt. This is because they may carry high fees and interest, and when they have been used for things you consume (like meals out, gifts, or a vacation) they don’t help build assets. But, these sources of debt can help cover a gap in your cash flow if you have a way to repay them.

So, there is no one type of debt that is “good” or “bad.” That’s why it’s important to first understand your goal or your need. Then you can shop for the credit you need, especially for large purchases like a car or a home, before you make your final decision on your purchase.

Secured and unsecured debt

Another way to understand debt is whether it is secured or unsecured.

Secured debt is debt that has an asset attached to it. When debt is secured, a lender can collect that asset if you do not pay. Here are examples of secured debt:

- A home loan. The debt is secured with the home you are buying. If you do not pay your loan, the lender can foreclose on your home, sell it, and use the money from the sale to cover some or all of your loan.
- An auto loan. The debt is secured with your car. If you do not pay your loan, the lender can repossess (repo) your car and sell it to cover some or all of the loan.
- A pawn loan. The debt is secured with the item you have pawned. If you do not make payment when it is due, the pawned item is eventually sold.
- A secured credit card. The debt is secured by funds you deposit at a bank or credit union. Your credit limit will generally equal your deposit. For example, if you deposit $300, your 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

Rent-to-own versus installment plans

In a rent-to-own arrangement, consumers lease items such as furniture, electronics, or appliances and typically have the option to purchase.

This can be done by continuing to make payments for a set period of time or by paying off the balance during the term of the lease. If you don’t make the payments made as agreed, the item can be taken back and you don’t receive a refund for any of the rental payments.

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

Using *Tool 1: Debt worksheet*, you can list all of your debts and determine whether they are secured or unsecured.

How much debt is too much?

One way to know if you have too much debt is based on how much stress your debt causes you. If you are worried about your debt, you 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 you pay out each month for debt payments to your income before taxes and other deductions. The resulting number, a percentage, shows you how much of your income is dedicated to debt—your debt load. The higher the percentage, the less financially secure you may be, because you have less left over to cover everything else. Everything else is all of the other needs, wants, and obligations you pay 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

- 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: Debt reduction worksheet* to make a plan to get out of debt.

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.

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 your next payday. You must give lenders access to your 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" 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 you the loan funds are providing cash or a check, loading the funds onto a prepaid debit card, or electronically depositing the money into your 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 (APR) 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 you can borrow and the fees you are 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 for active duty servicemembers and their dependents who use certain payday loans and other small dollar credit products.

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-$20 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.

↓

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.)*

↓

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 you are 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*[40] 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[41] 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

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

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

Trust[42] 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 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 you are considering short-term loan products that meet an immediate need, it's important to know how to avoid debt traps on your path to your 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. Payday loans, signature loans, and deposit advance loans are examples of short-term loans that can lead to a debt trap.

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

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

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

The cost of high-cost credit

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

COST TO REPLACE SPARK PLUGS ON YOUR AUTOMOBILE = $350.

	Emergency savings	Credit card	Payday loan
Amount	$350	$350	$350
APR[43]		21.99% annual percentage rate (APR)	$15 for every $100 borrowed for 14 days. This means a 391% annual percentage rate (APR).[44]
Payment		Must pay at least a certain amount each month.[45] (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).[46]
Total add'l cost and time to repay	$0	You would pay $28.11 in interest in addition to the principal borrowed. It will take just over eight months[47] to pay back the full amount.	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 $367.50 in fees.[48]

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43 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.

44 Some states have adopted laws that limit the amount of loan and/or limit the interest rates of these loans.

45 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.

46 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.

47 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.

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

COST TO COVER UNEXPECTED FUNERAL EXPENSES (TRAVEL AND FLOWERS) = $500.

	Emergency Savings	Credit Card	Pawnshop Loan
Amount	**$500**	**$500**	**$500** (Pawned gold jewelry from grandmother)
APR[49]		**21.99%** annual percentage rate (APR)	**276%** annual percentage rate (APR)
Payment		Must pay at least a certain amount each month.[50] (For the purposes of the example, the individual is choosing a **fixed monthly payment of $25**.)	Must pay back the loan plus 3% per month interest and 20% per month for service and handling fees. Typical pawn loans are due within four months.
Total additional cost and time to repay	**$0**	You would pay **$128.43 in interest** in addition to the principal borrowed. It will take 25 months[51] to pay back the full amount.	With a pawn loan, you could: 1) renew it, 2) pay it back per the terms, or 3) walk away and lose the item pawned. The total cost depends on the option chosen. In this case, the loan is paid in full in 4 months (16 weeks), which means you would pay **$460 in fees**.

[49] These are for example purposes only. Actual pawn and payday loan terms vary, and some states regulate or restrict pawn or payday loans. Fees charged for pawn loans can be as high as 300 percent annually, depending, to a large degree, on legal limits imposed by the state in which the loan is made. See *Determinants of the Locations of Payday Lenders, Pawnshops and Check-Cashing Outlets*, Robin A. Prager, Federal Reserve Board, Washington, D.C., June 2009. For payday loans, the CFPB notes that 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 Consumer Financial Protection Bureau, *What is a payday loan?* November 6, 2013.

[50] 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.

[51] To pay off this credit card balance in full, the individual will have to make $25 payments for 24 months, and then pay just over $28 in the 25th month.

Alternatives to high-cost credit

There are ways to avoid the risk of a debt trap if you're in a situation where you need money quickly.

If you are short on cash, consider other alternatives, including:

- Using your own 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 your 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 you are borrowing the money to cover
- Determining whether the item or circumstance you are borrowing the money for is a need, an obligation, or a want. If it's a want, consider whether it's possible to spend less money for it, not purchasing it, or waiting until you have the money for it.

Dealing with a debt collector

Often people find out they have a debt in collection when they receive a letter or phone call from a debt collection agency. Sometimes, they don't remember owing a debt, so they are surprised when they're told a debt has gone to collections.

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.
- 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.

Many people know they do owe the debt and are able to confirm that the collector is the right person to pay when they receive the first phone call or letter. Paying right away offers can benefit you because it allows you to resolve the matter and take advantage of a settlement offer if one has been made. If you pay the debt, it's important to request confirmation of payment or a payment receipt so that you have a record of it.

When the phone rings

Sometimes it's hard to know if a caller is really a debt collector. To avoid falling victim to a scam, ask for the name, number, and address for the debt collector and request information about the debt in writing. Be wary of sharing your personal information by phone. If a stranger asks for your Social Security number, date of birth, or bank account information, this can be a "red flag."

If you are uncertain that the debt is yours or that the collector has the authority to collect it, you can ask the debt collection agency to verify the debt. You can do this by sending a letter within 30 days of the debt collector's 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. Use the sample letters in *Tool 5: When debt collectors call* to get started.

If you know the debt is not your debt, you can ask the debt collector to stop contacting you. Even if the debt may be yours, you have the right under the Fair Debt Collection Practices Act (FDCPA) to ask the debt collector to stop contacting you. Once you make this request, they can contact you to tell you that they won't contact you again. Or they may notify you that they or the creditor could take other action (for example, filing a lawsuit against you). Otherwise they must stop contacting you.

Stopping them from contacting you does not cancel the debt. You still might be sued and/or have debt reported to the credit reporting agencies (Equifax, Experian, and TransUnion).

You can ask a debt collector to stop contacting you at any time, so keep in mind that you could ask them for more information before deciding whether to tell them to stop contacting you.

Your rights in debt collection

The Fair Debt Collection Practices Act (FDCPA) says what debt collectors can and cannot do. This law covers businesses or individuals that collect the debt of other businesses. These are often called “third party debt collectors.” This law does not apply to businesses trying to collect their own debts. The law states that debt collectors may not harass, oppress, or abuse you or any other people they contact. Here are some examples:

- Repeated phone calls that are intended to annoy, abuse, or harass you or any person answering the phone
- 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)
- Calling you without telling you who they are

The law also says debt collectors cannot use false, deceptive, or misleading practices. This includes misrepresentations about the debt, including the amount owed, that the person is an attorney if they are not, threats to have you arrested if you cannot be, threats to do things that cannot legally be done, or threats to do things that the debt collector has no intention of doing.

Keep a file of all letters or documents a debt collector sends you and copies of anything you send to them. Write down dates and times of conversations along with notes about what you discussed. This can help you if you have a dispute with a debt collector, meet with a lawyer, or go to court.

Medical debt

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 bankruptcy—they could make ends meet were it not for their medical debts.[52] The majority of individuals who filed for bankruptcy due to medical debt had health insurance.[53]

Finally, once people have medical debt, they are much less likely to seek medical care—whether preventative or prescriptive.[54] 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 you should know what you will pay when you sign the loan agreement, when you accept responsibility for payment of your treatment at a hospital or other medical provider, you generally have no idea how much the treatment will cost. You may also not know your share of the cost.

Invoices and bills may be confusing. Rather than one itemized bill, you may receive several bills over a period of weeks or months with hospital stays or situations that involved multiple health care services 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.

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

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

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

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.[55]

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 you, it becomes difficult to determine whether you are 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. [56]

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

So what can you do to avoid medical debt?

While there are no easy answers, there are specific things you may be able to do to lessen the impact of medical debt:[57]

- **Get cost estimates up front**—then you can decide whether to proceed or delay elective procedures.
- **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 on the treatment.**

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[55] See Consumer Financial Protection Bureau, *Consumer credit reports: A study of medical and non-medical collections*, December 2014. See http://www.consumerfinance.gov/reports/consumer-credit-reports-a-study-of-medical-and-non-medical-collections.

[56] See Consumer Financial Protection Bureau, *Consumer credit reports: A study of medical and non-medical collections*, December 2014. See http://www.consumerfinance.gov/reports/consumer-credit-reports-a-study-of-medical-and-non-medical-collections. 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 uncertainty and complexity. The all-too-common result is misunderstanding.” (Brian Workinger, *Front-Line Perspectives on price Transparency and Estimation*, HFM Magazine, Sept. 2014).

[57] Ibid.

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

- **If you are 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 you put your hospital bill on a credit card, you won't be considered for a later write-down of your bill under the charity care program. Some medical providers even offer a credit card for you to use at the provider's office. Healthcare credit cards can have tricky terms, so make sure you know what you'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 you can't afford to pay for the care even after charity care and discounts have been applied, **take steps to work with the provider to set up a reasonable repayment plan.** As you negotiate, ensure that as long as you pay as agreed, reports made to credit reporting agencies will reflect that you are making payments as required by the plan. Be sure to get your repayment plan agreement in writing. Ask that the account will not be sent to collections as long as you are paying as agreed. Also, 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 *not* be turned over to a third party collection agency – that the debt servicing stays in-house

    - Be sure you do not sign an agreement that states you will make full payment of the debt if you are late or miss a payment on your plan.

- **Check your credit report** to make sure resolved bills are reported accurately or any errors are removed from your credit history. If the credit reporting agency doesn't respond, contact you state's consumer protection agency, attorney general, or the Consumer Financial Protection Bureau.

- If you do get sued by a medical service provider or hospital, *respond*. Get legal assistance from the legal aid organization in your community or a lawyer.

Be sure you do not jeopardize your ability to earn income or pay for your shelter or food because you have paid more income than you can afford to cover a medical debt.

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 the federal government (for student loans and income taxes, for example).

On the debt management worksheet, you will include:

- The person, business, or organization you own 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.

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/Charge card debt							
Payday loan							
Car title loan							
Other							
Total monthly debt payment							

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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 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.[58]

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

Tool 3:

Debt-reduction 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

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Tool 4:

Student loan debt

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

- Researching schools
- Filling out the Free Application for Federal Student Aid (FAFSA), a first step in figuring out how to pay for college
- 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 Repaying Your Student Loans section of the tool, which can be accessed at: http://www.consumerfinance.gov/paying-for-college/repay-student-debt/#Question-1.

Repaying federal 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. **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 will impact your credit history and scores and may result in collections. Private student loans may not offer the 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. 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.

- **Graduated Repayment.** The payment is lower the first year and then gradually increased 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).

- **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 will 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 hardship.

- **Pay as You Earn.** 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 will be owed on the amount forgiven. To qualify for pay as you earn, you must be able to show partial hardship.

- **Consolidation Loan.** You pay off all of your existing federal student loans with a new loan. This simplifies paperwork and payment for you—you go from monthly payments on multiple loans to one payment per month on the one new loan. Your loans must be in good standing to qualify. This results in lower monthly payments as the term is 30 years; however, you will pay more interest over the life of the loan.

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 a 12-month period. 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 the following situations:

- 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. And your wages and bank accounts can be garnished for nonpayment.

It's important to note that unpaid federal student loans can be collected in special ways. For instance, the Department of Education can garnish some federal benefits, such as Social Security and certain Veterans' Assistance benefits. 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.

Tool 5:

When debt collectors call

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.
- 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.

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 within 30 days of the debt collector's 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 a debt collector providing you with certain information regarding the debt. Even if 30 days have passed, and a debt collector isn't legally required to give you certain information, you can still ask for it.

If you ask in writing before the 30 days have passed, **a debt collector has certain legal responsibilities to give you some information**. But if the collector doesn't provide everything you request, that doesn't necessarily mean the debt collector has broken any laws or has given up a legal right to collect a debt. The debt collector could still be allowed to demand that you pay, or file a lawsuit. If you have specific questions, contact an attorney.

If the debt collector makes vague statements about what will happen if you do not pay, read their response to your letter carefully. **Federal law prohibits a debt collector 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, even a partial payment on the debt will 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.

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 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. If you ask your mortgage servicer to stop contacting you, the servicer will not have to reach out to tell you about options that you may have to avoid foreclosure.

Example letter asking a debt collector to stop contacting you

[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,

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.

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]

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.

Resources

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:
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

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

MODULE 7:

Understanding credit reports and scores

People sometimes confuse the words *debt* and *credit* because they are both connected to borrowing money. *Credit* is your ability to borrow money if you want a loan or mortgage. *Debt* is the money you owe when you take on a loan.

When you use your credit and have loans to pay, your track record in making your payments becomes part of your *credit report.* A credit report is a consumer report that looks at some of your bill paying history, public record information, and a record of your applications for credit. Your credit reports show 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 delinquent (late) debt you owe to a debt collector.

Credit scores are calculated using the information in your credit report, and many lenders use them to decide how much money they can lend to you and how much interest to charge.

Why do credit reports and scores matter?

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

- A bank or credit card may use them to decide whether to give you a loan or offer you a credit card.

- A credit card company may use them to decide what interest rate you will pay on your future charges if you are approved.
- A landlord may use your reports or scores to determine whether to rent an apartment to you.
- In many states, an insurance company may use your reports or scores to determine whether to give you insurance coverage and the rates you will pay for coverage.
- Other service providers, like cell phone and utilities companies, may use them to screen you for deposit levels and cost of service.
- A potential employer may use your reports to determine whether you will get 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 your reports to determine whether you will get or keep a security clearance

Having a positive credit history and good credit scores can open doors for you. Not having a positive credit history or good credit scores can create obstacles for you and end up costing you more money in terms of the price you will pay 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 your credit report. Your scores are calculated based on the information in the report – so at least once a year, take the time to make sure the information in your report is accurate.

What is in a credit report?

Companies collect information about consumers from many sources, some of which are called information furnishers. Credit reporting agencies organize this information into reports and sell these reports to businesses so they can make decisions about you. The biggest nationwide credit reporting agencies or credit bureaus that make credit reports include Equifax, Experian, and TransUnion. Each of these companies is likely to have a file on you. Your files at all three are likely to be *similar*, but there may be differences.

A credit report contains five sections. These sections include:

- **Header/identifying information**—This includes your name and current address, as well as other information that can be used to distinguish or trace your identity, such as your Social Security number, or date and place of birth. This information may not be complete—all of the jobs you have 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 your credit report, 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 you have or have had any accounts with a collection agency and the status of those accounts.
- **Credit account information**—This section may include accounts you have now or that you 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 that date (any amount currently owed and whether you are current or late with payments) and the balance

- Whether you have 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 you have 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 you.

- **Inquiries made to your account**—Companies look at your credit report when you apply for credit, when they review your account, or when they offer you a special promotional rate. When you apply for credit and a lender reviews your credit report, it is listed as an "inquiry" on your report. You will see promotional inquiries, periodic reviews of your credit history by one of your creditors, and your requests for a copy of your report when you obtain your own report, but these aren't listed as an "inquiry" when your report is provided to others.

  Consumer reporting agencies collect this information and sell it to other businesses, which use it to make decisions about you. How do they use this information to make decisions? Businesses that use this information believe that how you have handled credit in the past is a good predictor of how you will handle it in the future. If you have struggled with managing your credit in the past (especially the recent past), they believe you are likely to struggle again.

Negative information

In general, negative information can be reported to those who request your credit report for only a specified period of time—seven years for most items. A bankruptcy can stay on your credit report for 10 years, and certain other court records can be reported on your credit report for longer than seven years. For civil suits and judgments, as well as arrest records, the information can be reported on your 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 legal limit on the length of time that positive information can stay on your credit report.

Even though consumer reporting agencies 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 your file. That's because there is no time limit in terms of reporting information (positive or negative) when you are:

- 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

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 that 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.

<table>
<tr><td colspan="2" align="right">File number: 12345678
Date issued: 9/30/2013</td></tr>
<tr><th colspan="2">Personal information</th></tr>
<tr><td>Name:
Miguel Smith</td><td>SSN:
XXX-XX-1234</td></tr>
<tr><td rowspan="2">Other names:
Miguel S Smith
Miguel Simon Smith</td><td>Date of birth:
12-1-1980</td></tr>
<tr><td>Telephone number:
555-555-1000</td></tr>
<tr><td colspan="2">Addresses reported:
457 First Street, Littletown, MI 09876
13476 Avenue A, Big City, WI 43526</td></tr>
<tr><th colspan="2">Employment data reported</th></tr>
<tr><td>Employer name:
Riviera Restaurants</td><td>Position:
Manager</td></tr>
<tr><td>Date reported:
3/2013</td><td>Hired:
11/2010</td></tr>
<tr><td>Employer:
Freer Chiropractic College</td><td>Position:
Food services</td></tr>
<tr><td>Date reported:
6/2008</td><td>Hired:
3/2008</td></tr>
</table>

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[59]		
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	$0
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK

Continued…

[59] 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 any time 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	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. <u>This doesn't mean that the debt itself is erased</u> – 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.

Disputing errors on credit reports

If you find something wrong on your credit report, you should dispute it. You may contact both the credit reporting agency (most often TransUnion, Equifax, or Experian) and the company that provided the incorrect information (the information furnisher).

You will need to explain what you think is wrong and why. If you have evidence (a receipt for payment, copy of a cancelled check, etc.) you can include a copy of this and a copy of your credit report with the incorrect information highlighted.

If you submit your dispute in writing rather than online, never send original documents—only send copies. You may want to send this information with your letter using certified mail *return receipt requested*. This will give you notification of when the credit reporting agency and information furnisher receive your dispute letter. *Tool 2: Credit report review checklist* includes an example of a dispute letter.

The credit reporting agency generally has 30 - 45 days to respond to your request from the time it receives it.

What are credit scores?

Credit scores sum up key pieces of your credit history in a number 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 your credit reports – such as information on the number and type of loans and other forms of credit you have used and are currently using, whether you're making your payments on time, and whether you're 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 yours have paid their bills over time.

Credit scores provide a standardized way for businesses that offer credit to understand the risk that you 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 you are predicted to be.

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

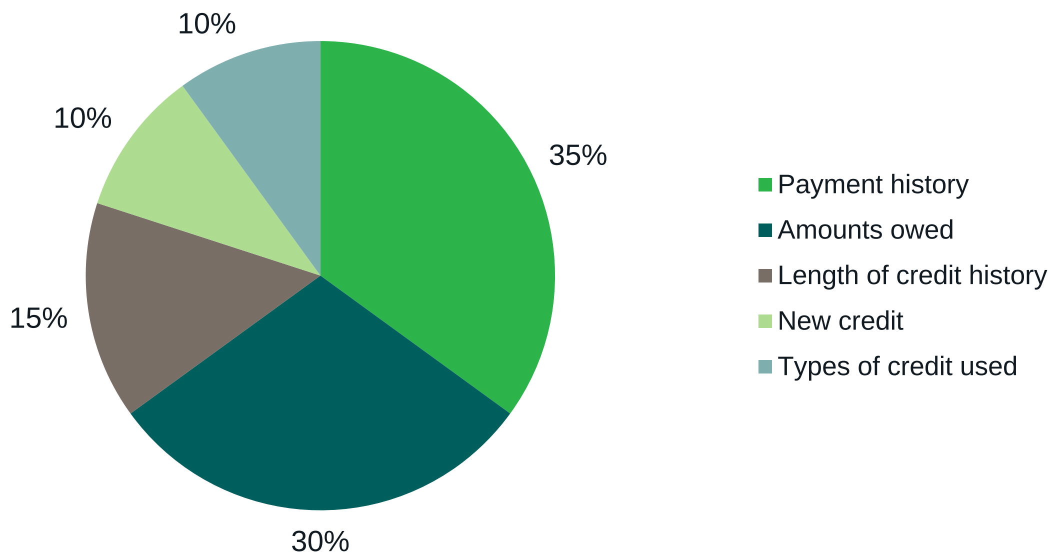
How are scores calculated?

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.[60]

[60] Pie chart values are from FICO. See http://www.myfico.com.

FIGURE 2: WHAT GOES INTO FICO SCORES?[61]



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" 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."

[61] "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.

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.[62] 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.

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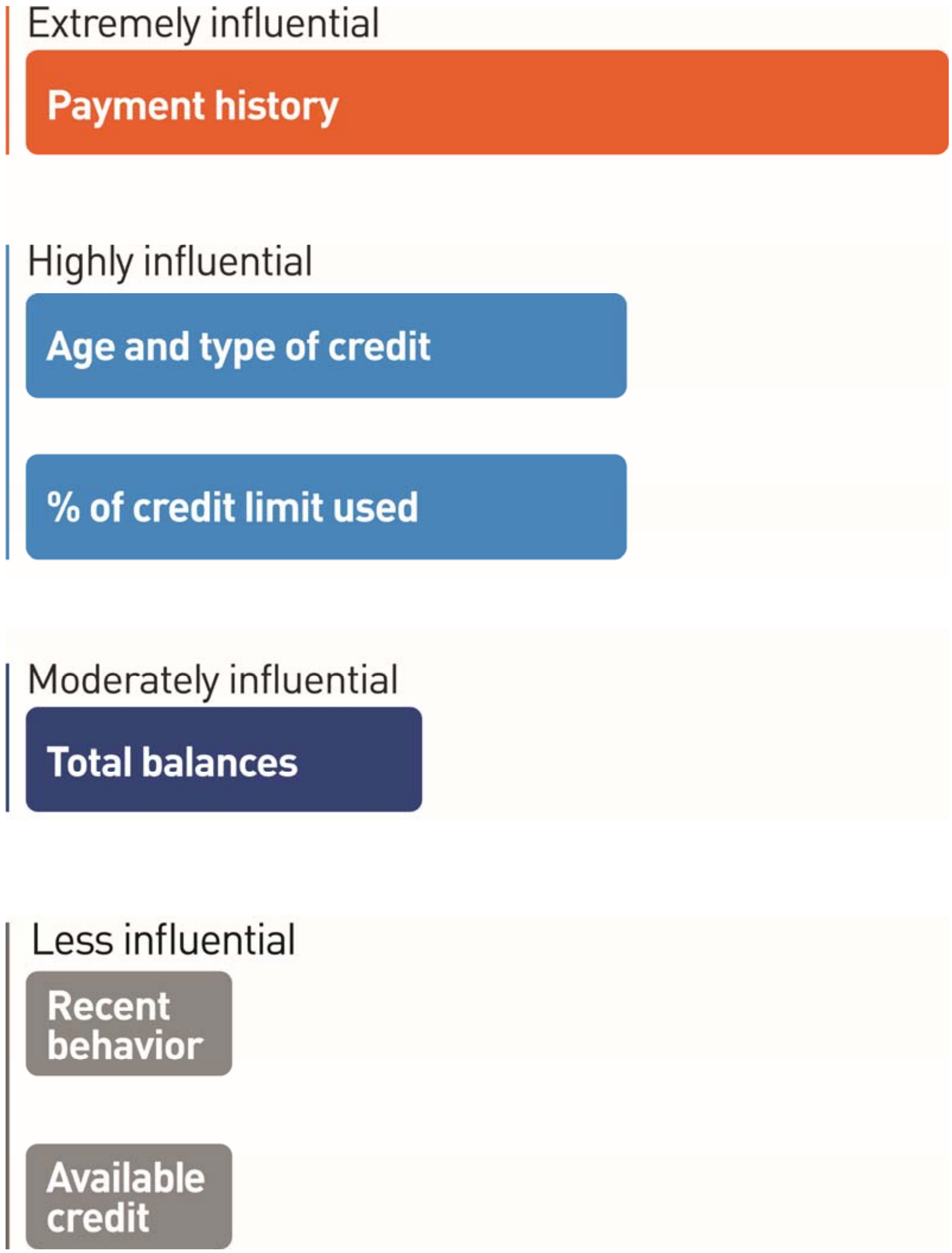
[62] See http://your.vantagescore.com/score-influences.

FIGURE 3: WHAT GOES INTO VANTAGESCORES?[63]



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

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 if you use more than a certain percentage of the revolving credit you have 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 lower the amount you are revolving from month to month 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 had a 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. 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.

Using credit when you're unemployed

Sometimes people use credit to make ends meet during periods of unemployment. This can be money borrowed from a friend or family member, money spent with a credit card, money obtained through a payday, signature, pawnshop, or car title loan or using some other source of credit. Consider the pros and cons before using credit to make ends meet during periods of unemployment:

Pros to Using Credit During Periods of Unemployment	**Cons to Using Credit During Periods of Unemployment**
▪ Provides needed cash ▪ Allows coverage of needs, bills, and other obligations ▪ Prevents late payments and fees associated with late payments ▪ May preserve credit history and scores if all bills are paid on time	▪ Creates a new debt ▪ Creates an obligation on future income—you have to pay back the money borrowed ▪ Costs money to use borrowed money—interest and other fees may be associated with it; depending on the type of credit you use, this could be very costly ▪ May harm credit history and scores if you cannot repay the money or you use more than approximately 25-30% of your available credit

The best way to avoid use of credit during periods of unemployment is to build emergency savings. See Module 2 for tips on building emergency savings.

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 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 a 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 agencies 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.

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. If you are unable to answer these questions, you will have to use another method.

You will 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 19022 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.

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

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 at 17, 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.

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.

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 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.**

Tracking when you ordered scores

<table>
<tr><td rowspan="3">To order your FICO score visit http://www.myfico.com

Each credit score will cost. This company also offers other credit reporting and monitoring services for a fee.</td><td>Equifax score:</td><td>Date:</td></tr>
<tr><td>Experian score:</td><td>Date:</td></tr>
<tr><td>TransUnion score:</td><td>Date:</td></tr>
</table>

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 19022-2000
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.

If the error is with a specific account, you can also choose to start the process by contacting the creditor or the debt collector to resolve the dispute.

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 5 days to send you written notice once their investigation is over.

If the dispute results in a business changing the information it reported about you, the business must notify the credit reporting agencies. And vice versa, if you filed your dispute with a credit reporting agency, it must fix your file and notify the creditor of the error.

You can also submit a complaint to the Consumer Financial Protection Bureau at https://www.consumerfinance.gov/complaint or by calling 855-411-2372.

Steps to filing a dispute checklist

Check if step is completed	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]

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. Be cautious how you use this tool. CFPB recommends that you do not include names, account numbers; and that users follow their organization's policies regarding retention, storage, and disposal of documents that contain personal information.

Tool 3:

Improving 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.
- 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 tool 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 below approximately 25 – 30%[64] of the credit available for each account.)	

[64] 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 credit limit on that account.	
	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	
	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 will improve your credit history – your report – but 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 will have a positive impact on your reports and scores.	
	Other:	

Resources

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

MODULE 8:

Money services, cards, accounts, and loans: Finding what works for you

Finding and choosing financial products and services

Financial products and services are the tools that you use to store money, make payments and purchases, send money to someone, and pay for things over time – like checking and savings accounts; prepaid, debit, payroll and EBT cards; credit cards; money transfers and bill payment services; and loans.

Banks and credit unions may come to mind when you think about places to get financial products and services. But there are many other places that offer them. 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"

- Mortgage companies—loans for homes
- Commercial tax preparers—refund anticipation loans
- 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 you a loan.

One important key to finding the right financial service provider is figuring out the reason you need one. You may want a safe and secure place to put the money you are saving for your goals, unexpected expenses, or emergencies. You may want a convenient way to pay your bills. You may be looking for a loan to buy a car. Or, you may want to repair or build your credit history to improve your credit scores.

In other words, you may want to first identify your needs, then the products or services that will satisfy those needs.

Financial products and services are the tools you can choose from to do all of these things and more. But selecting a financial service provider can be hard, because there are so many choices. Use *Tool 1: Know your options: Understanding what you need* to help you figure out the primary reason you need financial products or services.

Then use *Tool 2: Ask questions: Choosing where to get what you need* to ensure you get the right questions answered before using a financial service provider. If you are not clear about the different kinds of financial service providers or the products and services they offer, you can use *Tool 3: Money services and banking basics* to learn more about them.

If you feel you want to use a bank or credit union account, use *Tool 4: Opening an account checklist*.

Managing a bank account

If you decide to open a bank account, it's your responsibility to take care of it. This starts with learning the rules of your new account from your bank or credit union. If you don't follow the rules of your account, the bank or credit union may charge you fees.

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 (debits are when money is taken out of your account) to your account.
   - Know that your debits 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.
2. **Find out if fees can be waived.** Many financial institutions waive monthly service fees if you maintain a minimum balance or sign up for direct deposit. Compare fees.
3. **Watch out for overdraft fees.** Overdrafts occur when you spend or withdraw more money than is available in your checking account. Many banks and credit unions will charge you several overdraft fees per day 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. **See if there's a low-fee checking account for you,** 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.

6. **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.

Garnishment from your bank or credit union account

A creditor to whom you owe money can seek to be paid directly from your bank or credit union account by garnishing the account. Whether a creditor can garnish money from your bank account depends on where the funds in your bank account came from.

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.

This includes money from:

- Social Security Payments
- Supplemental Security Income
- Veteran's Benefits
- Railroad Retirement Board Benefits
- Federal Employee and Civil Service Retirement Benefits

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.

Proving that money in your bank account comes from a protected source can be difficult and complicated. For this reason, Federal law requires banks to have special procedures to ensure that the bank or credit union where you have your account can identify the Federal benefits that are exempt. If you believe that your federal benefits or other money in your account have been improperly taken from it, you will need to take steps to protect your rights. You should talk to your bank or credit union and consider consulting a lawyer.

If the debt you owe 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 may want to consult a lawyer.

Money you owe to the bank or credit union where you have your account

If you owe a debt to your bank or credit union, other than regular account fees, the bank may be entitled to take money from your account to pay itself. This will 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 that came from federal benefits or another protected source.

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 called sometimes overdraft coverage or overdraft protection.

At its surface, overdraft programs can 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 can charge you daily when you overdraw your account. 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 at your bank or credit union.
- Know when regular electronic transfers, such a rent payment 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 much lower than an overdraft fee.

Tool 1:

Know your options: Understanding what you need

Deciding where to get financial products can be hard because there are so many choices. Before you decide which type of provider to use, think about the reasons you need a financial product.

Checklist of common reasons to find a financial service provider

Pick the top three reasons for you.

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 pay bills, manage my finances, or conduct other transactions 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.

Find the three reasons for finding a financial service product and provider you identified above. Circle them and read about the providers and products that may be the best fit for your priorities.

<table>
<tr><th>Reason for a financial service provider</th><th>Financial service provider</th><th>Products that can meet your need</th></tr>
<tr><td rowspan="2">I want a safe and secure place to keep my money.</td><td>Bank or credit union</td><td>Savings account, checking account, or certificate of deposit</td></tr>
<tr><td>Retailer, check cashing store or online</td><td>Prepaid debit card (May currently lack the same consumer protections as a debit card linked to a checking account)</td></tr>
<tr><td colspan="3">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 know how much money you have in it.</td></tr>
<tr><td rowspan="2">I want to be able to make purchases without having to carry cash or go into debt.</td><td>Bank or credit union</td><td>Debit card (attached to a savings or checking account)</td></tr>
<tr><td>Retailer, check cashing store, or online</td><td>Prepaid debit card</td></tr>
<tr><td colspan="3">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!</td></tr>
<tr><td rowspan="3">I want a low cost and easy way to pay my bills.</td><td>Bank or credit union</td><td>Checking account
Bill payment services
Money orders</td></tr>
<tr><td>Retailer, check cashing store, or online</td><td>Money orders
Bill payment services
Prepaid debit cards (some can be used for bill payment)</td></tr>
<tr><td>U.S. Postal Service</td><td>Money orders</td></tr>
</table>

TIP: Make sure to check how you can pay for most of your bills. Some utilities and other companies accept only certain bill payment options.		
I want to bank and pay bills online.	Bank or credit union	Checking account and online banking
	Internet-based bill paying service	Online bill paying
	Retailer, check cashing store, or online	Prepaid debit card with online bill payment
I want to have my paycheck directly deposited.	Bank or credit union	Savings account or checking account
	Employer	Payroll card (prepaid debit card)
	Retailer, check cashing store, or online	Prepaid debit card
I want to accumulate savings.	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.	Bank or credit union	Car loan
	Automobile dealer	Dealer financing
I want to buy a home.	Bank or credit union Mortgage company	Mortgage
I want to be able to get small loans quickly and without a hassle.	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.	Bank or credit union	Credit builder loan
	Bank or credit union	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 and make sure the information in your credit reports are correct. Visit 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. Call 1-877-322-8228 or visit www.annualcreditreport.com.		
I want to send money to someone.	Retailer, some check cashing stores, U.S. Postal Service, online companies	Money Transfers
	Bank or credit union	Wire Transfers or other money transfers
TIP: New protections apply when you send money abroad. Before you pay, you will learn more 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: Finding 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 compare businesses that can offer you those services. Using this form, you can compare up to three financial service providers at time. If there are services or features that don't matter to you, just put a line through the entire row.

Financial service provider comparison

	Financial service provider 1: ______	**Financial service provider 2:** ______	**Financial service provider 3:** ______
Convenience and access			
Close to where I work or live?			
Open during hours I can visit (at lunch and after work, for example)?			
Can I pay bills and check balances by phone, online, or with a mobile app?			
Products and services			
Does it offer depository services? (savings, checking, CDs)			
If I get a checking or savings account, will I get an ATM card? Debit card?			
Does it offer credit services? (credit cards, small dollar loans, mortgages, lines of credit)			

Does it offer transactional services?(check cashing, money transfers, bill payment)			
Does it offer additional services? (Notary Public, safe deposit boxes)			
Customer service			
Do I feel welcome?			
Are the products and services described in terms I can understand?			
Is staff available to answer my questions in person or by phone?			
Safety and Security			
If I am depositing money, is it FDIC or NCUA insured?			
Is my money protected if someone steals my debit card or uses it without my permission?			
If I transfer money, will the provider guarantee the time it will arrive and give me information about the fees, taxes, and the exchange rate before I pay for the transfer?			
Fees			
Are there transaction fees or other costs, such as activity fees or, for international transactions, exchange rates? What are they?			
Is there a fee for making a deposit?			
Is there a fee for going below the minimum balance?			
Are there monthly account maintenance fees?			
Are there fees for using debit cards to make retail purchases or inactivity fees?			

Are there fees for using online banking services?			
What are the fees if you overdraft?			
What are the fees associated with getting a loan?			
What are the fees associated with getting a credit card? Are there annual fees?			
Interest and statements			
Will you earn interest on savings? What is the rate of interest you will earn (APY)?			
What is the interest rate on the loan? What is the interest rate including all fees on the loan (APR)?			
How often will you receive account statements?			
Other criteria important to me			
If I am transferring money, how convenient is it for the recipient to receive the funds?			
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?			
Other:			
Other:			

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. Be cautious how you use this tool. CFPB recommends that you do not include names and account numbers; and that users follow their organization's policies regarding retention, storage, and disposal of documents that contain personal information.

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

Check if you want to learn more	Common financial products or services	Description	Where can you get this product or service?
Transaction or payment products or services			
	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.	

Check if you want to learn more	Common financial products or services	Description	Where can you get this product or service?
	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 in 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 that specific ATM network.	
	Prepaid debit 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 debit 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.	
	Money transfer	Send money from one place to another.	

Check if you want to learn more	Common financial products or services	Description	Where can you get this product or service?
	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			
	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			
	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.	

Check if you want to learn more	Common financial products or services	Description	Where can you get this product or service?
	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. This will be an installment loan. 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			
	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	Common financial products or services	Description	Where can you get this product or service?
	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.	
	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.	
	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			
	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.	

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. Be cautious how you use this tool. CFPB recommends that you do not include names and account numbers; and that users follow their organization's policies regarding retention, storage, and disposal of documents that contain personal information.

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 interest they pay for savings accounts.
- The fees they charge.

You will usually need between $25 and $100 to open a savings or checking 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 about 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).[65]

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.

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. They do this for financial institutions that are a part of their network. 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:

- 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

[65] Internal Revenue Service. See http://www.irs.gov/Individuals/General-ITIN-Information.

- 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 if you have it	Information needed	Additional questions
	A U.S. or foreign government-issued form of identification with my 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 name and address on it ▪ Birth certificate	
	A Social Security number or ITIN (individual taxpayer identification number); if not, 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	
	Monthly service fees	
	Direct deposit and whether it eliminates the monthly fee	
	Per-check or transaction fees	
	Fees associated with use of automated teller machines (ATMs)	
	Internet banking and online bill pay access and any costs	
	Overdraft fees	

	Low balance alert notifications	
	Other:	

Tool 5:

Remittances

Consumers in the United States send billions of dollars in remittance transfers each year. The Consumer Financial Protection Bureau 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.

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

MODULE 9:

Protecting your money

Part of being a smart consumer is understanding your rights. When you know you have rights, you can protect yourself. There are many laws that protect your rights when it comes to financial products and services. It is the CFPB's job to enforce these laws and handle consumers' complaints about financial products and services.

The CFPB has already handled over half a million consumer complaints about:

- Credit cards
- Mortgages
- Bank accounts and services
- Private student loans
- Vehicle and other consumer loans
- Payday loans
- Debt collection
- Money transfers
- Credit reporting
- Prepaid cards
- Other financial services (including check cashing, credit repair, traveler's checks)

Based on these complaints and research, the CFPB takes action to stop practices that are unfair, deceptive, abusive, or otherwise violate the law. In many cases, it partners with other federal agencies and state officials to address these problems.

Through enforcement actions, the CFPB can require companies to refund money to customers when their consumer rights have been violated.

Submitting a complaint to the CFPB

To submit a complaint, go to: http://www.consumerfinance.gov/complaint. From there, select the product or service that your complaint is about: bank account or service, credit card, credit reporting, debt collection, money transfer, mortgage, student loan, payday loan, money transfers, vehicle/consumer loan, prepaid card, or other financial services (including check cashing, credit repair, traveler's checks).

Fill out the form, providing as much detail as possible. The form will ask you:

- To describe what happened, in as much detail as possible
- What you think a fair resolution to your issue would be
- For your information (name/address/email)
- For detailed information about the product and company you are complaining about. You will be asked to scan and upload any documentation that you have to support your complaint (account agreements, monthly statements, proof of payment, etc.)

You will then be able to review and edit any 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.

Tool 3: Submitting a complaint to the CFPB provides detailed information on how to submit a complaint, and how you can track the process.

If you want more information on how complaints are handled, you can visit our complaint page at http://www.consumerfinance.gov/complaint.[66]

It’s your money—be aware and take care

Ask questions

Even though the terms may be unfamiliar at first, shopping for financial products and services is no different from shopping for other kinds of products and services. Remember the following:

- Don’t be intimidated.
- If you want to work with a financial counselor or adviser, interview a few before choosing one.
- Before you sign anything or give personal or financial information about yourself to an adviser, ask questions: What are your qualifications? How do you get paid? Are you working in my best interest?
- If your friends or family members give you advice or information, it’s up to you to question them: Where did you get the information? Who gets paid what? Are you making any money on this?

“I have an amazing offer for you.”

Have you ever seen or heard something like this? Most of us have – such as in an email offering the opportunity to receive millions of dollars from a foreign prince or a lottery you did not enter, or in jobs that say you can potentially earn $80/hour while working at home. Unfortunately, if the "opportunity" appears too good to be true, it probably is. If you run across an amazing sounding opportunity, job, or product, do your research with a critical eye – especially if you are receiving the “opportunity” via an unsolicited email!

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[66] The Privacy Impact Assessment for the Consumer Response System is available at http://www.consumerfinance.gov/privacy-office/consumer-response-database

Con artists and scammers use creative and innovative schemes and appeals to get you to part with your money. Follow these principles to detect con artists and scammers:

- Beware of promises to make fast profits and investments that claim to offer high returns at little or no risk.
- Do not invest in anything unless you fully understand the deal. Consider running the opportunity by others that you trust to make sure that they share your understanding.
- Don't assume a company is legitimate based on "appearance" of the website.
- Beware of requests for money from people you do not know. Research the parties involved and the nature of the deal or job. If you don't know how to do this, ask someone that you trust to help you, or don't deal with that person!
- Contact state and local consumer agencies to see if there is a complaint against the company.
- Don't open spam. Delete it unread. And, never respond to spam.
- Don't open e-mail attachments from people you don't know or attachments that you did not expect to receive.

You can say no

Scammers and con artists target polite people because they have a harder time saying no. If you feel pressured to make a decision, chances are you are being scammed. It may be hard, especially if it is a friend or relative, but just saying "No, I am not interested," may save you from a financial loss.

If people are pressuring you on the phone, you don't have to continue the call if you feel uncomfortable – especially if they are trying to verbally coerce you into buying, donating to, or investing in something. Tell them to take you off their list and then hang up.

Taking care of your information

Just as you have to protect you money, you also have to protect your personal information. Never give out personal information, such as account numbers, passwords, or answers to security questions over the phone or through email. Banks, credit unions, and other financial institutions will never call or e-mail you asking you to verify personal information.

Only provide the information if you initiated the call to a number you know is from the company or if you directly typed in the website address and you see signals that the site is secure. A secure website has:

- A URL that begins with “https:”
- A lock symbol next to the URL
- Security authentications and certificates

You can prevent identity theft by guarding your identifying information carefully and only sharing it with a few trusted people. Use the checklist in *Tool 2: Protecting your identity* to make sure you are taking the right precautions in protecting your identity.

Tool 1:

Red flags

When making financial product or service purchasing decisions, watch out for the following warning signs or red flags that the product or service may not be in your best interest. Use this checklist. If you find you have checked one or more characteristics when you are considering a product or services, take a closer look or avoid the product or service altogether.

Red flag list

Check any that apply	Red flag	Description
Sales tactics and red flags for loans and other financial products or services		
	Pressured sales tactics	You are pressured to purchase things or to take out loans you don't want or can't afford.
	Lack of uniformity	Different staff or salespeople are telling you different things regarding pricing or other information.
	Won't put it in writing	No one will give you clear information in writing—even when you ask for it.
	Unexplained fees	No one can explain what certain fees are for or why they are so high.
	No clear cancellation or return policy	There's no clear cancellation or return policy. Don't assume that you are able to return a product or cancel a purchase.
	Inconsistent information on interest rates	The salesperson tells you about an interest rate, but the APR on the form is much higher.
	Pushed to purchase	You are being pushed to make a big-ticket purchase immediately.

	Steering and coercing	Aggressive sales tactics are used to steer and coerce you toward a high cost loan, even though you could have qualified for regular prime loans.
Red flags when signing loan documents		
	Paperwork doesn’t match the sales pitch	The promises made to you by a salesperson are not in the papers that you are asked to sign.
	Confusing fine-print	A good rule of thumb is to refuse to sign anything that you don’t understand.
	Incomplete paperwork	You are asked to sign a contract with blank spaces to be filled in later.
	Additional insurance and other add-on products	Some lenders may insist on, intimidate, or imply that borrowers must buy unnecessary items—additional insurance, unneeded warranties, monitoring services, etc. They get incorporated into the loan amount, and the borrower pays interest on them over the life of the loan.
	Prepayment penalties	Prepayment penalties are fees lenders require a borrower to pay if the borrower pays off a loan early.

Tool 2:

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 **personal information** can pretend to be you, buying things on accounts that you own or are under your name. This leaves you getting 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 list

Check if completed	Steps to protect your identity
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 the "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.[67]
	Never give your personal information to someone who calls you and asks for it, even if they say they 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.
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.

[67] http://www.consumer.ftc.gov/articles/0272-how-keep-your-personal-information-secure#offline

	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—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 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.

Tool 3:

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 and other consumer loans
- Money transfers
- Credit reporting
- Debt collection
- Payday loans
- Prepaid cards
- Other financial services (including check cashing, credit repair, traveler'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.

Instructions for a consumer to submit a 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:

1. **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.
2. **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.

3. **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.

4. **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.

5. **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.

6. **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 it receives and makes anonymized consumer complaint data available to the public on its Consumer Complaint Database: 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

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.

Tool 4:

Learning about consumer protection

Protecting your rights as a consumer starts with knowing that you have rights. The following consumer protection laws establish 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 about which financial educators and coaches should be familiar.

Read the summary of each law below. Put a check in the "Follow Up" column if knowing a little more about this law will help you or people you know. 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	Follow Up
Regulation B: **Equal Credit Opportunity Act**	▪ 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, on a prohibited basis, applicants from applying for credit; an offer of less favorable terms to an applicant than terms offered 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, and protect yourself against discrimination, visit http://www.consumerfinance.gov/fair-lending.	
Regulation C: Home Mortgage Disclosure Act	▪ 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 dwelling; 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.	
Regulation E: Electronic Fund Transfer Act	▪ Establishes the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer services or send remittances and of the financial institutions and other companies that offer these services. “Electronic fund transfers” include transactions, for example, where you swipe your card at check-out, make purchases with your card by phone or online, or make deposits or withdrawals at an ATM. Remittance transfers sometimes called “international wire transfers”), include many common ways of transferring money to people in other countries. ▪ 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.	
Regulation F: Fair Debt Collection Practices Act	▪ 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 from you. ▪ 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 you 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.	
Regulation M: Consumer Leasing Act	▪ 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.	
Regulation P: Privacy of Consumer Financial Information (Gramm-	▪ Governs the treatment of nonpublic personal information about consumers by financial institutions and by institutions that use or re-use or re-disclose information from financial institutions. This type of information includes your account information and your Social Security number.	

Leach-Bliley Act)	▪ 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.	
Regulation V: Fair Credit Reporting Act	▪ 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 filed 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.	
Regulation X: Real Estate Settlement Procedures Act	▪ 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.	

Regulation Z: Truth in Lending Act	▪ 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, visit http://www.consumerfinance.gov/askcfpb/787/what-truth-lending-disclosure-when-do-i-get-see-it.html.	

Regulation DD: Truth in Savings Act	▪ 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.	

Resources

Consumer.gov, Identity Theft:
http://www.consumer.ftc.gov/features/feature-0014-identity-theft

FBI.gov, Identity Theft:
http://www.fbi.gov/about-us/investigate/cyber/identity_theft

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

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