



YOUR MONEY, YOUR GOALS

A financial empowerment toolkit for Legal Aid organizations



Consumer Financial
Protection Bureau

April 2015

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Overview

An introduction to the CFPB

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

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

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

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

The CFPB's primary strategies are:

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

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

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

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

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

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

CFPB resources for legal aid organizations

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

- **Regulatory information.** As a regulator, the CFPB has developed a long list of materials—including compliance guides —designed to explain regulations to industry and make compliance as straightforward as possible. Those same materials are of interest to legal aid organizations as concise guides to laws and regulations designed to protect consumers. <http://www.consumerfinance.gov/regulatory-implementation>. Included among these is a guide on the new mortgage servicing rules. http://files.consumerfinance.gov/f/201312_cfpb_mortgages_help-for-struggling-borrowers.pdf.
- **Ask CFPB.** This ever-growing compilation of answers to consumer questions covers a range of consumer protection issues related to financial products, services, and providers. <http://www.consumerfinance.gov/askcfpb>.
- **Get Assistance materials.** In addition to *Ask CFPB*, the *Get Assistance* section of the CFPB’s website includes consumer friendly resources such as *Paying for College* and *Trouble Paying Your Mortgage*. <http://www.consumerfinance.gov>.
- **Submit a complaint.** When a client has an issue with a consumer financial product or service, he or she can submit a complaint – online or via phone, fax, or mail. The CFPB will forward the complaint to the company and work to get a response from them. <http://www.consumerfinance.gov/complaint/>. Legal aid staff **can also submit a complaint on behalf of a client**. Complaints help with the CFPB’s work to supervise companies, enforce federal consumer financial laws, and write better rules and regulations. Information about anonymized consumer complaints is available to the public through the CFPB’s Consumer Complaint Database at: <http://www.consumerfinance.gov/complaintdatabase>.
- **Resources for Servicemembers, Students and Older Americans.** The CFPB has materials and resources addressing financial issues facing these populations. These can also be found at the *Get Assistance* section of the website. <http://www.consumerfinance.gov>.

Protecting consumer rights—the CFPB and consumer finance laws

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

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

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

Consumer protection law	Short description
Equal Credit Opportunity Act and Regulation B	<p>Promotes the availability of credit to all creditworthy applicants without regard to race, color, religion, national origin, sex, marital status, age, receipt of public assistance income, or good faith exercise of certain consumer rights.</p> <p>Prohibits creditor practices that discriminate on the basis of any of the above factors.</p> <p>Generally requires a creditor to:</p> <ul style="list-style-type: none">▪ Notify applicants of actions taken on their applications.▪ If it furnishes information to credit bureaus, do so in the names of both spouses on an account.▪ Retain records of credit applications.▪ Solicit information about the applicant's race and certain other characteristics in applications for certain residential mortgages.▪ Provide applicants with copies of appraisal reports used in connection with residential mortgage applications. <p>For more information about this law, including information about how to detect discrimination, visit: http://www.consumerfinance.gov/fair-lending.</p>

Consumer protection law	Short description
<p>Home Mortgage Disclosure Act (HMDA) and Regulation C</p>	<p>Provides the public with 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 in identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes.</p> <p>Requires financial institutions to report data to the appropriate federal agency about home purchase loans, home improvement loans, and refinancing that the institution originates or purchases, or for which it receives applications; and to disclose certain data to the public.</p> <p>For more information about this law, visit: http://www.consumerfinance.gov/hmda. Scroll down to the section about HMDA.</p>

Electronic Fund Transfer Act (EFTA) and Regulation E

Establishes the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer services and of financial institutions that offer these services. This refers to transactions, for example, where a consumer swipes his or her debit card at checkout, makes purchases with a card by phone or online, makes deposits or withdrawals at an ATM, or sends remittance transfers (commonly called wire transfers).

Protects individual consumers engaging in electronic fund 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>.

For more information about payroll cards and EFTA, see guidance issued by the CFPB: http://www.consumerfinance.gov/f/201309_cfpb_payroll-card-bulletin.pdf.

Consumer protection law	Short description
<p>Fair Debt Collection Practices Act and Regulation F</p>	<p>The Fair Debt Collection Practices Act (FDCPA) is the main federal law that specifically governs debt collection practices.</p> <p>The FDCPA prohibits debt collectors from using abusive, unfair, or deceptive practices.</p> <p>The FDCPA covers the collection of consumer debt, i.e. debts from transactions done primarily for personal, family, or household purposes. It covers personal debt, not business debts.</p> <p>The FDCPA does not generally cover collection by the person or business from which the consumer first borrowed money (e.g. the creditor) —it covers third-party debt collectors (debt collection agencies and debt buyers involved in collection), including attorneys engaged in debt collection.</p> <p>The CFPB published an Advanced Notice of Proposed Rulemaking (ANPR) November 12, 2013 to gather additional information regarding debt collection practices. The ANPR may inform additional rulemaking activities.</p> <p>For a summary of this law visit: http://www.consumerfinance.gov/askcfpb/329/what-is-the-fair-debt-collection-practices-act.html.</p>
<p>Consumer Leasing Act and Regulation M</p>	<p>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.</p> <p>Limits the amount of balloon payments in consumer lease transactions.</p> <p>Provides for the accurate disclosure of lease terms in advertising.</p> <p>For more information on leasing an automobile, visit: http://www.consumerfinance.gov/askcfpb/815/should-i-buy-or-lease-whats-difference.html.</p>

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

Consumer protection law	Short description
<p data-bbox="224 709 570 779">Fair Credit Reporting Act and Regulation V</p>	<p data-bbox="686 285 1386 352">Provides guidelines and limitations for persons who get and use information about consumers to:</p> <ul data-bbox="711 375 1422 537" style="list-style-type: none"> <li data-bbox="711 375 1422 443">▪ Determine the consumer's eligibility for products, services, or employment; <li data-bbox="711 459 1263 489">▪ Share such information among affiliates; and <li data-bbox="711 506 1352 537">▪ Furnish information to consumer reporting agencies. <p data-bbox="686 560 1305 590">Limits the reporting of outdated negative information.</p> <p data-bbox="686 613 1406 642">Limits who can access information in a consumer's credit file.</p> <p data-bbox="686 665 1292 695">Establishes consumer rights including the following:</p> <p data-bbox="686 718 1422 825">Consumers must be informed their file has been used against them—the information has led to a denial of a product, service, or employment.</p> <p data-bbox="686 848 1313 877">Consumers have the right to know what is in their file.</p> <p data-bbox="686 900 1409 1077">Consumers have the right to dispute incomplete or inaccurate information with companies that report information and with consumer reporting agencies. The information must be corrected or deleted if it is inaccurate, incomplete, or unverifiable.</p> <p data-bbox="686 1100 1422 1207">For answers to common questions regarding this law, visit: http://www.consumerfinance.gov/askcfpb/search?selected_facets=tag_exact%3AFair+Credit+Reporting+Act.</p>

Real Estate Settlements
Procedures Act and Regulation X

Provides advance disclosures of settlement costs to homebuyers 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 implement policies and procedures including:

- To correct errors on request and provide certain information requested by borrowers.
- To provide information about mortgage loss mitigation options to delinquent borrowers.
- To establish policies and procedures for continuity of contact with servicer personnel regarding available loss mitigation options.

There are a number of recent updates to these rules. To find out more, please visit:

<http://www.consumerfinance.gov/mortgage>.

<http://www.consumerfinance.gov/regulations/2013-real-estate-settlement-procedures-act-regulation-x-and-truth-in-lending-act-regulation-z-mortgage-servicing-final-rules>.

Consumer protection law	Short description
<p>Truth in Lending Act and Regulation Z</p>	<p>Promotes the informed use of consumer credit by requiring disclosures about its terms and cost.</p> <p>Establishes uniform terminology for credit disclosures, such as APR (annual percentage rate).</p> <p>Gives consumers the right in certain circumstances to cancel credit transactions that involve a lien on a consumer's principal dwelling.</p> <p>Regulates certain credit card practices.</p> <p>Provides a means for fair and timely resolution of credit billing disputes.</p> <p>Additional examples of what this law covers:</p> <ul style="list-style-type: none"> ▪ Requires a maximum interest rate to be stated in variable-rate contracts secured by the consumer's dwelling. ▪ Requires periodic monthly mortgage statements for borrowers, which includes additional information for borrowers in default. ▪ Imposes limitations on home-equity plans and mortgages, including limiting mortgage loan originator compensation and requiring analysis of a consumer's ability to repay a mortgage. ▪ Regulates practices of creditors who extend private education loans. <p>For more information on this law and recent updates, visit: http://www.consumerfinance.gov/regulatory-implementation or http://www.consumerfinance.gov/eregulations.</p>
<p>Truth in Savings Act and Regulation DD</p>	<p>Ensures consumers are able to make informed decisions about accounts at depository institutions.</p> <p>Requires depository institutions (banks, credit unions, and thrifts) to provide disclosures so that consumers can make meaningful comparisons among depository institutions.</p> <p>For more information on this law, visit: http://www.consumerfinance.gov/regulations.</p>

Submitting a complaint

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

As of January 2015, the CFPB accepts complaints related to the following consumer financial products and services at <http://www.consumerfinance.gov/complaint>:

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

As of the end of 2014, the CFPB has handled approximately 518,400 complaints. Complaints inform the CFPB about business practices that may pose risks to consumers and help with its work to supervise companies, enforce Federal consumer financial laws, and write better rules and regulations. See *Tool 1: Submitting a complaint to the CFPB*.

Submitting a complaint on behalf of someone else

Legal aid staff can submit a complaint on behalf of a client, and the CFPB will handle the complaint as described below. This is another opportunity for legal aid staff to provide financial empowerment assistance to clients. In addition, providing a clear description of the complaint is

very helpful in the CFPB's enforcement and supervision efforts, because complaints help identify bad actors and prioritize resources.

To submit a complaint for a client, legal aid staff should go to:

<http://www.consumerfinance.gov/complaint>.

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

After clicking the “submit” button, there are a series of steps to complete. Under the third tab - “My Information” - the person submitting the complaint is asked whether the complaint is being submitted on behalf of “Myself” or “Someone else”. The submitter should check the “Someone else” box and provide the submitter’s contact information in the “My contact information” section. Then, in the “Someone else” section, the submitter should indicate their relationship to the client and provide the client’s contact information.

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

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

<http://www.consumerfinance.gov/complaintdatabase>.

Contact information

Online: <http://www.consumerfinance.gov/complaint>

Toll-free phone: (855) 411-CFPB (2372), 8am-8pm EST, Monday - Friday

TTY/TDD phone: (855) 729-CFPB (2372)

Fax: (855) 237-2392

Mail:

Consumer Financial Protection Bureau

PO Box 4503, Iowa City, IA 52244

Addressing consumer complaint process issues

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

CFPB Ombudsman contact information

Online: <http://www.consumerfinance.gov/ombudsman>

Email: CFPBOmbudsman@cfpb.gov

Phone: (855) 830-7880

TTY: (202) 435-9835

Fax: (202) 435-7888

An introduction to *Your Money, Your Goals*

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

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

The goal of the toolkit

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

1. *Information* addressed to legal aid staff to help them better understand financial empowerment, including information about financial services and products, and how to

talk to their clients about these issues. This information can help them help their clients with financial decision making.

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

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

How to use the toolkit

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

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

Intake staff

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

Paralegal or staff attorney

- Use assessment information gathered by intake staff and other knowledge about the client to help identify specific modules and tools most beneficial for client.

- Integrate conversations about finances into meeting(s) with client(s) based on the amount of time you have, instruction in how to use specific tools to address financial challenges and possibly provide tools as “homework” for client.
- Follow up on information and tools covered in previous meetings. This provides accountability and momentum in dealing with financial challenges.

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

Financial empowerment centers

The Cities for Financial Empowerment Fund works with a diverse set of communities across the United States to promote financial empowerment initiatives through municipal engagement. The CFE Fund’s Financial Empowerment Centers offer free, professional, one-on-one financial counseling to enable residents to address their financial needs and to plan for their futures. The centers are an example of the types of local partners available to legal aid offices and are currently operating in thirteen cities. For more information visit <http://www.cfefund.org>.

Making the most of your time with clients

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

If you have 10 minutes with a client...

- Tool 1: Income and resource tracker

If you have 30 minutes with a client...

- Tool 2: Ways to increase income and resources
- Tool 3: Choosing how to receive income and benefits

If you have multiple sessions with a client...

- Tool 4: Increasing your income through tax credits
- Tool 5: Understanding garnishment

Making referrals

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

Legal aid can make a big difference in the lives of clients by introducing them to financial empowerment especially as it relates to their legal case and providing them with some new information and tools to help them solve specific financial challenges. But some clients may need more help—help legal aid staff may not feel comfortable providing because:

- It is technical.
- It is beyond what staff feel comfortable addressing.
- It is more involved than they have time to adequately address.

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

Community referral partners may include certified, non-profit credit counselors, free volunteer tax assistance sites sponsored by the IRS, and financial education programs, among others. It is important that the referral base of experts does not try to sell products or services to clients when they are seeking financial empowerment assistance. **It's also important that these**

Referral partners

When identifying referral partners, make sure they:

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

partners are objective—able to show clients the upside and the downside of specific actions they take and the impact these actions have on their financial situations.

A template for financial empowerment resources

Legal aid organizations often have lists of resources or referral guides, possibly online through the state specific legal assistance sites, e.g., <http://www.lawhelp.org> or other site for their clients. The following is a template, a list of the types of resources specific to financial issues that an organization can use to develop its resources for clients. The organization can compare this list to its existing resource or referral guide to see if there are any types of resources missing. Legal aid organizations may have their own restrictions on making referrals and will have to take that into account when developing or updating the list. To complete the template, use:

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

Area of assistance	Possible referral partner	Contact information
Cash flow budgeting	<ul style="list-style-type: none"> ▪ Housing Counseling Agency: http://www.consumerfinance.gov/find-a-housing-counselor ▪ Community Action Agency: http://www.communityactionpartnership.com ▪ Non-profit Credit Counseling Organization: http://www.nfcc.org ▪ Tribal Organization ▪ Other Community-based Non-profit Organization ▪ Community College 	
Benefits screening	<ul style="list-style-type: none"> ▪ Community Action Agency: http://www.communityactionpartnership.com ▪ Other Community-based Non-profit Organization ▪ Tribal Organization ▪ Community College ▪ Local Social Services network – This could be a local 211 information and referral services, a local United Way, or a local Community Action Program (http://www.communityactionpartnership.com). Click on the Community Action Network tab) (<i>Note: While not comprehensive, this is a good place to start.</i>) ▪ Social Security Administration: http://www.ssa.gov and benefits management through <i>My Social Security</i> at http://www.ssa.gov/myaccount 	
Income tax preparation and filing	<ul style="list-style-type: none"> ▪ Local VITA site: http://www.irs.gov/Individuals/Find-a-Location-for-Free-Tax-Prep ▪ Public Library ▪ Local Social Services Network 	
Managing debt	<ul style="list-style-type: none"> ▪ Legal Aid: http://www.lsc.gov or http://www.lawhelp.org ▪ Non-profit Credit Counseling Organization: http://www.nfcc.org ▪ Tribal Organization ▪ Bank or Credit Union 	

<p>Dealing with debt collectors</p>	<ul style="list-style-type: none"> ▪ Non-profit Credit Counseling Organization: http://www.nfcc.org 	
<p>Understanding credit reports and scores</p>	<ul style="list-style-type: none"> ▪ Housing Counseling Agency: http://www.consumerfinance.gov/find-a-housing-counselor ▪ Community Action Agency: http://www.communityactionpartnership.com ▪ Non-profit Credit Counseling Organization: http://www.nfcc.org/ ▪ Bank or Credit Union 	
<p>Fixing errors on credit reports and scores</p>	<ul style="list-style-type: none"> ▪ Non-profit Credit Counseling Organization: http://www.nfcc.org/ ▪ Financial Education Provider ▪ Housing Counseling Agency: http://www.makinghomeaffordable.gov/get-started/finding-the-right-program/Pages/default.aspx ▪ Community Action Agency: http://www.communityactionpartnership.com ▪ Bank or Credit Union ▪ CFPB, including “Submit a Complaint:” http://www.consumerfinance.gov/blog/is-your-credit-report-wrong-how-to-find-out-and-fix-it/ 	
<p>Using financial services</p>	<ul style="list-style-type: none"> ▪ Housing Counseling Agency: http://www.consumerfinance.gov/find-a-housing-counselor ▪ Community Action Agency: http://www.communityactionpartnership.com/ ▪ Non-profit Credit Counseling Organization: http://www.nfcc.org ▪ Individual Development Account Provider: http://www.idaresources.org ▪ Local <i>Bank On</i>: http://joinbankon.org or <i>Alliance for Economic Inclusion</i> coalition ▪ Bank or Credit Union 	
<p>Protecting consumer rights</p>	<ul style="list-style-type: none"> ▪ Consumer Financial Protection Bureau: http://www.consumerfinance.gov ▪ State Attorney General 	

<p>Asset building</p>	<ul style="list-style-type: none"> ▪ Asset Building Programs Provider: http://assetsandopportunity.org/network/coalitions/ ▪ Housing Counseling Agency: http://www.consumerfinance.gov/find-a-housing-counselor ▪ Community Action Agency: http://www.communityactionpartnership.com ▪ Non-profit Credit Counseling Organization: http://www.nfcc.org ▪ Individual Development Account Provider: http://www.idaresources.acf.hhs.gov ▪ Tribal Organization ▪ Other Community-based Non-profit Organization 	
<p>Other</p>	<ul style="list-style-type: none"> ▪ Social Security Administration: http://www.ssa.gov and benefits management through <i>My Social Security</i> at http://www.ssa.gov/myaccount 	

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Benefits of using the toolkit with clients

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

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

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

Benefits for clients

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

This toolkit can help legal aid help clients:

- Bring their cash flow budgets into balance to help pay bills on time.
- Set goals and calculate how much money they need to save to reach these goals.
- Establish an emergency savings fund.
- Access and use tax refunds.
- Track the specific ways they are using their money.
- Make a simple plan to pay down debt.
- Know better how to respond to debt collectors.
- Get and review their credit reports.

- Fix errors on their credit reports.
- Evaluate financial products and services.
- Recognize when their consumer rights may have been violated and know how to take action.

This toolkit helps link relevant financial information through a trusted source. Often, information from a lawyer or other legal aid staff carries more weight than the same information from another source. **Hearing about the importance of financial empowerment from legal aid staff may prompt clients to take action when they otherwise wouldn't.** That action may prevent future problems that could become legal problems.

Benefits for legal aid organizations

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

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

Tool 1:

Submitting a complaint to the CFPB

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

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

LOANS



[Mortgage](#)



[Student loan](#)



[Vehicle loan or lease](#)



[Payday loan](#)



[Other consumer loan](#)

PRODUCTS AND SERVICES



[Bank account or service](#)



[Credit card or prepaid card](#)



[Credit reporting](#)



[Debt collection](#)



[Money transfer or virtual currency](#)



[Other financial service](#)

How to submit your complaint

To submit a complaint, go to: <http://www.consumerfinance.gov/complaint>. From there, select the product or service that the complaint is about, for example: bank account or service, credit card, credit reporting, money transfer, mortgage, private student loan, payday loan, debt collection, or vehicle/consumer loan.

Fill out the form, providing as much detail as possible. The form will ask for 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 contact centers can help you in over 180 languages and can also take calls from consumers who are hearing impaired, or speech-disabled.

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: The CFPB will forward your complaint and any documents you provide to the company and work to get a response from them. If we find that another government agency would be better able to assist, we will forward your complaint to them and let you know.

Company response: The company reviews the information, communicates with you and the CFPB as needed via the secure “company portal.” After your complaint is sent to the company, **the company has 15 days to provide a 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 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 makes anonymized consumer complaint data available to the public on its website at:

<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

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MODULE 1:

Assessing the situation

Financial empowerment is a big topic. Knowing where to start can be hard. See below for some suggestions about how to start the money conversation. Using *Tool 1: My money picture* (a client and financial situation assessment) may help staff identify what is going on with each client and provide her with the right information, tools, or referrals.

Situation assessment

A picture of conditions today used to create a plan for actions to change conditions in the future.

Staff should consider using this assessment when:

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

Legal aid staff may also choose to:

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

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

My money picture, *Tool 1* of this module, should be filled out by the client or by legal aid staff to help assess which modules may be helpful for the client. Before jumping in to identify financial challenges for their clients, legal aid staff may want to find out how financially savvy they are by

taking the *Knowledge assessment* available at www.consumerfinance.gov/your-money-your-goals. The questions and answers may help staff with their own financial decision-making as well as helping their clients.

Starting the money conversation

Top money conversations

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

Top Money Conversations

Do you have goals for yourself and your family? Are they goals you want to reach soon or in the next few years? How do you plan to reach them?

See Module 2: Setting goals and planning for purchases. Use ***Tool 1: Goal-setting tool*** to help the person:

Brainstorm a list of hopes, needs, wants, and dreams and determine whether they are short-term or long-term.

Turn those hopes, needs, wants, and dreams into SMART goals.

If the goal requires saving or setting money aside to pay down debt, figure out how much to save each week (or month) to reach the goal.

Identify the first steps the person can take to get started, and when they'll be completed.

How do you handle unexpected expenses? Saving money now for unexpected expenses and emergencies can save you money later.

See Module 8: Saving for emergencies, goals, and bills. Use ***Tool 1: Savings plan*** to help someone make a plan to save money for goals, expected and unexpected expenses, and emergencies.

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

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

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

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

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

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

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

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

Use the assessment tool

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

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

Make the most of short-term contacts

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

You

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

George

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

You

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

George

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

You

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

George

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

You

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

George

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

You

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

Respond when people initiate

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

Aaliyah

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

You

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

Aaliyah

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

You

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

Aaliyah

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

You

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

Aaliyah

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

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

Aaliyah

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

You

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

Aaliyah

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

You

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

Discussing difficulties or problems

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

Tool 1:

My money picture

Where I am—and where I want to go

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

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

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

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

If you answered that you have dreams for yourself and your family, what are they?

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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.

✓ 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.

When 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	Resources
1. Do you have dreams for you or your children that require money to make them happen?	If <i>No</i> or <i>I don't know</i> , see Module 2.
<p>Quick Tips</p> <ul style="list-style-type: none"> ▪ 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?	<p>If Yes, call 211 or an emergency assistance center. For homeowners, call (888) 995-HOPE.</p> <p>See Module 4, <i>Tool 5: When cash is short—prioritizing bills and spending</i></p>
<p>Quick Tips</p> <p>If “yes”, call 211 or local emergency assistance center. By dialing 211, people in need of assistance are referred, and sometimes connected, to appropriate agencies and community organizations.</p> <p>For homeowners, call 888-995-HOPE or CFPB at (855) 411-CFPB (2372). You can find certified housing counselors on CFPB’s website at www.consumerfinance.gov/find-a-housing-counselor.</p>	
3. Are you behind on utility payments?	If Yes, call 211 or local emergency assistance center.

<p>4. Can you count on having about the same amount of income every week?</p>	<p>If <i>No</i>, Module 3 for information on tracking and managing variable income.</p> <p>Call 211 or local emergency assistance center.</p> <p>Make a referral to your local workforce opportunity center,</p>
<p>5. When unexpected expenses or emergencies happen, do you have some money set aside to cover them?</p>	<p>If <i>No</i> or <i>I don't know</i>, see Modules 4 and 8.</p>
<p>Quick Tips</p> <ul style="list-style-type: none"> ▪ 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. 	
<p>6. Do your money, benefits, and other resources cover all your bills and living expenses?</p>	<p>If <i>No</i> or <i>I don't know</i>, see Modules 4 and 5.</p>
<p>Quick Tips</p> <ul style="list-style-type: none"> ▪ 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. 	

<p>7. Do you have student loans or other debts you're having trouble paying?</p>	<p>If <i>Yes</i> or <i>I don't know</i>, see Module 6.</p>
<p>Quick Tips</p> <ul style="list-style-type: none"> ▪ 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, track your spending to see if you can make changes and increase your payments. ▪ Tools for student loan repayment options are available at www.consumerfinance.gov/paying-for-college. ▪ If you need or would like help managing your debts, visit the National Foundation for Credit Counseling: at http://www.nfcc.org/ or find a housing counselor at www.consumerfinance.gov/find-a-housing-counselor. ▪ If you would like to speak with an attorney about a lawsuit by a creditor or debt collector, information on finding a lawyer can be found at: http://www.consumerfinance.gov/askcfpb/1433/how-do-i-find-lawyer-or-attorney-represent-me-lawsuit-creditor-or-debt-collector.html. 	
<p>8. Has your credit history made it hard to get a car, insurance, a phone, or a job?</p>	<p>If <i>Yes</i> or <i>I don't know</i>, see Module 7.</p>
<p>Quick Tips</p> <ul style="list-style-type: none"> ▪ Pull your free annual credit report to find out what's on your credit record at www.annualcreditreport.com. ▪ If there are errors, contact credit reporting agencies to address them or visit www.consumerfinance.gov with questions. ▪ If you need help or would like help strengthening your credit, check out the information and resources listed in Module 7 that can link you to local credit or housing counselors. 	
<p>9. Do you have an account at a bank or credit union?</p>	<p>If <i>no</i> see Module 9.</p>

Quick Tips

- If you don't have an account and want to open one, **shop around and compare** several banks or credit unions
- **Ask them questions about:**
 - Their hours and the services they offer (like online tools)
 - The fees they charge (monthly fees, overdraft fees, etc.)
 - The amount you need to open the account
 - Any other rules about the account
- If you want an account and have been turned down, ask the bank or credit union to tell you exactly why they are denying you an account.
 - Review the report they give you and check for any errors

10. Do you feel like you're spending too much to get your money and use it to pay bills?

If *Yes* or *I don't know*, see Module 9.

Quick Tips

- **Think about how you use financial services.** Do you need to cash paychecks? Do you need to pay your bills? Do you want a safe place for your money? Does your employer or benefits provider require direct deposit?
- **Ask yourself what's most important to you if you want these services.** Are hours and location more important to you than things like customer service, available products, or fees? How important is safety and security to you?

11. Have you had issues with a financial product or service like a bank account, loan, mortgage, debt collection, or credit report that you haven't been able to resolve?

If *No* or *I don't know*, see Overview, Tool 1.

Quick Tip

You can submit a complaint to CFPB at <https://www.consumerfinance.gov/Complaint> or call them toll-free at (855) 411-CFPB (2372).

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MODULE 2:

Setting goals and planning for purchases

Does the client have clear goals?

Is the client satisfied with his or her financial situation?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
<ul style="list-style-type: none">▪ Tool 1: Goal-setting tool	<ul style="list-style-type: none">▪ Tool 1: Goal-setting tool▪ Tool 2: Planning for life events and large purchases	<ul style="list-style-type: none">▪ Follow up to see if client has written goals.▪ Follow up to see if client has made any steps toward reaching goals.▪ Consider using Tool 3: Buying a car (if this is the client's goal)

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

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

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

Setting goals helps clients:

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

Life events and large purchases

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

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

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

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

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

Costs of life events

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

- Out of pocket childbirth expenses for women with insurance coverage—\$3,400¹
- Out of pocket expenses associated with breast cancer—\$712/month²
- Quinceañera—coming of age celebration for 15-year old girls in Latino families-- \$15,000 to \$20,000³
- Typical cost for final expenses—\$10,000⁴

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

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

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

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

Setting SMART goals

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

Specific

Ask yourself: Who will achieve or benefit from the goal? What specific thing will I accomplish? Why is the goal important? Is this goal related to covering the expenses associated with an expected life event?

A specific goal has a much greater chance of being met than a general one, because it provides something defined to reach for.

Measurable	<p>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.</p>
Able to be reached	<p>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.</p>
Relevant	<p>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.</p>
Time bound	<p>Ask yourself: By what date must this goal be reached? Goals should have a clearly defined time frame, including a target or deadline date. This helps ensure they are measureable and that actions are planned to reach the goal by the target date.</p>

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

Hopes, wants, or dreams	Strong goals
I'd like to be able to pay all of my bills each month.	<p>Short-term goal: I will review my budget to see if there are ways to cut my spending by the end of the month.</p> <p>Short-term goal: I will meet with the Community Action Program to see if I qualify for job training and other benefits by the end of the month.</p>
I really want to save some money in case something happens in the future and I lose my job.	I will save \$50 over the next six months to start an emergency fund.
I want to get out of credit card debt.	I will pay down \$1,000 of my debt over the next 18 months.

I'd like a safe, stable place to raise my children.	<p>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.</p> <p>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.</p>
I'd like to buy a new television.	I will save \$400 and purchase a new television in six months.
I'd like to help my child go to college.	<p>Short-term goal: I will read to my child every night to show that school and learning are important.</p> <p>Long-term goal: I will save \$5000 in a fund to help pay my child's tuition in ten years.</p>

Building a plan

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

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

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

For goals that require money to reach, clients will want to ask:

- How much do I need to set aside every week (or month) to meet my goal?

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



Here is an example.

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

Or, he can use the number of months.

He can plug these numbers into the formula:

Weekly Goal
\$500 ÷ 32 = \$15.65 per week (rounded)

or

Monthly Goal
\$500 ÷ 8 = \$62.50 per month

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

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

¹ This calculation is designed to simplify planning and can result in individuals reaching their goal more quickly. Because there are 35 weeks in 8 months, this can also allow them to miss their target for up to three weeks in the period and still reach their goal.

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

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

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

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

Tool 1:

Goal-setting tool

This tool can help you with the goal-setting process. 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 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 the list of brainstormed 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:	<input type="checkbox"/> Specific <input type="checkbox"/> Measurable <input type="checkbox"/> Able to be Reached <input type="checkbox"/> Relevant (important to you) <input type="checkbox"/> Time bound (is there a deadline?)
Long-term goal	
Goal:	<input type="checkbox"/> Specific <input type="checkbox"/> Measurable <input type="checkbox"/> Able to be Reached <input type="checkbox"/> Relevant (important to you) <input type="checkbox"/> 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 amount of money to set aside to reach goal**

Use the chart below to figure out the amount you will need to set aside each week to reach your goals. Only use this worksheet if your goal requires money.

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

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

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Tool 2:

Planning for life events and large purchases

This tool can help plan for life events and large purchases, such as your daughter's quinceañera, a car, or even tools of the trade you may need to make a living. 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, maybe even more than once. 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 (your daughter's quinceañera or bat mitzvah) or need to make large purchases. If your daughter is eight years old now, her quinceañera will be in seven years. If your car is five years old or has a lot of mileage on it, you will likely need to replace it within the next five years.
- 2. Estimate the costs of these expenses.** Research the costs of large purchases or life events. If the life event or need to make a large purchase is likely to happen more than five years from now, remember that the cost of almost everything gradually increases over time. This increase is called inflation.
- 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. Large purchases may require a combination of financing and savings to cover the cost.
- 4. Identify ways to keep the costs as low as possible.** For example, for your daughter's quinceañera or bat mitzvah, can you save on the rental of a location by holding it in a rent-free or reduced-rent facility like a community hall in your community

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

 Planning for live 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				

<p>Between 5 and 10 years from now</p>				
<p>Between 10 and 15 years from now</p>				
<p>Between 15 and 20 years from now</p>				
<p>Over 20 years from now</p>				

Use *Tool 1: Goal-setting tool* to estimate the money you need to set aside to cover the large purchase or life event.

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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

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 car you are buying, including whether it is new or used

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.

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 that you own a car, it is worth less because of wear and tear.

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.²

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.

For more information about buying a car, visit <http://www.consumer.ftc.gov/topics/buying-owning-car>.

Deciding on a down payment

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

Austin can get a reliable used car for \$12,000. He has saved \$2,000 for the down payment, but one of his friends has suggested that he finance the full amount of the car.

For a 4-year (48-month) loan at 4% APR for the full \$12,000 cost of the car, Austin would pay \$270.95/month and pay \$1,005 in interest over the life of the loan.

If Austin made a \$2,000 down payment, he would only have to borrow \$10,000. His monthly payment would be \$225.79, and he would pay \$837.95 in interest. His monthly

² See *Module 7: Understanding credit reports and scores* for information on how credit scores are calculated.

payment would be more than \$45 less than the monthly payment if he borrowed the full amount for the car. Over 4 years, this lowers his monthly expenses by \$2,160. This includes the \$2,000 he made as a downpayment and a savings of almost \$170 in interest.

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

Get the big picture

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

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Resources

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

National Automobile Dealers Association:

<http://www.nadaguides.com/>

Kelley Blue Book:

<http://www.kbb.com/>

If you would like help managing debt or rebuilding credit, visit the National Foundation for Credit Counseling:

<http://www.nfcc.org/>

Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:

www.consumerfinance.gov/find-a-housing-counselor

For additional resources, visit the Consumer Financial Protection Bureau website:

<http://www.consumerfinance.gov/askCFPB>

If you have a consumer complaint, visit:

<http://www.consumerfinance.gov/complaint>

More information about buying a car:

<http://www.consumer.ftc.gov/topics/buying-owning-car>.

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MODULE 3:

Tracking and managing income and benefits

Does the client have enough income?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
<ul style="list-style-type: none">▪ Tool 1: Income and resource tracker	<ul style="list-style-type: none">▪ Tool 2: Ways to increase income and resources▪ Tool 3: Choosing how to receive income and benefits	<ul style="list-style-type: none">▪ Tool 4: Increasing your income through tax credits▪ Tool 5: Understanding garnishment

Income

Legal aid clients often struggle to make ends meet because of limited income and resources. But helping clients get a handle on their income and financial resources can help them achieve financial stability. According to the Internal Revenue Service,³ **Earned Income** includes all the taxable income and wages that a person gets from working or from certain disability payments. Examples of **income that is not Earned Income** include retirement income, Social Security benefits, unemployment benefits, alimony, and child support, as well as pay received for work while incarcerated.

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

Income can be:

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

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

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

If there are unpaid bills and garnishment may be an issue, either now or in the future, use *Tool 5: Understanding garnishment*.

If the client wants to focus on ways to increase income, use *Tool 2: Ways to increase income and resources*.

Deductions from pay

If a client is an employee, there are two kinds of **deductions** that can be taken from pay:

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

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

- Federal income tax
- Social Security, which is part of FICA (Federal Insurance Contributions Action). 6.2% of your pay is held for Social Security with your employer contributing another 6.2% on your behalf⁴
- 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

Voluntary deductions may include:

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

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

Public benefits programs

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

⁴ FICA and Medicare contributions are accurate as of November 2014.

There are two principal categories of public benefit programs — those that provide benefits regardless of income and those that limit assistance to people with low or modest incomes. The first category of programs includes the major social insurance programs such as Social Security, unemployment insurance, and Medicare. Programs in the second category are often referred to as “means-tested” programs.⁵

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

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

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

Benefits are important financial resources that cover living expenses, which is the reason clients must be encouraged to think about and track benefits like 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

⁵ Center for Budget and Policy Priorities, *Public Benefits: Easing Poverty and Ensuring Medical Coverage*, August 2005. See <http://www.cbpp.org/cms/?fa=view&id=508>.

- Cell phone service
- Debt repayment

Receiving income and benefits

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

- Cash
- Personal Check
- Paycheck
- Direct Deposit into a checking or savings account or onto a card
- Payroll Card (prepaid card arranged by employer)
- Electronic Benefits Transfer (EBT) cards

In some states, people receive their unemployment benefits and other government benefits on a prepaid card.⁶ Instead of getting checks, they receive a card, and the benefit amount is loaded onto the card. These government benefit cards are sometimes called Electronic Benefit Transfer (EBT) cards.

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

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

⁶ Some states also distribute child support via prepaid card.

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

Why does it matter how income or benefits are received? Each way has advantages and disadvantages. Some of these advantages and disadvantages may make it easier or harder for a client to manage his or her income. To better understand the pros and cons of each method, use *Tool 3: Choosing how to receive your income and benefits*.

Once clients track their income, they should add it into their written budgets. 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, 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. *Gross income* is what you earn before taxes or other deductions are taken from your pay.

This will help you understand the money and financial resources you have to work with and is an important step in creating your cash flow budget, which can be found in *Module 5: Getting through the month*.

On this worksheet:

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

 Income for the Month of: _____

	Week 1	Week 2	Week 3	Week 4	Total by source	Regular	Irregular	Seasonal	One-time
	___/___	___/___	___/___	___/___					
Job									
Second job									
Self-employment Income									
SNAP									
TANF									
SSI									
SSDI									
Childcare payment									
Child support									
Gift									
Tax refund									
Other									
Weekly total									

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

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Tool 2:

Ways to increase income and resources

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

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

This tool focuses on ways to increase sources of 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 bring in more income or resources on a **regular basis**. This would include getting a part-time job, applying for benefits you may not be receiving, or starting a small business.

Increasing income through workforce development programs

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

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

You can also visit a CareerOneStop Center (<http://www.careeronestop.org>) to explore careers, find out about education and training required for different careers, get advice on applying for jobs and interviews, and more. To find a center near you, visit: <http://www.servicelocator.org>.

Your state likely also has a state career or workforce development website or portal. These sites often include online interest and skills assessments, as well as links to in-person and on-line training. Many community colleges also provide these types of assessments and services.

Ways to increase cash, income, and other resources

Use the tool to identify ways you can increase your income. Note that not all of these will apply to you. Check those that may be an option for you, and use this as a plan for getting more information or resources.

Check if option for you	Strategy for increasing cash and sources of financial resources	Information or resources you need to access this information
One-time activity		
	Hold a yard sale/garage sale	
	Sell items online	
	Claim tax credits if you qualify	
	Other:	
Regular income		
	Seek a raise or additional hours at current job	
	Seek opportunities for training or education that would increase wage at current job or help you get a better job	
	Change tax withholding (if you generally receive a large tax refund.)	

	Get a part-time job	
	Do odd jobs (providing childcare, doing yard work, running errands for someone, etc.)	
	Rent a room in your home	
	Start a part-time small business or use your talents or hobbies to make items to sell online	
	Apply for public benefits (TANF, SNAP, Medicaid, public housing)	
	Search the Internet for reputable opportunities to provide services to other businesses	
	Other:	
	Other:	

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

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Tool 3:

Choosing how to receive your income and benefits

Salaries, wages, and public benefits can be provided in a variety of ways. These include cash, paychecks, direct deposit, payroll cards and electronic benefits transfer (EBT) cards. Each has 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.

Method	Definition	Benefits	Risks
Cash	Paper or coin money minted by the U.S. Government	Accepted everywhere	<p>Could be lost or stolen</p> <p>Some people find it tempting to spend cash they have on hand (it “burns a hole in your pocket”).</p> <p>Can be more difficult to track spending for personal budgeting and tax purposes.</p> <p>Not all bill payments can be made in cash.</p>

TIP: Avoid carrying around or leaving in your home large amounts of cash. If cash is lost or stolen, it’s hard to get it back.

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

Paychecks

A check for salary or wages made out to an employee

Income can be deposited to a checking or a savings account or onto a prepaid card.

If you do not have a bank account, some banks and credit unions do not charge a fee to cash “on us” checks that are written from accounts that are held with their institution. Otherwise, you will have to pay a check cashing service to cash them.

Bank and credit union accounts are sometimes the only cost-free way to cash paychecks.

If you don’t have an account, unless your employer’s bank or credit union cashes “on us” checks for free, you may have to pay to cash them at a bank, credit union, or check cashing service.

If you deposit a paycheck in a bank or credit union account or onto a prepaid card, you may not be able to access all the funds immediately.

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

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

Direct deposit

Employee pay is electronically sent to your bank or credit union account or your own prepaid card without the use of a paper check.

Reduces your risk of loss or theft compared to carrying cash or checks.

Funds are usually available to you immediately.

Funds can be accessed via a debit card, ATM card, or personal checks.

For direct deposits made to a checking account, the account's debit card has full consumer protections for funds taken by error or theft.

Income can be sent to a bank or credit union account.

Many employers allow you to split the deposit between checking and savings accounts, which can help you build savings.

No check cashing fees.

Many banks and credit unions also offer checking/savings accounts with no monthly fees when you set up direct deposit.

If direct deposit is made to a prepaid card, the card may lack full consumer protections for funds taken by error or theft.

Can be charged fees if you write checks or use debit card without sufficient funds.

Have to go to an ATM or get cash back at a merchant to get cash.

May not be offered by all employers.

TIP: Ask your employer how to arrange for direct deposit. If you receive your pay through direct deposit, your money is often available on your payday.

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

Payroll cards	Prepaid cards arranged by an employer through which employees access their salary or wages	<p>Safer and more secure than carrying cash or checks</p> <p>The payroll card has full consumer protections for funds taken by error or theft.</p>	<p>Potential inactivity and service fees.</p> <p>Fees can be charged if you use the card without sufficient funds.</p> <p>Requires some extra effort to access cash when cash is needed.</p>
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TIP: Ask questions about fees for using the payroll card. Your employer can require direct deposit, but must give you a choice between direct deposit to a payroll card and a bank or credit union account that you choose.

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

Electronic benefit transfer (EBT) card	EBT cards replace paper-based benefits for programs such as Temporary Assistance to Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), Women, Infants, and Children (WIC) program, and other programs. ⁷	<p>Safer and more secure than carrying cash or checks</p> <p>Looks like a debit or credit card</p> <p>Use it just like a prepaid or debit card</p>	<p>Not all merchants accept EBT cards.</p> <p>Some EBT cards are subject to fees.</p> <p>Certain cards lack full consumer protections for returning funds taken by error or theft.</p>
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WARNING: For EBT cards, some benefits can be lost if they are not used within a certain amount of time. Be sure to ask if this applies to your benefit and keep track of your balance.

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⁷ The availability of EBT cards, their fees and other details vary from state to state and program to program.

Tool 4:

Increasing your income through tax credits

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

For the 2014 tax year the following income limits and maximum tax credits apply:⁸

Household size	Income limit if filing as single or married filing separately	Income limit if married filing jointly	Maximum tax credit
Three or more qualifying children	\$46,997	\$52,427	\$6,143
Two qualifying children	\$43,756	\$49,186	\$5,469
One qualifying child	\$38,511	\$43,941	\$3,305
No qualifying children	\$14,590	\$20,020	\$496

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

⁸ <http://www.irs.gov/Individuals/Preview-of-2012-EITC-Income-Limits,-Maximum-Credit--Amounts-and-Tax-Law-Updates>

Your kids are “qualifying children” if:

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

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

There is also a Child Tax Credit, which reduces the taxes you owe by up to \$1,000 for each qualifying child under the age of 17. For the Child Tax Credit, a child is qualified if they meet the following tests:⁹

- **Relationship Test** - To claim a child for purposes of the Child Tax Credit, they must either be your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister or a descendant of any of these individuals, which includes your grandchild, niece, or nephew. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.
- **Support Test** - In order to claim a child for this credit, the child must not have provided more than half of their own support.
- **Dependent Test** - You must claim the child as a dependent on your federal tax return.
- **Citizenship Test** - To meet the citizenship test, the child must be a U.S. citizen, U.S. national, or U.S. resident alien.
- **Residence Test** - The child must have lived with you for more than half of the year. There are some exceptions to the residence test, which can be found in IRS Publication 972, Child Tax Credit.

⁹ <http://www.irs.gov/uac/Ten-Facts-about-the-Child-Tax-Credit>

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

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

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

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

Consider visiting a Volunteer Income Tax Assistance (VITA) Program to file your taxes and make a plan to use your tax refund. The volunteers are trained by the IRS, and getting your taxes done doesn't cost you anything. This preserves your income. This 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.

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Resources

For MyMoney.gov budgeting resources, visit:

<http://www.mymoney.gov/Fast/Pages/Results.aspx?k=Budgeting%20worksheets&s=All>

If you lose your job, visit the following for more information:

<http://www.benefits.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>

Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:

www.consumerfinance.gov/find-a-housing-counselor

For additional resources, visit the Consumer Financial Protection Bureau website:

<http://www.consumerfinance.gov/AskCFPB>

If you have a consumer complaint, visit:

<http://www.consumerfinance.gov/complaint>

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Tool 5:

Understanding garnishment

If you owe money and have not paid that money, you may be at risk for garnishment. What is **garnishment**?

Garnishment is a legal process that allows a creditor to attach your wages or remove funds from a bank or credit union account to satisfy a debt that you have not paid. Garnishments from a private debt generally require a court order that results from a judgment.

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

Garnishment of wages

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

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

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

- 25% of disposable income

or

- The amount that a person earns each week over the amount that equals the federal minimum wage times 30 (for example, $\$7.25 \times 30 = \217.50).¹⁰

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

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

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

All mandatory deductions are protected from garnishment outright including:

- Federal, state and local taxes
- FICA contributions

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

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

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

¹⁰ Note that the federal minimum wage is subject to change. See www.dol.gov for updates.

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

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

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

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

Garnishment from your bank or credit union account

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

Generally, money in your bank account that is from your wages or from another person can be garnished. But certain money in your bank account *cannot* be garnished by private creditors.

This includes money from:

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

Other income may also be protected from garnishment by private creditors. Examples include state public assistance, federal student assistance, payments from a disability insurance policy, and income from a retirement plan. In some states, state unemployment compensation may also be exempt.

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

If the debt you owe is owed to the government (for example for taxes or student loans) or is for child support there are different rules. In this case the creditor may be able to garnish Federal benefits in your bank account. If this happens, you may want to consult a lawyer.

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

If you owe a debt to your bank or credit union, other than regular account fees, the bank may be entitled to take money from your account to pay itself. This will depend on your deposit contract with your bank. Generally, your bank or credit union is not allowed to pay itself from money in your account that came from federal benefits or another protected source.

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MODULE 4:

Paying bills and other expenses

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

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
<ul style="list-style-type: none">▪ Tool 1: Spending tracker	<ul style="list-style-type: none">▪ Tool 3: Choosing ways to pay bills▪ Tool 4: Strategies for cutting expenses▪ Tool 5: When cash is short—prioritizing bills and spending	<ul style="list-style-type: none">▪ Tool 2: Bill calendar

Spending

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

Where does the money go?

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

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

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

To help the client get a clear picture of how she or he uses money and financial resources now, use the *Tool 1: Spending tracker*. For specific ideas on cutting back on use of money and financial resources, use *Tool 4: Strategies for cutting expenses*. Also consider using *Module 2: Setting goals and planning for purchases*, including *Tool 1: Goal-setting tool* and *Tool 2: Planning for life events and large purchases* to help the client make connections between their needs, wants, and obligations and their financial goals.

Planning and paying for bills

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

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

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

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

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

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

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

Co-payments

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

Expenses that can surprise clients

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

- Fees for a school field trip for a child
- Tools of the trade or expenses related to work that were unanticipated
- Attending the funeral of a friend or family member in another state
- Car or home repairs
- Health-care related expenses resulting from illness or injury

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

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

When cash is short

Even after a client has tracked spending and found some ways to cut back to help make ends meet (*Tool 1* and *Tool 4*), he may still find himself to be short on cash to pay bills. This is even more likely to happen if he has periods without income because he is temporarily out of work or gets fewer hours than usual.

The client is responsible for paying all obligations on time. But when he doesn't have enough money to cover obligations and living expenses he may have to make a short-term plan to get through the month.

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

Part of making this short-term or longer-term plan is making sure the client understands the consequences of delaying paying certain bills. If he finds he can't pay all of the bills on time, he can try calling his creditors to make short-term arrangements. He should not ignore them. This generally makes the problem worse.

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

Action	Some potential consequences
Five days past the due date for your rent	<ul style="list-style-type: none"> Pay the late fine as outlined in your lease agreement. Risk creating a pattern of late payment, which could lead to the landlord terminating your tenancy through the courts—eviction. Strain your relationship with your landlord. Create stress for you.
Miss a credit card payment	<ul style="list-style-type: none"> 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 a negative entry on your credit reports. Risk a drop in your credit scores.
Miss your car payment	<ul style="list-style-type: none"> 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.

	<p>Create a situation in which you need more cash the following month—to catch up the car payment you missed.</p> <p>Risk a negative entry on your credit reports.</p> <p>Risk a drop in your credit scores.</p>
<p>Miss your electric bill payment</p>	<p>Pay the late fee.</p> <p>Create a situation in which you need more cash the following month—to catch up the electric bill you missed.</p> <p>Potentially get a negative entry on your credit reports and risk a drop in your credit scores.</p> <p>Risk a drop in your credit scores.</p> <p>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.</p>

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 trends. Identify areas you can and want to eliminate or cut back on.
3. **Use this as information to figure out where you can make changes.**

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

Get a simple plastic case or envelope. Every time you spend money, get a receipt and put it into the case or envelope. If the receipt doesn't include what you purchased, take a few seconds and write this on the receipt. If you don't get a receipt, write one out on scrap paper.

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

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

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

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

 Analyze Your Spending: Week _____ for the Month of _____

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

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

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

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

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

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

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

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

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

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Tool 2:

Bill calendar

Bills are a fact of life – and while they are not fun to pay – most are at least predictable.

Figuring out which bills you expect throughout the month can be helpful in a couple of ways. It helps you plan to have enough money or other financial resources on hand to pay them.

Thinking about the amounts and timing of your bills might help you think of ways to reduce your expenses over the course of the month. Finally, some people find that thinking ahead about their bills helps reduce the stress of being surprised when they arrive in the mail.

Create a bill calendar using the following tool:

- Print the bill calendar.
- 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 *Tool 1: Spending tracker*.
- Write the due dates for these bills.
 - Since due dates are when bills must arrive, write the date bills must be sent.
 - If paying by mail, mark the due date at least 7 days before it is due.
- For in-person or automatic bill payment, mark one or two days before the due date to ensure you are not late.
- Fill in the calendar with the business or person you owe the money to, the date the money must be sent to arrive on time, and the amount that is due.
- Put this calendar somewhere you will see it every day to ensure you are not forgetting about important bills.

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

Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	End of Week
1	2	3	4	5	6	7	
Bills:	Bills: Phone bill, \$60 Rent, \$500	Bills:	Bills:	Bills:	Bills: Car payment, \$180	Bills:	Total bills for week: \$740

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

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

 _____, 20__

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

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

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Tool 3:

Choosing ways to pay bills

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

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

Bill payment method	Advantages	Disadvantages
Cash	<p>Easy to understand.</p> <p>Often no additional costs associated with cash, such as buying a special product (money order) or overdraft fees (checking account).</p>	<p>May be inconvenient as this requires in-person payment of bills.</p> <p>Fees may be charged for cash payments made through a bill-payment service.</p> <p>May be difficult to prove payment unless you have a receipt.</p> <p>Cost of traveling to the businesses you are paying money to.</p> <p>Cash can be lost or stolen.</p>
Money order	<p>Easy to understand.</p> <p>Can be mailed, so more convenient than cash.</p> <p>Can be safer than a check in some cases, as no personal banking information appears on the money order.</p>	<p>May be inconvenient because you have to purchase the money order.</p> <p>Cost per money order.</p> <p>May be difficult to prove payment unless you have the money order receipt and receive a receipt for payment.</p> <p>Costs of mailing the payments.</p>

<p>Check</p>	<p>Convenient once the checking account is set up at a bank or credit union.</p> <p>Can be mailed, so more convenient than cash.</p> <p>Easier to prove payment should a dispute arise.</p> <p>Option for online bill payment through the bank or credit union.</p> <p>Funds in checking account are safe.</p>	<p>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.</p> <p>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.</p> <p>May be difficult for some people to understand and manage a checking account.</p> <p>Time to write out checks and mail them.</p> <p>Costs of mailing the payments.</p>
<p>Credit cards</p>	<p>Convenient.</p> <p>Can pay bills over the phone or online.</p> <p>Easier to prove payment should a dispute arise.</p> <p>Credit card protections.</p> <p>Can be set up to automatically pay recurring bills with no risk of overdraft.</p>	<p>Creates debt—you are borrowing money to pay for bills and other items.</p> <p>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.</p>
<p>Automatic debit</p>	<p>Convenient.</p> <p>No chance of being late—set it up once and forget it.</p> <p>Can be linked to a debit card (checking account) or credit card.</p> <p>Easier to prove payment should a dispute arise.</p> <p>Saves time.</p>	<p>If set up for automatic debit (payment) from a checking or savings account, you could run the risk of the debit occurring when there is not enough money in the account to cover the transaction. You would then have to pay additional fees.</p>

Online bill payment	<p>Convenient.</p> <p>You may have the option to automate outgoing payments or manually make the payments using your bank or credit union's online banking portal.</p> <p>Minimizes chances of being late if bills are set up for automatic payment.</p> <p>If set up through your bank or credit union, you may receive warnings or alerts if you do not have enough money in your account to pay a bill.</p> <p>May include options for setting up payment from cell phones/smart devices.</p> <p>Saves time.</p>	<p>Takes time to set up and learn.</p> <p>Possible risks of overdraft.</p>
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Tool 4:

Strategies for cutting expenses

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

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

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

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

Strategies list

Check if an option for you	Strategy for cutting expenses and other uses of financial resources	Additional information or resources you need to access this information	Estimate \$ value of spending cut you select
Cut back on regular (recurring expenses)			
	Television	<i>Check with your provider about lower cost plans or discontinue cable.</i>	
	Internet		
	Phone	<i>Check if you qualify for a "Lifeline" phone rate.¹¹</i>	

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

Check if an option for you	Strategy for cutting expenses and other uses of financial resources	Additional information or resources you need to access this information	Estimate \$ value of spending cut you select
	Cell phone plan	<i>Review prepaid or fixed call plans. Check if you qualify for a "Lifeline" phone rate.</i>	
	Review insurance; increase deductible on auto insurance to lower premium payment	<i>Check to see if moving all insurance coverage to one company will save you money and for other discounts.</i>	
	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.	<i>Check to see if you're eligible for weatherization programs or other incentives.</i>	
	Other:		
Get rid of regular (recurring) expenses			
	Online video membership		
	Discount store memberships if not using regularly		
	Gym/health club membership (if not used)		
	Credit monitoring services		
	Other:		

Check if an option for you	Strategy for cutting expenses and other uses of financial resources	Additional information or resources you need to access this information	Estimate \$ value of spending cut you select
Avoid fees			
	Review financial services. Are you paying to cash your checks? Are you paying maintenance fees on checking or savings accounts? Are you paying ATM fees? Do you pay overdraft fees? Are you paying annual fees for credit cards? Know the fees you are paying for your loans.	<i>Could you switch to a no-fee or lower-fee account?</i>	
	Pay bills and fines like parking tickets on time	<i>Parking tickets and other fines cost more if you pay them late.</i>	
	Return library materials, rented DVDs, etc. on time		
	Renew license and registration on time		
	Other:		
Other methods			
	Negotiate a new due date for bills to make them easier to handle in cash flow		
	Avoid eating out; cut one meal out per month	<i>If you buy lunch at work, could you save money if you bring lunch instead?</i>	

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
		<i>If you have children, identify the restaurants that have “kids eat free” nights – but check what is included.</i>	
	Avoid bottled water		
	Avoid buying fountain drinks and coffee out		
	Use coupons		
	Buy second hand furniture or clothing if you need to replace either		
	Do not buy or rent DVDs or CDs	<i>Visit your local public library. To avoid late fees, you have to return the items by the due dates.</i>	
	Buy items you use in bulk if they are cheaper that way	<i>Look at the price label for cost per serving. Sometimes larger quantities don't actually save money.</i>	
	Maintain your car	<i>Get regular oil changes and keep tires inflated. This can save on fuel and can prevent major repairs.</i>	
	Other:		
Total reduction in spending for one month			

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

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Tool 5:

When cash is short— prioritizing bills and spending

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

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

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

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Protect your income	Protect your shelter	Protect your assets	Pay your obligations
<p>If you need a car to get to and from work, stay current on your car payment and insurance.</p> <p><i>Maintain other expenses needed to keep your job, such as the tools you need or to pay for required licenses.</i></p>	<p>Whether you rent or have a mortgage, the costs of losing your home are big.</p> <p><i>Be sure to pay taxes, condo fees, mobile home lot payments, too.</i></p> <p><i>If possible, maintain your utilities. They are difficult to live without, and reconnection is expensive.</i></p>	<p>Don't let essential insurance coverage lapse; this includes auto, renters / homeowner's, health.</p> <p><i>Not having insurance may mean you cannot drive your car and puts your assets, including your health/your family's health, at risk.</i></p>	<p>Example include:</p> <ul style="list-style-type: none"> Child support Income taxes Student loans
<p>Your expenses:</p>	<p>Your expenses:</p>	<p>Your expenses:</p>	<p>Your expenses:</p>

**Remember, you are responsible for all of your bills and expenses.
If you miss payments now, you will have to make those up in the future.**

Resources

For MyMoney.gov budgeting resources, visit:

<http://www.mymoney.gov/Fast/Pages/Results.aspx?k=Budgeting%20worksheets&s=All>

If you lose your job, visit the following for more information:

<http://www.benefits.gov>

<http://www.dol.gov/ebsa/publications/joblosstoolkit.html#.UM6BmXPjkt8>

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

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

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

<http://www.hhs.gov/recovery/statewebsites.html>

If you would like help managing your debt or rebuilding credit, visit the National Foundation for Credit Counseling:

<http://www.nfcc.org/>

Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:

www.consumerfinance.gov/find-a-housing-counselor

For additional resources, visit the Consumer Financial Protection Bureau website:

<http://www.consumerfinance.gov/AskCFPB>

If you have a consumer complaint, visit:

<http://www.consumerfinance.gov/complaint>

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MODULE 5:

Getting through the month

Is the client able to make ends meet each month?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
<ul style="list-style-type: none">▪ Tool 3: Improving cash flow checklist	<ul style="list-style-type: none">▪ Tool 1: Cash flow budget or Tool 2: Cash flow calendar	<ul style="list-style-type: none">▪ Tool 4: Managing cash flow when circumstances change▪ Check in on cash flow development or management

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

That’s why monthly budgets sometimes don’t work. If the timing of income doesn’t match the timing of expenses and the client hasn’t prepared for it, the client may come up short.

A cash flow budget is a projection of how and when cash and other financial resources come in and how they are used.

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

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

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

Making a cash flow budget

Making a cash flow budget involves three steps:

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

Cash flow and financial services

Some banks and credit unions provide online financial management tools including income and spending tracking budget, and cash flow tools. If your client has an account at a bank or credit union, she can check to see if these tools are available.

Your client may also want to explore using online financial management tools. Clients should ensure the website is secure when entering their personal or banking information.

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 as 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 debit card, or in an account you use to pay your bills to get your beginning balance.

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

Move your ending balance from the previous week forward.

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

Total sources of cash and other financial resources

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

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

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

Total uses of cash and other financial resources

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

SNAP cannot be used for:

- Any nonfood item, such as pet foods, soaps, paper products, and household supplies, grooming items, toothpaste, and cosmetics
- Alcoholic beverages and tobacco
- Vitamins and medicines
- Any food that will be eaten in the store
- Hot foods¹²

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

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

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

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

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

 Cash flow budget worksheet

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

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

Groceries					
Eating out (meals and beverage)					
Car payment					
Gas for car					
Car maintenance					
Health insurance					
Health care deductibles and co-pays					
Personal care					
Childcare, diapers, and school fees and supplies					
Entertainment					
Contributions					
Pet food and care					
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 2: Setting goals and planning for purchases; Module 8: Saving for 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 *Module 3, Tool 1: Income and resource tracker* and *Module 4, Tool 1: 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
31	1	2	3	4	5	6	Beginning bal.:
Sources							\$130 +
	SNAP, \$280					Pay, \$305	Total sources including SNAP: \$585 –
Uses							Total uses including SNAP: \$450 =
	Food, \$180 Phone bill, \$60			Gas, \$30		Car Pay- ment, \$180	Ending bal.: \$265

 _____, 20__

Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	End of Week
—	—	—	—	—	—	—	
Sources							
							Beginning bal.: _____ +
							Total sources: _____ -
Uses							
							Total uses: _____ =
							Ending bal.: _____

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:

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

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

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

 Strategy list

Check if option for you	Strategy for improving cash flow	Tips and more information	Notes
Smooth out cash flow			
	Negotiate new due dates for bills to better line up with when you get income.	<i>Check with businesses you have had a long-standing relationship with first.</i>	
	Negotiate splitting a monthly payment into two smaller payments.	<i>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.</i>	
	Avoid large, lump sum or periodic payments by making monthly payments—car insurance and taxes, for example.	<i>You may have to pay a small fee to make this arrangement, but it may make handling these payments more manageable.</i>	
	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.	<i>For this you need regular income and a bank or credit union account.</i>	
	Explore level payment plans for utilities.	<i>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.</i>	

	<p>Check to see if you qualify for an energy assistance program.</p>	<p><i>Ask for a referral to the agency in your community that manages energy assistance programs.</i></p>	
	<p>Explore debt consolidation.</p>	<p><i>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.</i></p> <p><i>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.</i></p> <p><i>See the Resources list at the end of the module for credit counseling links.</i></p>	
	<p>Refinance your car or home for lower interest rates if possible or explore extending the time you will repay the loan.</p> <p>If you have a home loan, talk with your lender about the possibility of a modification.</p>	<p><i>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.</i></p>	
	<p>Check to make sure your withholding enough tax with your employer.</p>	<p><i>This can help ensure you do not end up with a large income tax bill because your withholding was too low.</i></p>	

	If you have student loans, check to see if you have repayment options.	See if you qualify for income-based repayment or other programs. http://studentaid.ed.gov/repay-loans/	
	Other:		
Cut out spending			
	Television, Internet, Phone, and Cell phone Plans.	Check with your provider about bundling and lower cost plans or discontinue cable. Check to see if you qualify for a "Lifeline" phone rate. Visit http://www.fcc.gov and your state's public utilities commission website.	
	Review insurance; check to make sure you have the right deductibles for auto and home insurance.	Check to see if moving insurances to one company will save you money, and check for other discounts.	
	Find ways to save on energy: Turn off and unplug unused electric appliances; Insulate and use weather stripping around doors and windows; or 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.	<i>You can check each of your three credit reports for free once a year at www.annualcreditreport.com. Some states have laws that allow for an additional credit report from each major credit reporting agency.</i>	
	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.	<i>See if you qualify for community food programs, clothing closets, transportation voucher programs, childcare subsidies, etc.</i>	
	Other:		
Increase income			
	Take another part-time job if your schedule allows.		
	Work odd jobs.		
	Apply for benefits for which you may qualify.	<i>Visit http://www.benefits.gov.</i>	
	File taxes so that you can receive a refund if you qualify.	<i>Consider saving some of your refund to help pay bills for the rest of the year.</i>	
	Other:		

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Resources

For MyMoney.gov budgeting resources, visit:

<http://www.mymoney.gov/Fast/Pages/Results.aspx?k=Budgeting%20worksheets&s=All>

If you want more information on budgeting, visit:

<http://www.mymoney.gov/tools/Pages/tools.aspx>

For more information on benefits, visit:

<http://www.benefits.gov>

If you want more information about finding a job, visit this site to get started:

<http://www.dol.gov/dol/audience/aud-unemployed.htm>

Or, you can visit your state department of labor website for state specific resources.

To find a one-stop career center located near you, visit:

<http://www.servicelocator.org>

If you lose your job, visit the following for more information:

<http://www.benefits.gov/>

<http://www.dol.gov/ebsa/publications/joblosstoolkit.html>

Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:

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>

If you have a consumer complaint, visit:

<http://www.consumerfinance.gov/complaint>

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Tool 4:

Managing cash flow when circumstances change

When life circumstances change, managing cash flow can be difficult. This can be especially true if you go from two incomes to one income or from one income to no income due to:

- Separation or divorce.
- Death of a partner or spouse or other family member on whose income you rely.
- Loss of a job.
- Short-term or Long-term disability.

Life circumstance change can also mean:

- Another child.
- Responsibility for elderly parents or other family members.
- Retirement.

All of these situations as well as others will impact cash flow. Following is a checklist of strategies for dealing with major life changes and managing your cash flow.

Strategy list

Strategies	Notes
<p>Determine the amount of income you have. Use the income tracker. If you have lost a partner or spouse due to death, determine if you may be eligible for survivor benefits by contacting the Social Security Administration (http://www.ssa.gov), your partner or spouse’s former employer, and other public or private sources of survivor benefits. If you are independent because of divorce, consider whether alimony or child support is a possibility. You will likely need the help of an attorney. If you cannot afford an attorney, you may be eligible for legal aid – check http://www.lsc.gov or http://www.lawhelp.org.</p>	
<p>Identify all of your expenses. This may be a particular challenge if you are now responsible for the finances for the first time. Get help from a trusted friend or family member to locate bank statements, bills, loan agreements, contracts, and other documents that can help you understand how much money you have going out. Ask your legal aid lawyer for <i>Module 4, Tool 1: Spending tracker</i> to help you identify your expenses.</p>	
<p>Figure out if you can eliminate any bills related to the change in status.</p>	
<p>Identify ways you can cut back on spending in the short term and long term:</p> <ul style="list-style-type: none"> ▪ Short term: Groceries, gasoline, cell phone plans, for example ▪ Long term: Change in housing, transportation, health care coverage, for example 	
<p>With separation or divorce, work to separate accounts and set up your own bank or credit union account and credit cards. Jointly held assets and liabilities will be divided through the divorce proceedings based on your state’s laws and the circumstances of your divorce. Start making an inventory of the things you own and owe together, as well as the things you owe or own individually. It can be difficult to know which things are yours alone, or were yours together, so you may want the help of an attorney. If you cannot afford an attorney, you may be eligible for legal aid – check http://www.lsc.gov or http://www.lawhelp.org.</p>	
<p>Examine expectations—determine whether the lifestyle you have been living is going to be possible with one or no income or with increased financial responsibilities (such as another child or raising grandchildren).</p>	

Strategies	Notes
<p>Apply for public benefits. With your change in circumstances, you may be eligible for:</p> <ul style="list-style-type: none"> ▪ SNAP ▪ TANF ▪ Medicaid/Medicare ▪ Unemployment benefits ▪ Social Security benefits ▪ Others 	
<p>Set up a new cash flow budget to help you manage your new circumstances.</p>	
<p>Get support from other people who have been through similar situations. There are support groups for people who are:</p> <ul style="list-style-type: none"> ▪ Divorced ▪ Widowed ▪ Raising grandchildren 	

Resources

For MyMoney.gov budgeting resources, visit:

<http://www.mymoney.gov/Fast/Pages/Results.aspx?k=Budgeting%20worksheets&s=All>

If you want more information on budgeting, visit:

<http://www.mymoney.gov/tools/Pages/tools.aspx>

For more information on benefits, visit:

<http://www.benefits.gov>

If you want more information about finding a job, visit this site to get started:

<http://www.dol.gov/dol/audience/aud-unemployed.htm>

Or visit your state department of labor website for state specific resources.

To find a one-stop career center located near you, visit:

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If you lose your job, visit the following for more information:

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MODULE 6:

Dealing with debt

Is the client able to manage his debts?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
<ul style="list-style-type: none">▪ Tool 2: Debt-to-income worksheet	<ul style="list-style-type: none">▪ Tool 1: Debt worksheet▪ Tool 5: When debt collectors call▪ Tool 6: Avoiding debt traps	<ul style="list-style-type: none">▪ Tool 3: Debt-reduction worksheet▪ Tool 4: Student loan debt

Understanding debt: The basics

What is debt?

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

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

Secured debt and unsecured debt

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

Here are examples of secured debt:

- **A home loan or mortgage**—the debt is secured with the home that is purchased. If payments are not made on the loan, the lender can foreclose on the home, sell it, and use the money from the sale to cover some or all of the loan. Home equity and refinance loans are also secured with the home.
- **An auto loan**—the debt is secured with the car that is purchased. If payments are not made on the loan, the lender can repossess (repo) the car and sell it to cover some or all of the loan.
- **An auto title loan**—the debt is secured by the title to a car owned by the consumer.
- **A pawn loan**—the debt is secured with the item pawned. If a payment is not made when it is due, the pawned item can be sold.

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

- Most credit card debt (some credit cards are secured by a deposit made by the consumer)
- Department store charge card debt
- Signature loans (also called personal loans that rely on only the borrower's signature and promise to pay the loan back)
- Student loan debt

If secured or unsecured loans are not paid as agreed, the creditor may attempt to collect the debt itself, hire a debt collector to collect the debt for the creditor, or sell the debt to a debt buyer who may, in turn, attempt to collect the debt or hire an outside debt collector.

Rent-to-own arrangements

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

Co-signers: Still obligated

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

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

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

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

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

Authorized users v. Joint account holders

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

Medical debt¹³

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.¹⁴ The majority of individuals who filed for bankruptcy due to medical debt had health insurance.¹⁵

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

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

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

¹⁵ <http://www.cnn.com/2009/HEALTH/06/05/bankruptcy.medical.bills/>

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

What are the factors that can lead to medical debt?

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

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

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

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

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

¹⁷The 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).

So what can a person do to avoid medical debt?

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

- **Get cost estimates up front**—then the person can decide whether to proceed or delay elective procedures.
- **Find out whether there is a prompt payment discount**, which can be substantial. This may mean cutting back in other areas for a few months in order to pay the bill and secure the discount.
- **Ask for a discount on the treatment.**
- **Ask about “charity care”** from the hospital and government before or immediately following treatment.
- **If asked to put a hospital bill on a credit card, watch out.** Many hospitals have some obligation to provide for charity care for those who can’t afford treatment. Once a person puts a hospital bill on a credit card, he won’t be considered for a later write-down of the bill under the charity care program. Some medical providers even offer a credit card for the person to use at the provider’s office. Healthcare credit cards can have tricky terms, so clients should know what they’re getting into. For tips on healthcare credit cards see: <http://www.consumerfinance.gov/blog/whats-the-deal-with-health-care-credit-cards-four-things-you-should-know/>.
- If a person can’t afford to pay for the care even after charity care and discounts have been applied, they should **take steps to work with the provider to set up a reasonable repayment plan**. As one negotiates, he should ensure that as long as he pays as agreed, reports made to credit reporting agencies will reflect that he is making payments as required by the plan. Clients should get their repayment plan agreement in writing. Also, they should consider asking for the following terms:
 - No interest on the debt
 - Monthly statements showing the amount paid and the outstanding balance

¹⁸ Ibid.

- Request that the debt *not* be turned over to a third party collection agency – that the debt servicing stays in-house
- Clients should not sign an agreement that states they will make full payment of the debt if they are late or miss a payment on your plan.
- Check the credit report to make sure resolved bills are reported accurately or any errors are removed from their credit history. If the credit reporting agency doesn't respond, contact the client's state consumer protection agency, attorney general, or the Consumer Financial Protection Bureau.
- If the person does get sued by a medical service provider or hospital, they should *respond*. They can get legal assistance from the legal aid organization in the community or a lawyer.

Consumers should be sure they do not jeopardize their ability to earn income or pay for shelter or food because they have paid more income than they can afford to cover a medical debt.

How much debt is too much debt?

How can a client know if she has too much debt? One way a consumer may know she has too much debt is based on the level of stress her debt causes her. If a client is worried about debt, she likely has too much.

A more objective way to measure debt is the debt-to-income ratio. The debt-to-income ratio compares the amount of money a person pays out each month for debt payments to his income before taxes and other deductions. The resulting number, a percentage, objectively shows how much of income is dedicated to debt—the debt load.

Debt-to-Income (DTI) Ratio

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

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

The result is a percentage that tells an individual how much income is going toward covering debt.

For example, if someone has a debt-to-income ratio of 36%, she has \$.64 out of every dollar earned to pay for everything else, including all of her living expenses and taxes.

If adding on a new monthly payment for a purchase means there won't be enough money left to pay for other living expenses and still have some left over for emergencies and unexpected expenses, an individual may be taking on too much debt for her or his income level.

Using *Tool 2: Debt-to-income worksheet*, will determine the consumer's debt load. If it is higher than a client wants, *Tool 3: Debt-reduction worksheet* helps him make a plan to get out of debt.

Addressing debt collection issues under the FDCPA

What is a debt collector?

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

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

In addition, the FDCPA does not require a creditor to “write off” or “charge off” a debt or designate a debt as “uncollectable” after a set period of non-payment. For accounting reasons or to comply with directions from a regulator, a creditor may designate a debt as charged off (or use another term) once it no longer anticipates getting repaid. **However, even if a consumer has been told that a debt has been charged off, the original creditor, the debt**

collector, or a subsequent debt buyer is not prohibited from attempting to collect the debt. In addition, the fact that a debt has been charged off does not mean the delinquency will be removed from a consumer's credit report.

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

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

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

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

Contacting the consumer

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

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

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

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

Contacting others

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

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

Information about the debt

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

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

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

Disputing the debt

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

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

been investigated and the debt collector has provided the verification of the debt in writing to the consumer.

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

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

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

Put it in writing

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

The CFPB has [sample letters](#) at consumerfinance.gov and in *Tool 5: When debt collectors call* that a consumer could use to respond to a debt collector who is trying to collect a debt, along with tips on how to use the sample letters.

Harassment

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

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

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

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

Where to go for information on consumer issues

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

Consumer issues	Relevant laws	Information and links
What are a client's rights under FDCPA?	FDCPA: http://www.law.cornell.edu/uscode/text/15/chapter-41/subchapter-V	FAQs on debt collection: http://www.consumerfinance.gov/askcfpb/search?q=debt+collection
What type of debt does the client have?	FDCPA: §1692a(5) http://www.law.cornell.edu/uscode/text/15/1692a (list of covered debt)	Introduction section to this module The FDCPA covers personal debt, not debts incurred for business purposes.

<p>Who is trying to collect from the client?</p>	<p>FDCPA – §1692a(6)</p> <p>http://www.law.cornell.edu/uscode/text/15/1692a</p> <p>DFA § 1031, as codified at 12 U.S.C. § 5531</p>	<p>Generally, the FDCPA applies to:</p> <ul style="list-style-type: none"> ▪ Third-party debt collectors ▪ Entities that purchase debt that is in default at the time it is obtained ▪ Attorneys who collect debts for third parties on a regular basis <p>A creditor, if it collects in a name other than its own that would lead a person to think a third party is attempting to collect the debt</p> <p>A creditor (the original lender and others) may, in collecting its own debts, violate state law prohibiting unfair and deceptive acts.</p> <p>Also see the CFPB Bulletin on prohibition of unfair, deceptive, or abusive acts or practices in the collection of consumer debts (July 10, 2013).</p>
<p>How can the client tell whether it is a scam debt collector?</p>		<p>How to identify scam debt collectors: http://www.consumer.ftc.gov/articles/0258-fake-debt-collectors</p>
<p>How can the client indicate that the debt is not his?</p>		<p>Sample letter: <i>I do not owe this debt</i></p>
<p>Is the debt old?</p>	<p>Check FDCPA and State law. If a debt is too old, debt collectors may be prohibited from suing to collect the debt. But, it depends on the type of debt, the statute of limitations and the state law.</p> <p>FCRA – 15 USC §1681 et seq.</p> <p>In many situations, debt that is too old cannot be disclosed on a credit report.</p>	<p>For information about time-barred debts: http://www.consumer.ftc.gov/articles/0117-time-barred-debts.</p>

<p>Has the client been harassed by debt collectors?</p>	<p>FDCPA – 15 USC §1692d</p>	<p>See sample letters:</p> <ul style="list-style-type: none"> ▪ Sample letter: <i>I want the debt collector to stop contacting me</i> (But note that stopping communication may mean that the consumer does not receive information that would alert the consumer that the collection will be escalated in the future.) ▪ Sample letter: <i>I want the debt collector to only contact me through my lawyer</i> ▪ Sample letter: <i>I want to specify how the debt collector can contact me</i>
<p>The client is afraid she'll continue to be called and doesn't know what to do or say. What can she do?</p>	<p>FDCPA – 15 USC §1692c</p>	<p>See sample letters (above).</p>
<p>The client received notice that there was a judgment against him. Can this affect his credit report?</p>	<p>FCRA – 15 USC §1681c</p>	<p>Generally, the judgment can stay on the credit report for seven years but there are exceptions. See Module 7 for information on “negative information” and how long judgments can stay on a person's credit report.</p>
<p>The client acknowledges the debt, but says it was paid off years ago. What can he do?</p>	<p>FDCPA – 15 USC §1692 g(a),(b)</p>	<p>The consumer should dispute the debt. Before engaging in further collection activity, the collector will have to verify that the consumer owes it and send that verification to the consumer. See:</p> <ul style="list-style-type: none"> ▪ http://www.consumerfinance.gov/askcfpb/331/what-information-do-debt-collectors-have-to-give-me-about-my-debt.html ▪ http://www.consumerfinance.gov/askcfpb/338/if-i-dispute-a-debt-that-is-being-collected-can-debt-collectors-still-contact-me-about-it-how-can-i-stop-debt-collectors-from-contacting-me.html

Is the client “collection proof”?	Information from Department of Labor on garnishment Employment Law Guide - Wage Garnishment	Information on state wage garnishment laws: http://www.small-claims-courts.com/Wage-Garnishment-Laws.html
Does the client want the creditor to contact him in a certain way?	FDCPA – 15 USC §1692c	Sample letter: <i>I want to specify how the debt collector can contact me</i>
Does the client only want to be contacted through a lawyer representing the client?	FDCPA – 15 USC §1692b(6)	Sample letter: <i>I want the debt collector to only contact me through my lawyer</i>
The client has medical bill debt. Does FDCPA apply?	FDCPA – 15 USC §1692a(5), (6) Who is trying to collect the debt? Medical provider – the FDCPA may not apply Third-party debt collector – the FDCPA applies to medical debt	A health care provider can disclose information to a debt collection agency under the Health Insurance Privacy Administration Act (HIPAA). See http://www.hhs.gov/ocr/privacy/hipaa/faq/disclosures/268.html and related FAQs. Whether the FDCPA applies generally depends on which entity is trying to collect: the creditor, like the medical provider who sent the bill, to which the consumer originally owed the debt or a third-party collector.
The client has federal student debt. What are her rights?		See <i>Tool 4</i> about federal student loans http://www.consumerfinance.gov/askcfpb/655/what-are-my-options-when-dealing-collection-agency-working-us-department-education.html http://www.studentaid.ed.gov/repay-loans
The client is a co-signer on a loan. Can the debt collector contact him?	FDCPA – 15 USC §1692a(3)	Yes, see above discussion on co-signing a loan.

The client states that the debt was owed by a person who is now deceased. What should he do?

FDCPA – 15 USC
§1692c

A debt collector generally may not contact someone who is not the executor or administrator of the consumer's estate unless the person is also a debtor on the loan.

<http://www.consumerfinance.gov/askcfpb/1481/64-i-already-told-debt-collector-who-called-about-my-deceased-relative-talk-executor-or-administrator-estate-they-keep-calling-me-all-hours-day-and-night-and-leaving-threatening-messages-what-can-i-do.html>

Should a consumer use a debt settlement service?

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

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

- Charges any fees before it settles the consumer's debts.
- Touts a "new government program" to bail out personal credit card debt.
- Guarantees to the consumer it can make the debt go away.
- Tells the consumer to stop communicating with the creditors.
- Tells the consumer it can stop all debt collection calls and lawsuits.
- Guarantees that the unsecured debts can be paid off.

Tool 1:

Debt worksheet

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

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

On the debt management worksheet, you will include:

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

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

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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.

 Debt worksheet

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

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Tool 2:

Debt-to-income worksheet

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

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

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

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

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

In addition to using the debt-to-income ratio to measure how much pressure debt is putting on your budget, you can also use it as a benchmark if you take steps to reduce your debt. As you pay down your debts, your debt-to-income ratio will 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 <i>Tool 1</i>)	
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 just for the mortgage (home loan), taxes, and insurance.**
 - 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.¹⁹

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

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¹⁹ See http://www.fha.com/fha_requirements_debt.

Tool 3:

Debt-reduction worksheet

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

Highest interest rate method

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

PRO	CON
You eliminate the most costly debt first.	You may not feel like you are making progress very quickly, especially if this debt is large.

Snowball method

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

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

There are other things you can do, too.

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

Debt reduction worksheet

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

Highest interest rate method

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

Snowball method

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

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

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Tool 4:

Student loan debt

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

- Researching schools
- Filling out the Free Application for Federal Student Aid (FAFSA), a first step in figuring out how to pay for college
- Choosing a loan
- Comparing financial aid packages and college costs across more than one school
- Managing your money while in college
- Repaying your student loans

If you have student loan debt, start with the Repaying Your Student Loans section of the tool, which can be accessed at: <http://www.consumerfinance.gov/paying-for-college/>

Repaying federal student loans

There are two general kinds of student loans: federal student loans and private student loans. **Federal student loans** are loans that are funded by the federal government. **Private student loans** are nonfederal loans made by a lender such as a bank, credit union, state agency, or a school. In both federal and private student loans, delinquent payment will impact your credit history and scores and may result in collections. Private student loans generally do not offer the flexible repayment terms or borrower protections featured by federal student loans.

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

- **Standard repayment.** Most borrowers start with this payment plan. This repayment plan has fixed payment of at least \$50/month for up to 10 years.
- **Graduated repayment.** The payment is lower the first year and then gradually increased every 2 years for up to 10 years.
- **Extended repayment.** The payment is fixed or graduated for up to 25 years. The monthly payments are lower than the standard or graduated repayment plans, but you will pay more interest over the life of the loan(s).
- **Income-based repayment (IBR).** Payment is limited to 15% of discretionary income, which is the difference between your adjusted gross income and 150% of the Federal Poverty Guidelines. Payments change as income changes and the terms can last up to 25 years. After 25 years of consistent payment (you have missed no payments or caught up with payments), the loan will be forgiven. You will have to pay income tax on the portion of the loan that is forgiven. To qualify for IBR, you must be able to show partial hardship.
- **Pay as you earn.** Payment is limited to 10% of discretionary income as defined above, payment changes as income changes, and the loan term is 20 years. After 20 years of payments, the loan is forgiven as described above, and taxes will be owed on the amount forgiven. To qualify for pay as you earn, you must be able to show partial hardship.
- **Consolidation loan.** You pay off all of your existing federal student loans with a new loan. This simplifies paperwork and payment for you—you go from monthly payments on multiple loans to one payment per month on the one new loan.
- 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 career school, a graduate fellowship, or a rehabilitation program for individuals with disabilities
- During unemployment

- During military services
- During times of economic hardship, including Peace Corps service

Forbearance means that you stop paying or pay a lesser amount on your loan for a 12-month period. Interest accrues during forbearance.

When applying for a repayment option, be sure to continue making your loan payments until you receive written notification that you have been approved for IBR or forbearance, for example. This ensures your loan continues to be in good standing. Finally, you may also apply for **loan forgiveness, cancellation, or discharge** in some 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.

It's important to note that unpaid federal student loans can be collected in special ways. For instance, the Department of Education can garnish some federal benefits, such as Social Security and certain Veterans' Assistance benefits. If you are afraid that your federal benefits could be garnished to pay off federal student loans, you may want to consider talking to a lawyer.

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Tool 5:

When debt collectors call

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

- You actually owe the debt.
- The collection isn't fraudulent and is legitimate.

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

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

If you are contacted by debt collectors, remember that federal law prohibits a debt collector from deceiving you by threatening to take actions they can't take or don't intend to take.

Ask for more information

If you have questions about the debt, ask the debt collection agency to verify the debt before you send money or acknowledge the debt. You can do this by sending a letter within 30 days of the debt collector's providing you with certain information regarding the debt. That information includes the name of the creditor, the amount owed, and statements concerning how to dispute and seek verification of the debt. You can use the sample letter on the next page to ask for more information about this debt.

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

Send this letter as soon as you can and, if at all possible, within 30 days of when a debt collector 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, even a partial payment on the debt will restart the time period. You may want to consult an attorney or the applicable law in your state to know when the statute of limitations expires before making any payment on a debt.

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

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

Example letter to a debt collector asking to verify the debt

[Your name]

[Your return address]

[Date]

[Debt collector name]

[Debt collector address]

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

Dear [Debt collector name]:

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

Why you think I owe the debt and to whom I owe it, including:

- 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 credit reporting agencies—Equifax, Experian, and TransUnion.

You may not want to make a request to stop contact if the debt is your home mortgage. If you ask your mortgage servicer to stop contacting you, the servicer may not have to reach out to tell you about options that you may have to avoid foreclosure.

Example letter asking a debt collector to stop contacting you

[Your name]

[Your return address]

[Date]

[Debt collector name]

[Debt collector Address]

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

Dear debt collector,

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

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

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

Thank you for your cooperation.

Sincerely,

[Your name]

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

Tool 6:

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 can 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. It is called a trap because for many people, it becomes 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.

Short-term 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
- 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 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.

Payday loans and deposit advance products

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

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

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

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

The cost of the loan (finance charge) may range from \$10 to \$30 for every \$100 borrowed. A typical two-week payday loan with a \$15 per \$100 fee equates to an annual percentage rate (APR) of almost 400%. By comparison, APRs on credit cards can range from about 12 percent to 30 percent.

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

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

How do payday loans work?

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

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



Borrower gets loan (the median loan amount is \$350) and pays \$10-\$20 per \$100 borrowed (\$15 per \$100 is the median fee).



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



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



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

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

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

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

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

The money is borrowed for emergencies.

Fact: Most borrowers do not use their first loans for emergency expenses. The Pew Charitable Trusts' *Payday Lending in America*²⁰ 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 study²¹ 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 Trust²² 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.

²⁰ The Pew Charitable Trust State and Consumer Initiatives. *Payday Lending in America*. October 2013. <http://www.pewstates.org/research/featured-collections/payday-lending-in-america-85899405692>.

²¹ Consumer Financial Protection Bureau. *Consumer Financial Protection Bureau Study Finds Debt Trap Concerns with Payday and Deposit Advance Loans*. April 2013. http://files.consumerfinance.gov/f/201304_cfpb_payday-factsheet.pdf.

²² The Pew Charitable Trust State and Consumer Initiatives. *Payday Lending in America*. October 2013. <http://www.pewstates.org/research/featured-collections/payday-lending-in-america-85899405692>.

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.

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:

1. Using your own emergency savings.
2. Using lower-cost short-term loan alternatives from a credit union or bank.
3. Borrowing from a friend or family member.
4. Using a credit card – while it will increase your monthly card payment, it may prove cheaper in the long run.
5. Negotiating for more time to pay if the loan is for a bill that is due.
6. Bartering for part or all of what you are borrowing the money to cover.
7. 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.

The cost of high-cost credit

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 ²³		21.99% annual percentage rate (APR)	\$15 for every \$100 borrowed for 14 days. This means a 391% annual percentage rate (APR). ²⁴
Payment		Must pay at least a certain amount each month. ²⁵ (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). ²⁶
Total additional cost and time to repay	\$0	You would pay \$28.11 in interest in addition to the principal borrowed. It will take just over eight months ²⁷ to pay back the full amount.	The total cost depends on how long it takes you to save up to pay back the entire loan. If you renew or roll over this loan seven times, you would be in debt for 14 additional weeks and could pay up to \$367.50 in fees. ²⁸

²³ 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>.

²⁴ Some states have adopted laws that limit the amount of loan above a certain amount and/or limit the interest rates of these loans.

²⁵ 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.

²⁶ 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.

²⁷ 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.

²⁸ Two-thirds of repeat payday borrowers take more than seven loans in one year. Consumer Financial Protection Bureau, *Payday Loans and Deposit Advance Products*.

Resources

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>

Housing counselors throughout the country can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:

www.consumerfinance.gov/find-a-housing-counselor

CFPB.gov, Know Before You Owe:

<http://www.consumerfinance.gov/knowbeforeyouowe>

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>

If you have a consumer complaint, visit:

<http://www.consumerfinance.gov/complaint>

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MODULE 7:

Understanding credit reports and scores

Has the client ever reviewed his or her credit report?

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

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
<ul style="list-style-type: none">▪ Tool 1: Getting your credit reports and scores	<ul style="list-style-type: none">▪ Tool 2: Credit report review checklist	<ul style="list-style-type: none">▪ Tool 3: Improving credit reports and scores▪ Tool 4: Protecting your identity▪ Tool 5: Keeping records to show you've paid your bills

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

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

Why do credit reports (sometimes called consumer reports) and credit scores matter?

Some people think consumer reports and scores don't matter to them because they are not planning to take out a loan to buy a house or a car. But many people and businesses use consumer reports and scores to make decisions about consumers.

- A bank or credit card company may use them to decide whether to give a loan or offer a credit card and what interest rate to charge.
- A landlord may use them to determine whether to rent an apartment to someone.
- An insurance company may use them to determine whether to provide insurance coverage.
- Other service providers, like cell phone companies and utility companies, may use them to screen a consumer for deposit levels and cost of service.
- A prospective employer may use them to determine whether to offer an individual a job. Check state law - some states do not allow or limit this use.

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

Because credit reports and scores can be used for so many things, it is important for consumers to pay their bills on time and make sure the information in their credit report is accurate. This is also important so consumers can tell if they have been the victim of an identity theft – something that would be indicated if items on the credit report are not those of the consumer's. (Of course this might just be the result of an error by the credit reporting agency.)

What is in a credit report?

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

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

There are also specialty-reporting companies that compile and sell information about payday lending, check-writing history, and other consumer financial activity. Consumer reporting agencies collect information about consumers from many sources. They organize this information into reports, and they sell these reports so that users of the reports can make decisions about consumers. For example, an employer or a landlord may purchase a consumer report containing background information in order to determine if the person applying for a job or to rent an apartment has a history of paying his obligations or has been arrested or convicted of a crime. To access further information about these and other consumer reporting agencies by categories including those that produce specialty consumer reports, visit:

http://files.consumerfinance.gov/f/201501_cfpb_list-consumer-reporting-agencies.pdf.

Consumer reporting agencies that compile and report public record and credit account information on consumers residing nationwide are known as nationwide consumer reporting agencies. The three biggest nationwide consumer reporting agencies or credit bureaus are Equifax, Experian, and TransUnion. Each of these companies is likely to have a file on a consumer unless the consumer has never had a credit card, an auto loan, a student loan, or a home mortgage loan or been an authorized user on an account.

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

Sections of a credit report

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

Furnisher

An information furnisher is any business that reports information to a consumer-reporting agency. Most often, these are creditors, including credit card companies and banks or credit unions that have extended an auto loan or mortgage. Collection agencies are other examples of information furnishers.

1. **Header/identifying information**—This includes name and current address and other identifying information such as a Social Security number. This information may not be complete. For example, all of the jobs the person has held 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.
2. **Public record information**—This section includes public record data of a financial nature, including consumer bankruptcies, judgments, and state and federal tax liens. Records of arrests and convictions generally do not appear on the credit file, but other types of consumer reporting agencies, such as employment background screening agencies, often include them. Other public records that usually do not appear in credit reports are marriage records, adoptions, and records of civil suits that have not resulted in judgments.
3. **Collection agency account information**—This section will show if there are or were any accounts with a collection agency and the status of those accounts.
4. **Credit account information**—In general, the credit account or “trade line” section may include accounts the consumer currently has or that he had before with creditors. This includes the company name, account number, date opened, last activity, type of account and status, date closed if the account is no longer open, credit limit, items as of date (any amount currently owed and whether the consumer is current or late with payments) and the balance, whether there is a past due bill, and the date information was reported to the credit bureau. Some accounts may not be listed, especially older accounts or those that the consumer has closed. It is important that what is listed, however, does or did belong to the consumer whose file it is.
5. **Inquiries made to a consumer’s file**—Companies typically look at credit reports when individuals apply for credit. The fact that a lender has reviewed a consumer’s report when the consumer applied for credit is typically called an “inquiry” and becomes part of the credit record.

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

How long can information stay on a credit report?

Some of your clients may be confused about why late payments appear on a credit report after the loan has been brought current, or a client may need help understanding how long an item can remain on a credit report. Consumers sometimes believe that once they have brought an account current then the fact that they were behind for a few months should no longer be reflected on a credit report.

Negative information

In general, under the Fair Credit Reporting Act negative information can be reported on a consumer's credit report for seven years. There are exceptions including:

- Bankruptcy—Depending on the type of bankruptcy, up to 10 years
- Tax liens—seven years from the time the liens are paid
- Account sent to collection or charged off —seven years plus 180 days from the delinquency
- Criminal convictions—Indefinite

There is no time limit to the reporting of negative information 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.

What are the relevant laws?

Familiarity with certain laws and documents is important if you work with consumers on debt collection and credit reporting issues. These laws include the Fair Credit Reporting Act (FCRA), the implementing Regulation V, and the Fair Debt Collection Practices Act. You should also find out if your state has any laws in this area. For example, some states have a state debt collection practices act that is different from the Federal statutes. You might also be interested in reading

the Federal Trade Commission Rules regarding disposal of information and the “red flags” of identity theft (<http://www.ftc.gov/tips-advice/business-center/privacy-and-security>), and reports such as the Federal Trade Commission’s July 2011 report, “40 Years of Experience with the Fair Credit Reporting Act.” <http://www.ftc.gov/reports/40-years-experience-fair-credit-reporting-act-ftc-staff-report-summary-interpretations>.

Example credit report

Each of the three major credit reporting agencies—Equifax, Experian, and TransUnion—has its own presentation format. This example of a credit report highlights the key sections you will find in all three agencies’ credit reports.

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# 543298760192XXXX²⁹									
Balance: \$3,603	Pay status: Paid or paying as agreed					Date updated: 8/30/2013			
Account type: Revolving; Credit Card			High balance: \$9,869 12/09			Responsibility: Individual			
Credit limit: \$10,000			Past due: \$0			Date opened: 6/1/2008			
	8/2013	7/2013	6/2013	5/2013	4/2013	3/2013	2/2013	1/2013	12/2012
Balance	\$3,683	\$3,764	\$3,848	\$3,933	\$4,020	\$4,109	\$4,200	\$4,293	\$4,388
Scheduled Payment	\$147	\$151	\$154	\$157	\$161	\$164	\$168	\$172	\$176
Amount Paid	\$147	\$151	\$154	\$157	\$161	\$164	\$168	\$172	\$176
Past Due	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rating	OK	OK	OK	OK	OK	OK	OK	OK	OK
Continued...									

²⁹ This example is fictional. The credit card payment schedule is based on a credit card with a 22% APR. In this example, the individual is paying down a high balance of \$9,869, paying the minimum payment each month calculated at 4% of the balance. He is not using the card to make additional purchases. While credit card companies use a variety of methods to determine finance charges, a simple interest calculation was used for the purposes of this example. Amounts were rounded to the nearest dollar. According to the credit card payment calculator on Bankrate.com, making the minimum payment of 4%, it will take the consumer 15 years and 3 months to pay off this credit card debt. He will also pay \$8,165 in interest assuming no late fees.

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

Inquiries made to your account

This section includes a record of anytime a company requests information from a credit reporting agency about you.

Inquiries that display to others

The following companies have received your credit report.

Auto Loan Store	Requested on:
90 President Lane, Big City, WI 43529	6/2013
Super Store	Requested on:
100 First Street, Anytown, IA 78691	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	Requested on:
31 Fashion Lane, Big City, WI 43530	7/2012
EZ Loan Store	Requested on:
220 4th Avenue, Littleton, MI 09876	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	Requested on:
457 State Street, Big City, WI 43532	3/2013

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

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

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

What are credit scores?

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

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

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

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

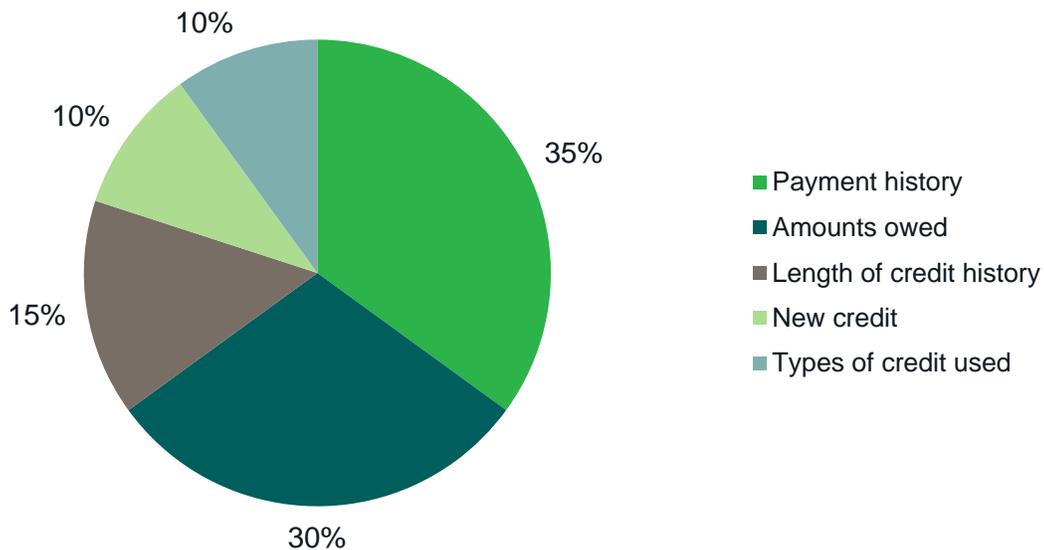
As a result, you have more than one credit score. Each company generates its own scores, and they may differ from each other, sometimes significantly. And, each company that creates credit scores generates different scores for different kinds of users—they may sell educational scores to consumers, but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

How are scores calculated?

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

The actual way that FICO scores (and other scores) are calculated is considered a trade secret. But FICO makes some information available to the public on what goes into its scores.³⁰

FIGURE 1: WHAT GOES INTO FICO SCORES?³¹



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

³⁰ Pie chart values are from FICO. See <http://www.myfico.com>.

³¹ “Amounts owed” relates to the percentage of a revolving credit limit that is being used and the percentage of an installment loan that remains to be paid off.

your payment behavior. If you have just one or only a few credit accounts, you will have a “thin file.”

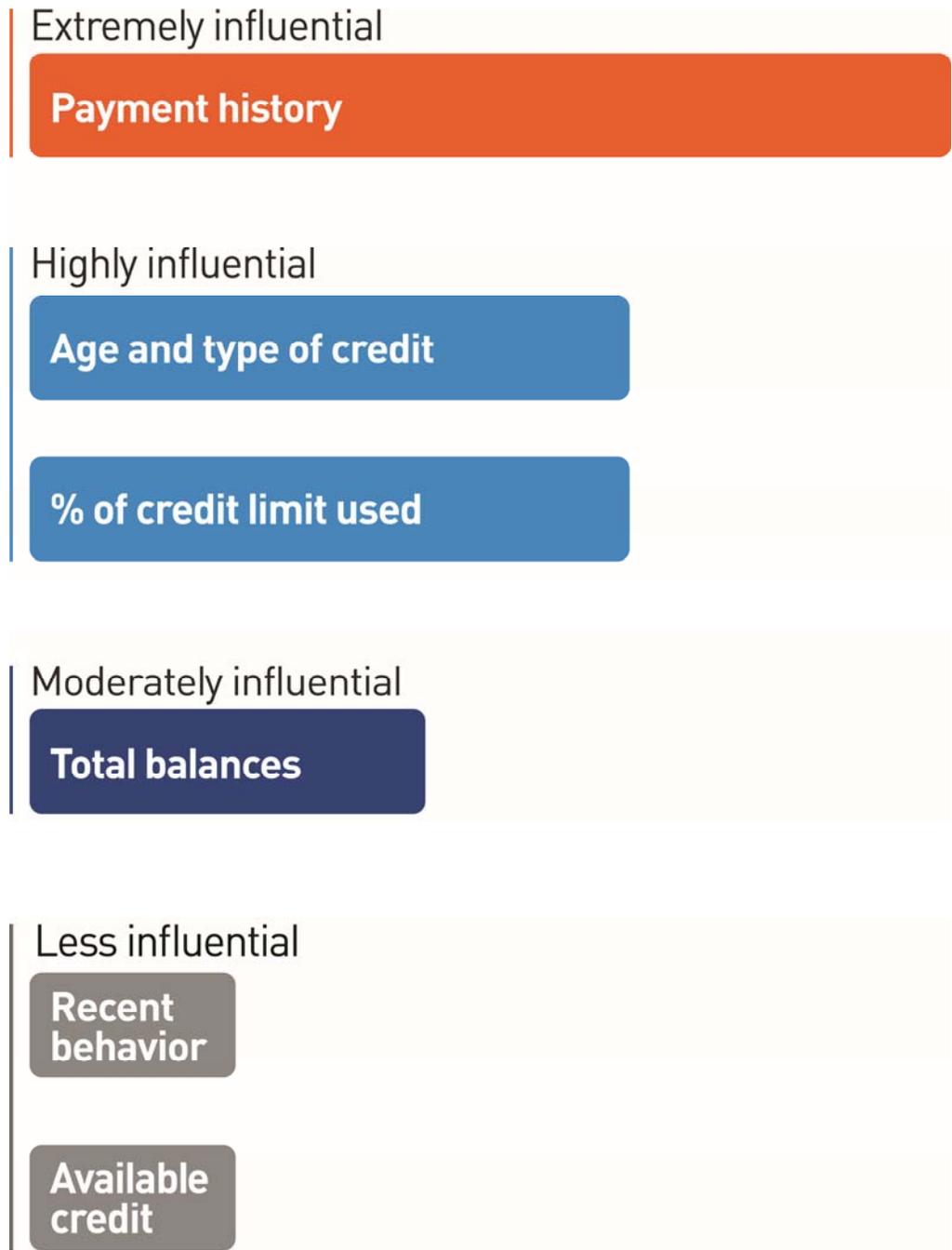
New credit is tracked by measuring your inquiries for credit. If you have too many inquiries, the model interprets this to mean you have a high demand for credit, which may be an indicator of risk, and your scores may drop. When you are shopping for credit, however, you can compare offers for a home,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

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

Scores provided by VantageScore, another score provider, range from 300 to 850. Scores calculated with its earlier models ranged from 501 to 990.³² 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.

³² See <http://your.vantagescore.com/score-influences>.

FIGURE 2: WHAT GOES INTO VANTAGESCORES?³³



³³ “Recent behavior” refers to recent credit behavior and inquiries. “Age of credit” refers to the length of time accounts have been open.

Credit utilization rate

If you want to maintain your credit score, many experts advise keeping your use of revolving credit low in relation to your credit limit.

That's because credit scoring formulas penalize you for using too much of the credit you have available to you. This means your credit score may drop if you use more than a certain percentage of the revolving credit you have available to you.

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

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

If someone had a credit card with a \$5,000 credit limit, and she has charged \$3,500 on this card, her credit utilization rate is calculated as follows:

\$3,500 (amount charged to credit card) divided by \$5,000 (credit limit) = .7 or 70%

If she sets a goal of lowering her revolving utilization of this card to 25% or less, her revolving balance should be no more than:

\$5,000 (the credit limit) multiplied by .25 (25%) = \$1,250

Does this mean that only the unpaid balance is counted toward the credit utilization rate? The answer is no. If at any time during the month your total charges are higher than the limit the credit scoring model is based on, you run the risk of lowering your credit score.

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 may help you:

- Get and keep a job (though this depends on state law)
- 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 a loan from a bank or credit union including a loan for a house (a mortgage)
- Get a better credit score—all of the information used to calculate your score comes from credit reports

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

Start with your free annual report

You can get a free copy of your report from each of three agencies every 12 months.

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

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

Then for each report, you will be asked a series of security questions such as: former addresses, amount of a loan you have, phone numbers that have belonged to you, counties you may have lived in, etc. If you are unable to answer these questions, you will have to use another method.

You will save a PDF version of your report, print the report, or both.

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

Alternative methods

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

Order by mail: Download the request form from <https://www.annualcreditreport.com>.

Print and complete the form. Mail the completed form to:

Annual Credit Report Request Service

P.O. Box 105281

Atlanta, GA 30348-5281



Track when you have printed or received your credit reports.

Source of credit report	Equifax	Experian	TransUnion LLC
	PO Box 740241 Atlanta, GA 30374 (877) 784-2528 www.equifax.com	(866) 200-6020 www.experian.com	PO Box 1000 Chester, PA 19022 (800) 916-8800 www.transunion.com
Date report printed or received			

Beware of imposter websites offering free credit reports. Some companies offer free credit reports, but you may have to buy another product or service to get it.

DO NOT use a search engine (Google or Yahoo, for example) to find the annual credit report site. Go directly to: <https://www.annualcreditreport.com> or go through <http://www.consumerfinance.gov>.

You can get an additional free report if you:

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

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

1. You are an authorized user or joint owner on an account
2. You are an emancipated minor
3. Your state law allows you to enter contracts at 17, and you have done so
4. You have student loans
5. You have been the victim of identity theft and credit or financial fraud

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

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

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

Getting your credit scores

Unlike your credit report, which you can get at no cost to you, you usually have to pay for your credit score. There are certain instances in which you are entitled to your credit score for free, for example if you are denied a loan on the basis of your credit score.

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

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

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

Tracking when you ordered scores

To order your FICO score visit http://www.myfico.com Each credit score will cost. This company also offers other credit reporting and monitoring services for a fee.	Equifax score:	Date:
	Experian score:	Date:
	TransUnion score:	Date:

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

1. 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.

2. **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.**
3. **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.**

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:

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/MailInDisclosureRequest.pdf>

Mail the dispute form with your letter to:

Equifax Information Services LLC

P.O. Box 740256

Atlanta, GA 30374

By phone: Phone number provided on credit report or (800) 864-2978

Experian

Online: <http://www.experian.com/disputes/main.html>

By mail: Use the address provided on your credit report or mail your letter to:

Experian

P.O. Box 4000

Allen, TX 75013

By phone: Phone number provided on credit report or (888) 397-3742

TransUnion

Online: <http://www.transunion.com/personal-credit/credit-disputes-alerts-freezes.page>

By mail: Download and complete the dispute form:

<http://www.transunion.com/docs/rev/personal/InvestigationRequest.pdf>

Mail the dispute form with your letter to:

TransUnion Consumer Solutions

P.O. Box 2000,

Chester, PA 19022-2000

By phone: (800) 916-8800

Keep copies of your dispute letter and enclosures.

If you suspect that the error on your report is a result of identity theft, visit the Federal Trade Commission's ***Fighting Back Against Identity Theft*** website for information about identity theft and steps to take if you have been victimized. This will include filing a fraud alert and possibly filing a security freeze.

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

Whether you file your dispute directly with the creditor (information furnisher) or the credit reporting agency, they generally have 30 - 45 days to investigate your claim and 5 days to send you written notice once their investigation is over.

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

You can also submit a complaint to the Consumer Financial Protection Bureau at <https://www.consumerfinance.gov/complaint> or by calling 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.

	<p>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.</p>
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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.

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Tool 3:

Improving credit reports and scores

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

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

To get and keep a good credit score:

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

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

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

Check if you plan to implement	Strategy for improving credit reports and scores	Other information or resources you need
	<p>Obtaining free credit reports annually</p> <p>Online at https://www.annualcreditreport.com</p> <p>By phone: Call (877) 322-8228</p> <p>By mail: Go to https://www.annualcreditreport.com to print the form</p> <p><i>(Use Tool 1: Getting your credit reports and scores)</i></p>	
	<p>Reviewing the credit reports for accuracy</p> <p><i>(Use Tool 2: Credit report review checklist)</i></p>	
	<p>Disputing errors found on the reports</p> <p><i>(Use Tool 2: Credit report review checklist)</i></p>	
	<p>Understanding credit scores</p> <p><i>(Use Module 7)</i></p>	
	<p>Paying bills on-time is the most effective way to improve your credit reports and credit scores.</p>	
	<p>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%³⁴ of the credit available.)</p>	

³⁴ 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>.

	<p>Keeping unused credit accounts open—credit card company may close account because of inactivity. (They are not allowed to charge fees if this occurs.)</p> <p>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.</p> <p>If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score if this means that you are using a high percentage of your credit limit on that account.</p>	
	<p>Developing a plan to take care of outstanding judgments or liens. You may be able to negotiate with a collector (See Module 6).</p>	
	<p>Diversifying credit sources</p>	
	<p>If you have medical debt, you may be eligible for assistance with your bills or may be able to get on a payment plan.</p>	
	<p>Paying down old debt or debt in collections. This will improve your credit history – your report – but may not impact your credit score. Before you make a payment on debt that you have not paid for a long time, such as three or more years, you may wish to 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.</p>	
	<p>Using credit building products:</p> <p>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.</p> <p>Credit building loans. Visit a bank or credit union to find out about these products. With some credit builder loans, you make monthly payments first, and receive the loan amount when it is paid off. This helps you avoid taking on debt while you build a positive payment record. These loans can be very effective in creating new history and will have a positive impact on your reports and scores.</p>	

	Other:	
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Resources

If you would like help managing your debt or rebuilding credit, visit the National Foundation for Credit Counseling:

<http://www.nfcc.org>

Certified housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:

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>

or 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>

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Tool 4:

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. They can then buy 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

Check for "yes"	Steps to protect your identity
Check your credit report	

Check for “yes”	Steps to protect your identity
	Remove your name from all three credit bureaus’ (Equifax, Experian, and TransUnion) mailing lists by calling to opt-out at 1-888-567-8688 or online at www.optoutprescreen.com – choose “forever” removal option. This prevents prescreened offers from falling into other people’s hands.
	Check your credit at all three credit agencies each year using the free https://www.annualcreditreport.com . If you see anything that is incorrect or suspicious, contact them immediately. (See Module 7: Understanding 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 <i>Direct Marketing Association</i> online form at http://www.dmchoice.org . This gives thieves fewer opportunities to steal your information.
	Remove yourself from most telemarketers’ lists by registering your phone number with the <i>Do Not Call Registry</i> at 1-888-382-1222 or at http://www.donotcall.gov . Numbers registered with the National Do Not Call Registry after February 2008 remain on it permanently. ³⁵
	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.
	Only give out your Social Security number when it is absolutely necessary. Often when someone asks for it, you are not required to give it to them.
Practice online security	
	Commit all passwords to memory. Never write them down or carry them with you (not even on a post-it by your computer!).

³⁵ See <http://www.consumer.ftc.gov/articles/0272-how-keep-your-personal-information-secure#offline>.

Check for “yes”	Steps to protect your identity
	<p>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.</p>
	<p>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.</p>
	<p>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.</p>
	<p>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.</p>

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 you determine your identity has been stolen, the FTC recommends the following steps:

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:** 1 800 525 6285
- **Experian:** 1 888 397 3742
- **TransUnion:** 1 800 680 7289

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.

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.

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 <http://www.ftc.gov/complaint> or 1-877-438-4338; TTY: 1-866-653-4261. 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>.

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Tool 5:

Keeping records to show you've paid your bills

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

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

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

- **Get a calendar or use the Bill Calendar.** Write onto the calendar when regular payments are due. Ask legal aid staff for help on getting started with this using tools from Module 4.
- **Hang this calendar in a place you will see it daily or in your money management spot.**
- **Find a money management spot in your home.** It can be a desk, a file cabinet, a drawer, or a crate.
- **Get folders.** You may want to use colored labels or colored folders. Give each category a color.
 - 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-filing 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

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>

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MODULE 8:

Saving for emergencies, goals, and bills

Does the client have money set aside for emergencies or unexpected expenses?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
<ul style="list-style-type: none">▪ Tool 1: Savings plan	<ul style="list-style-type: none">▪ Tool 2: Benefits and asset limits	<ul style="list-style-type: none">▪ Tool 3: Finding a safe place for savings

What is savings?

Savings is money set aside from income today for use in the future. Saving money helps clients mitigate the impact of unexpected expenses and emergencies in the future. Without savings, an unexpected expense can create financial problems, including the creation of new expenses (fees from late payments or interest on money borrowed) and lead to nonpayment of other bills such as utilities or rent.

When people save for unexpected expenses and emergencies in advance, they can handle them when they happen without having to skip paying other bills or borrow money. Saving will help them avoid the additional costs of being late on bills or borrowing to cover those extra costs that can make it harder to reach their goals.

Talking to clients about savings is hard when they struggle to even pay the bills. But even small amounts of money set aside can help clients. Seven dollars put into a savings account each week

for a year will mean around \$350 in emergency savings—the median amount borrowed from payday lenders.³⁶

Saving money now for unexpected expenses and emergencies can save money later.

How to save—opportunities

Anyone who has tried to save knows that setting money aside isn't easy. First, a client must make the decision to save. Then she must find the money to save. There are basically only two ways to find money to save:

- **Decrease spending on one item or many things.** Then, put that money “not spent” into savings. The easiest way to find a chunk of money to save is to eliminate one major cost.

But the big challenge is turning that “money saved” into savings. Money saved by not spending can be put away into a savings jar or envelope at home and then into a savings account at a bank or credit union or onto a prepaid debit card. If there isn't a place to set it aside, it can be easy to spend it instead of save it.

- **Increase income.** Clients may be able to find a part-time job or file tax returns to claim any tax credits they qualify for. For example, the tax refund can be saved for emergencies or unexpected expenses, set aside for annual expenses (back to school or holiday shopping), used to pay down debts, used to take care of car repairs, or set aside for household maintenance. See *Module 3, Tool 4: Increasing your income through tax credits*.

Introduce clients to *Tool 1: Savings plan* to figure out why they need to save, how much they need to save, and how they can start to find the money to save.

³⁶ Consumer Financial Protection Bureau. Consumer Financial Protection Bureau Study Finds Debt Trap Concerns with Payday and Deposit Advance Loans. April 2013. http://files.consumerfinance.gov/f/201304_cfpb_payday-factsheet.pdf. The median amount borrowed by consumers in the sample was \$350. The mean loan size was \$392, signaling that there are more consumers with loan sizes substantially above the median than substantially below. Most loans in the sample cluster were around \$250, \$300, and \$500.

Making savings automatic

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

1. **Using direct deposit saves both time and money.** With direct deposit your client doesn't have to get his check cashed to use it. And the funds are generally available as soon as they are deposited. That means the client gets paid on time, even if he isn't working on payday, and he gets paid at the start of the payday, not the end of the day.
2. **With a bank account, the person can have some of the deposited money moved automatically to a savings account.** If the weekly paycheck of \$245 is directly deposited into a checking account every week, the account owner can have \$10 automatically transferred into a savings account. Once this system is set up, the account holder may forget about that \$10. And by the end of the year, he will have over \$500 in that account.

If the client's employer allows him to split his direct deposit, he could consider putting some of his paycheck into savings and the rest into his checking account for bills and other expenses. He should ask the bank about any fees associated with the checking and savings accounts.

Some payroll cards have a savings or "purse" feature. This feature lets the person set aside some of his paycheck on the card for savings. The client should ask his employer about the specific features of the payroll card. He also should ask about the card's fees.

Savings and public benefits—asset limits

If the client is receiving public benefits, he or she may want to know about asset limits. Asset limits are rules about how much a person can have in assets before his or her benefits are reduced or eliminated. Different benefits have different limits.

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

Assets help build financial security, **but if the consumer receives public benefits, the assets may affect the amount of benefits he or she can receive.** Generally, the assets that may be counted when applying for benefits are "liquid". This includes money in checking

accounts, savings accounts, and investment accounts. If the consumer owns a home or a car, these assets will generally not count against qualifying for benefits.

Use *Tool 2: Benefits and asset limits* to understand the asset limits of the benefits consumers receive.

A safe place to save

Depending on the financial situation the client faces, setting aside money can be a very challenging task. But it is also an opportunity to discuss the relevance of savings, especially for emergencies, and options for safe places to save. It's important to understand the risks and the benefits of each of the places where money can be put away until it is needed. A key consideration is the potential cost of each financial product.

Tool 3: Finding a safe place for savings can help consumers identify the best option for where to save, but here are some things to keep in mind.

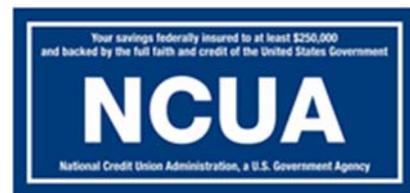
Federal insurance for financial institutions

Banks and credit unions are insured depository institutions. They offer protection against loss in the event something happens to the institution.

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. 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.

The more you know,
the safer your money. 



How can a client determine if deposits in a bank or credit union are insured? Instruct clients to look for these FDIC or NCUA logos. These will be on the door, displayed on the bank or credit

union's websites, or on all materials from the bank or credit union. With prepaid cards, the clients should look on the website to see if the card has FDIC insurance.

Banking history reports

A person's banking history report may have a negative impact on the type of account he may be able to open.

When a consumer completes an application to open a bank account, the bank or credit union contacts companies like ChexSystems, TeleCheck, Early Warning, and others like them to find out if the consumer has had prior difficulties using a checking account, including writing bad checks or engaging in suspected fraud.

These agencies collect information about how consumers manage savings and checking accounts. They do this for financial institutions that are a part of their network. Financial institutions use the information to assess the risk of opening an account for a specific person based on his or her past history of managing similar accounts.

The report includes:

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

If a consumer is denied an account based in whole or in part on a report from any of these specialty consumer reporting agencies, he has the right to a free disclosure of certain information in his file from the agency. The notice he receives from the bank or credit union will give the name, address, and phone number of the consumer reporting agency and how he can contact it to obtain his free disclosure.

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 (you may choose to use regular or certified mail) describing the mistake and including copies of any evidence.

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

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

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

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

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

Savings plan

Most people in the U.S. don't have enough savings to cover a \$1,000 emergency.³⁷ Whether they are low-income or high-income, most people can expect around \$2,000 worth of unexpected or emergency expenses in a year.³⁸ These include medical bills that aren't covered by insurance,

³⁷ Dickler, Jessica, Most Americans can't afford \$1000 in emergency expenses, CNN Money, August 11, 2011. See http://money.cnn.com/2011/08/10/pf/emergency_fund.

³⁸ Consumer Federation of America. See <http://www.consumerfed.org>.

auto repairs, home and appliance repairs, and bills that still need to be paid even if a consumer loses his job. They could also include legal judgments that a consumer is ordered to pay.

What is a savings plan?

A savings plan is a plan that includes:

- **The person's reasons for saving.** This could include goals, setting up an emergency fund, money to pay for automobile insurance in three months, or to ensure there is enough money set aside for back to school expenses.
- **The amount the person needs to save.** This is the total amount of money the person needs to save. Does this have to be saved all at once? No. The savings plan will help consumers come up with an amount of money they can save each and every week or month to reach all of their savings goals.³⁹
- **How to find that money to save.** This refers to the specific strategies the consumer will use to find that money she needs to save. Many people do not have unused income. They have to make choices about cutting back on one expense (or more) to afford something else. Or they have to figure out a way to get more income. ***Another example of a strategy is using automatic-savings-direct deposit or transfer of a set amount into a savings or other account if there is a regular paycheck.***
- **Where to put that savings.** Savings should be in a safe and secure place to make sure the money saved is available when needed. An important part of a client's savings plan is identifying specifically where the money saved will be put.

What are the benefits of a savings plan?

- It builds a client's own personal safety net.
- Clients can have peace of mind knowing they have a little set aside for the unexpected expenses or emergencies.
- As they watch small amounts add up, clients will move closer to reaching their goals and almost always pay less than when they use credit and rent-to-own.

³⁹ While the target amount for an emergency fund will vary from client to client based on their needs, \$500 to \$1,000 has been suggested as a starting point. See <http://www.AmericaSaves.org>.

- And, the client can save money by avoiding late fees, interest charges, and other costs related to not covering expenses or borrowing money. And when she avoids borrowing, she doesn't have to commit future income to paying off debt.

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

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

	Emergency savings	Credit card	Payday loan
Amount	\$350	\$350	\$350
APR ⁴⁰		21.99% annual percentage rate (APR)	\$15 for every \$100 borrowed for 14 days. This means a 391% annual percentage rate (APR). ⁴¹
Payment		Must pay at least a certain amount each month. ⁴² (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). ⁴³
Total additional cost and time to repay	\$0	You would pay \$28.11 in interest in addition to the principal borrowed. It will take just over eight months ⁴⁴ to pay back the full amount.	The total cost depends on how long it takes you to save up to pay back the entire loan. If you renew or roll over this loan seven times, you would be in debt for 14 additional weeks and could pay up to \$367.50 in fees. ⁴⁵

⁴⁰ 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>.

⁴¹ Some states have laws that limit the amount of loan and/or limit the interest rates of these loans.

⁴² 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.

⁴³ 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.

⁴⁴ 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.

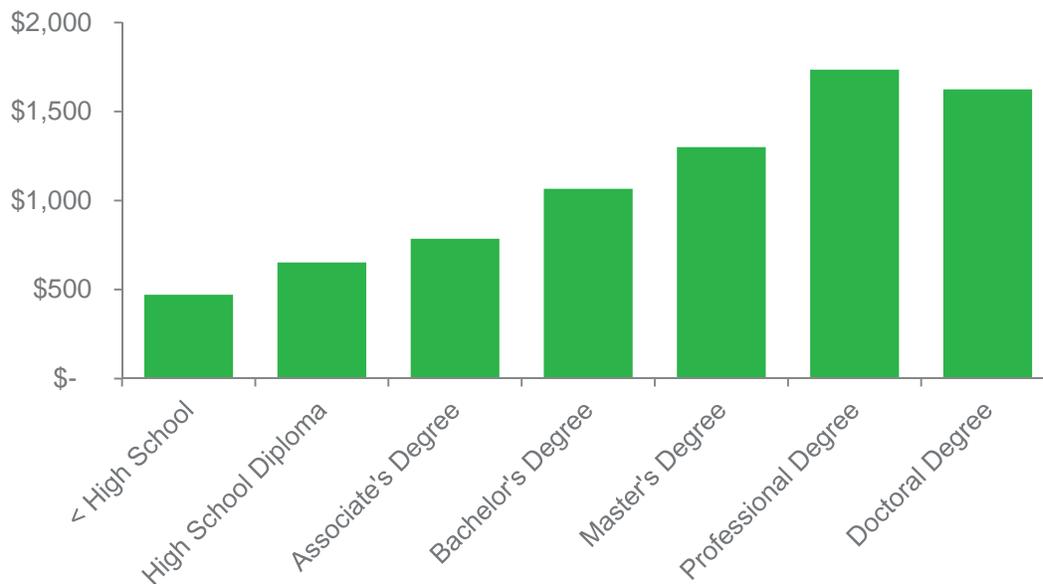
⁴⁵ Two-thirds of repeat payday borrowers take more than seven loans in one year. Consumer Financial Protection Bureau, *Payday Loans and Deposit Advance Products*.

Saving for education

Individuals with children may want to work toward making a better life for their children. Saving for children’s postsecondary education or training may be one of their financial goals, because they see it as a path to “a better life.”

Postsecondary education, which means training or education after finishing high school, can be an important investment of both time and money. Training and education after high school graduation (including completion of a General Education Development test or GED) is likely to lead to higher wages on average, less chance of unemployment, and a greater chance for financial security.

FIGURE 3: MEDIAN WEEKLY EARNINGS, 2012



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

Saving for children’s education can help pay for the increasing costs of training and education after high school. Money saved for postsecondary education can also reduce the amount of money that must be borrowed and may increase the number of options children have for schooling after high school. There are many financial products geared toward helping people save for children’s education, but the first step is setting a goal and setting aside money specifically for it.

Once someone has done this, he can save for postsecondary education in a savings account, a certificate of deposit, or an investment option designed specifically to help people save for postsecondary education. One option is a 529 college savings plan. These are tax-advantaged savings plans designed to help parents, guardians, and grandparents save for children's education.

For more information on saving for college using a 529 Plan, visit 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

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:

1. **Your savings goals.** If you haven't set these, consider using the information and tools in *Module 2: Setting goals and planning for purchases*.
2. **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.
3. **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? <i>For example, automobile insurance, renter's insurance, back to school expenses, birthdays, holidays (gifts, special food, etc.)</i>	Yes	No
Unexpected Expenses and Emergencies: Do you have money set aside for unexpected expenses or emergencies? <i>For example, a flat tire or other car trouble, medical expenses, need a new appliance, job loss</i>	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 so I can cover the emergency or unexpected expense.

_____ I borrow money from other family members or friends.

_____ I get a payday loan.

_____ I get cash through a pawn shop.

_____ I use a credit card.

_____ I use a refund anticipation loan (RAL).

_____ I use my tax refund.

_____ I use a car title loan.

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

Savings plan⁴⁶

Name _____ Date _____

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

Once you have your savings plan, be sure to add it into your cash flow budget. For more information on cash flow budgets, see *Module 5: Getting through the month*. For more information on setting up an account to save in, see *Module 8: Saving for emergencies, goals, and bills*.

⁴⁶ This table refers to a monthly savings plan. Irregular savings deposits from 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:

Benefits and asset limits

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

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

Asset limits and savings

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

Assets help you build financial security for you and your family. **But if you receive public benefits, some of your assets may affect the benefits you receive.** Generally, the assets that may be counted when applying for benefits are “liquid.” They include money in checking accounts, savings accounts, 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 a car exceeds a set value, the amount over that value may be counted.

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

Do you receive public benefits? For example, food stamps (SNAP), cash assistance (TANF), Supplemental Security Income (SSI), Medicaid, etc.	Yes	No
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If you answered “yes” to the question above, you may want to review the following tool.

It important to note that some benefits are federal, and some benefits come from the state. Be sure you find out the rules that apply to the benefits you get in your state. **Please note that rules regarding benefits change regularly, so check this annually to ensure accuracy.**

 Benefits and asset limits list

Benefit ^{47,48}	Do you have this?	Asset limits	Contact and other information
<p>SNAP⁴⁹ Supplemental Nutrition Program, also called Food Stamps</p>		<p>While the states have discretion, the Federal Asset Limits for SNAP benefits are up to \$2,000 in countable resources (bank account) or \$3,250 if one household member is over 60 or disabled.</p> <p>States using broad-based categorical eligibility have no asset limits.^{50 51} This means that if an individual qualifies for TANF, SSI, or General Assistance, he or she automatically qualifies for SNAP.</p>	<p>To get information about SNAP benefits in your state, call your state hotline number. You can find the hotline number by visiting:</p> <p>http://www.fns.usda.gov/snap/state-informationhotline-numbers</p>

⁴⁷ This information is current as of November 2014 and pertains to 2014.

⁴⁸ United States Department of Agriculture Food and Nutrition Service. See <http://www.fns.usda.gov/snap/eligibility>.

⁴⁹ In general, only your liquid assets – like cash or money in savings or checking accounts – 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. 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>.

⁵⁰ 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>.

⁵¹ United States Department of Agriculture Food and Nutrition Service. See <http://origin.www.fns.usda.gov/snap/rules/Memo/BBCE.pdf>.

Benefit ^{47,48}	Do you have this?	Asset limits	Contact and other information
TANF - Temporary Assistance for Needy Families		\$1,000 to \$3,000 in most states. Nevada's limit is \$6,000. ⁵² Colorado, Illinois, Ohio, Louisiana, Alabama, and Virginia have eliminated asset tests for TANF eligibility.	To find out more about your state or tribal TANF program, visit: http://www.acf.hhs.gov/programs/ofa/help
SSI - Supplemental Security Income		\$2,000 if single \$3,000 if married	To find out more about SSI or to apply for benefits, visit http://www.socialsecurity.gov/agency/contact/ to get the contact information for your local Social Security Administration Office
SSDI Social Security Disability Insurance		No asset limits	To find out more about SSI or to apply for benefits, visit http://www.socialsecurity.gov/agency/contact to get the contact information for your local Social Security Administration Office
Public Housing		Generally, only the income from assets is counted.	To find out more about public housing options and eligibility, contact your local housing office: http://portal.hud.gov/hudportal/HUD?src=/states
Rental Assistance		In addition to income requirements, these programs may have asset limits.	To find out more, contact the agency that provides this benefit.

⁵² Nevada increased its limit to \$6,000 in 2014. <https://dwss.nv.gov/TANFFacts.html#DWSSresources>

Benefit ^{47,48}	Do you have this?	Asset limits	Contact and other information
Low Income Energy Assistance Program (LIHEAP)		<p>Grantees—state and tribal governments—can use categorical eligibility for LIHEAP. This means if someone in the household receives TANF, SSI, or SNAP, they are eligible for LIHEAP benefits.</p> <p>While most states do not have asset limits, where they exist they range from \$2,000 to \$5,000.</p>	<p>To find out about your state or tribal LIHEAP, visit: http://www.liheap.ncat.org/snapshots.htm</p>
Other Energy Assistance Programs		<p>In addition to income requirements, these programs may have asset limits.</p>	<p>To find out more, contact the agency or organization that provides this benefit.</p>
Family Medicaid⁵³		<p>No asset limit test due to Affordable Care Act Regulations that took effect in 2014.</p>	<p>To find out more about your state's Medicaid program, visit: http://www.medicaid.gov/medicaid-chip-program-information/by-state/by-state.html</p>
State Child Health Insurance Program (SCHIP or CHIP)		<p>No asset limit test in most states; contact state administrator for details.</p>	<p>To find out more about your state's CHIP program, visit: http://www.medicaid.gov/medicaid-chip-program-information/by-state/by-state.html</p>
Other:			

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

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Tool 3:

Finding a safe place for savings

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

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

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

Safe place to keep your money	Benefits	Risks	Other important information
A secret place in your home	No costs to maintain it Easy to access Convenient	Can be lost, stolen or destroyed in a fire or natural disaster Might put you at risk of a home invasion crime	
With a family member or friend	No costs to maintain 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 debit card (stored value card)	<ul style="list-style-type: none"> Easy to access Convenient No bank or credit union account needed 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Check the card agreement to ensure that you understand the fees and whether you have protection from loss or theft.
In a federally insured savings or checking account	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> May be charged fees if you do not follow the rules for the account. Rules may include keeping a minimum balance to avoid a monthly fee. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> You lose some of the interest if you cash the bond before it matures. 	
Other			

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

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Resources

For additional resources, visit the Consumer Financial Protection Bureau website:

<http://www.consumerfinance.gov/AskCFPB>

If you have a consumer complaint, visit:

<http://www.consumerfinance.gov/complaint>

MODULE 9:

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

Has the client considered using different financial products or services to help manage income and expenses?

If you have 10 minutes with a client...	If you have 30 minutes with a client...	If you have multiple sessions with a client...
<ul style="list-style-type: none">▪ Tool 1: Know your options: Understanding what you need	<ul style="list-style-type: none">▪ Tool 2: Ask questions: Choosing where to get what you need▪ Tool 3: Money services and banking basics	<ul style="list-style-type: none">▪ Tool 4: Opening an account checklist▪ Tool 5: Remittances▪ Tool 6: Managing a bank or credit union account

Understanding financial products and services can be complicated because there are so many people and businesses that provide financial services. Banks and credit unions probably come to mind first. But there are many places that offer financial services. Here are a few:

- Department stores—credit cards or charge cards
- Automobile dealers—car loans
- Retail superstores, convenience stores, grocery stores, and other stores—check cashing, bill payment, money orders, prepaid cards, and money transfers

- Check cashers and payday lenders – check cashing, money transfers, bill payment, money orders, prepaid cards, and short-term loans
- Online or mobile providers – money transfers, bill payment services, loans, financial management tools, online “wallets” or “accounts,” and prepaid cards
- Mortgage companies—loans for homes
- Commercial tax preparers—refund anticipation loans
- Consumer finance companies—loans
- U.S. Postal Service—money orders and money transfers
- International money transfers—storefront, online, and mobile vendors

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 or credit union account.

Choosing financial products

Selecting a financial service provider can be hard because there are so many choices in today’s marketplace. Helping a client select the right financial service provider starts with figuring out the reason he needs one. Does he need a safe and secure place to put the money he is saving toward a financial goal? Is he looking for a convenient way to pay his bills? Does he need a loan to purchase a car?

Use *Tool 1: Know your options: Understanding what you need* to help figure out the primary reason the client needs financial products or services.

Then use *Tool 2: Ask questions: Choosing where to get what you need* to help your client ask the right questions before using a financial service provider. *Tool 3: Money services and banking basics* offers more information about the financial services that are available.

If a bank or credit union account is the client’s choice, use *Tool 4: Opening an account checklist* and *Tool 6: Managing a bank or credit union account* to help him get started.

Remittance rules

The Consumer Financial Protection Bureau has issued rules to protect consumers who send money electronically to foreign countries. These transactions are called “remittance transfers.” The new rules took effect on October 28, 2013.

Background: 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.

Consumers in the United States send billions of dollars in remittance transfers each year. The Dodd-Frank Wall Street Reform and Consumer Protection Act established new standards with respect to remittance transfers and authorized the Bureau to issue implementing regulations.

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.

Coverage: The rules apply to most remittance transfers if they are:

- More than \$15
- Made by a consumer in the United States
- Sent to a person or company in a foreign country

This includes many types of transfers, including wire transfers. The rules apply to many companies that offer remittance transfers, including banks, thrifts, credit unions, money transmitters, and broker-dealers. However, the rules do not apply to companies that consistently provide 100 or fewer remittance transfers each year.

Tool 1:

Know your options: Understanding what you need

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

Checklist of common reasons to find a financial service provider

Pick the top three reasons for you.

Ranking	What I want to do or accomplish?
	I want a safe and secure place to keep my money.
	I want to be able to make purchases without having to carry cash or go into debt.
	I want a low cost and easy way to pay and manage my bills.
	I want to 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.

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

Reason for a financial service provider	Financial service provider	Products that can meet your need
I want a safe and secure place to keep my money.	Bank or credit union	Savings account, checking account, or certificate of deposit
	Retailer, check cashing store or online	Prepaid debit card (May currently lack the same consumer protections as a debit card linked to a checking account)
<p>TIP: Don't carry around large amounts of cash or leave cash in your home. It's not safe and could be stolen or lost. Banks and credit unions are safe places to keep your money. To avoid fees, be sure to ask if you have to keep a minimum amount in the account and always know how much money you have in it.</p>		
I want to be able to make purchases without having to carry cash or go into debt.	Bank or credit union	Debit card (attached to a savings or checking account)
	Retailer, check cashing store, or online	Prepaid debit card
<p>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!</p>		
I want a low cost and easy way to pay and manage my bills.	Bank or credit union	Checking account
		Bill payment services Money orders
	Retailer, check cashing store, or online	Money orders Bill payment services Prepaid debit cards (some can be used for bill payment)
	U.S. Postal Service	Money orders

TIP: Make sure to check how you can pay for most of your bills. Some utilities and other companies accept only certain bill payment options.

I want to bank and pay bills online.	Bank or credit union	Checking account and online banking
	Internet-based bill paying service	Online bill paying
	Retailer, check cashing store, or online	Prepaid debit card with online bill payment
I want to have my paycheck directly deposited.	Bank or credit union	Savings account or checking account
	Employer	Payroll card (prepaid debit card)
	Retailer, check cashing store, or online	Prepaid debit card
I want to accumulate savings.	Bank or credit union	Savings account or certificate of deposit
<p>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.</p>		
I want to buy a car.	Bank or credit union	Car loan
	Automobile dealer	Dealer financing
I want to buy a home.	Bank or credit union	Mortgage
	Mortgage company	
I want to be able to get small loans quickly and without a hassle.	Credit card company	Credit card
	Pawn shop	Pawn loan
	Some credit unions and Banks	Deposit advance loans (requires a bank account)
	Finance company	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. Consider the long term impact a loan may have on your net worth and feeling of financial well-being. Check the Total of Payments because that amount (or a similar amount, if you refinance) will reduce the total amount that you will have available for other expenses in your life, such as providing for your retirement.

I want to build my credit history.	Bank or credit union	Credit builder loan
	Bank or credit union	Loan for an asset (car, home, etc.)
	Other lenders	Credit builder loan
		Credit card
Credit card company	Secured credit card	
		Credit card

TIP: Check your credit reports regularly and make sure the information in your credit reports are correct. Visit AnnualCreditReport.com to get a free copy of your credit report from the nationwide credit reporting companies. You can receive a free credit report once every 12 months. Call 1-877-322-8228 or visit www.annualcreditreport.com.

I want to send money to someone.	Retailer, some check cashing stores, U.S. Postal Service, online companies	Money Transfers
	Bank or credit union	Wire Transfers or other money transfers

TIP: New protections apply when you send money abroad. Before you pay, you will learn more about the exchange rate, the fees and taxes you’ll pay, and the amount that will be received. You will also receive information about when the money will be available at its destination, your right to cancel the transfer, how to get help if errors are made, and how to submit a complaint. Other protections also may be available to you, depending on how you send the money and the laws in your state.

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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 compare businesses that can offer you those services. Using this form, you can compare up to three financial service providers at one time. If there are services or features that don't matter to you, just put a line through the entire row.

Financial service provider comparison

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

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

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

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Tool 3:

Money services and banking basics

Part of selecting the right financial service provider is knowing what product(s) or service(s) you need. Use the following tool to learn more about the basic financial products or services that may be available to you. Identify the places in your community where you can get the products or services you are interested in.

Common financial products or services

Check if you want to learn more about it	Common financial products or services	Description	Where can you get this product or service?
Transaction or payment products or services			
	Checking account	Deposit money in and withdraw money from this account by writing checks or using a debit card. Suitable for frequent transacting. Many checking accounts include access to mobile and online bill pay. Always keep track of your account activity to ensure sufficient balances to cover payments and withdrawals and avoid overdraft fees.	
	Check cashing	Turn paychecks, government checks, or personal checks into cash, often for a fee.	

	Debit card	You can use this card to make purchases at businesses (like grocery stores and gas stations) with money in your checking account. You can also use this card to make deposits to and withdrawals from a checking account at ATMs.	
	Automated teller machine (ATM) card	Deposit in or withdraw money from a savings or checking account. Many ATM cards are also debit cards that can be used to make purchases. An ATM card that is not also a debit card cannot be used to make purchases at businesses. You will often not be charged a fee by using ATMs that are owned by your bank or credit union or within the same ATM network.	
	Prepaid debit card	A card that you use to access money you have paid in advance. A prepaid card can refer to a number of different types of cards. Gift cards are prepaid cards that typically are used up after you deplete the value on the card. You can also buy prepaid debit cards that you can add money to (reload) and continue using over and over. Some types of prepaid cards also allow you to take money out at an ATM. Reloadable prepaid cards generally charge a monthly maintenance fee, and some charge for deposits or each time you use the card. Prepaid debit cards may carry fewer consumer protections in the event of loss or a disputed charge than debit cards.	
	Money transfer	Send money from one place to another.	

	Bill payment services	Use cash, a money order, a bank account, or another payment method to pay utility, mortgage, or other bills, in person, by phone, through a website, or through a mobile phone application.	
	Money order	Buy a money order to pay a business or other party; can be used instead of a check.	
Depository products or services			
	Savings account	Deposit money in and withdraw money from an account; earn interest (currently interest rates are low). Not intended for frequent transacting.	
	Certificate of deposit	Deposit a fixed amount of money for a specific amount of time. Funds are generally inaccessible during the CD term unless you forfeit interest as a penalty. The size of the penalty varies, and could amount to more than the interest you have earned if you withdraw the money before the maturity date. Generally earns more interest than savings.	
Credit products or services			
	Credit card	Borrow money up to an approved credit limit. Make purchases using the card or the number and card security code. A minimum monthly payment is required. Will be charged interest on unpaid amounts; can be charged other fees based on terms of contract.	

	Line of credit	Borrow money up to an approved credit limit. Getting approved for a line of credit is different from a credit card. It may be secured with collateral (such as a home), or be unsecured. Can be used for overdraft protection in a checking account.	
	Car loan	Borrow money to buy a used or new car. This will be an installment loan. The car will generally be pledged against the loan (collateral).	
	Business loan	Borrow money to start or expand a business. This will be an installment loan. Equipment or other business assets, or personal assets may be pledged against the loan (collateral).	
	Mortgage	Borrow money to build or buy a home. This will be paid back in installments. The home will generally be pledged against the loan (collateral).	
Credit building products or services			
	Secured credit card	Borrow money up to a limit that is secured by a deposit. This deposit acts as collateral if you do not pay the credit card as agreed.	
	Credit building loan	Borrow money specifically to improve credit scores. This may be available at banks or credit unions in your community.	
Other products or services			
	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			
	Online banking	Manage your bank or credit union account through a secure website. This option may include a method to pay bills from your account, and is available through many banks and credit unions.	
	Mobile banking	Use your smart phone to manage accounts and make payments through your bank or credit union's website or mobile application.	

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Tool 4:

Opening an account checklist

Opening an account at a bank or credit union

If you decide that a checking or savings account is the right product for you, opening an account at a bank or credit union is really quite simple.

First, you may want to get a recommendation from a trusted friend or family member for a bank or credit union. Find out about:

- The services they offer
- The interest they pay for savings accounts
- The fees they charge

You will usually need between \$25 and \$100 to open a savings or checking account.

TIP: Be sure to find out how much you must keep in the account at all times to avoid fees. This is called the “minimum balance requirement.” This may not be the same amount of money you need to open the account, so it’s important to understand.

You will also need **two forms of identification** to open an account. Some banks or credit unions will take one form of identification and a bill with your name and address on it. You will usually be required to present:

- A U. S. government or state issued form of identification with your photo on it, such as a driver’s license, U. S. Passport, or military identification

and one of the following:

- Your Social Security card
- A bill with your name and address on it
- Your birth certificate

If you do not have a U. S. government-issued form of identification, some banks and credit unions accept foreign passports and Consular IDs, such as the Matricula Consular card, which is an official Mexican Government identification document. Other countries, such as Guatemala and Argentina have similar IDs. Consulates in the United State offer them. Visit your country's consulate for more information about how to get an ID card, and with the banks and credit unions about whether they accept it.

Accounts that pay interest

Interest is considered income. If you earn interest, you must pay taxes on it. In order to open an account that pays interest (most commonly called an interest bearing account), such as a savings account, you must have a Social Security number or an Individual Taxpayer Identification Number (ITIN).⁵⁴

If you do not have a Social Security number, you do not have an ITIN, or you have not applied for an ITIN, you can open an account that does not pay interest.

Barriers to opening an account

Not having the proper identification can be one barrier to opening an account. Another potential barrier is a negative rating with specialty consumer reporting agencies like ChexSystems, TeleCheck, Early Warning, and others that report on checking accounts or banking histories.

These agencies collect information from merchants, banks, and credit unions about how consumers manage savings and checking accounts. They do this for financial institutions that are a part of their network. Banks and credit unions use reports developed by these agencies to decide if someone can open a new account. You may have a negative rating if you or someone you had a joint account with has struggled with a checking or savings account in the past and:

- Had a lot of bounced checks and non-sufficient funds (NSF) fees
- Not paid debts and fees owed to a bank or credit union related to an account
- Been suspected of fraud related to a checking account

⁵⁴ Internal Revenue Service. See <http://www.irs.gov/Individuals/General-ITIN-Information>.

- Have had an account closed (involuntarily) by a bank or credit union within the last 12 months

Involuntary closures stay on your ChexSystems report for five years and on the Early Warning System report for seven. Overdrafts remain on your consumer record for five years, even if you have paid back what you owe the bank or credit union. Each bank or credit union has its own policies about the way the information in your banking history report impacts your ability to open an account. This can include the amount of time that has passed since events like an involuntary closure or repeated overdrafts occurred.

Some banks and credit unions require you to pay these old charges and fees before you are allowed to open a savings or checking account. In other cases, you may be offered the opportunity to open a “second chance” or checkless checking account that has different features and restrictions than standard checking accounts offer. Depending on the account’s rules, you may be allowed to open a standard checking account after six to twelve months if you have not over drafted or bounced any checks.

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

ChexSystems, Inc.
7805 Hudson Road, Suite 100
Woodbury, MN 55125

You can order your TeleCheck Services Report by sending a written request to:

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

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

If you find mistakes, you can dispute these by sending a letter (you may choose to use certified mail) describing the mistake and copies of any evidence.

 Opening an account checklist

Use this checklist to ensure you have what you need to open an account at a bank or credit union.

Check 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 name and address on it Birth certificate	
	A Social Security number or ITIN (individual taxpayer identification number); if not, you may only be able to open an account that does not pay interest.	
	Money to open the account	
Information about:		
	Minimum balance required in the account to avoid monthly service fees	
	Monthly service fees	
	Direct deposit and whether it eliminates the monthly fee	
	Per-check or transaction fees	
	Fees associated with use of automated teller machines (ATMs)	
	Internet banking and online bill pay access and any costs	
	Overdraft fees	

	Low balance alert notifications	
	Other:	

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Tool 5:

Remittances

Consumers in the United States send billions of dollars in remittance transfers each year. The Consumer Financial Protection Bureau has issued rules to protect consumers who send money electronically to foreign countries.

A “remittance transfer” is an electronic transfer of money from a consumer in the United States to a person or business in a foreign country. It can include transfers from retail “money transmitters” as well as from banks and credit unions that transfer funds through wire transfers, automated clearing house (ACH) transactions, or other methods.

Disclosures

The rules generally require companies to give disclosures to consumers before they pay for the remittance transfers. The disclosures must contain:

- The exchange rate
- Fees and taxes collected by the companies
- Fees charged by the companies’ agents abroad and intermediary institutions
- The amount of money expected to be delivered abroad, not including certain fees charged to the recipient or foreign taxes
- If appropriate, a disclaimer that additional fees and foreign taxes may apply

Consumers must also receive information about when the money will arrive and how the consumer can report a problem with a transfer. Instead of issuing a separate pre-payment disclosure and receipt, a company may provide a single combined disclosure before the sender pays for the transfer, so long as proof of payment is given when payment is made.

Companies must provide the disclosures in English. Sometimes companies must also provide the disclosures in other languages.

Other protections: The rules also generally require that consumers get 30 minutes (and sometimes more) to cancel a transfer if it has not yet been received. Consumers can get their money back if they cancel.

- Companies must investigate if a consumer reports a problem with a transfer. For certain errors, consumers can generally get a refund or have the transfer sent again free of charge if the money did not arrive as promised.
- Companies that provide remittance transfers are responsible for mistakes made by certain people who work for them.

The rules also contain specific provisions applicable to transfers that consumers schedule in advance and for transfers that are scheduled to recur on a regular basis.

What is covered?

The rules apply to most remittance transfers if they are:

- More than \$15
- Made by a consumer in the United States
- Sent to a person or company in a foreign country

This includes many types of transfers, including wire transfers. The rules apply to many companies that offer remittance transfers, including banks, thrifts, credit unions, money transmitters, and broker-dealers. However, the rules do not apply to companies that consistently provide 100 or fewer remittance transfers each year.

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Tool 6:

Managing a bank or credit union account

If you decide to open a bank account, it's your responsibility to keep track of how much money you have in the account, and how much you have committed to be paid out of the account. You also have to be aware of under what circumstances your bank may charge you a fee. You should start with learning the rules of your new account from your bank or credit union. If you don't follow the rules of your account, the bank or credit union may charge you fees.

No one likes to see fees reducing their checking account balance every month. You may not be able to eliminate all the fees charged by your bank or credit union, but here are six steps to reduce the number or amount of fees you pay:

1. **Keep track of your balance** to avoid spending more than you have available or going below your minimum balance requirement.

For example:

- Check your balance at the ATM before you withdraw cash.
- Ask if your bank or credit union offers low-balance warnings via e-mail or text.
- Ask your bank or credit union when the money you deposit has finally cleared. Keep in mind that the money may be available for your use before it has cleared. For example, if someone writes a check to you and you deposit it in your bank account, the money may be available to you before the check "clears" the bank account of the person who wrote the check to you. If the check later bounces for any reason, your bank can take the money back from you, even if you've already taken the money out of the bank account.
- Ask your bank how it processes debits to your account (debits are when money is taken out of your account). Does the bank process debits in the order in which they

are presented to your bank, or does it pay the highest amount presented in any given day first, or use some other method?

- 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.
 - Be aware that if you take out a loan from the same institution where you have your account, the institution may be able to take money from your account if you stop paying your loan.
2. **Find out if fees can be waived.** Many financial institutions waive monthly service fees if you maintain a minimum balance or sign up for direct deposit. Compare fees.
 3. **Watch out for overdraft fees.** Overdrafts occur when you spend or withdraw more money than is available in your checking account. For most banks, the overdraft fee is a fixed amount regardless of the amount of the transaction. You can incur several overdraft fees in a single day. This means that your \$4 cup of coffee can end up costing you \$35 and a small pack of gum can cost you another \$35 all in the same day.
 4. **Use your financial institution's ATMs.** When you use ATMs in your bank's network, there is generally no charge. Many banks or credit unions offer ATM locator maps on their websites and mobile apps.
 5. **See if there's a low-fee checking account for you,** such as a senior or student account, or just a basic checking account with a low minimum balance requirement and a limited number of "free" checks and withdrawals.
 6. **Open and review all of the mail** from your bank or credit union. Review account statements every month to make sure they are correct and report errors immediately. You must also be notified when your minimum balance requirement, fees, or other account terms change.

Finally, it is important to never knowingly write a check for funds you do not have in your account. This can create a number of problems for you. In addition to being charged fees for nonsufficient funds from the bank or credit union and the merchant (if the check was written to a merchant), it could severely impact your ability to access financial services in the future, and even subject you to criminal prosecution.

When you are short of funds—overdraft coverage

An overdraft occurs when you spend or withdraw more money than is available in your checking account. Banks or credit unions can agree to advance you money to cover the shortfall and charge you a fee. This is sometimes called overdraft coverage or overdraft protection. **You should check with your bank or credit union to see what type of overdraft program it has.**

Overdraft programs can seem like they might be a good deal—they prevent people from being charged bounced or returned check fees by the merchant and the financial institution. But in reality, this protection can be expensive. The bank or credit union can charge you daily when you overdraw your account. Finally, you must pay the bank or credit union back for both the amount covered by the financial institution and the fees.

ATM and one-time debit card transactions: 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. Though you can't be charged a fee if you do not "opt in," you also may be denied a purchase using your debit card at the point-of-sale (POS) if there is not enough money in the account to pay for it.

Even if you don't opt in, however, you can still be charged an overdraft fee if a recurring payment you have set up with your debit card number or via a direct billing arrangement overdraws your account. If you want to have a checking account and don't want to pay overdraft fees, use one of these approaches:

- Keep track of your balances. Remember, not all deposits are available for use immediately.
- Sign up for low balance alerts at your bank or credit union.
- Know when regular electronic transfers, such as a rent payment or utility bills, will be paid.
- Link your checking account to your savings account, credit card, or line of credit. If you run out of money in your checking account, the bank will pull money from the place you've chosen. The fee for this is usually much lower than an overdraft fee.

Garnishment from your bank or credit union account—when money can be taken from your account

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

Generally, money in your bank account that is from your wages or from another person can be garnished. But certain money in your bank account *cannot* be garnished by private creditors.

This includes money from:

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

Other income may also be protected from garnishment by *private* creditors. Examples include state public assistance, federal student assistance, payments from a disability insurance policy, and income from a retirement plan. In some states, state unemployment compensation may also be exempt.

Proving that money in your bank account comes from a protected source can be difficult and complicated. For this reason, Federal law requires banks to have special procedures to ensure that the bank or credit union where you have your account can identify the Federal benefits that are exempt.

If you believe that your federal benefits or other money in your account have been improperly taken from it, you will need to take steps to protect your rights. You should talk to your bank or credit union and consider consulting a lawyer.

If the debt you owe is owed to the government (for example for taxes or student loans) or is for child support there are different rules. In this case the creditor may be able to garnish Federal benefits in your bank account. If this happens to you may want to consult a lawyer.

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

If you owe a debt to your bank or credit union, other than regular account fees, the bank may be entitled to take money from your account to pay itself. This will depend on your deposit contract with your bank. Generally, your bank or credit union is not allowed to pay itself from money in your account that came from federal benefits or another protected source.

Resources

If you would like help managing debt or rebuilding credit, visit the National Foundation for Credit Counseling:

<http://www.nfcc.org>

Housing counselors can provide advice on buying a home, renting, defaults, foreclosures, and credit issues:

www.consumerfinance.gov/find-a-housing-counselor

FDIC.gov, Credit Repair:

<http://www.fdic.gov/consumers/consumer/ccc/repair.html>

Consumer.gov, Building a Better Credit Report:

<http://www.consumer.ftc.gov/articles/pdf-0032-building-a-better-credit-report.pdf>

For additional resources, visit the Consumer Financial Protection Bureau website:

<http://www.consumerfinance.gov/AskCFPB>

If you have a consumer complaint, visit:

<http://www.consumerfinance.gov/complaint>

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