YOUR MONEY, YOUR GOALS

A financial empowerment toolkit for community volunteers

Consumer Financial Protection Bureau

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Table of contents

INTRODUCTION PART 1:

Introduction to the toolkit

Welcome to the Consumer Financial Protection Bureau's *Your Money, Your Goals: A financial empowerment toolkit for community volunteers*! If you're reading this, you are probably a volunteer or you work in an organization that engages volunteers to help serve its community. Across the United States, volunteers like you are providing financial or career coaching, mentoring youth aging out of foster care, offering lay counseling in a faith-based organization, or welcoming people at a food bank or Volunteer Income Tax Assistance site. You may also share your time and expertise in a volunteer leadership role or serve on the board of a non-profit service provider in your community.

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 use financial services products that work for them.

Many people feel overwhelmed by their financial situations, and they often don't know where to go for help. Volunteers are often in a unique position to provide that help. The people your organization serves may already know you and trust you, and in many cases, they're already sharing financial and other personal information with staff or with you.

What is financial empowerment?

How is "financial empowerment" different from financial education or financial literacy?

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

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

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

Community volunteer

In this toolkit, the term "community volunteer" is used to refer to anyone who volunteers with a community- or faith-based organization that serves low-income or economically vulnerable community members. *Your Money, Your Goals* will be especially useful for volunteers that coach, counsel, mentor, or work directly with economically vulnerable individuals and families.

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

We designed *Your Money, Your Goals* and the training you may receive on using it to help you help the people you serve become financially empowered. The toolkit is a collection of important financial empowerment information and tools you can choose based on individuals' current needs and goals. As a toolkit, it is 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.

Because it's a toolkit, *the aim isn't for you to cover all of its information and tools with everyone you serve*. Instead, it's to help you identify and share the information and tools that are best suited to help someone get started on solving specific financial challenges and reaching their goals. And, when they want or need additional help, the aim is to help you refer them for financial counseling or coaching.

Financial empowerment and outcomes

Financial empowerment may help the people you serve transition from the services they receive from your program. This won't happen solely because of the way that you use the information and tools in the toolkit. But sharing these resources with them may help increase their financial stability and reduce their future need for services.

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 reports, 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.

The CFPB's Office of Financial Empowerment developed this toolkit because individuals like you meet with thousands of people 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 http://www.consumerfinance.gov, you can help people become more financially empowered, reduce their financial stress, and manage their finances in ways that achieve their goals and dreams.

Financial empowerment can build financial stability

Sharing financial empowerment information and tools may feel different from the work you normally do as a volunteer. But, once you become familiar with the resources in this toolkit, we believe it can become natural to integrate its contents into the work you do.

As a community volunteer, one of your responsibilities may be getting a sense of each person's unique needs. If that's the case, the toolkit starts with an assessment that can help you understand people's goals and the financial situations they may be facing.

The *Your Money, Your Goals* toolkit brings together information, tools, and links to other resources you can use to help people build skills in managing money, credit, debt, and financial products. Having all these resources in one place can make it easier for you to bring financial empowerment into your conversations with them.

Volunteers and financial empowerment

As a volunteer, you are in a good position to provide financial empowerment services to the people you serve. Community volunteers have access to and the trust of millions of individuals who are most in need of financial empowerment services. You may feel more equipped and empowered to provide these services when you read the content and use the tools provided in the toolkit.

The information and tools in the *Your Money, Your Goals* toolkit can help improve individuals' and families' financial stability by giving them a new understanding of financial concepts along with financial tools they can apply to their own challenges and goals. Depending on your volunteer role and on the situation, 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
- Plan for large purchases and life events
- 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 reports
- Evaluate financial products and services
- Recognize when their consumer rights may have been violated and know how to take action

Making referrals

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

The people you serve 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 short-term loan to cover my bills until my next paycheck?"
- "My employer says I have to have direct deposit. But I'm worried about running into extra fees like I did on my last checking account. He says he can give me a payroll card. How can I figure out what will work best for me?"
- "Should I borrow from my retirement account to pay off my debts?"

Some people may need more help than you or your organization is equipped to provide. This is where knowing how to use your organization's resource and referral network will be important.

Your organization may be able to provide you with a list of websites and local organizations you may find helpful. 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. Partner organizations should objectively show people the upside and the downside of specific actions they take and the impact these actions have on their financial situations.

Referral partners

Only refer people to organizations that:

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

If your organization or community doesn't have a local referral guide for these services, you can use CFPB's *Creating a referral guide* to help get you started. [1]

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

Using the toolkit

The toolkit is divided into two parts:

- **The four-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 people can use to put that information to work.** This section is like a toolbox, full of things you could use in a wide range of situations. *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 be helping a person who has just lost her job. Starting with *Setting goals* would likely not be useful to her right now. On the other hand, Module 5's tips for managing cash flow and identifying new resources could be useful to someone who doesn't have enough cash to cover basic living expenses.

Or you may be working with someone who wants to get out of debt. In the long run, it might be useful to talk with him about cash flow. But you can start by addressing his goal and help him create a plan to pay down his debt.

You might not have the time to meet with someone as often as you'd like. You may even meet with them just once. This toolkit can help you identify ways to start a conversation that opens the door for you to make referrals to services like free tax preparation, financial education, counseling, coaching and to other valuable services. [2]

Getting all the tools at once – or even five tools at one time – is likely to be overwhelming for most people. Only **give people one or two tools at a time, beginning with a key topic and the tools that make the most sense for their situation.** [3]

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[2] 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.

[3] The Department of Health and Human Services Office of Community Services has also developed a guide that can assist organizations in integration of financial empowerment resources into social services. See "*Building Financial Capability: A Planning Guide for Integrated Services*" available at http://www.acf.hhs.gov/sites/default/files/ocs/afi_resource_guide_building_financial_capability_final.pdf.

“But I only volunteer a few hours a week…”

One way to think about this financial empowerment work is that it is not an “add-on” service, but rather something you can integrate into the work you are already doing as a volunteer.

This doesn’t mean that it doesn’t require time on your part. While it requires time, that time will be front-loaded. In order to bring financial empowerment into the services you provide you will have to spend time:

- Learning the toolkit content
- Becoming comfortable with the topics and the tools in the toolkit
- Thinking about ways to introduce financial empowerment into your work
- Potentially capturing the outcomes of financial empowerment for your organization

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?

- It builds on established relationships you may have with individuals you serve.
- People are busy—there is efficiency in addressing many issues in one stop.
- Financial and economic issues cut across situations and challenges. Adding financial empowerment to the primary focus of your work may present a more holistic approach to the services you provide.
- It provides opportunities for reinforcement during "natural" discussions.
- It may result in better outcomes for the people you serve and your organization's programs.[4]

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 individual.
- ***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*.

[4] 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 most relevant financial empowerment information and tools to share. It can also help you keep track of the information you have shared, including any referrals you have made for them. By keeping track of the information and referrals you've provided, you and your organization may be able to show how your financial empowerment work helped the individual to achieve their financial goals and other positive outcomes.

Remember, even if you meet with someone regularly, you won't cover all of the tools with them. By using this checklist, you can find the right module or tools based on the person's most pressing financial challenge or the topic they're most interested in.

This checklist is organized by financial empowerment topic or module, followed by the tool or tools associated with it. The question(s) after each module title can help you identify the goal or challenge addressed in that module.

To use the checklist:

- Print a copy of the checklist for each person you are working with.
- 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 someone on an ongoing basis. Include information about your discussions, specific challenges, and whether you made a referral.
- 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

Name: ___________________________________

Module 1: Setting goals and planning for large purchases—Does the person have clear goals? Is the person satisfied with his or her financial situation?

Check or date	**Tool**	**Notes and referral information**
	Goal setting tool	
	Planning for life events and large purchases	
	Buying a car	

Module 2: Saving for emergencies, goals, and bills—Does the person have money set aside for emergencies or unexpected expenses?

Check or date	**Tool**	**Notes and referral information**
	Savings plan	
	Savings and benefits: Understanding asset limits	
	Finding a safe place for savings	
	Increasing your income through tax credits	

Module 3: Tracking and managing income and benefits—Does the person track his/her income and know the options for receiving pay and benefits?

Check or date	Tool	Notes and referral information
	Income and resource tracker	
	Ways to increase income and benefits: Know your options	
	Ways to increase income and resources	

Module 4: Paying bills and other expenses—Does the person pay bills on time each month? Does the person understand and take advantage of available financial products to pay bills and plan spending?

Check or date	Tool	Notes and referral information
	Spending tracker	
	Bill calendar	
	Ways to pay bills: Know your options	
	Strategies for cutting expenses	
	When cash is short: prioritizing bills and planning spending	

Module 5: Getting through the month—Is the person able to make ends meet each month? Does the timing of income match the timing of bills and expenses?

Check or date	**Tool**	**Notes and referral information**
	Cash flow budget	
	Cash flow calendar	
	Improving cash flow checklist	

Module 6: Dealing with debt—Does the person feel overwhelmed by his debts or by debt collectors? Is the person borrowing more money to pay off his debts?

Check or date	**Tool**	**Notes and referral information**
	Debt worksheet	
	Debt-to-income worksheet	
	Reducing debt worksheet	
	Repaying student loans	
	When debt collectors call: Steps you can take	

Module 7: Understanding credit reports and scores—Has the person ever requested and reviewed his or her credit report?

Check or date	Tool	Notes and referral information
	Getting your credit reports and scores	
	Credit report review checklist	
	Improving credit reports and scores	
	Keeping records to show you've paid your bills	

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?

Check or date	Tool	Notes and referral information
	Know your options: Money services, cards, accounts, loans	
	Ask questions: Choosing where to get what you need	
	Money services and banking basics	
	Opening an account checklist	
	Money transfers and remittances: What you need to know	

Module 9: Protecting your money—Has the person had issues with a financial product or service? Does the person know about basic steps to protect himself from scams, cons, fraud, and identity theft?

Check or date	Tool	Notes and referral information
	Submitting a complaint to the CFPB	
	Protecting your identity	
	Red flags	
	Learning more about consumer protection	

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

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

Tool 2:

Financial empowerment self-assessment

Some volunteers may find the idea of providing financial empowerment information overwhelming. For some, it's because they feel like they just don't know enough about it. But the truth is that no one knows everything there is to know about financial empowerment.

Others may feel like they know the information but haven't applied it in their own lives or may be facing many of the same financial challenges as the people they serve.

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

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. You may also find areas where you could benefit from a little more information or know-how.

As a volunteer who helps your organization serve individuals and families, it's important for you to understand your own level of financial empowerment.

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*.

Self-assessment: Part 1

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

	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 and resources to cover your bills from week to week.		
4. If you can't pay all of your bills and collectors start demanding payment, you should pay the "squeaky wheel" first.		
5. The only way to receive employment income is a paycheck.		
6. Credit is when you owe someone money.		
7. Your total monthly debt payments may affect your ability to borrow more money.		
8. A poor credit history can 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:	

Self-Assessment: Part 2

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

Statement	*Does not apply*	*Strongly disagree*	*Disagree*	*Agree*	*Strongly agree*
1. I have money set aside for emergencies and goals.					
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 items on my credit report fixed.					
8. I feel confident about helping people 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.					

Self-assessment: Part 3

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

Question	*Yes*	*No*	*I don't know*
1. I have a savings or checking account at a bank or credit union, and 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.			
10. I have received demands for payment 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 income via a method other than a paycheck. (Payroll card, direct deposit, or cash, for example.)			

✔ Financial empowerment self-assessment: Part 1answer key

Here are the correct answers for Part 1 of the "*Financial Empowerment Self-Assessment*." If you did not answer the item correctly, see the toolkit module listed next to the answer for more information. Reading through the module indicated can help you understand the answer to the item 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 and resources to cover your bills from week to week.	✕		Module 5
4. If you can't pay all of your bills and collectors start contacting you to demand payment, you should pay the "squeaky wheel" 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. Your total monthly debt payments could affect your ability to borrow more money.	✕		Module 6
8. A poor credit history may keep you from getting an apartment, and in some states, 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

✔ Financial empowerment self-assessment: Part 2 answer key

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 below any that you rated as *Disagree* or *Strongly disagree* and take a look at the modules that relate to these areas in *Your Money, Your Goals* 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 completing some of the worksheets on your own before you begin using it in your work.

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.	Modules 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 items on my credit report fixed.	Module 7
8. I feel confident about helping people begin to manage some of their financial challenges.	Consider reviewing some or 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 CFPB's *Creating a referral guide* for creating a strong financial empowerment resource and referral network.
10. I know where to get help if I have questions about 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 CFPB's Creating *a referral guide* for creating a strong financial empowerment resource and referral network. Also see Module 9 to learn about submitting complaints to the CFPB.

✔ Financial empowerment self-assessment: Part 3 answer key

There are no right or wrong answers for Part 3 because it helps you identify the financial products or services and situations you have had experience with. This is important because the people you're working with may have experienced situations or used products and services you haven't. If you're not familiar with some of these topics and want to learn more, you can use the modules listed in the second column. You may also find it helpful 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 6 and 7
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.	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

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

To download the CFPB's *Creating a referral guide*, visit:
http://www.consumerfinance.gov/your-money-your-goals

To download the U.S. Department of Health and Human Services' *Building Financial Capability: A Planning Guide for Integrated Services*, visit:
http://www.acf.hhs.gov/sites/default/files/ocs/afi_resource_guide_building_financial_capability_final.pdf

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

INTRODUCTION PART 2:

Understanding the situation

You may be wondering where you should start with an individual. This goal and financial situation assessment may help you figure out a beginning point when you meet with someone.

This tool will help you match each person'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.

When you feel the time is right, you can simply ask the person 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 these questions to it, too.

Assessment

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

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 3 of the Introduction provides tips on starting the conversation. You can say something like this as an introduction:

> *We know that many issues in 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 and resources 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 and provide the right information, tools, or referrals.

Of course, using the assessment including its questions in a conversation is optional, but doing this can help you decide where to start in sharing resources from the toolkit. For example, if someone 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 are working with someone that is unable to make ends meet, you can target *Getting through the month*.

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 people's personal information.

Tool 1:

My money picture

✎ Where I am – and where I want to go

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

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

____

____

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

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

✔ My money picture key

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

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

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

4. Can you count on having about the same amount of income every week?	If *No*, Module 3 for information on tracking and managing variable income. Call 211 or local emergency assistance center. Make a referral to your local workforce opportunity center.	▪ **Write down your total income and benefits and when they come in –** both your wages and any benefits you receive (like SNAP or rental assistance.) If your pay is irregular or changes from paycheck to paycheck, use the amount you receive in a week when you don't work extra hours.
5. When unexpected expenses or emergencies happen, do you have some money set aside to cover them?	If *No* or *I don't know*, see Modules 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 figure out whether you can make some changes. ▪ **If you can, put aside a small amount** each week. If you usually receive a tax refund, think about setting a goal for how much of it you want to save.

6. Do your money, benefits, and other resources cover all your bills and living expenses?	If *No* or *I don't know*, see Modules 4 and 5.	▪ **Write down your total income and benefits and when they come in –** both your wages and any benefits you receive (like SNAP or rental assistance.) If your pay is irregular or changes from paycheck to paycheck, use the amount you receive in a week when you don't work extra hours. ▪ Write down your bills and the due dates. ▪ Write down your total expenses – Add all of your expenses and other uses of cash (including savings and debt repayment) for the week. ▪ If you have enough income and resources in a month to cover the bills, but your income arrives after the bills are due, reach out to the companies to see if it's possible to change the due date or make bi-weekly payments. ▪ Look for expenses you might be able to pay less for or temporarily cut back.

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

9. Do you have an account at a bank or credit union?	If *no* see Module 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 (such as 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 ▪ If you want an account and have been turned down, ask the bank or credit union to explain the exact reason for their denial. You have the right to get a free a copy of your credit report that the bank or credit union reviewed before making their decision to deny your application. Look for errors in this credit report.
10. Do you feel like you're spending too much to get your money and use it to pay bills?	If *Yes* or *I don't know*, see Module 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 collection, 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) or TTY/TDD (855) 729-CFPB (2372).

Resources

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

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

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

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

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.

But you may already be talking with people about other personal issues or 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.

Use the experiences that you've had in your own life or that friends and family have had to help you understand where the people you're working with are coming from. When people feel that you respect them and that they can trust you, they're usually more willing to open up and discuss financial topics that might otherwise make them feel uncomfortable.

Starting the conversation

If financial empowerment is not a part of your regular discussions, knowing when to bring up the topic can be a challenge at first. Ways to start the conversation include:

- Using the assessment tool during intake or check-in meetings
- Making the most of shorter discussions to introduce a tool or make a referral
- Following up with people when they bring up financial issues directly or indirectly

Financial empowerment opportunities in common situations

Here are a few examples of situations where the toolkit's information and tools and using your organization's referral network could strengthen the work that you are already doing as a volunteer.

- In working with a couple on strengthening their relationship, it becomes clear that different spending habits and attitudes are a source of conflict.
- An individual lands a new job, and she doesn't understand how direct deposit works and whether it is a good idea for her.
- Someone you are working with had his hours cut back at work. He knows he won't have enough cash next month to cover the bills and needs a strategy for prioritizing bills and paying them off.
- An individual just received a tax refund and would like to set it aside for emergencies but doesn't have a bank account.
- A woman who has just left an abusive relationship is concerned that her husband is making purchases in her name.
- Someone you are working with is new to this country and hopes to eventually buy a home. He doesn't understand how credit scores work and why they matter so much.

How should I bring up money topics?

Use the assessment tool

If you have a lot of contact with someone, one of the easiest ways to bring up money is to use the *My money picture* tool from *Introduction Part 2: Understanding the situation*. Going over this series of questions will give you a clearer picture of where the person stands and what information might be most useful. Remember, you can:

- Ask the person to complete the assessment either in your meeting or at home.

- Cover the questions in a conversation.
- Ask the person to answer only a few of the questions.

Make the most of short-term contacts

It's great to be able to build trust and discuss financial issues with the people you serve over the long term, but sometimes you just don't have that kind of time. You can work on empowering people financially during short-contact meetings, too. For example, if it's early in the year and you're winding up a brief meeting with someone you've just met, you could say:

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

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

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

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

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

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

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

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

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

Broaden the conversation

In the next sections, we'll offer you specific suggestions, tools, and tips for broadening and improving existing financial conversations that you have with people. For example, if you are working with someone on obtaining employment and building job skills you can talk with him about banking and savings after he gets a job in order to help him effectively manage his income.

You
Congratulations on the new job! I'm so happy for you. Have you filled out any paperwork yet? Did they give you a direct deposit form?

Javier
Thank you! Its been so great to be working again. Having my own income. I really want to be smart about my money this time. I've filled out a bunch of paperwork, but I have no idea what a direct deposit form is.

You
It's a form that you could fill out so that your new employer can deposit your paycheck directly into your savings or checking account at a bank or credit union.

Javier
Oh, I don't have a savings or checking account. I had one a while ago but they kept charging me for things for no good reason, so in my last job I took my check to this place down the street and they gave me cash.

You
I'm sorry you had such a bad experience. Banks and credit unions can seem really confusing sometimes. I know of a program that can help you get an account at a bank or credit union. And since you are worried about extra fees, here's information from the Consumer Financial Protection Bureau on how to avoid extra fees on your account. We could go over the way it works together if you're interested. It would be a safer place to keep your money. You could even start saving some of it for emergencies or your daughter's education. I remember you telling me how smart she is.

Respond when people initiate

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

Aaliyah: My utilities are due, but I don't get my next paycheck for five days, so I'm broke! You know how it is. And, I'm going to be late with the electric again.

You: Oh no. I know being late means fees. Are you in danger of getting your electricity cut off?

Aaliyah: No, I don't think so. I've only been late one other time this year that I can think of…

You: Are you sure you'll have the money next week to cover this bill as well as other expenses you will have?

Aaliyah: Well, I wouldn't say I'm sure. When it comes to money who is really sure about anything. I mean I think if I plan with my money, I'll do all of this work and still end up broke and disappointed. You know, putting all that effort into something and it gets you nowhere.

You: Gosh, I get what you mean. But even though things don't work out exactly as planned, I've found plans with my money can help me make sure I get some of the big things like my car payment, rent, and utilities covered. There are a few tools I could show you if you might be just a little interested…

Aaliyah: Mmmm. Well you know how I feel about planning, but I guess I could take a look…

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

Aaliyah You know, they're good but we're feeling cramped at home now that they are bigger, and I'd really like to get them a yard to run around in, so we've been talking about moving.

You That sounds like a great idea. I remember that we ran a credit report for you when we first started working together. I know that landlords often take a look at your credit. . .

Aaliyah They do? I don't remember that happening before! What's on there?

You Yes, most of the time they will look at your credit when choosing who to rent to. Why don't we take a look at your credit history together next time to make sure that everything looks right to you.

Discussing difficulties or problems

Many people have difficulty with credit or other financial products or services, and some may feel shame or embarrassment because of 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 the financial services provider.[5]

The CFPB has already handled over 700,000 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 these

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[5] You can also submit a complaint on behalf of the person you're helping. See *Module 9: Protecting consumer rights* for information on submitting a complaint to the CFPB and other authorities.

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

If you submit a complaint to 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.

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

The Consumer Financial Protection Bureau (CFPB) has prepared this material as a resource for the public. This material is provided for educational and information purposes only. It is not intended to be 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 the CFPB has prepared.

Tool 1:

Top money conversations

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

Top Money Conversations
Do you have goals for yourself and your family? Are they goals you want to reach soon or in the next few years? How do you plan to reach them? ***See Module 1: Setting goals and planning for large purchases.*** Use ***Tool 1: Goal-setting tool*** to help the person: ▪ Brainstorm a list of hopes, needs, wants, and dreams and determine whether they are short-term or long-term. ▪ Turn those hopes, needs, wants, and dreams into SMART goals. ▪ If the goal requires saving or setting money aside to pay down debt, figure out how much to save each week (or month) to reach the goal. ▪ Identify the first steps the person can take to get started, and when they’ll be completed.
How do you handle unexpected expenses? Saving money now for unexpected expenses and emergencies can save you money later. **S*ee Module 2: Saving for emergencies, goals, and bills.*** Use ***Tool 1: Savings plan*** to help someone make a plan to save money for goals, expected and unexpected expenses, and emergencies.
It sounds like you’re having trouble coming up with the money for certain bills. Sometimes that’s because the timing of your income doesn’t match the timing of the bills. Would you like to take a look at a tool that can help you look at your “money-in” and “money-out” to try to get the timing to work better? ***See Module 5: Getting through the month.*** Use either ***Tool 1: Cash flow budget*** or ***Tool 2: Cash flow calendar*** to help someone find ways to better match the timing of income and expenses so that he doesn’t come up short. If he’s interested in ways to cut spending, use the tools in ***Module 4: Paying bills and other expenses.***

Do you feel like you have too much debt? Did you know that there are rules debt collectors have to follow when they contact you? ***See Module 6: Dealing with debt.*** Use ***Tool 1: Debt worksheet*** to help someone account for his or her debt. This is an important first step toward managing and reducing debt. ***Tool 5: When debt collectors call*** includes information on the process and sample letters people can use to correspond with debt collectors.
Your credit history doesn't just determine whether you get a loan. It can also affect how much you pay for deposits on your cell phone and utilities, how much insurance costs, and even whether you can get the job you want. I've got some tools you can use if you're interested in getting your free credit report and checking to make sure it's accurate. ***See Module 7: Understanding credit reports and scores.*** Use ***Tool 1: Getting your credit reports and scores***, along with ***Tool 2: Credit report review checklist***, to help someone identify mistakes on his or her credit report.
It sounds like you're having trouble getting an answer from the company about those extra charges on your account. You can submit a complaint to the CFPB and they'll forward it to the company and work to get a response for you. If someone has a complaint about a financial product or service (bank accounts or services, credit cards or prepaid cards, mortgages, student loans, vehicle loans or leases, payday loans, consumer loans, debt collection, credit reporting, money transfers or virtual currency) s***ee Module 9: Protecting your money*** for information on submitting a complaint to the CFPB. ***Tool 3*** includes step-by-step instructions on submitting an effective complaint.

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 your 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, 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 listen carefully to the people you're helping to try to determine their emotional reactions to money and its meaning. Then you can integrate their emotions and feelings into your discussions about their finances.

Instead of just asking a person to give you the basic numbers, try asking questions about how he or she feels 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?"

Values

Core values are underlying principles that prioritize how people spend time and money. Values inform how we decide what is more important when alternatives compete for our time, energy, and—importantly—money.

Helping people become aware that financial decisions are influenced by emotions and past experiences may help them understand what drives some of their financial practices. It can also help you better understand their unique strengths and challenges.

Understanding personal values around money

Each of us has a unique set of values that shape how we prioritize what we do with our time, energy, and—importantly—money. Just in a single day, we may make many choices about "what is more important:"

- The enjoyment of eating out at a restaurant or the benefits of the less expensive option of eating at home.
- Spending time visiting an aging parent or using that time to watch a neighbor's children while she interviews for a job.
- Buying an expensive Christmas present for a nephew or buying a less expensive gift and saving what is left over.
- Paying for financial obligations such as child support and student loans before spending money for "wants."

Think about the values that drove some of your recent decisions. Were you deciding between family obligations and investing in your career? Were you deciding between enjoying today and preparing for tomorrow?

Values run deep

When asked to examine why they hold the values that they hold today, many people find that those values are connected to the early, formative experiences of their lives. The formation of our values can run so deep that it is often difficult to figure out where they came from.

Your family, religious views, cultural background, experiences in childhood and later in life, and your own personal reflections on what is important can all contribute to the set of values that drive your choices. For example, in some cultures it is expected that family members help each other financially until all get ahead. Consider these stories:

- Hernan's parents worked multiple jobs and scrimped and saved throughout his childhood so that he could be the first in his family to go to college. Today, as an adult father of two, Hernan typically cashes in his vacation time. He'd rather put that money into the kids' college funds.
- Tina's father never made it to Europe. Toward the end of his life, he confided that he always regretted that fact. Lately, when Tina sees the Carpe Diem bumper sticker on her car each morning, she wonders if she'll ever save enough to travel. She's beginning to think she should just go now before it's too late.

What values are involved in each decision in the stories above? Which of your own values affect what you think of these situations and your thoughts on what each person should do?

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[6]—might influence people's financial choices. Businesses, governments, and the media also influence values around money.

Differences in cultural values can affect financial behavior. For example, Western culture values individuality and personal well-being, which means it's generally considered appropriate for each person to support themselves financially. In some other cultures, family members support each other financially throughout their lives. If they save money, it may go to a family member they believe needs it. If someone chooses to spend his extra income on his extended family or neighbors instead of saving it in an emergency fund, this doesn't mean that he has bad financial habits. Instead, he may just be making financial choices in a cultural context that is different from your own.

It's important to understand cultural influences without being judgmental. When you discuss financial goals and choices with people, seek to understand their values and cultural influences. This can help you help them reach their true goals in a way that makes them feel understood and respected. They might agree to a financial plan that makes rational sense and *know* that it's what they have agreed to do, but this is often not enough to override their feelings or cultural context in the moment when decisions are made. Remember that while their priorities may seem counterproductive to you, within their own culture, they may feel completely appropriate.

Conflicts around culture and values

Sometimes, you may find that people are caught in the middle of cultural conflicts around money. Their family culture may value saving and avoiding debt. But 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 value caring financially for parents as they age, while their co-workers are not expected to take on that same responsibility.

At other times, these conflicts take place within a family. One spouse may have cultural influences or a family background that encourages them to save for their children's education, while the other may feel that children should be responsible for their own educational expenses.

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

One parent may want to save the family's tax refund; the other will think that money should go 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.

In these situations, where people may have their own conflicting emotions about money, it is important to remember that you have your own attitudes and feelings toward money – and they are probably different from the people you're working with. Be sure that you are not offering advice based solely on your own preferences.

Asking questions to understand what's behind decisions

When discussing people's financial behavior, don't just accept their expressed wants at face value. Take time to ask questions that can help you discover their underlying attitudes, needs, goals, and roadblocks. Ask them 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 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, but taking the time to help them understand their values and attitudes about money can provide both you and the people you serve with new insights. These insights can help them make lasting and productive changes that help them reach their goals.

Once you understand the cultural factors that are guiding people's behavior, you can coach them toward financial choices that help them effectively manage their obligations and line up with their true values and desires.

This might mean that you help them figure out a compromise. For example, you might help them figure out how to take responsibility for their own financial obligations without asking them to abandon their commitment to help their extended family.

Keeping your personal values in check

Our own values about money and financial issues may affect the way that we approach financial empowerment and our interactions with the people we serve. Our own values affect what we think of situations and our thoughts on the best course of action. It can sometimes be tempting to "set someone's priorities straight," or tell them what you would do in their situation.

Ultimately, however, this is not a successful strategy. **Information, advice, and other support will only "stick" when they are aligned with a person's own deeply rooted beliefs and values**.

In fact, imposing one's own values on someone else can be counterproductive:

- The person might feel judged and stop talking with you about money and financial decisions.
- The volunteer and the person being served miss an important opportunity to compare values and attitudes toward money and to consider how they are connected to financial outcomes.

Consider using some combination of the following strategies for keeping values in check:

Examine your own values. Being more aware of the values that you hold and understanding your experiences can help you to realize whether they are getting in the way of helping someone. Knowing what your values are and where they came from does not mean that you have to give up those values. It just means that—while you are acting as a source of support and information—you will be better able to take the other person's point of view into account as you help them weigh the financial choices in their lives.

Ask "implication" questions. Rather than tell someone which is the "better" course of action, ask questions that help identify the risks and rewards of each choice:

- “If you continue on this path, what is the short-term gain or the long-term impact?”
- “Does this financial choice help you and your family get to where you want to go? Who in your life will be affected by this course of action and how?”

Then, stop and listen. Let the person tell you what is important to her.

Help people examine their values and how they drive their financial decisions. Helping someone understand what drives his financial behavior is one of the most powerful outcomes you can help someone achieve. He can use that new insight to examine today’s financial decisions and potentially re-evaluate other behaviors. You can help people achieve those insights by asking about the reasons for and against different courses of action and prompt them to talk through why those reasons are important. When you spot what might be someone’s core value, say it and ask follow-up questions that define the value:

- “It sounds like being a source of support to your siblings is really important to you. Would you agree with that?”
- “Has that always been a core value of yours? What first made you feel this was so important?”
- “What makes helping your siblings important to you?”

Keeping your personal values in check doesn’t mean that you shouldn’t help people understand the consequences of their choices. Try to find a balance. On the one hand, you need to understand the person’s perspectives and values. On the other hand, volunteers who work with people at this level have a responsibility to make sure that they understand the real-life, long-term consequences of their decisions. Choices made today might limit options tomorrow for things like helping a family member in need, starting a family business, or saving for personal goals such as buying a car or a home.

Help people understand how new behaviors line up with their existing values. Once someone understands their core values and how they influence their financial choices, help them understand how a new or different financial behavior is in line with their existing values. Helping people identify the reward based on their own value set gives them much stronger footing as they try to change their behavior. People are much more likely to stick with new behaviors that they believe will benefit them when they are in line with their values than when they try to change just because they think they are “supposed” to.

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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.

These are important questions, but people sometimes hesitate to ask them because they feel their life is out of control and that they can't change the direction they're going.

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 though 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 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.

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.

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 just can't think or worry about saving for goals, large purchases, or even life events in the future. But not thinking about, planning for, or saving for these things in particular may mean that there is no money to cover the costs that come with:

- Moving in with a partner, getting married, getting separated, getting divorced, or becoming widowed
- The birth of a child
- Faith-based celebrations associated with babies and small 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 you need 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)
- Celebrating 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.

Costs of life events

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

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

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

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

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

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

Setting SMART goals

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? 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:** When will I reach this goal? Goals should have a clearly defined time frame, including a target or deadline date. This helps ensure they are measureable and that actions are planned to reach the goal by the target date.

Here are some hopes, wants, or dreams 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. **Long-term goal:** I will meet with the Community Action Program to see if I qualify for job training and other benefits by the end of the month.
I really want to save some money in case something happens in the future and I lose my job.	I will save $50 over the next eight months to start an emergency fund.
I want to get out of credit card debt.	I will pay down $1,000 of my debt over the next 18 months.
I'd like a safe, stable place to raise my children.	**Short-term goal:** I will save $800 for the required first month rent in the next six months so that I can move into a new apartment 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 buy 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.

Building a plan

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

- Information
- Tools
- Assistance from a professional. This may include financial coaching – a regular meeting with a financial coach who helps you identify goals, build a plan, and helps you decide how to take the steps to reach your goal.
- Transportation
- Other resources
- Money
- An action plan—small steps needed to reach a goal

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** you need to reach your goal 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

Total Amount Needed for Goal ÷ Number of Weeks = Amount to Set Aside Each Week for Goal

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 time your kids start school at the end of August. You already have your first piece of information: the total amount needed for your goal 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)

You would need to set aside about $15.65 every week in order to have $500 by beginning of August. (To get the monthly total, divide the amount needed by 8 months instead of 32 weeks.)

If you felt you could not set aside that much every week, you can lengthen the time to reach your goal. It's helpful to use this formula when figuring out if your goal is actually reachable in the timeframe you have set.

Other goals may not require you to set aside money every week. They may require you to get more information, get help from a professional or a financial counselor, use a new tool, or create an action plan. For example, you goal may be:

I want to pay my bills on time every month starting August 1.

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

- Collect credit card statements, loan payment statements, utility bills, phone bills, and documentation of other payments you make each month.
- Highlight payment amounts and due dates.
- Fill in the bill paying calendar tool.
- Consider using automatic payment methods for some recurring bills or online bill payment.

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[7] This calculation is designed to simplify planning. Because there are 35 weeks in 8 months, using a 32-week framework can help individuals reach their goal more quickly or allow them to miss their target for up to three weeks in the period and still reach their goal on schedule.

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 rebuilt
- 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, ask if you can change either the total amount of savings or the length of time you have to save. If the goal can wait a little bit longer, adjust the length of time you have to save. This will bring down the amount of your weekly or monthly savings. If you can't adjust the length of time, you can lower the amount of total savings, which will also bring down the amount of your weekly or monthly savings.

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 about $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 budget every week? Does that mean buying a new TV 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 you've used your Emergency Savings, 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.

Tool 1:

Goal-setting tool

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

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

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

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

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

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

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

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

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

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

Step 2: SMART goals

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

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

Step 3: Action plan

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

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

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

✎ Step 4: Figure out weekly target

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

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

Once you know how much you need to set aside each week to reach a goal, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 5: Getting through the month*. For ideas on finding money to save, see *Module 2: Saving for emergencies, goals, and bills.*

Tool 2:

Planning for life events and large purchases

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

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

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

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

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

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

Planning for life events and large purchases worksheet

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

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

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

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

Tool 3:

Buying a car

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

When you buy a car, you can:

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

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

- Credit unions
- Banks
- 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 depreciates and is worth less because of wear and tear.

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

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

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

Shop for a car loan before shopping for a car

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

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

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

Deciding on a down payment

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

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

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

Get the big picture

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

Resources

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

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

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

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

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

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

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

MODULE 2:

Saving for emergencies, bills, and goals

Savings is money you set aside today to use in the future. Sometimes it's for something people know they will need soon, and sometimes it's for something that won't happen for several years. People save for many reasons:

- Unexpected expenses and emergencies
- A bill they know will be due every few months, like car insurance
- Annual expenses like children's school supplies
- Their own goals, like a new TV, appliances, a home, their children's education, and retirement

Emergency savings

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

When you save in advance for unexpected expenses and emergencies, 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 not paying your bills results in services being shut off—like your water or other utilities—you have to come up with even more money to turn them back on.

When you borrow money for unexpected expenses, you have to pay fees and sometimes interest. And on top of that, you'll 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.**

Emergency fund

An emergency fund or a rainy day fund can be an important part of your savings plan. Having your own money set aside to cover unexpected expenses can save you money on interest, fees, or other costs that come from borrowing the money you need.

How much should you save? Start with $500 as your goal. This is enough to cover a lot of common emergencies: many car repairs, a plane ticket to care for a sick family member, or to pay minor medical costs. Once you reach $500, consider reaching for $1,000. This may be enough to help cover your rent if you lose your job, take care of major car repairs, and pay for many household repairs.

Other reasons to save

It is also important to save for periodic expenses—those that come only once or a few times a year such as renter's insurance, income taxes, automobile insurance, and children's school supplies. While they're not unexpected, it still may be hard to come up with all the money when you need it.

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

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

But knowing it's 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 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 phone service (from unlimited texts and calling to a limited or prepaid plan).

  If there are no "major costs" you can cut, you may have to cut back a little bit in several different categories of spending—cutting going out to dinner once per month and consolidating errands to spend less on gasoline.

- **But the big challenge is turning the money you've saved by spending less into savings**. You have to move the money you have saved by not spending it into a savings jar or envelope in your home and then into a savings account at a bank or credit union, or a prepaid debit card. If you don't have a place to set it aside, it can be easy to spend it instead of saving 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 could save part of your tax refund for emergencies or unexpected expenses, set it aside for predictable annual expenses (such as back-to-school or holiday shopping), use it to pay down debts, use it to take care of car repairs, or save for household maintenance needs. Again, you must make sure that some of that new income gets moved into the place you have decided to save it.

  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.

Making 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.*

Receiving your pay through direct deposit

Using direct deposit saves you both time and money. You don't have to wait in line or pay a fee to cash your check first. And the funds are generally available as soon as they are deposited. That means you get paid on time, at the start of the payday, even if you aren't working that day.

- **If you have a bank account and direct deposit, you can arrange to automatically deposit some of your direct-deposited income to a savings account every time you are paid.** 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. By year's end, you will have over $500 in savings.
- **If you receive a tax refund, you can choose to split it in up to three different accounts.** The IRS has a special form that allows you to split your refund. You can put some in your checking account if you need to spend it soon. You can also put some in your savings account or a retirement account or even buy a savings bond. The IRS will automatically send the amount of money you choose to each account you designate when it sends out your refund.

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. Ask your employer about the specific features of your payroll card. When you do, be sure to ask about the card's fees so that you'll know what fees you could be charged before you trigger them.

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, you can 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 your 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 plan

Whether you have low income or high income, most people can expect around $2,000 worth of unexpected or emergency expenses in a year.[8] But just a few years ago, most people in the U.S. didn't even have enough set aside to cover a $1,000 emergency.[9] These unexpected expenses can 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.

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, 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 money you want to set aside to save. Most people find they

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8 Brokeck, Stephen, *Understanding the Emergency Savings Needs of Low- and Moderate-Income Households: A Survey-Based Analysis of Impacts, Causes, and Remedies,* Consumer Federation of America, 2008.

9 Dicker, 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.

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 is using direct deposit or transferring 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. You want to make sure you put it in a safe and secure place. An important part of your savings plan is deciding where you will put the money you have saved.

What are the benefits of a savings plan?

- Your plan builds your own personal safety net one paycheck at a time and 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.

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

	Emergency	Credit card	Payday loan
Amount	$350	$350	$350
APR[10]		21.99% annual percentage rate (APR)	$15 for every $100 borrowed for 14 days. This means a 391% annual percentage rate (APR).[11]
Payment		Must pay at least a certain amount each month.[12] (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).[13]
Total cost and time to repay	$0 additional cost. Your total cost is $350.	You would pay $28.11 in interest in addition to the principal borrowed. It will take just over eight months[14] to pay back the full amount. You'll pay $378.11.	The total cost depends on how long it takes you to save up to pay back the entire loan. If you renew or roll over this loan seven times, you would be in debt for 14 additional weeks and could pay up to $717.50, including $367.50 in fees.[15]

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[10] 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.

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

[12] 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.

[13] 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.

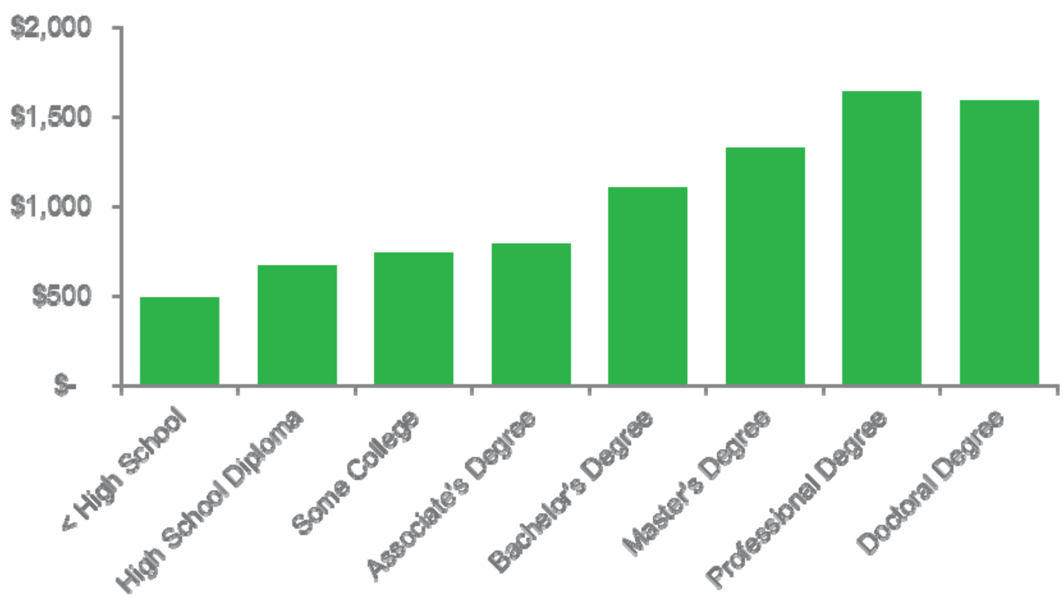
[14] To pay off this credit card balance in full, the individual will have to make $50 payments for seven months, and then pay just over $28 in the eighth month.

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

Saving for education

Individuals with children may want to work toward making a better life for them. Saving for children's postsecondary education or training may be one of their financial goals, because they see it as a path to "a better life." Training and education after high school graduation (including completion of a General Education Development test or GED) 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, 2014



Source: Bureau of Labor Statistics, accessed September, 2015. See http://www.bls.gov/emp/ep_chart_001.htm.

Saving for children's education can help pay for the increasing costs of training and education after high school. Money saved for 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 or she can save for postsecondary education in a savings account, a certificate of deposit, or an investment option designed specifically to help people save for postsecondary education. One option is a 529 college savings plan. These are tax-advantaged savings plans designed to help parents, guardians, and grandparents save for children's education.

For more information on saving for college using a 529 Plan, visit http://www.collegesavings.org.

Savings accounts for children

People who want to teach their children about saving may be able to start a savings account for their children. Each financial institution has its own policies, so research both local and online bank and credit union options.

What are the benefits of opening a savings account for a child?

- Providing a safe place for a child to put money earned or received as gifts
- Introducing a child to saving and using financial services
- Helping a child to build assets and learn to plan for the future

A new way to save for retirement

If you'd like to get started on saving for retirement, but your employer doesn't offer a retirement plan, the U.S. Treasury has developed *myRA* to help you to set aside money for that goal. It is an account that's designed to make saving for retirement easier for workers without a retirement plan at their job.

Here are some important features of a *myRA* account:

- It costs you nothing to open an account.
- You pay no fees for maintenance of the account.
- You contribute an amount you choose ($5, $20, $200 – whatever fits your budget).
- Enjoy the tax advantages this type of investment brings.

You can set up automatic contributions, and if you change jobs, the account stays with you. You can also withdraw the money you put into your account at any time without paying tax or penalty.

It's safe – you won't have to worry about your investment. The investment is backed by the U.S. Treasury and will not go down in value.

You can sign up online at no cost with three simple steps:

- Open your *myRA* account at http://www.myRA.gov.
- Set up automatic direct deposits from your paycheck or other sources.
- Access your account online and watch your savings grow.

Visit http://www.myRA.gov to learn more, or call 855-406-6972 to speak with a *myRA* representative.

You can save while receiving public benefits

If you receive public benefits and want to start saving for emergencies and goals, you may want to know about asset limits.

Knowing your asset limits may help you avoid unexpectedly losing your benefits when you're saving to reach your goals.

Since different benefits have different limits, you may find Tool 2 helpful for figuring out the asset limits for *your* benefits. This will help you avoid losing your benefits unexpectedly.

Assets

Assets are things that you own. Assets can include money in a savings or checking account, as well as your car, home, land and business inventory.

Asset Limits

Asset limits are rules about how much you can have in assets before your benefits are reduced or eliminated. Since assets help individuals and families achieve financial security, some assets will not count against the allowable limit. Generally, the assets that may count against the allowable limit are "liquid" which means they are similar to cash. Some examples of liquid assets are money in a checking account, savings account, or investment accounts. On the other hand, a home or a car that you own are assets, but since they're not liquid assets, some states do not count them against the allowable limit.

A safe place to save

Setting aside money to save can be hard. It's important to understand the risks and the benefits of each of the places you can put the money until you want or need to use it. As you think about the options, be aware of the potential costs of each financial product. *Tool 3: Finding a safe place to save* 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.

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.

Your savings federally insured to at least $250,000 and backed by the full faith and credit of the United States Government

NCUA

National Credit Union Administration, a U.S. Government Agency

The more you know, the safer your money. FDIC

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 companies called "specialty consumer reporting agencies" that have information on checking account history. Banks and credit unions contact companies like ChexSystems, TeleCheck, Early Warning, and others like them to find out if you have had prior difficulties using a checking account, including writing bad checks or suspected fraud.

These agencies collect information about how consumers manage their savings and checking accounts. Banks and credit unions then use the information to assess the risk of opening an account for a specific person based on his or her past history of managing accounts like the one they want to open.

The report includes:

- Information about the accounts, such as routing transit number and/or account number
- The date information was reported about an account
- The reason for the report
- Information on returned checks from retailers and other businesses that is reported to a reporting agency such as SCAN (Shared Check Authorization Network)

If you are denied a checking account you have the right to review your credit file. The bank or credit union's denial notice should give you the name, address, and phone number of the consumer reporting company and instructions for getting a copy of your credit file. Be sure to make your request right away, because your right to get a free copy only lasts for 60 days from the date you learn of the denial. When you receive a copy of your report, review it for accuracy. A credit counselor or financial coach may be able to help you understand your credit file. For more information about credit reporting, see Module 7.

Finding and fixing mistakes in your banking history report

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

You can order your own free ChexSystems report online at http://www.consumerdebit.com, call for more information at (800) 428-9623, or send a written request to:

Chex Systems, Inc.
7805 Hudson Road, Suite 100
Woodbury, MN 55125.

You can request your annual file disclosure from TeleCheck Services by calling (800) 366-2425. You can order your TeleCheck Services Report by sending a written request and include a daytime phone number, a copy of your driver's license, your Social Security number, and a copy of a voided check to:

TeleCheck Services, Inc.
Attention: Consumer Resolution – FA
P.O. Box 4514
Houston, TX 77210-4515.

To request your Early Warning report, call (800) 325-7775.

Tool 1:

Savings plan

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

- Your goals
- Expenses
- Unexpected expenses and emergencies

There are two steps to making a savings plan. First, answer the set of questions below to see if setting up an emergency fund or rainy day fund may be right for you.

If yes, complete the savings plan using the worksheet that follows. To complete this worksheet, you will need to know:

- **Your savings goals.** If you haven't set these, consider using the information and tools in *Module 1: Setting goals*.
- **Strategies you can use for saving money.** The worksheet encourages you to be as specific as possible. See the example in the worksheet to get started.
- **Where you will put the money you save.**

Is an emergency fund or rainy day fund right for you?

Answer the following questions to see if setting up an emergency fund or rainy day fund may be right for you and your family.

Goals: Do you have the savings needed to reach your goals?	**Yes**	**No**
Expenses: Do you have money set aside for expenses that come one to four times per year? *For example, automobile insurance, renter's insurance, tools for your trade, back to school expenses, birthdays, holidays (gifts, special food, etc.)*	**Yes**	**No**
Unexpected Expenses and Emergencies: Do you have money set aside for unexpected expenses or emergencies? *For example, a flat tire or other car trouble, medical expenses, need for a new appliance, job loss*	**Yes**	**No**
Living expenses for months or weeks with no income or income that is less than expected: Do you have money set aside to cover your living expenses during the months you will be earning little or no income?	**Yes**	**No**

If you answered no to any of these questions, developing a savings plan may be a great next step for you.

For questions above to which you answered “no,” how do you pay for goals, expenses that come one to four times each year, and unexpected expenses and emergencies? Check all that apply to you.

____ I don’t know. It just seems to work out.

____ I don’t pay other bills to cover the emergency or unexpected expense.

____ I borrow money from other family members or friends.

____ I get a payday loan.

____ I get cash through a pawn shop.

____ I use a credit card.

____ I use my tax refund.

____ I use a car title loan.

Savings plan[16]

Name ____ **Date** ______

Savings goal	Total amount needed	Months to reach goal	Monthly amount to save	Strategies for saving and about saved per month	Safe and secure place for savings
Example: *To save $1,000 in an emergency fund within 10 months.*	*$1,000*	*10*	*$100*	*Cut back to basic cable, $40* *Cut out one fast food meal per week for family, $60* **Total saved per month, $100**	*Savings account at a bank or credit union. Will generally require a minimum deposit.*

Once you have your savings plan, be sure to add it into your budget or cash flow calendar. For more information on cash flow budgets, see *Module 5: Getting through the month*. For more information on setting up an account to save in, see *Module 8: Money services, cards, accounts, and loans: Finding what works for you*.

16 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.

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Tool 2:

Savings and benefits: Understanding asset limits

If you are receiving public benefits, you may want to complete this tool to know how your savings might affect your benefits.

Assets are things you own that have value. Your money in a savings or checking account is an asset. A car, home, business inventory, and land are examples of assets, too.

Asset limits and savings

Even if you receive public benefits, you can generally have some savings. Savings are important for building your financial stability.

Assets help you build financial security for you and your family. **But if you receive public benefits, some of your assets may affect the benefits you receive.** Generally, the assets that may be counted when applying for benefits are "liquid." They include money in checking accounts, savings account, and investment accounts. If you own your own home or a car, these assets will generally not count against qualifying for benefits. In some states, however, if the value of your car exceeds a certain amount, the amount over that value may be counted.

If you save money from the Earned Income Tax Credit or any other portion of your tax refund, this savings is generally not counted against your limit for up to 12 months.

If you receive public benefits (such as cash assistance (TANF), food stamps (SNAP), Supplemental Security Income (SSI), Medicaid, etc.) you may want to review the following tool with your case manager. It is important to note that some benefits are federal, and some benefits come from the state. Be sure you find out the rules that apply to the benefits you get in your own state.

Your case manager will share with you a completed copy of this chart. **Please note that rules regarding benefits change regularly, so check the rules annually to ensure accuracy.**

Benefits and asset limits list

Benefit[17,18]	**Do you have this?**	**Asset limits**	**Contact and other information**
SNAP[19] **Supplemental Nutrition Program, also called Food Stamps**		While the states have discretion, the Federal Asset Limits for SNAP benefits are up to $2,250 in countable resources (bank account) or $3,250 if one household member is over 60 or disabled.[20] States using broad-based categorical eligibility have no asset limits.[21] This means that if an individual qualifies for TANF, SSI, or General Assistance, he or she automatically qualifies for SNAP. In 23 states and the District of Columbia there are no asset limit tests for SNAP. In an additional 13 states, households with seniors or people with disabilities and gross income under 200 percent of poverty do not face an asset limit. [22]	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

[17] This information is current as of August 2015.

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

[19] In general, only your liquid assets – like cash or money in savings or checking account – are counted. This means that you may still be eligible to receive benefits even if you own a home or, sometimes, a car. Whether an asset counts against the limit depends on the program and the state.

[20] 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.

[21] States have the option to enroll people using broad-based categorical eligibility. This effectively eliminates the asset test specifically for SNAP because people are enrolled based on their enrollment in other programs. See http://www.fas.org/sgp/crs/misc/R42054.pdf. See also United States Department of Agriculture Food and Nutrition Service, http://origin.www.fns.usda.gov/snap/rules/Memo/BBCE.pdf.

[22] United States Department of Agriculture Food and Nutrition Service, *Broad Based Categorical Eligibility in the SNAP Memo as of Nov. 2012 (updated April 2015)*. See http://www.fns.usda.gov/sites/default/files/snap/BBCE.pdf.

TANF - Temporary Assistance for Needy Families		$1,000 to $3,000 in most states. Nevada's limit is $6,000.[23] Colorado, Illinois, Ohio, Louisiana, Alabama, and Virginia have eliminated asset tests for TANF eligibility. Eight states have eliminated asset limit tests for TANF[24]	To find out more about your state or tribal TANF program, visit: http://www.acf.hhs.gov/programs/ofa/help
SSI - Supplemental Security Income		$2,000 if single $3,000 if married Individuals with significant disabilities with an age of onset of disability before turning 26 years of age are now able to save up to $14,000 annually into a tax advantaged ABLE account without loss of benefits.[25]	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

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

[24] Urban Institute, *Welfare Rules Databook: State TANF Policies as of July 2013*, Office of Planning, Research, and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services Report 2014-52, September 2014, pages 74 and 166. See http://anfdata.urban.org/databooks/Welfare%20Rules%20Databook%202013.pdf. Additionally, since the most current version of the HHS publication was released, Illinois also eliminated asset limits on TANF. See https://www.dhs.state.il.us/page.aspx?item=69797, section H.

[25] For more information, go to National Disabilities Institute at http://www.realeconomicimpact.org/public-policy/able-act.

SSDI **Social Security Disability Insurance**		No asset limits	To find out more about SSI or to apply for benefits, visit: http://www.socialsecurity.gov/agency/contact to get the contact information for your local Social Security Administration Office
Public Housing		Generally, only the income from assets is used in determining eligibility.	To find out more about public housing options and eligibility, contact your local housing office: http://portal.hud.gov/hudportal/HUD?src=/states
Rental Assistance			In addition to income requirements, these programs may have asset limits that are considered for eligibility.
Low Income Energy Assistance Program (LIHEAP)		Some states and tribal governments use categorical eligibility for LIHEAP. This means if someone in the household receives TANF, SSI, or SNAP, they are eligible for LIHEAP benefits. While most states do not have asset limits, where they exist they range from $2,000 to $5,000.	To find out about your state or tribal LIHEAP program, visit: http://www.liheap.ncat.org/snapshots.htm

Other Energy Assistance Programs			
Family Medicaid[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

[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.

Medicare Part D Extra Help (also known as Low-Income Subsidy)		This program helps Medicare beneficiaries with their out of pocket prescription costs for Medicare Part D, including their premiums, co-insurance and copayments. You qualify automatically for the subsidy if you are already enrolled in SSI and Medicaid. If you apply directly for this benefit, your combined savings, investments, and other countable assets cannot be more than $27,250, if you are married and living with your spouse, or $13,640 if you are not currently married or not living with your spouse. (Assets exclude home, vehicles, personal possessions, life insurance, burial plots, irrevocable burial contracts or back payments from Social Security or SSI.) However, you can still enroll in an approved Medicare prescription drug plan for coverage.[27]	For information about eligibility, contact your State Health Insurance Counseling and Assistance Program (SHIP). The SHIP offers free help with your Medicare questions. To find your state SHIP program, visit https://www.shiptacenter.org/
Medicare Savings Programs		These are a set of state programs that help Medicare beneficiaries with their Medicare premiums. In some cases, these programs may also pay Medicare Part A (Hospital Insurance) and Medicare Part B (Medical Insurance) deductibles, coinsurance, and copayments. Your combined savings, investments, and other countable assets cannot be more than $10,930, if you are married and living with your spouse, or $7,280 if you are not currently married or not living with your spouse. (Countable assets exclude your home, one car, burial plot, up to $1,500 for burial expenses if you have put that money aside, furniture and other household and personal items).[28] Some states have higher or no asset limits.	For information about eligibility, contact your State Health Insurance Counseling and Assistance Program (SHIP). The SHIP offers free help with your Medicare questions. To find your state SHIP program, visit https://www.shiptacenter.org/
Other:			

[27] See http://www.ssa.gov/medicare/prescriptionhelp.

[28] See https://www.medicare.gov/your-medicare-costs/help-paying-costs/medicare-savings-program/medicare-savings-programs.html#collapse-2624.

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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 or you might have to find a way to earn more income. Once you have set money aside, you need to find a safe place to store that money. Even though it has some drawbacks, a secret place in their home may feel like a safe place for some people. For other people, it may be an account in a bank or credit union.

If you do not know where to put your money or want to make sure the place you have chosen is safe, use the following tool. Think about the benefits and risks of each option below. Some benefits and risks are listed to help you get started.

Safe place to keep your money	Benefits	Risks	Other important information
A secret place in your home	No costs to maintain it Easy to access Convenient	Can be lost, stolen or destroyed in a fire or natural disaster Might put you at risk of a home invasion crime	
With a family member or friend	No costs to maintain it	Can be lost, stolen or destroyed in a fire or natural disaster Might put your friend or family member at risk of a home invasion crime	

Safe place to keep your money	Benefits	Risks	Other important information
On a prepaid card	Easy to access Convenient No bank or credit union account needed	May have fees for activation, loading funds, using the card, etc. May not be insured for you or have the same protections from loss or theft as a savings account if the card or PIN are lost or stolen.	Check the card agreement to ensure that you understand the fees and whether you have protection from loss or theft.
In a federally insured savings, checking, or share account	If the institution is federally insured, up to $250,000 per depositor is protected. Unlike cash, the money cannot be lost, stolen, or destroyed in a fire or other disaster. You can generally get it back if someone steals it by using your ATM or debit card.	May be charged fees if you do not follow the rules for the account, such as having to keep a minimum balance to avoid a monthly fee.	You may not be able to open an account for a period of time if you have had an account closed because of unpaid account fees and debts in the last five years. Be sure you understand any monthly fees and other fees.
U.S. Savings Bonds	The money cannot be lost or destroyed in a fire or other disaster. If you have a paper bond, the funds can be recovered The rate is guaranteed for the length of the bond.	You lose some of the interest if you cash the bond before it matures.	
Other			

Based on this information, the best place for me to keep my savings is: ________.

Tool 4:

Increasing your income through tax credits

Tax credits can make a big difference. They may give you a refund that can be saved for emergencies or unexpected expenses, set aside for annual expenses (back to school or holiday shopping), used to pay down debts, and more. The Earned Income Tax Credit (EITC) is a benefit for working people who have low- to moderate-income. Your tax refund is based on your income and filing status.

For the 2015 tax year the following income limits and maximum tax credits apply:[29]

Household size	Income limit if filing as single or married filing separately	Income limit if married filing jointly	Maximum tax credit
Three or more qualifying children	$47,747	$53,267	$6,242
Two qualifying children	$44,544	$49,974	$5,548
One qualifying child	$39,131	$44,651	$3,359
No qualifying children	$14,820	$20,330	$503

Also, **investment income** must be $3,400 or less for the year.

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[29] See http://www.irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit/EITC-Income-Limits-Maximum-Credit-Amounts-Next-Year.

Your kids are "qualifying children" if:[30]

- They have a social security number that is valid for future employment
- They have lived in the U.S. with you (or your spouse if married filing jointly) for more than half of the year.
- They are under age 19 or under age 24 if they are a full-time student or are "permanently and totally disabled."
- They are related to you: your son, daughter, stepchild, eligible foster child, brother (including step or half), sister (including step or half) or are a descendant of any of these.

If you do not have any qualifying children, you may still be entitled to the Earned Income Tax Credit if you are between ages of 25 and 65, live in the U.S. for half of the year, and do not qualify as a dependent for anyone else.

There is also a Child Tax Credit, which reduces the taxes you owe by up to $1,000 for each qualifying child under the age of 17 who meets each of the following tests:[31]

- **Relationship Test** – The child must be your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister or a descendant of any of these individuals, which includes your grandchild, niece, or nephew. An adopted child is always treated as your own child. A child lawfully placed with you for legal adoption is treated as your child for the purposes of the Child Tax Credit.
- **Support Test** – The child did not provide more than half of its own support.
- **Dependent Test** – You must claim the child as a dependent on your federal tax return.
- **Citizenship Test** – The child is a U.S. citizen, U.S. national, or U.S. resident alien.

[30] See http://www.irs.gov/Credits-&-Deductions/Individuals/Earned-Income-Tax-Credit/Qualifying-Child-Rules.

[31] See http://www.irs.gov/uac/Ten-Facts-about-the-Child-Tax-Credit.

- **Residence Test** – The child lived with you for more than half of the year. There are some exceptions to the residence test, which can be found in IRS Publication 972, Child Tax Credit.

If the amount of your Child Tax Credit is greater than the amount of income tax you owe, you may be able to claim the Additional Child Tax Credit. The Child Tax Credit phases out if your adjusted gross income exceeds the following:

- $110,000 if married filing jointly
- $75,000 if single, head of household, or qualifying widower
- $55,000 if married filing separately

This information changes every year. To make sure you have the most current information, visit: http://www.irs.gov/Individuals/EITC-Income-Limits,-Maximum-Credit--Amounts-and-Tax-Law-Updates.

More information on the Child Tax Credit is available at http://www.irs.gov/uac/Ten-Facts-about-the-Child-Tax-Credit.

Consider visiting a Volunteer Income Tax Assistance (VITA) Program to file your taxes and make a plan to use your tax refund. The IRS trains the volunteers, and getting your taxes done doesn't cost you anything. This preserves your income and can make a big difference in your ability to start and fund your savings or pay your bills and expenses. Find one at http://irs.treasury.gov/freetaxprep or call (800) 906-9887.

Resources

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

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

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

MODULE 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. It comes from part-time or full-time work, self-employment, public cash benefits and investments. Gifts from others, tax refunds, and inheritances can also be income.

Income can be **regular**—this means it comes into your household on a schedule and in an amount that you can count on. Or it can be **irregular**—which means you can't predict accurately 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 live in a northern state and 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. Finally, income may be a **one-time** occurrence. Your tax refund is an example of a one-time source of income within a year.

Managing income can be very challenging if it is irregular, seasonal, or is one-time-only, because you may not know how much money is coming in or when it will be coming in. Your bills and expenses, however, continue. Even if your income doesn't come in, your rent will still be due every month.

It can also be hard 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 instead of setting some aside for bills and expenses in other months.

You can use *Tool 1: Income tracker* to figure out if your income is regular, irregular, seasonal, or one-time within a year. 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 10: Managing cash flow*.

If you find that your income is less than you need or want, you can use *Tool 2: Strategies for increasing income and resources.*

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 deductions

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.[32]
- 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)
- In some cases, wage garnishments

[32] FICA and Medicare contributions are accurate as of August 2015.

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

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

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

Federal law limits wage garnishments

Generally, federal law limits wage garnishment so that consumers can take home enough income to live on, even if their wages are being garnished. Some state laws provide additional limits that allow consumers to bring home more income. To learn about these state law protections, you may want to consult an attorney in your state.

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

- 25% of disposable income

  or

- The amount that a person's weekly earnings exceeds 30 times the amount that equals the federal minimum wage of $7.25 ($7.25 X 30 = $217.50).[33]

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

- 25% of their disposable income would be **$75.00**
- The amount that a person's weekly earnings exceed 30 times the amount that equals the federal minimum wage of $7.25 is $82.50
  - Minimum wage ($7.25) x 30 = $217.50
  - $300 - $217.50 = **$82.50**

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

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

- Federal, state and local taxes
- FICA contributions

Your voluntary deductions are not protected from garnishment. Voluntary deductions are direct deductions that you choose on your own. They can include pre-tax contributions to your flexible spending account, health savings account or retirement savings account.

Garnishment of federal benefits and support payments

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

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

If you are facing garnishment of your income or benefits, 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.

You may qualify for free legal services through legal aid, depending on your income and where you live. Check your state's Legal Aid Directory at http://lsc.gov/find-legal-aid.

Servicemembers can get legal assistance through their Judge Advocate General's (JAG) office. You can find your local JAG office 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.

Benefits

Benefits are payments from local, state, tribal, or federal government agencies. They are often designed to help individuals and families that don't have the resources to cover their basic living expenses.

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

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

Benefits are like income in that they can be used to pay for some of the things you need. The difference between income and benefits is that some benefits may only be used for a specific purpose. 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 may receive their unemployment benefits and other government benefits on a prepaid card.[34] Instead of getting checks, they choose to receive a card, and each month the benefit amount is loaded onto the card. The federal government also allows you to have certain federal benefits, such as veterans' benefits or Social Security benefits, deposited to your checking or savings account, or a federally insured prepaid account.

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

The amount you can be charged in fees for using a benefit 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 to understand the cheapest ways to access your benefits.

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

Getting income and benefits

There are different ways to receive income and benefits. Sometimes, you have a choice about how you will receive them, but in other situations, you may not. For example, some public benefits you must receive using electronic transfer where benefits are directly deposited to a card or a bank account. Some employers may only pay you using a traditional paycheck. In other situations, you may have a choice.

You may get your income or benefits in one or more of the following ways:

- Cash
- Paper check
- Direct deposit (to a checking or savings account or prepaid card)
- Payroll card (prepaid card arranged by an employer)
- Government benefits cards (prepaid card arranged by a government agency)

Why does this matter? Each way to get income has advantages and disadvantages. Some of these advantages and disadvantages may make it easier or harder for you to manage your income. To better understand the pros and cons of each method, use *Tool 3: Know your options: Ways to receive income and benefits.*

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*.

Tool 1:

Income and resource tracker

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

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

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

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

- On this worksheet, enter **net** income you have earned in each category. Then:
  - Add each column to get weekly income totals. Add the total for each week to get the monthly total.
  - Get a total by source by adding each row.
  - Put a check in the column that best describes the income: regular, irregular, seasonal, or one time.

Income for the Month of: ____

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

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

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

	Week 1 __/__/__	Week 2 __/__/__	Week 3 __/__/__	Week 4 __/__/__	Total by source	*Regular*	*Irregular*	*Seasonal*	*One-time*
Childcare payment									
Child support									
Gift									
Tax refund									
Other									
Weekly total									

Once you have tracked your income, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 5: Getting through the month*. For more information on financial services that may help you manage your income, see *Module 8: Money services, cards, accounts, and loans: Finding what works for you*.

Tool 2:

Ways to receive income and benefits: Know your options

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

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

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

Cash

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

Paper check

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

Direct deposit

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

Payroll card and government benefits card

Definition	Benefits	Risks	Tip
Prepaid cards arranged by an employer or government agency through which people access their salary or wages, or by a government agency through which benefits recipients can access benefits payments.[35]	Safer and more secure than carrying cash or checks. These cards have full consumer protections for funds taken by error or theft.	Potential inactivity and service fees. Can be charged fees if you use the card without sufficient funds. Have to go to an ATM or get cash back at a merchant to get cash.	Ask questions about fees for using the payroll card or government benefits card. Your employer can require that you receive your pay by electronic means, but must give you a choice between a payroll card and a direct deposit to a bank or credit union account (or a prepaid card) that you choose.

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

EBT

Definition	Benefits	Risks	Tip
These cards replace paper-based benefits for needs-based programs such as Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Women, Infants, and Children (WIC) program, and other programs.[36]	You use it just like a prepaid or debit card.	Not all merchants accept these cards. Some government benefits cards are subject to fees. Certain cards lack full consumer protections for returning funds taken by error or theft.	For EBT cards, some benefits can be lost if they are not used within a certain amount of time. Be sure to ask if this applies to your benefit and keep track of your balance.

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

Tool 3:

Ways to increase income and resources

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

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

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

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

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

Increasing Income through Workforce Development Programs

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

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

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

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

✎ Ways to increase cash, income, and other resources

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

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

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

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

Resources

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

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

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

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

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

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

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

MODULE 4:

Paying bills and other expenses

"To stay financially healthy, you should spend less than you earn." This rule of thumb may work for many people, but it isn't very helpful if you can't afford to pay all of your bills and living expenses. For others, balancing personal priorities and cultural expectations can sometimes be 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 the months or weeks when you're not.

Needs, wants, and obligations

Needs, wants, and obligations are all things you spend money on. But, what are the differences among needs, wants, and obligations? Needs are something you must have to live. Wants are things you can survive without. Obligations are debts you owe because you borrowed money (such as a car loan or mortgage) and payments you've been ordered to make (such as child support).

Where does the money go?

No matter your situation, it can be helpful—empowering, even—to separate your needs, obligations, and wants. This can help you set priorities and understand more clearly where you can make changes if you decide your spending isn't matching your priorities. **Needs are the things you must have to live.** These include shelter and utilities, food, clothing, and transportation. The difficulty with needs is that they can be met by a wide range of options. Deciding what you can afford, maintain, and want to pay for, can be a challenge.

Obligations include debts you owe and payments you've been ordered to make, such as child support, spousal support and other judgments.

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. Separating needs, obligations, and wants 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 are 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're using your money and resources now, use the spending tracker in *Tool 1*.

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.

You may be able to avoid late fees and other consequences of late or nonpayment if you:

- List your regular bills
- Set up a bill payment calendar so you can see when payments are due

Tool 2: Bill calendar can help you visualize 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 aspect of bill payment is the method that you use to pay bills. 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 is designed to help you choose a bill payment method that works for you. For example, if you prefer to pay bills in person using cash, you have to travel to a payment location, which costs you time and gas money. If you use automatic bill payment from a checking account, you'll save time, but you'll need to make sure that you have sufficient funds in the account to cover the automatic payment. Otherwise, you may pay an overdraft fee.

Considering the advantages and disadvantages of each bill payment method empowers you to make choices that can help you save time or money, avoid additional or unnecessary fees, and create a reliable record of bill payment. This record may improve your ability to access credit.

Unexpected expenses

Managing unexpected and periodic expenses can strain your budget and cause you stress. Examples of **unexpected expenses include**:

- Fees for a school field trip for one of your children
- Tools you did not anticipate needing to buy for your job
- The cost of attending a friend or family member's funeral in another state
- Car or home repairs
- Health-care related expenses resulting from illness or injury.

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

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

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 or get fewer hours than usual.

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 to help you identify the risks that failure to pay certain bills will cause. This can help you prioritize your expenses if you just can't pay everything, based on the risks you've identified.

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

If you find you can't pay all of your bills on time, try calling your creditors to make short-term arrangements.

Finally, after you have examined 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 planning spending*, to make a plan. This tool is designed to help you first protect expenses associated with earning an income. If you miss these costs, you may harm your ability to earn the money you need to pay any of your bills.

When creditors call

Do not ignore bills you can't pay. If you must miss a payment, call and explain that you will miss a payment and the reason for it. You may wish to contact a certified housing, credit or debt counselor for specialized assistance in building a plan to pay your debts and pay your monthly bills and expenses.

Module 6: Dealing with Debt describes your rights in debt collection and includes tips for responding to debt collectors. For additional information on what debt collectors can and cannot do, 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, ask the court for another hearing date. You should also try to find an attorney who can advise or represent you at the hearing.

You may qualify for free legal services through legal aid, depending on your income and where you live. You can find a legal aid office in your state at http://lsc.gov/find-legal-aid .

Servicemembers can get legal assistance through JAG. Find your local JAG office at http://legalassistance.law.af.mil/content/locator.php .

Older consumers can also call the Center for Elder Rights Advocacy at (866)949-2372.

You rights in debt collection

Debt collectors may not harass, oppress, or abuse you or any other people they contact. Some examples of harassment are:

- Calling repeatedly or continuously to annoy, abuse, or harass you or any person at the called number
- Using obscene or profane language
- Threatening to use physical violence or to harm anyone's reputation or property
- Publishing lists of people who refuse to pay their debts (Reporting correct information to a credit reporting company is legal.)
- Calling you without telling you who they are
- Debt collectors may not lie or mislead you. For example, it's illegal to misrepresent the amount owed, to falsely claim to be an attorney, to make false threats that it may have you arrested, or to make 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 anything you send to a debt collector. Record the dates and times of your conversations and take 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.

You can submit a complaint to the Consumer Financial Protection Bureau (CFPB) about problems with companies or debt collectors trying to collect on a debt, regardless of whether it's a debt on a credit card, mortgage, or other debt. To submit a complaint, go to http://www.consumerfinance.gov/complaint#debt-collection or call 855-411-CFPB (2372).

Tool 1:

Spending tracker

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

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

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

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

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

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

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

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

Analyze Your Spending: Week ____ for the Month of ____________________

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

Date of month	Housing and utilities	Groceries	Household supplies and expenses	Transportation	Health insurance premiums, expenses	Childcare & school	Court-ordered oblig.	Debt payments	Tools of the trade /Job related expenses	Savings	Pets	Personal care	Entertainment	Eating out	Gifts, donations, other	Total
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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 paying bills is no fun, most bills are at least predictable.

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

Create a bill calendar using the following tool:

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

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

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

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

For more information on financial services that may help you pay your bills, see *Module 8:* *Money services, cards, accounts, and loans: Finding what works for you*.

______, 20__

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

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Tool 3:

Ways to pay bills: Know your options

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

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

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

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

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

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

Tool 4:

Strategies for cutting expenses

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

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

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

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

Strategies list

Cut back on regular (recurring expenses)

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

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.*[37]	
	Cell phone plan	*Review prepaid or fixed call plans. Check if you qualify for a "Lifeline" phone rate.*	
	Review insurance; increase deductible on auto insurance to lower premium payment	*Check to see if moving all insurance coverage to one company will save you money and for other discounts.*	
	Find ways to save on energy. ▪ Turn off and unplug unused electric appliances. ▪ Insulate and use weather stripping around doors and windows. ▪ Set thermostat higher in summer and lower in winter.	*Check to see if you're eligible for weatherization programs or other incentives.*	
	Other:		

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

Get rid of regular (recurring) expenses

Check if an option for you	Strategy for cutting expenses and other uses of financial resources	Additional information or resources you need to access this information	Estimate $ value of spending cut you select
	Online video membership		
	Discount store memberships if don't use them regularly, or they're not saving you any money		
	Gym/health club membership (if not used)		
	Credit monitoring services		
	Other:		

Avoid fees

Check if an option for you	Strategy for cutting expenses and other uses of financial resources	Additional information or resources you need to access this information	Estimate $ value of spending cut you select
	Review financial services Are you paying to cash your checks? Are you paying maintenance fees on checking or savings accounts? Are you paying ATM fees? Do you pay overdraft fees? Are you paying annual fees for credit cards? Know the fees you are paying for your loans	*Could you switch to a no-fee or lower-fee account?*	

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
	Pay bills and fines like parking tickets on time	*Parking tickets and other fines cost more if you pay them late.*	
	Return library materials, rented DVDs, etc. on time		
	Renew license and registration on time		
	Other:		

Other methods

Check if an option for you	Strategy for cutting expenses and other uses of financial resources	Additional information or resources you need to access this information	Estimate $ value of spending cut you select
	Negotiate a new due date for bills to make them easier to handle in cash flow		
	Avoid eating out; cut one meal out per month	*If you buy lunch at work, could you save money if you bring lunch instead?* *If you have children, identify the restaurants that have "kids eat free" nights – but check what is included.*	
	Avoid bottled water		

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
	Avoid buying fountain drinks and coffee out		
	Use coupons		
	Buy second hand furniture or clothing if you need to replace either		
	Do not buy or rent DVDs or CDs	*Visit your local public library. To avoid late fees, you have to return the items by the due dates.*	
	Buy items you use in bulk if they are cheaper that way	*Look at the price label for cost per serving. Sometimes larger quantities don't actually save money.*	
	Maintain your car	*Get regular oil changes and keep tires inflated. This can save on fuel and can prevent major repairs.*	
	Other:		

Total reduction in spending for one month: _______________

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

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Tool 5:

When cash is short—prioritizing bills and planning spending

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

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

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

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

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

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

Resources

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

For MyMoney.gov budgeting resources, visit:
http://www.mymoney.gov/Fast/Pages/Results.aspx?k=Budgeting%20worksheets&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#.UM6BmXPjkt8

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

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

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

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

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

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

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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 or obligation.

That's why monthly budgets sometimes don't work out from week-to-week. 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 you may not think you have "cash flow," you probably have some resources or income and bills. This means you have "cash flow."

A cash flow budget *projects* how much income you expect to receive and what you expect to come in and to spend each month, and when.

Tracking your money and expenses

Some banks and credit unions provide online financial management tools that help you track your income, your budget, and your cash flow. If you have an account at a bank or credit union, check online or call your financial institution to see if these tools are available to you.

When you enter personal or banking information ensure 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 and other financial resources are expected (income) and when they must be used 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 where you can cut back or postpone expenses.

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:

- **Keeping 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.
- **Analyzing your spending.** You can use the spending tracker from *Module 4: Paying bills and other expenses* to do this.
- **Using 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 need to do this to make your cash flow work.

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

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

Here are some important tips to get you started:

Beginning balance for the week

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

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

Move your ending balance from the previous week forward.

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

Total sources of cash and other financial resources

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

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

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

Total uses of cash and other financial resources

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

SNAP cannot be used for:

- Any nonfood item, such as pet foods, soaps, paper products, and household supplies, grooming items, toothpaste, and cosmetics
- Alcoholic beverages and tobacco
- Vitamins and medicines
- Any food that will be eaten in the store
- Hot foods[38]

[38] 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 the emergencies, goals, and bills Module 3: Tracking and managing income and benefits, Module 4: Paying bills and other expenses,* and *Module 6: Dealing with debt.*

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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 making sure you have enough to cover your expenses. *Tool 1: Cash flow budget* uses a table to track those sources and uses from week-to-week. This tool takes the same cash flow approach, but uses a calendar format to plan for the weeks ahead.

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

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

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

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

✎ ______ 20__

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

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

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Tool 3:

Improving cash flow checklist

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

Improving cash flow comes down to one of three strategies:

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

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

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

Strategy list

Smooth out cash flow

Check if option for you	Strategy for improving cash flow	Tips and more information	Notes
	Negotiate new due dates for bills to better line up with when you get income.	*Check with businesses you have had a long-standing relationship with first.*	

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

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

Cut out spending

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

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

Increase income

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

Resources

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

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

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

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

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

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

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

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

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MODULE 6:

Dealing with debt

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 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.

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.

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 on which you don't currently owe money, 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.

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.

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.

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

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

If these loans are not paid as agreed, since there is no 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)

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.

- 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.

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 the lender 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"[39] 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 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)[40] of almost 400%. By comparison, APRs on credit cards can range from about 12 percent to 30 percent.

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

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

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[41] for active duty servicemembers and their dependents who use certain payday loans and other small dollar credit products.

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

How do payday loans work?

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

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

↓

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

↓

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

↓

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 consumers 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*[42] 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[43] 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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[42] The Pew Charitable Trusts State and Consumer Initiatives. Payday Lending in America. October 2013. See http://www.pewstates.org/research/featured-collections/payday-lending-in-america-85899405692.

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

Trusts[44] 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. 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

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

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

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.

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

COST TO REPLACE SPARK PLUGS IN YOUR AUTOMOBILE = $350

	Emergency savings	Credit card	Payday loan
Amount	$350	$350	$350
APR[45]		21.99% annual percentage rate (APR)	$15 for every $100 borrowed for 14 days. This means a 391% annual percentage rate (APR).[46]
Payment		Must pay at least a certain amount each month.[47] (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).[48]
Total cost and time to repay	$0 additional cost.	You would pay $28.11 in interest in addition to the principal borrowed. It will take just over eight months[49] to pay back the full amount. You'll pay a total of $378.11.	The total cost depends on how long it takes you to save up to pay back the entire loan. If you renew or roll over this loan seven times, you would be in debt for 14 additional weeks and could pay up to $717.50, including $367.50 in fees.[50]

45 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.

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

47 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.

48 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.

49 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.

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

Alternatives to high-cost credit

There are ways to avoid the risk of a debt trap if 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. You should also confirm that the collection isn't fraudulent and is legitimate.

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

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 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: Steps you can take* to get started.

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 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.

What to do if a debt collector sues

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

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

Tip: If you dispute the debt or the amount owed, you should do that in the court action before the court makes a judgment. You may lose the ability to dispute that you owe the debt if a court issues a judgment against you.

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

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

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

Don't ignore court documents

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

Your rights in debt collection

Debt collectors may not harass, oppress, or abuse you or any other people they contact. Some examples of harassment are:

- Calling repeatedly or continuously to annoy, abuse, or harass you or any person at the called number
- Using obscene or profane language
- Threatening to use physical violence or to harm anyone's reputation or property
- Publishing lists of people who refuse to pay their debts (Reporting correct information to a credit reporting company is legal.)
- Calling you without telling you who they are
- Debt collectors may not lie or mislead you. For example, it's illegal to misrepresent the amount owed, to falsely claim to be an attorney, to make false threats that it may have you arrested, or to make 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 anything you send to a debt collector. Record the dates and times of your conversations and take 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. You can submit a complaint to the Consumer Financial Protection Bureau (CFPB) about problems with companies or debt collectors trying to collect on a debt, regardless of whether it's a debt on a credit card, mortgage, or anything else. To submit a complaint, go to http://www.consumerfinance.gov/complaint#debt-collection or call 855-411-CFPB (2372).

Medical debt[51]

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 that patients spend on treatment because their conditions may become more acute – and more expensive – by the time they get medical care.

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

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

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

[53] See 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.

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. They may have questions about the amount paid by insurance, the amount billed to them, or the treatment they were billed for.[55]

Unless you how much the treatment should cost, how much the insurer will cover, and how much of the cost will be passed on to you, it's difficult to figure out whether you are being charged the right amount. This 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.

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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).

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]

- **If you are eligible, enroll in a health insurance plan.** When you choose a plan, think about both the cost of the monthly premium and the out-of-pocket costs such as deductibles, co-pays, and co-insurance. While a plan with higher out-of-pocket costs may save you money on monthly premiums, if you or someone in your family needs to go to the doctor or hospital, you may have to pay more for those services than you would with a different type of plan.[58]
- **Get cost estimates up front**—before deciding whether to proceed.
- **Find out if there's 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.**
- **Ask about "charity care"** from the hospital and government before or immediately following treatment. Applications are usually available at the intake desk and online. Remember: you may have a limited time to request charity care, so submit your application as soon as possible.
- **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

[57] Ibid.

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

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.[59]

- 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.** Get your repayment plan agreement in writing and request the following terms:
  - No interest on the debt
  - Monthly statements showing the amount paid and the outstanding balance
  - Request that the debt servicing stays in-house and *not* be turned over to a third party collection agency
  - An agreement that doesn't say you will make full payment if you are late or miss a payment on your plan.
- **If you're insured as a Qualified Medicare Beneficiary** (QMB) and you receive an incorrect billing statement, charging you for the remaining balance (deductible, coinsurance or copayment) on a medical bill, and those services are covered by Medicare, you may want to dispute the bill.[60] Remember to explain in your written dispute that as a QMB you have no legal obligation to make further payment for these costs. You can find more information about disputing a debt, and a sample dispute letter in Tool 5.
- **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 CFPB.
- **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.

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[59] 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.

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

Tool 1:

Debt worksheet

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

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

On the debt management worksheet, you will include:

- The person, business, or organization you 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.

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Debt worksheet

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

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

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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 also decline. This means money is being freed up to use on other things like saving for your goals, unexpected expenses, and emergencies.

Figure out your debt-to-income ratio

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

Understanding your debt-to-income analysis

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

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

- **For renters: Consider maintaining a debt-to-income ratio of 15% - 20% or less.**
  - This means that monthly credit card payments, student loan payments, auto loan payment, and other debts should take up 20% or less of your gross income.
- **For homeowners: Consider maintaining a debt-to-income ratio of 28% - 35% or less <u>just for the mortgage (home loan), taxes, and insurance.</u>**
  - This includes the monthly principal, interest, taxes, and insurance (called PITI).
- **For homeowners: Consider maintaining a debt-to-income ratio for all debts of 36% or less.**
  - This means that if you have a mortgage and other debts—credit card payments, student loan payments, auto loan payment, and payday loan payments–your debt-to-income ratio should be below 36%.
  - If you have court-ordered, fixed payments, such as child support, count these as debt for this purpose.
  - Some lenders will go up to 43% or higher for all debt.[61]

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.

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

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Tool 3:

Reducing debt worksheet

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

Highest interest rate method

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

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

Snowball method

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

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

There are other things you can do, too.

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

✎ Reducing debt 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:

Repaying student loans

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

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

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

Repaying student loans

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

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

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

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

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

- **Graduated repayment.** The payment is lower 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).

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

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

- During unemployment

- During military services

- During times of economic hardship, including Peace Corps service

Forbearance means that you stop paying or pay a lesser amount on your loan for up to 12-months.[62] Interest accrues during forbearance.

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

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

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

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

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

It's important to note that unpaid federal student loans can be collected in special ways, but private student loans cannot. For instance, the Department of Education can

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

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. You should also note that these options are generally never available to a debt collector seeking to collect on a private student loan. But, the lender can still pursue you and even take you to court to try to collect the amount on a private student loan.

Tool 5:

When debt collectors call: Steps you can take

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

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

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

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

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

Ask for more information

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

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

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

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

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

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

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

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

What to do if a debt collector sues

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

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

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

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

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

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

Don't ignore court documents

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

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

Sample letters

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

Example letter to a debt collector asking to verify the debt

[Your name]
[Your return address]

[Date]

[Debt collector name]
[Debt collector address]

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

Dear [Debt collector name]:

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

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

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

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

The amount and age of the debt, specifically:

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

Details about your authority to collect this debt.

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

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

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

Thank you for your cooperation.

Sincerely,

[Your name]

You can ask a debt collector to stop contacting you

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

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

Example letter

[Your name]
[Your return address]

[Date]

[Debt collector name]
[Debt collector Address]

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

Dear [Debt collector name]:

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

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

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

Sincerely,

[Your name]

Protections for Social Security and VA benefits

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

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

What you can expect

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

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

Example letter

[Your name]
[Your return address]

[Date]

[Debt collector name]
[Debt collector Address]

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

Dear [Debt collector name]:

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

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

Thank you for your cooperation.

Sincerely,

[Your name]

Resources

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

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

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

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

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

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

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

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

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

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

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

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

MODULE 7:

Understanding credit reports and scores

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 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 will 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 or a security clearance for a job. (Note: According to the credit reporting agencies, credit scores are not used by employers. Instead, a special version of the credit report is used by employers. Some states do not allow employers to use these reports in their hiring decisions unless credit history is relevant to the job's duties.)
- An existing employer may use 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. The score is 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?

Credit reports are created by consumer reporting agencies, often called credit reporting companies. These companies collect information about consumers from many sources, including "furnishers" – people or companies that have and provide information about consumers' credit behavior, like the consumer's bank, lender or landlord. The credit reporting companies organize this information from furnishers into reports and sell these reports to businesses so they can make decisions about you. The biggest nationwide credit reporting companies 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, either by itself, like your Social Security number, or when combined with other personal information, including date and place of birth. This information may not be complete—all of the jobs 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 file, but other types of consumer reporting agencies, such as employment background screening agencies, often include them. Other public records that usually do not appear in credit reports are marriage records, adoptions, and records of civil suits that have not resulted in judgments.
- **Collection agency account information**—This section will show if 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 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 limit to the length of time that positive information can stay on your credit report.

Even though credit reporting companies and other companies called specialty consumer reporting companies cannot include information that is beyond the limits provided in the Fair Credit Reporting Act in most consumer credit reports, they may continue to keep the information in your file. Why? 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.

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

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

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

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

Bank of Wisconsin (B42394), Account # 543298760192XXXX[63]

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

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

Continued…

$0

[63] 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 shown on the credit report of both the authorized user and the account's owner.
Payment status	The history of the account including on-time payments as well as delinquencies and other negative items.

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

company that provided the incorrect information (the information furnisher). You may also choose to contact both**.**

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 the part of your credit report that contains the disputed items. You may want to circle or highlight the disputed items.

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.

Whether you file your dispute directly with the creditor (information furnisher) or the credit reporting agency, they generally have 30 - 45 days to investigate your claim and five business days after completing the investigation to send you written notice of the results. Either way, if the dispute results in a business changing the information it furnished about you, the business must notify the nationwide credit reporting companies that it shared the information with. And, if you filed your dispute with a credit reporting company, it must fix your file and notify the creditor of the error.

You can also submit a complaint to the Consumer Financial Protection Bureau.

What are credit scores?

Credit scores sum up key pieces of your credit history in a number (the score) at a moment in time—like a photograph. Companies that make credit scores each use their own complicated mathematical formulas to do this. The information used in this formula comes from 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 these scores may differ from each other, sometimes significantly. And, each company that creates credit scores generates different scores for different kinds of users—they may sell educational scores to consumers, but provide different scores to lenders. This can make deciding which credit score to purchase, if any, confusing for consumers.

How are scores calculated?

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

The actual way that FICO scores (and other scores) are calculated is considered a trade secret. But FICO makes some information available to the public on what goes into its scores.[64]

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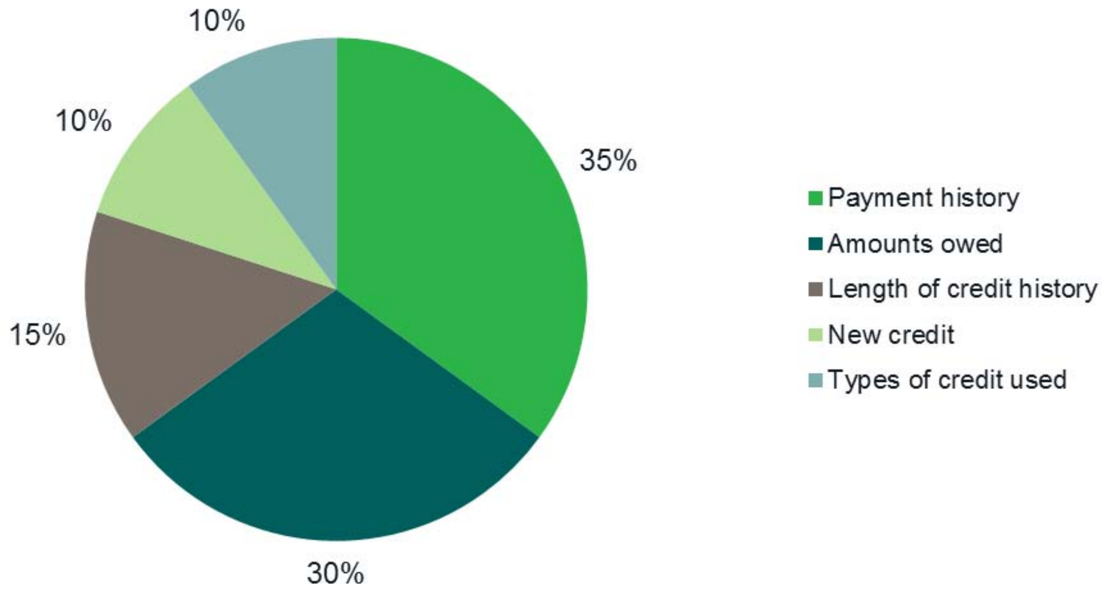
[64] Pie chart values are from FICO. See http://www.myfico.com.

FIGURE 2: WHAT GOES INTO FICO SCORES?



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.

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 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.[65] 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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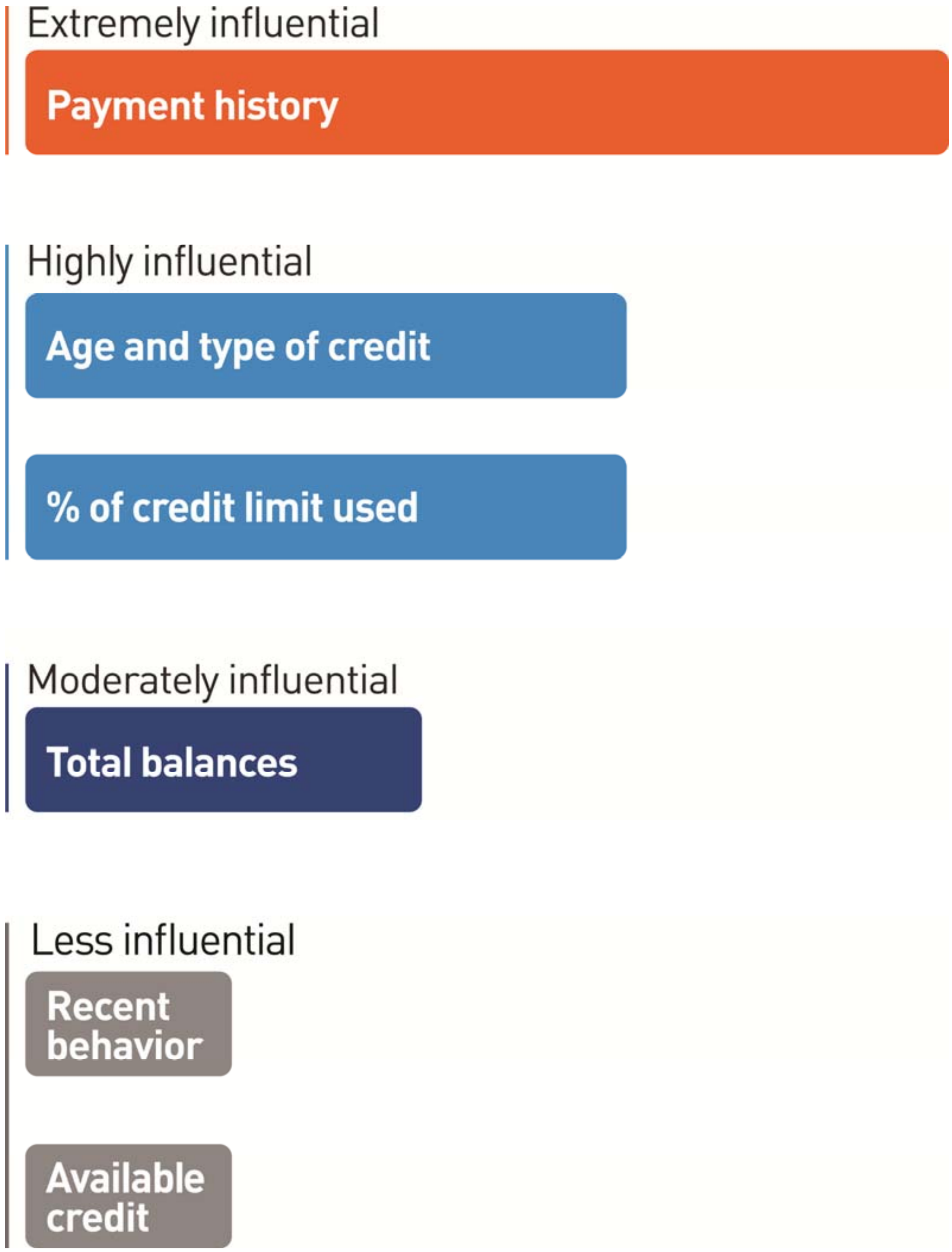
[65] See http://your.vantagescore.com/score-influences.

FIGURE 3: WHAT GOES INTO VANTAGESCORES?[66]



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

What is your credit utilization rate?

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

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

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

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

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

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

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

Are you “credit invisible”?

A limited credit history can create real barriers if you are looking to access the credit that is often the key to getting an education, starting a business, or buying a house or car, or just credit that comes with better terms, including at a lower interest rate. That’s because a limited credit history can make it very difficult for a business to use a credit scoring model to calculate a score for you.

The CFPB reported in 2015 on the number of U.S. consumers who have little or no credit record at the nationwide credit reporting companies. The report highlighted two groups of people. The first group is consumers without a credit report - “credit invisibles.” The second is the “unscored,” or consumers who either do not have enough credit history to generate a credit score or who have credit reports that contain “stale” or not recently reported information.[67]

The report found that:

- **About one in 10 Americans can be considered “credit invisible”** because they do not have any credit record.
- **19 million consumers have unscored credit records:** About 8 percent of the adult population has credit records that are considered unscorable based on a widely-used credit scoring model.
- **Consumers in low-income neighborhoods and black and Hispanic consumers are more likely to be credit invisible or to have an unscored record.** Almost 30 percent of consumers who live in low-income neighborhoods are credit invisible and an additional 15 percent have records that are unscored.[68]

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

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

If you don't have a credit history and want to build one, see *Tool 3: Improving credit reports and scores* for information on steps you can take to build a credit history.

Tool 1:

Getting your credit reports and scores

Getting your reports

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

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

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

Start with your free annual report

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

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

You can get an additional free report if you:

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

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

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

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

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

Alternative methods

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

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

P.O. Box 105281
Atlanta, GA 30348-5281

✎ Track when you have printed or received your credit reports

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

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

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

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

With TransUnion, you can send an email to childidtheft@transunion.com to see if a credit file exists. Or you can visit the TransUnion website and complete the Child Identity Theft Inquiry Form. If the minor has a legitimate credit history (he or she is the joint owner of or an authorized user on an account), then a parent or guardian must order the report.

For the Equifax report, call (877) 784-2528. Currently, an adult—the parent or legal guardian—must order the credit report on behalf of the minor.[69]

Getting your credit scores

Unlike your credit report, which you can get at no cost to you, you usually have to pay for your credit score. There are certain instances in which you are entitled to your credit score for free, for example if you are denied a loan on the basis of your credit score. In addition, one of your lenders, such as your credit card company, may participate in a program that provides free FICO scores on statements.[70]

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

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

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

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

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

Tracking when you ordered scores

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

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

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

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

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

Tool 2:

Credit report review checklist

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

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

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

Credit report review checklist

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

Check for "yes"	Checklist item
	Is your name correct?
	Is your Social Security number correct?
	Is your current address correct? Is your current phone number correct?
	Are the previous addresses they have listed for you correct?
	Is your marital status listed correctly?
	Is the employment history they have listed for you accurate?
	Is everything listed in the personal information section correct?

	Is there anything listed in the public record information? Is it correct? Highlight the information you think may **not** be correct.
	Review each item under the credit account (trade account) section. Are the accounts on the list still open?
	Are all of the current balances correct?
	Are accounts where you are an authorized user or joint owner listed?
	Are zero balances recorded for debts discharged in bankruptcy? For debts paid in full?
	Are you listed as a co-signer on a loan? Is this correct?
	Are accounts that you closed listed as “closed by the consumer”?
	Is negative information reported on each credit account correct? Look for late payments and missed payments. Highlight those items you think are **not** correct.
	Are any accounts listed more than once? Check to make sure the same account is not listed multiple times in the collections section.
	Is old negative information still being reported? If yes, highlight the information that has exceeded the negative information reporting limit, which is usually seven years.
	Do you suspect that you have been the victim of identity theft after reviewing your credit reports?

If you find something wrong with your credit report, you should dispute it. You may contact both the credit reporting company and the creditor or institution that provided the information. Explain what you think is wrong and why.

To correct mistakes, it can help to contact both the credit reporting company and the source of the mistake. You may file a dispute not only with the credit reporting company, but also directly with the source of the information, and include the same supporting documentation. However, there are certain circumstances where creditors and furnishing institutions are not required to investigate.

You may file your dispute online at each credit reporting agency’s website.

If you file a dispute by mail, your dispute letter should include: Your complete name, address, and telephone number; your report confirmation number (if you have one); and the account number for any account you may be disputing.

In your letter, clearly identify each mistake, state the facts, explain why you are disputing the information, and request that it be removed or corrected. You may want to enclose a copy of the portion of your report that contains the disputed items and circle or highlight the disputed items. Include copies (not originals) of documents that support your position.

Send your letter of dispute to credit reporting companies by certified mail, return receipt requested, so that you will have a record that your letter was received. You can contact the nationwide credit reporting companies online, by mail, or by phone:

You can contact the primary nationwide credit reporting agencies online, by mail, or by phone:

Equifax
Online: http://www.ai.equifax.com/CreditInvestigation
By mail: Download and complete the dispute form:
http://www.equifax.com/cp/MailInDislcosureRequest.pdf
Mail the dispute form with your letter to:
Equifax Information Services LLC
P.O. Box 740256
Atlanta, GA 30374
By phone: Phone number provided on credit report or (800) 864-2978

Experian
Online: http://www.experian.com/disputes/main.html
By mail: Use the address provided on your credit report or mail your letter to:
Experian
P.O. Box 4000
Allen, TX 75013
By phone: Phone number provided on credit report or (888) 397-3742

TransUnion
Online: http://www.transunion.com/personal-credit/credit-disputes-alerts-freezes.page
By mail: Download and complete the dispute form:
http://www.transunion.com/docs/rev/personal/InvestigationRequest.pdf
Mail the dispute form with your letter to:

TransUnion Consumer Solutions
P.O. Box 2000,
Chester, PA 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.

Whether you file your dispute directly with the creditor (information furnisher) or the credit reporting agency, they generally have 30 - 45 days to investigate your claim and five business days after completing the investigation to send you written notice of the results. Either way, if the dispute results in a business changing the information it furnished about you, the business must notify the nationwide credit reporting companies that it shared the information with. And, if you filed your dispute with a credit reporting company, it must fix your file and notify the creditor of the error.

You can also submit a complaint to the Consumer Financial Protection Bureau at https://www.consumerfinance.gov/complaint or by calling 877-411-2372.

Steps to filing a dispute checklist

Check for yes	**Steps to filing a dispute**
	Write a letter to the credit bureau that sent you the report.
	Provide the account number for the item you feel is not accurate.
	For each item, explain concisely why you believe it is not accurate.
	If you can, include copies of bills or cleared checks (money order stubs) that show you have paid them on time.
	Provide your address and telephone number at the end of the letter so the credit bureau can contact you for more information if necessary.

	Make a copy of your letter before you send it to the credit bureau.
	Send the letter. You may choose to use Certified Mail with Return Receipt to have proof of when the letter was received. The consumer reporting agency or the creditor generally has 30-45 days to investigate your claim.

You can use this example dispute letter from the Federal Trade Commission to a credit-reporting agency as a guide for writing your own letter.

Example letter

[Your name]
[Your return address]

[Date]

Complaint Department
[Company Name]
[Street Address]
[City, State, Zip Code]

Dear Sir or Madam:

I am writing to dispute the following information in my file. I have circled the items I dispute on the attached copy of the report I received.

This item [identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.] is [inaccurate or incomplete] because [describe what is inaccurate or incomplete and why]. I am requesting that the item be removed [or request another specific change] to correct the information.

Enclosed are copies of [use this sentence if applicable and describe any enclosed documentation, such as payment records and court documents] supporting my position. Please reinvestigate this [these] matter[s] and [delete or correct] the disputed item[s] as soon as possible.

Sincerely,

[Your name]
[Phone number]
Enclosures: [List what you are enclosing.]

Be sure to keep copies of everything you send to the credit reporting agencies, including the dates you sent the items.

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

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

Tool 3:

Improving your credit reports and scores

Your credit report shows information about how you have used credit, such as how much credit you have, how much of your available credit you are using, whether you have made your payments on time, and whether anyone has sent a loan you owe to a debt collector.

A credit score is a number that is used to predict how likely you are to pay back a loan. Your credit score starts with the information about you from your credit report. A mathematical prediction formula is applied to this information about you from your credit report. That prediction formula, which is called a scoring model, creates a number, and this number is your credit score.

To get and keep a good credit score:

- Pay all your loans and bills on time.
- Make sure information in your credit report is correct.
- If you currently have access to credit, don't use too much of the credit that is available to you.

If you want to qualify for credit, focus on improving your reports and scores now. Use this worksheet to ensure you are focusing on the areas that matter most.

You may want to talk with a specialized credit or housing counselor to build your plan to improve your credit report and scores. See the Resources list at the end of this module for links to get you started in finding an accredited counselor.

Strategies for improving credit reports and scores list

Check if you plan to implement	Strategy for improving credit reports and scores	Other information or resources you need
	Obtaining free credit reports annually. Online at https://www.annualcreditreport.com. By phone: Call (877) 322-8228. By mail: Go to https://www.annualcreditreport.com to print the form. (Use *Tool 1: Getting your credit reports and scores.*)	
	Reviewing the credit reports for accuracy. (Use *Tool 3: Credit report review checklist.*)	
	Disputing errors found on the reports. (Use *Tool 3: Credit report review checklist.*)	
	Understanding credit scores (Use *Tool 2: Getting your credit reports and scores.*)	
	Paying bills on-time is the most effective way to improve your credit reports and credit scores.	
	Keeping the amount of credit available that you use low. (While there is not an "official" published limit, many financial experts recommend keeping the amount of credit used between 25% and 30%[71] of the credit available.)	

[71] 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 companies may close accounts because of inactivity. (They are not allowed to charge fees if this occurs.) However, if your goal is paying down debt and you may be tempted to use the card, keeping the account open may not help you reach your goal. If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score if this means that you are using a high percentage of your total credit limit.	
	Developing a plan to take care of outstanding judgments or liens. You may be able to negotiate with a collector (See Module 6).	
	Diversifying credit sources.	
	Getting on payment plan for medical debt—ensure provider is not reporting balance as outstanding. If you have medical debt, you may be eligible for assistance with your bills or may be able to get on a payment plan.	
	Paying down old debt or debt in collections. This may improve your credit history – your report – if the debt is currently being reported on any of your credit reports. However, paying off old debts may not impact your credit score. Before you make a payment on debt that you have not paid for a long time, such as three or more years, you may wish consult with a credit specialist or attorney regarding the statute of limitations on the debt. If the statute of limitations period has passed, making a payment may re-start the clock on creditors' ability to file a lawsuit to collect the debt, depending on the debt and state law.	

	Using credit building products: *Secured credit cards*. This can be a way to build a positive credit history. But because credit limits tend to be low with these cards, be sure to watch your credit utilization rate and not get too close to using the full limit. *Credit building loans*. Visit a bank or credit union to find out about these products. With some credit builder loans, you make monthly payments first, and receive the loan amount when it is paid off. This helps you avoid taking on debt while you build a positive payment record. These loans can be very effective in creating new history and can have a positive impact on your reports and scores. Some non-profit organizations provide access to secured cards or credit builder loans. Be sure to ask about the terms, just like you would ask a bank or credit union for details about their products.	
	Other:	

Tool 4:

Keeping records to show you've paid your bills

When repairing or building credit – or managing finances more generally – it is important to create a paper trail. What does this mean? It means you must keep records. You keep records so you can prove you have:

- Paid a bill on time that a creditor has reported late.
- Paid a debt that a creditor has reported unpaid.
- Sent a letter to a debt collector who has claimed he did not receive it.
- Insurance coverage.
- A warranty for a cell phone.
- Paid your rent in cash (receipt).

This can be difficult. Here are a few steps to getting your record keeping system in place.

- **Get a calendar or use the *Bill Calendar*.** Write onto the calendar when regular payments are due. You can ask for help on getting started with this using tools from Module 4.
- **Hang this calendar in a place you will see it daily or in your money management spot.**
- **Find a money management spot in your home**. It can be a desk, a file cabinet, a drawer, or a crate.
- **Get folders or envelopes.** You can even re-use large envelopes you receive in the mail. Give each category a color. For example, you could identify them like this:
    - Income in green folder

- Saving and Asset Investments in yellow folder
- Expenses in blue folder
- Debt in purple
- Credit reports in manila folder

Put insurance policies, deed to home, title to car, birth certificates, warranties for big items like washer and dryer, and other permanent documents in another folder. Consider storing this folder in a portable fireproof box—portable so you can take it if you need to evacuate your home and fireproof so it is protected in case of a fire. Alternatively, you can store these in a safe deposit box at a bank or credit union.

- **Put information in the right folder during the month.**
  - Receipts from grocery store—put it in the blue folder
  - Slip from deposit into savings—put it into the yellow folder
  - Checking account statement—put into the yellow folder
  - Paycheck stub—put it in the green folder
  - Credit card bill—put in green folder
  - Dispute letter to credit reporting agency and return receipt—put in manila folder
- **Once a week, sit down to pay bills.** Always check them for accuracy first. Check your account balances. Total up spending so far in each category if you have a budget.
- **Then take all of the records for the month and store them together.** Either:
  - Keep them in the folders, put a big rubber band around them and put a label with the month on it, OR
  - Take the information out of each folder and put it in a big envelope and write the month on it.

By doing this, you keep all of the information for each month together.

For bills paid online or via mobile or taxes filed using electronic filing (e-filing), print out confirmation pages and store that as described above.

Keeping records checklist

Check if "yes"	**Important Record**
	Tax returns and supporting documentation including e-fling confirmations
	Paycheck stubs
	Bank records
	Debts—loan agreements, statements of payment
	Insurance documents
	Monthly credit card statements – paper or electronic
	Receipts—for anything that you need to include on your taxes, for any big purchases, for anything you may want to return.
	Technology and appliance instructions and warranties
	Medical bills and anything related to prescriptions
	Wills, power of attorney, or any other important legal document
	Birth certificates, marriage license, death certificates
	Retirement documents
	Documentation of money owed to you

Resources

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

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

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

FDIC.gov, Credit Repair:
http://www.fdic.gov/consumers/consumer/ccc/repair.html

Consumer.gov, Building a Better Credit Report:
http://www.consumer.ftc.gov/articles/pdf-0032-building-a-better-credit-report.pdf

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

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

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 checks (RACs) and prepaid cards
- Consumer finance companies–loans
- U.S. Postal Service—money orders and money transfers

The federal government issues student loans, offers savings bonds, and provides the Direct Express® card to recipients of federal benefits if they do not have a bank account.

Sometimes, even an employer may act as a financial service provider by giving you a loan against your wages or a loan from your retirement savings account.

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 product 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, use *Tool 3: Money services and banking basics* to learn more about them.

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

If my employer offers me a payroll card, do I have to accept it?

No. Your employer can't require you to receive your wages on a payroll card. Your employer has to offer you at least one other alternative.

For example, some employers will give you a choice between direct deposit into your bank account, direct deposit to a payroll card, and a paper check. Others may only give you a choice between the first two of these options. Depending on the state you work in, your state's laws may also require that your employer make additional options available.

Your employer or the card issuer also must provide you with the card's terms and conditions. So before you agree to receive your wages on a payroll card, make sure you understand the fees you may be charged for using the card, such as for ATM withdrawals and purchases. Some cards charge fees for receiving paper statements, calling customer service and checking account balances. Some cards may charge an inactivity fee if you do not use it.

Understanding the terms and the fees you might pay will help you compare the card with your other option(s).

If you start using a payroll card and you don't like it, you can ask your employer to switch you to another option.

Managing a bank or credit union account

If you decide to open a bank or credit union account, it's a good idea to learn in advance the rules related to that account and to find out how much you could be charged in fees. This helps by allowing you to make the most of your money. Each bank and credit union has its own rules and fees so it's a good idea to shop around first.

No one likes to see fees reducing their checking account balance every month. You may not be able to eliminate all the fees charged by your bank or credit union, but here are six steps to reduce the number or amount of fees you pay:

1. **Keep track of your balance** to avoid spending more than you have available or going below your minimum balance requirement.

   For example:

   - Check your balance at the ATM before you withdraw cash.
   - Ask if your bank or credit union offers low-balance warnings via e-mail or text.
   - Ask your bank or credit union when the money you deposit will be available for your use.
   - Ask your bank how it processes debits to your account (debits are when money is taken out of your account).
   - Know that your charges and withdrawals are not always processed in the order in which you make them.
   - Monitor your account online, with text alerts, or with a mobile app. You can set up alerts for low-balance to help you avoid fees or to help you save.

2. **See if there's a low-fee or free checking account you can open.** Many financial institutions waive monthly service fees if you maintain a minimum balance or sign up for direct deposit. Ask about accounts you may be eligible for, such as a senior or student account, or just a basic checking account with a low minimum balance requirement and a limited number of "free" checks and withdrawals.

3. **Watch out for overdraft fees.** Overdrafts occur when you spend or withdraw more money than is available in your checking account and your bank or credit union pays the difference and charges you a fee. Many banks and credit unions will charge you overdraft fees for each transaction you make without enough money in your account, with each one costing you between $30 and $35.

4. **Use your financial institution's ATMs.** When you use ATMs in your bank's network, there is generally no charge. Many banks or credit unions offer ATM locator maps on their websites and mobile apps.

5. **Open and review all of the mail** from your bank or credit union. Review account statements every month to make sure they are correct and report errors immediately.

You must also be notified when your minimum balance requirement, fees, or other account terms change.

Finally, it is important to never knowingly write a check for funds you do not have in your account. This can create a number of problems for you. In addition to being charged fees for nonsufficient funds from the bank or credit union and the merchant (if the check was written to a merchant), it could severely impact your ability to access financial services in the future, and even subject you to criminal prosecution.

Overdraft Coverage Programs

An overdraft occurs when you spend or withdraw more money than is available in your checking account. Banks or credit unions can advance you money to cover the shortfall and charge you a fee. This is sometimes called overdraft coverage or overdraft protection.

On the surface, overdraft programs seem like they might be a good deal—they prevent people from being charged bounced or returned check fees by the merchant and the financial institution. But in reality, this protection can be expensive. The bank or credit union may charge you daily when you overdraw your account when you pay for something with a check, online, or with your debit card. Finally, you must pay the bank or credit union back for both the amount covered by the financial institution and the fees.

You can’t be charged a fee for an overdraft with your debit card unless you “opt in” to overdraft coverage and fees. This means you have to actively choose to have it. If you have opted in previously, you can opt out now.

Even if you don’t opt in, however, you can still be charged an overdraft fee if a recurring payment you have set up with your debit card number or via a direct billing arrangement overdraws your account. If you want to have a checking account and don’t want to pay overdraft fees, use one of these approaches:

- Keep track of your balances. Remember, not all deposits are available for use immediately.
- Sign up for low balance alerts that you can receive via email or text at your bank, credit union, or with your prepaid card provider.

- Know when regular electronic transfers, such as rent payments or utility bills, will be paid.
- Link your checking account to your savings account, credit card, or line of credit. If you run out of money in your checking account, the bank will pull money from the place you've chosen. The fee for this is usually lower than an overdraft fee.

Garnishment from your bank or credit union account

When a collector sues you for a debt and wins a judgment, it can ask your bank or credit union to turn over money from your account. This is called a garnishment. Generally, money in your bank account that is from your wages or from another person can be garnished. But certain money in your bank account *cannot* be garnished by private creditors.

Banks must automatically protect Social Security, VA, and certain civil service retirement benefits from garnishment if they are direct deposited into your account. Other income may also be protected from garnishment by private creditors. Examples include state public assistance, federal student assistance, payments from a disability insurance policy, and income from a retirement plan. In some states, state unemployment compensation may also be exempt. (There are some exceptions to this rule, which are explained below.)

Here's how the automatic protection works.

Your bank protects two months' worth of benefits

If a collector tries to garnish money in your account, your bank must look at your account history to see if you received any Social Security or VA benefits by direct deposit in the last 2 months. The bank must protect 2 months' worth of benefits from garnishment and let you use that money. If your account has more than 2 months' worth of benefits, your bank can freeze the extra money.

Here is an example:

- If you receive $1,000 in Social Security each month, your bank will see that $2,000 in Social Security was direct deposited in the last 2 months. *The bank must allow you to use up to $2,000 in the account.*
- But if you receive $1,000 in Social Security benefits by direct deposit each month, and you have $3,000 in your account, the bank can freeze $1,000 of the $3,000. *The bank must give you access to the remaining $2,*000 so you can continue to pay bills and withdraw cash as usual.

Benefits on a prepaid card

Many people receive Social Security or VA benefits on a prepaid card. If your benefits are loaded onto a Direct Express card or to another prepaid account, they are still automatically protected from garnishment just like money in a bank account.

Exceptions

Social Security and Social Security Disability Insurance (SSDI) can be garnished to pay government debts such as back taxes or federal student loans, and debts for child or spousal support. Some other benefits, such as Supplemental Security Income (SSI), are protected from garnishment – even to pay a government debt or child or spousal support.

If the bank freezes your money

If your bank freezes any money in your account, it must send you a notice of garnishment. Then, you can ask to have a judge decide whether your money should be protected from garnishment based on factors such as the source of your income and state law.

It is very important for the judge to know that your money comes from Social Security or VA benefits before the judge decides whether your money should be turned over to the debt collector. You can seek help from a lawyer. If you can't afford a lawyer, you may be eligible for free legal help.

Automatic protections don’t apply to paper checks

If you receive Social Security or VA benefits by check and then deposit the check into your bank account, the bank does not have to protect two months’ worth of benefits in the account automatically. This means that your entire account balance could be frozen and you’ll need to go to court to prove that it comes from protected federal benefits and should not be garnished.

You can protect your benefits by having them direct deposited to a bank account or loaded onto a prepaid card.

To take advantage of the automatic protections for direct deposited Social Security and VA benefits, you can sign up to have these benefits direct deposited to your bank account or loaded onto a prepaid card.

Consider finding legal help in your state

Consider talking with a lawyer in your state about other state and federal laws that may help protect your money and other assets from garnishment.

Federal and state laws may protect the money you receive from other sources from garnishment. This may include money you receive from a pension or retirement plan, federal student loans, child support or spousal support payments. Other laws in your state may protect some of your money and assets, too. To learn more about how they may be protected, consider finding legal help. You may even qualify for free legal help.

You can use our sample letter in Tool 5 of Module 6 (*When debt collectors call: Steps you can take*) to tell a collector that your Social Security or VA benefits are protected from garnishment.

If your debt is owed to the government (for example for taxes or student loans) or is for child support there are different rules. In this case the creditor may be able to garnish federal benefits in your bank account. If this happens to you, you may want to consult a lawyer.

Money you owe to the bank or credit union

With some exceptions, your bank may legally use your deposits to collect a debt you owe to the bank. For instance, if you’ve become delinquent on a credit card account with the same bank that holds your checking account, the bank may be allowed to collect your delinquent credit card account balance from your checking account. This could depend on your deposit contract with your bank. Generally, your bank or credit union is not allowed to pay itself from money in your account if the money can clearly be traced to protected income, such as federal retirement benefits. In most states, civil retirement benefits are also protected from “set-off.” Some states also protect a certain minimum amount in your account.

Using a prepaid card

A prepaid card is 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. For example, gift cards are a type of prepaid card that typically is used up after you deplete the value on the card and can often be used at only one retailer. But you can also buy a prepaid card that you can repeatedly add money to and continue using over and over. You “load” money on the card by paying in advance, and then you spend that money by using the card. Some types of prepaid cards also allow you to take money out at an ATM. Prepaid cards may charge fees for certain services that they provide.

For some prepaid cards, you can purchase a reload pack to add money to your prepaid card. You may be able to buy a reload pack at the same retailer where you bought your prepaid card or at other retailers. The “pack” is actually another card that is activated when you buy it, or it may be a code you receive when you pay the cashier. In some cases, you can only buy a reload pack with cash.

When you get a reloadable prepaid card, you generally have to activate it. Usually the issuer is required by law to verify your identity before they can activate a prepaid card. You must provide your official name, street address (no P.O. boxes), date of birth, and Social Security number or other taxpayer identification number, or, if you are a non-U.S. citizen, another identification number. This may be your passport number, alien identification number, or the number of another government-issued document that shows where you are from and has your photograph.

All the major prepaid card providers give some protection against fraudulent and unauthorized charges, but some card providers have stronger protection than others. In addition, you likely have the protections provided by the networks such as Visa, MasterCard, American Express, and Discover. You should register your card to make it more likely that you get some protections.

Checking your prepaid card balance

There may be several ways to check your prepaid card account balance. You should check the terms of your prepaid card program to determine what methods to check your account balance are available.

Automated customer service: You often can call customer service (the number is usually on the back of your card) to check your balance, and if you get your balance through the automated phone system, you usually won't be charged a fee.

Live customer service: You can call customer service to check your balance, but some card providers will charge you a fee to talk with a live agent.

Online/Mobile: Some cards allow you to check your balance on the internet or with a mobile app. You may need to set up an online account with the card provider to check your balance online. Usually this service is free.

Text message: Some prepaid card providers will provide your account balance through text message free of charge, but you may pay a fee to your cell phone provider for receiving the text.

ATM: Some prepaid cards allow you to check your balance at an ATM, but you may pay a fee for this service. You can sometimes request a paper statement that shows your balance and transactions, but many prepaid card providers that offer paper statements charge a fee for this service.

Is the money on my prepaid card FDIC-insured?

Many prepaid cards will hold your money in a bank account that is FDIC insured. Depending on how the account is set up, the government may guarantee you it will protect up to $250,000 of the money loaded on your prepaid account if the bank where the funds are held fails.

Tool 1:

Know your options: Money services, cards, accounts, and loans

Deciding where to get financial products can be hard, because there are so many choices. Begin by thinking about the reasons you need a financial product. Below, pick your top three reasons.

Checklist of common reasons to find a financial service provider

Ranking	What I want to do or accomplish?
	I want a safe and secure place to keep my money.
	I want to be able to make purchases without having to carry cash or go into debt.
	I want a low cost and easy way to pay and manage my bills.
	I want to bank and pay bills online.
	I want to have my paycheck directly deposited.
	I want to accumulate savings.
	I want to save for retirement, my children's education, or other life events.
	I want to buy a car.
	I want to buy a home.
	I want to be able to get small loans quickly and without a hassle.
	I want to build my credit history.
	I want to send money to someone.

Check off the three reasons for finding a financial service product and provider you identified above and read about the options that may be the best fit for your priorities.

☐ **I want a safe and secure place to keep my money.**

Financial service provider	Products that can meet your need
Bank or credit union	Savings account, checking account, or certificate of deposit
Retailer, bank or credit union, check cashing store or online	Prepaid card (May currently lack the same consumer protections as a debit card linked to a checking account)

TIP: *Don't carry around large amounts of cash or leave cash in your home. It's not safe and could be stolen or lost. Banks and credit unions are safe places to keep your money. To avoid fees, be sure to ask if you have to keep a minimum amount in the account and always monitor your account regularly to know how much money you have in it. To reduce your risk of overdraft fees, tell your bank or credit union that you don't want to pay overdraft fees when you pay with your debit card or make an ATM withdrawal.*

☐ **I want to be able to make purchases without having to carry cash or go into debt.**

Financial service provider	Products that can meet your need
Bank or credit union	Debit card (attached to a savings or checking account)
Retailer, bank or credit union, check cashing store or online	Prepaid card

TIP*: Read the information you receive about the fees related to using your product. If you are being charged fees that you don't understand, ask questions. If no one can explain the fees to you, it could be a red flag and you may want to think twice before choosing this product. To avoid fees, be sure to ask if you have to keep a minimum amount in the account and always monitor your account regularly to know how much money you have in it. To reduce your risk* *of overdraft fees, tell your bank or credit union that you don't want to pay overdraft fees when you pay with your debit card or make an ATM withdrawal.*

☐ **I want a low cost and easy way to pay and manage my bills.**

Financial service provider	Products that can meet your need
Bank or credit union	Checking account Bill payment services Money orders
Retailer, bank or credit union, check cashing store or online	Money orders Bill payment services Prepaid cards (Use like a debit card to pay bills; some offer bill payment services)
U.S. Postal Service	Money orders

TIP: *Make sure to check how you can pay for your bills. Some utilities and other companies accept only certain bill payment options. You may want to consider setting up scheduled, automatic payments that send money from your bank or credit union account or your prepaid card to the company you need to pay. You can set this up through the company you need to pay. If the amount changes, the company will notify you at least ten days before the money is scheduled to be sent.*

☐ **I want to bank and pay bills online.**

Financial service provider	Products that can meet your need
Bank or credit union	Checking account and online banking
Internet-based bill paying service	Online bill paying
Retailer, bank or credit union, check cashing store or online	Prepaid card (use like a debit card to pay bills; some offer online bill payment services)

☐ **I want to have my paycheck directly deposited.**

Financial service provider	Products that can meet your need
Bank or credit union	Savings account or checking account
Employer	Payroll card (prepaid card arranged by your employer)
Retailer, bank or credit union, check cashing store or online	Prepaid card

☐ **I want to accumulate savings.**

Financial service provider	Products that can meet your need
Bank or credit union	Savings account or certificate of deposit

TIP: *You can open an account for yourself or a joint account with your spouse or another person. If you open a joint account with someone, that person will usually have the same rights to the money in the account that you do, so only open a joint account with someone you trust with your money. To avoid fees, be sure to ask if you have to keep a minimum amount in the account.*

☐ **I want to buy a car.**

Financial service provider	Products that can meet your need
Bank or credit union	Car loan
Automobile dealer	Dealer financing

☐ **I want to buy a home.**

Financial service provider	Products that can meet your need
Bank or credit union Mortgage company	Mortgage

☐ **I want to be able to get small loans quickly and without a hassle.**

Financial service provider	Products that can meet your need
Credit card company	Credit card
Pawn shop	Pawn loan
Some credit unions and Banks Finance company	Deposit advance loans (requires a bank account) Signature loan
Payday loan provider	Payday loan (requires a bank account)

TIP: *Use the annual percentage rate (APR) to compare how much loans cost. You can compare the cost of loan products with different fee structures on an "apples-to-apples" basis. It also takes into account the amount of time you have to repay the loan.*

☐ **I want to build my credit history.**

Financial service provider	Products that can meet your need
Bank or credit union	Credit builder loan Loan for an asset (car, home, etc.)
Other lenders	Credit builder loan Credit card
Credit card company	Secured credit card Credit card

TIP: *Check your credit reports regularly (at least once a year) and make sure the information in your credit reports is correct. Visit http://www.annualcreditreport.com to get a free copy of your credit report from the nationwide credit reporting companies. You can receive a free credit report once every 12 months from each one of them. Call 1-877-322-8228 or visit http://www.annualcreditreport.com.*

☐ **I want to send money to someone.**

Financial service provider	Products that can meet your need
Retailer, some check cashing stores, U.S. Postal Service, online companies	Money Transfers Peer-to-peer transfers (using the internet or a mobile app to send money from your account or credit card directly to another person's account.)
Bank or credit union	Wire Transfers or other money transfers Some banks and credit unions now offer peer-to-peer transfer services.

TIP: *New protections apply when you send money abroad. Before you pay, you should receive information about the exchange rate, the fees and taxes you'll pay, and the amount that will be received. You will also receive information about when the money will be available at its destination, your right to cancel the transfer, how to get help if errors are made, and how to submit a complaint. Other protections also may be available to you, depending on how you send the money and the laws in your state.*

Tool 2:

Ask questions: Choosing where to get what you need

Once you know the reasons you want a financial product or service and the type of place that offers it, use this tool to identify the questions that are most important to you. Then make notes about the answers and use this tool to compare them.

Financial service provider comparison

	Financial service provider 1: ___________	**Financial service provider 2:** ___________	**Financial service provider 3:** ___________
Convenience and access			
Do I feel welcome?			
Is it close to where I live or work? Is it open during hours I can visit (such as lunch, after work, or on weekends)?			
Can I get information in my own language or in a format that is accessible to me?			
Can I pay bills and check balances any time of day by phone, online, or with a mobile app? Is there a charge for these services?			
Is staff available to answer my questions in person, by phone, text or via email? Is there any cost?			
If I transfer money, how convenient is it for the recipient to receive the funds?			

Accounts, cards, and money services			
Does it offer savings or checking accounts?			
Does it offer check cashing, money transfers, prepaid cards, or bill payment services?			
If I get a checking or savings account, will I get an ATM card? Debit card?			
Are there monthly account maintenance fees?			
Is there a fee for going below the minimum balance?			
Are there fees for making purchases or other costs, such as inactivity fees? What are they?			
Is there a fee for making a deposit?			
What are the fees if I overdraft? Can I transfer funds to avoid overdrafts?			
Will I earn interest on savings? What is the rate of interest I will earn (APY)?			
How often will I receive account statements? Is there choice between online and paper statements?			
Loans and credit cards			
Does it offer credit cards, small dollar loans, mortgages, lines of credit?			
What are the fees associated with getting a loan?			
What are the fees associated with getting a credit card? Are there annual fees?			
What is the interest rate on the loan or credit card? What is the interest rate including all fees on the loan (APR)?			

If I am borrowing money, how much will my payment be? When is it due? How long will it take to repay? What will the total cost be?			
Safety and security			
Is the money I deposit FDIC or NCUA insured?			
Is my money protected if someone steals my debit card or prepaid card and or uses it without my permission?			
If I transfer money, is the time it will arrive guaranteed? Will I get information about the fees, taxes, and the exchange rate before I pay for the transfer?			
Other criteria important to me			
Does it offer additional services I need like a notary services or safe deposit boxes?			
Other:			
Other:			

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; that you lock up completed hard copies and encrypt completed soft copies of the Tool that contain sensitive personal and financial information; and shred hard copies that contain sensitive personal and financial information when no longer needed.

Tool 3:

Money services and banking basics

Part of selecting the right financial service provider is knowing what product(s) or service(s) you need. Use the following tool to learn more about the basic financial products or services that may be available to you. Identify the places in your community where you can get the products or services you are interested in.

Common financial products or services

Transaction or payment products or services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
	Checking account	Deposit money in and withdraw money from this account by writing checks or using a debit card. Suitable for frequent transacting. Many checking accounts include access to mobile and online bill pay. Always keep track of your account activity to ensure sufficient balances to cover payments and withdrawals and avoid overdraft fees.	
	Check cashing	Turn paychecks, government checks, or personal checks into cash, often for a fee.	

	Debit card	You can use this card to make purchases at businesses (like grocery stores and gas stations) with money in your checking account. You can also use this card to make deposits to and withdrawals from a checking account at ATMs.	
	Automated teller machine (ATM) card	Deposit or withdraw money from a savings or checking account. Many ATM cards are also debit cards that can be used to make purchases. An ATM card that is not also a debit card cannot be used to make purchases at businesses. You will often not be charged a fee by using ATMs that are owned by your bank or credit union or within the same ATM network.	

	Prepaid card	A card that you use to access money you have paid in advance. A prepaid card can refer to a number of different types of cards. Gift cards are prepaid cards that typically are used up after you deplete the value on the card. You can also buy prepaid cards that you can add money to (reload) and continue using over and over. Some types of prepaid cards also allow you to take money out at an ATM. Reloadable prepaid cards generally charge a monthly maintenance fee, and some charge for deposits or each time you use the card. Prepaid debit cards may carry fewer consumer protections in the event of loss or a disputed charge than debit cards. Some prepaid cards also offer a “reserve” feature you can use to help you save when you have extra money. This feature allows you to move some of your funds to a place where you can’t use them when you are paying for items or using your card at an ATM. You can move the money in the reserve back to your regular account if you need it.	
	Money transfer	Send money from one person or place to another.	
	Bill payment services	Use cash, a money order, a bank account, or another payment method to pay utility, mortgage, or other bills, in person, by phone, through a website, or through a mobile phone application.	
	Money order	Buy a money order to pay a business or other party; can be used instead of a check.	

Depository products or services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
	Savings account	Deposit money in and withdraw money from an account; earn interest (currently interest rates are low). Not intended for frequent transacting.	
	Certificate of deposit	Deposit a fixed amount of money for a specific amount of time. Funds are generally inaccessible during the CD term unless you forfeit interest as a penalty. The size of the penalty varies, and could amount to more than the interest you have earned if you withdraw the money before the maturity date. Generally earns more interest than savings.	

Credit products or services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
	Credit card	Borrow money up to an approved credit limit. Make purchases using the card or the number and card security code. A minimum monthly payment is required. Will be charged interest on unpaid amounts; can be charged other fees based on terms of contract.	

	Line of credit	Borrow money up to an approved credit limit. Getting approved for a line of credit is different from a credit card. It may be secured with collateral (such as a home), or be unsecured. Can be used for overdraft protection in a checking account.	
	Car loan	Borrow money to buy a used or new car. This will be an installment loan. The car will generally be pledged against the loan (collateral).	
	Business loan	Borrow money to start or expand a business. Ordinarily, this will be an installment loan with periodic payments due. Equipment or other business assets, or personal assets may be pledged against the loan (collateral).	
	Mortgage	Borrow money to build or buy a home. This will be paid back in installments. The home will generally be pledged against the loan (collateral).	

Credit building products or services

Check if you want to learn more about it	**Common financial products or services**	**Description**	**Where can you get this product or service?**
	Secured credit card	Borrow money up to a limit that is secured by a deposit. This deposit acts as collateral if you do not pay the credit card as agreed.	
	Credit building loan	Borrow money specifically to improve credit scores. This may be available at banks or credit unions in your community.	

Other products or services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
	Small dollar / signature loan	Borrow small amounts of money. Generally, the loans have to be paid back quickly and the interest rate and fees are higher than bank or credit union loans or credit cards.	
	Payday loan	Borrow small amounts of money. You provide a check written for some time in the future—generally two weeks. If you don't repay the loan and fees in full, the lender can cash the check. If your account does not have enough money in it to cover the amount, you may have to take out a new loan for the amount you don't repay.	
	Pawn shop loan	Borrow money against an item. If you do not pay back the loan as agreed or renew the loan, the pawn shop can sell the item to cover the debt. The loan amount is often much less than the item is worth.	
	Car title loan	Borrow money against your car, which is given as collateral. If you do not pay back the loan as agreed or renew the loan, the car can be sold to cover the debt. The loan amount is often much less than the car is worth.	

Technology-based services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
	Online banking	Manage your bank or credit union account through a secure website. This option may include a method to pay bills from your account, and is available through many banks and credit unions.	
	Mobile banking	Use your smart phone to manage accounts and make payments through your bank or credit union's website or mobile application.	

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; that you lock up completed hard copies and encrypt completed soft copies of the Tool that contain sensitive personal and financial information; and shred hard copies that contain sensitive personal and financial information when no longer needed.

Tool 4:

Opening an account checklist

Opening an account at a bank or credit union

If you decide that a checking or savings account is the right product for you, opening an account at a bank or credit union is really quite simple.

First, you may want to get a recommendation from a trusted friend or family member for a bank or credit union. Find out about:

- The services they offer
- The fees they charge
- The interest they pay for savings accounts

You will usually need between $25 and $100 to open a savings or checking account at a bank. Some credit unions may only require a deposit as low as $5 to open an account.

TIP: **Be sure to find out how much you must keep in the account at all times to avoid fees. This is called the "minimum balance requirement."** This may not be the same amount of money you need to open the account, so it's important to understand.

You will also need two forms of identification to open an account. Some banks or credit unions will take one form of identification and a bill with your name and address on it. You will usually be required to present:

- A U. S. government or state issued form of identification with your photo on it, such as a driver's license, U. S. Passport, or military identification

  and one of the following:

- Your Social Security card

- A bill with name and address on it
- Your birth certificate

If you do not have a U. S. government-issued form of identification, some banks and credit unions accept foreign passports and Consular IDs, such as the Matricula Consular card, which is an official Mexican Government identification document. Other countries, such as Guatemala and Argentina have similar IDs. Consulates in the United State offer them. Visit your country's consulate for more information about how to get an ID card, and with the banks and credit unions to learn whether they accept it.

Accounts that pay interest

Interest is considered income. If you earn interest, you must pay taxes on it. In order to open an account that pays interest, such as a savings account, you must have a Social Security number or an Individual Taxpayer Identification Number (ITIN).[72]

If you do not have a Social Security number, you do not have an ITIN, or you have not applied for an ITIN, you can open an account that does not pay interest.

If your faith community's beliefs do not allow you to receive interest, some banks and credit unions have developed no-interest accounts that may meet your needs.

Barriers to opening an account

Not having the proper identification can be one barrier to opening an account. Another potential barrier is a negative rating with specialty consumer reporting agencies like ChexSystems, TeleCheck, Early Warning, and others that report on checking accounts or banking histories.

These agencies collect information from merchants, banks, and credit unions about how consumers manage savings and checking accounts. Banks and credit unions use reports developed by these agencies to decide if someone can open a new account. You may have a

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

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
- Have had an account closed (involuntarily) by a bank or credit union within the last 12 months

Involuntary closures stay on your ChexSystems report for five years and on the Early Warning System report for seven. Overdrafts remain on your consumer record for five years, even if you have paid back what you owe the bank or credit union. Each bank or credit union has its own policies about the way the information in your banking history report impacts your ability to open an account. This can include the amount of time that has passed since events like an involuntary closure or repeated overdrafts occurred.

Some banks and credit unions require you to pay these old charges and fees before you are allowed to open a savings or checking account. In other cases, you may be offered the opportunity to open a "second chance" or checkless checking account that has different features and restrictions than standard checking accounts offer. Depending on the account's rules, you may be allowed to open a standard checking account after six to twelve months if you have not over drafted or bounced any checks.

You can order your own ChexSystems report online from ChexSystems at http://www.consumerdebit.com. You can call for more information at (800) 428-9623, or send a written request to:

ChexSystems, Inc.
7805 Hudson Road, Suite 100
Woodbury, MN 55125

You can order your TeleCheck Services Report by sending a written request to:

TeleCheck Services, Inc.
Attention: Consumer Resolution – FA

P. O. Box 4514

Houston, TX 77210-4515

To request your Early Warning report, call (800) 325-7775.

If you find mistakes, you can dispute these by sending a letter (you may choose to use certified mail) describing the mistake and copies of any evidence.

Opening an account checklist

Use this checklist to ensure you have what you need to open an account at a bank or credit union.

Check for "yes"	Information needed	Additional questions
	A U.S. or foreign government-issued form of identification with your picture on it. Note that each bank or credit union has its own policy on which foreign IDs it accepts.	
	Another form of identification: your Social Security card, a bill with your name and address on it, your birth certificate.	
	A Social Security number or ITIN (individual taxpayer identification number). Without it, you may only be able to open an account that doesn't pay interest.	
	Money to open the account	
	Information about minimum balance required in the account to avoid monthly service fees	
	Information about monthly service fees	
	Information about direct deposit and if it eliminates the monthly fee	
	Information about per-check or transaction fees	
	Information about fees associated with use of ATMs	

	Information about internet banking and online bill pay access and any costs	
	Information about overdraft fees	
	Information about low balance alert notifications	
	Other:	

Tool 5:

Money transfers and remittances: What you need to know

Consumers in the United States send billions of dollars in remittance transfers each year. The Consumer Financial Protection Bureau (CFPB) has issued rules to protect consumers who send money electronically to foreign countries.

A "remittance transfer" is an electronic transfer of money from a consumer in the United States to a person or business in a foreign country. It can include transfers from retail "money transmitters" as well as from banks and credit unions that transfer funds through wire transfers, automated clearing house (ACH) transactions, or other methods.

Disclosures

The rules generally require companies to give disclosures to consumers before they pay for the remittance transfers. The disclosures must contain:

- The exchange rate
- Fees and taxes collected by the companies
- Fees charged by the companies' agents abroad and intermediary institutions
- The amount of money expected to be delivered abroad, not including certain fees charged to the recipient or foreign taxes
- If appropriate, a disclaimer that additional fees and foreign taxes may apply

Consumers must also receive information about when the money will arrive and how the consumer can report a problem with a transfer. Instead of issuing a separate pre-payment disclosure and receipt, a company may provide a single combined disclosure before the sender pays for the transfer, so long as proof of payment is given when payment is made.

Companies must provide the disclosures in English. Sometimes companies must also provide the disclosures in other languages.

Other protections: The rules also generally require that consumers get 30 minutes (and sometimes more) to cancel a transfer if it has not yet been received. Consumers can get their money back if they cancel.

- Companies must investigate if a consumer reports a problem with a transfer. For certain errors, consumers can generally get a refund or have the transfer sent again free of charge if the money did not arrive as promised.
- Companies that provide remittance transfers are responsible for mistakes made by certain people who work for them.

The rules also contain specific provisions applicable to transfers that consumers schedule in advance and for transfers that are scheduled to recur on a regular basis.

What is covered?

The rules apply to most remittance transfers if they are:

- More than $15
- Made by a consumer in the United States
- Sent to a person or company in a foreign country

This includes many types of transfers, including wire transfers. The rules apply to many companies that offer remittance transfers, including banks, thrifts, credit unions, money transmitters, and broker-dealers. However, the rules do not apply to companies that consistently provide 100 or fewer remittance transfers each year.

Resources

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

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:
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

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.

Have an issue with a product or service?

The CFPB has already handled over 700,000 consumer complaints about:

- Credit cards
- Mortgages
- Bank accounts and services
- Private student loans
- Vehicle or consumer loans
- Payday loans
- Debt collection
- Money transfers
- Credit reporting
- Prepaid cards

- Other financial services (including check cashing, money orders, cashier's checks, credit repair, debt settlement, refund anticipation checks, foreign currency exchange, and 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 its 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.

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 the 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 out complaint page at http://www.consumerfinance.gov/complaint.[73]

It's your money—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."

Most of us have seen or heard something like this, for example 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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[73] 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 the "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. This is especially true 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.

Take 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:

Submitting a complaint to the CFPB

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

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

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

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

How to submit your complaint

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

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

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

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

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

Here is what will happen to your complaint:

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

- **Company response:** The company reviews the information, communicates with you as needed. It then determines what action to take in response. The company reports back to you and the CFPB via the secure "company portal." After your complaint is sent to the company, **the company has 15 days to provide a substantive response to you and the CFPB.** Companies are expected to close all but the most complicated complaints within 60 days.

- **Consumer review:** CFPB then invites you to review the response and provide feedback. Consumer Tracking: You can log onto the secure "consumer portal" available on the CFPB's website or call a toll-free number to receive status updates, provide additional information, and review responses provided to the you by the company.

- **Review and investigate:** The CFPB reviews your feedback about company responses, using this information along with other information such as the timeliness of the company's response, for example, to help prioritize complaints for investigation.

- **Analyze and report**. Complaints help with the CFPB's work to supervise companies, enforce federal consumer financial laws, and write better rules and regulations. The CFPB also reports to Congress about the complaints we receive and makes anonymized consumer complaint data available to the public on its website format: http://www.consumerfinance.gov/complaintdatabase.

Contact information

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

Mail:

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

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

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 identifying information can pretend to be you, buying things on accounts that you own or are under your name. This leaves you with their bills! It can also create problems with your credit reports and scores.

Identifying information is anything that is specifically unique to you, such as your:

- Credit card and bank account numbers
- Driver's license number
- Date, city, and state of birth
- Social Security number
- Passwords or PIN numbers

Many people think that identity theft happens primarily online, and if you don't shop online, you are safe. The reality is that most identity thefts take place offline—just the opposite of what many people think. In addition, in over half of the cases of identity theft, the thief is someone that the victim knows. Because of this, it's important to be cautious with your identifying information–both online and in the real world.

Steps to protect your identity checklist

Steps to protect your identity	Check for "yes"
Check your credit report	
Remove your name from all three credit bureaus' (Equifax, Experian, and TransUnion) mailing lists by calling to opt-out at (888) 567-8688 or online at http://www.optoutprescreen.com – choose "forever" removal option. This prevents prescreened offers from falling into other people's hands.	
Check your credit at all three credit agencies each year using the free https://www.annualcreditreport.com. If you see anything that is incorrect or suspicious, contact them immediately. (See *Module 12: Understanding Your Credit Reports and Scores* for more information).	
Limit access to your information	
Don't carry your Social Security card or number in your wallet or purse.	
Remove your name from many direct mail marketers' lists by registering with the *Direct Marketing Association* online form at http://www.dmachoice.org. Removing your name from marketers' lists will create fewer opportunities for thieves to steal your information.	
Remove yourself from most telemarketers' lists by registering your phone number with the *Do Not Call Registry* at (888) 382-1222 or at http://.www.donotcall.gov. Numbers registered with the National Do Not Call Registry after February 2008 remain on it permanently on the National Do Not Call Registry.[74]	
Never give your personal information to someone who calls you and asks for it, even if they say there are from your financial institution.	
Use a shredder, scissors, or your hands to tear all papers with identifying information or account numbers into tiny pieces before throwing them out.	
Give out your Social Security number only when absolutely necessary. Often when someone asks for it, you are not required to give it to them.	

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

Practice online security	
Commit all passwords to memory. Never write them down or carry them with you (not even on a post-it by your computer!).	
Make sure passwords include upper- and lower-case letters, numbers, and do not include any words that can be found in a dictionary or names and dates that can be associated with you (your children's names and birthdates, for example). Longer passwords are better. The best practice is to have a different password for each account. If you find it too hard to keep track of so many passwords, have separate, longer, harder-to-guess passwords for your financial accounts than for ordinary uses like your e-mail.	
Don't give out your financial or personal information over the Internet, unless you have initiated the contact or know for certain with whom you are dealing.	
Never share identity information online unless the site is ***secure*** with an encryption program so no one can intercept your information. **If secure, the web site address will start with https, not http**. There will also be a lock icon ( ) in front of the web address.	
Do not reply to emails asking for personal banking information, **even if they have a bank or PayPal logo! Financial Institutions will never ask for personal information via email.**	

According to the Federal Trade Commission (FTC), identity protection means treating your personal information like cash or a valuable commodity. This means being careful not to leave it around, and being thoughtful about who is asking for it, why they need it, and how they're going to safeguard it for you.

This is the FTC's list of common red flags that your identity has been stolen:

- There are mistakes on your bank, credit card, or other account statements.
- There are mistakes on the explanation of medical benefits from your health plan.
- Your regular bills and account statements don't arrive on time.
- You get bills or collection notices for products or services you never received.
- You receive calls from debt collectors about debts that don't belong to you.

- You get a notice from the IRS that someone used your Social Security number.
- You receive mail, email, or calls about accounts or jobs in your minor child's name.
- You receive unwarranted collection notices on your credit report.
- Businesses turn down your checks.
- You are turned down unexpectedly for a loan or job.

If your identity has been stolen

The FTC recommends the following steps if you determine that your identity has been stolen:

1. **Place a fraud alert on your credit file**

Call one of the nationwide credit reporting agencies, and ask for a fraud alert on your credit report. The company you call must contact the other two, so they can put fraud alerts on your files. An initial fraud alert is good for 90 days. If you want to place an extended alert on your credit report after your identity has been stolen, you must file either a police report or a report with a government agency such as the FTC, known as an "identity theft report." An extended alert is good for seven years. An extended alert requires that the creditor contact you in person or through the telephone number or other contact method you designate to verify whether you are the person making the credit request.

- **Equifax:** (800) 525-6285
- **Experian:** (888) 397-3742
- **TransUnion:** (800) 680-7289

2. **Consider a security freeze**

You can also place a "freeze" on your credit report. A security freeze means that potential new creditors cannot access your credit report. Only a limited number of entities can see your file while a freeze is in place, including existing creditors, certain government entities like child support agencies, and companies that monitor your credit file at your direction to prevent fraud. Because most businesses will not open credit accounts without checking your credit report, a freeze can deter identity thieves from opening new accounts in your name. Be mindful that a freeze does not prevent identity thieves from taking over existing accounts. Credit reporting agencies may charge for this service. In some states, identity theft victims are not charged to place a security freeze.

3. **Order your credit reports**

Each company's credit report about you is slightly different, so order a report from each company. When you order, you must answer some questions to prove your identity. Read your reports carefully to see if the information is correct. If you see mistakes or signs of fraud, contact the credit reporting company.

4. **Create an identity theft report**

An Identity Theft Report can help you get fraudulent information removed from your credit report, stop a company from collecting debts caused by identity theft, and get information about accounts a thief opened in your name. To create an Identity Theft Report, first file a complaint with the FTC at ftc.gov/complaint or (877) 438-4338; TTY: (866) 653-4261. Your completed complaint is called an FTC Identity Theft Affidavit. Next, you can take your FTC Affidavit to your local police, or to the police where the theft occurred, and file a police report. Get a copy of the police report. The two documents comprise an Identity Theft Report.

For more information from the Federal Trade Commission, visit:
http://www.consumer.ftc.gov/features/feature-0015-identity-theft-resources.

Tool 3:

Red flags

When making financial product or service purchasing decisions, watch out for the following red flags. Use this checklist. If you find you have checked one or more characteristics when you are considering a product or service, take a closer look.

Red flag list

Sales tactics and red flags for loans and other financial products or services

Check for "yes"	Red flag	Description
	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

Check for “yes”	Red flag	Description
	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 4:

Learning more 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 for More Information" 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 applicants from applying for credit because of any prohibited basis; or offering less favorable terms to an applicant than to someone similarly situated because of any prohibited basis. ▪ ECOA and Regulation B require creditors, among other things, to:	

	▪ Notify applicants of actions taken on their applications within specified periods. ▪ If the creditor furnishes applicant information to credit bureaus, to do so in the names of both spouses on an account. ▪ Retain records of credit applications for a specified period. ▪ Solicit information about the applicant's race and certain other protected characteristics in applications for certain residential mortgages for government monitoring purposes. ▪ Provide applicants with copies of appraisals used in connection with residential mortgage applications. For more information about this law including information about how to detect discrimination and protect yourself against it, visit http://www.consumerfinance.gov/fair-lending.	
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 property to be mortgaged; the race, ethnicity, and sex of the applicant; and the income relied on in the application. For more information about this law, visit http://www.consumerfinance.gov/learnmore.	
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.	

<table>
<tr><td></td><td>For more information on leasing an automobile, visit http://www.consumerfinance.gov/askcfpb/815/should-i-buy-or-lease-whats-difference.html.</td><td></td></tr>
<tr><td>Regulation P: Privacy of Consumer Financial Information (Gramm-Leach-Bliley Act)</td><td>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.
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.</td><td></td></tr>
<tr><td>Regulation V: Fair Credit Reporting Act</td><td>Provides guidelines and limitations for persons that get and use information about consumers to:
Determine the consumer's eligibility for products, services, or employment;
Share such information among affiliates; and
Furnish information to consumer reporting agencies.
Limits the reporting of outdated negative information.
Limits who can access information in a consumer’s credit file.
Establishes consumer rights including the following:
Consumers must be informed their file has been used against them—the information has led to a denial of a product, service, or employment.
Consumers have the right to know what is in their file.
Consumers have the right to dispute incomplete or inaccurate information; consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information.
For answers to common questions regarding this law, visit http://www.consumerfinance.gov/askcfpb/search?selected_facets=tag_exact%3AFair+Credit+Reporting+Act.</td><td></td></tr>
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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