Your Money, Your Goals

A FINANCIAL EMPOWERMENT TOOLKIT FOR SOCIAL SERVICES PROGRAMS

Consumer Financial Protection Bureau

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MODULE 1:

Introduction to the toolkit

Welcome to the Consumer Financial Protection Bureau's *Your Money, Your Goals: A financial empowerment toolkit for social services programs*! If you're reading this, you are probably a case manager, or you work with case managers.

Finances affect nearly every aspect of life in the United States. But many people feel overwhelmed by their financial situations, and they don't know where to go for help. As a case manager, you're in a unique position to provide that help. Clients already know you and trust you, and in many cases, they're already sharing financial and other personal information with you. The financial stresses your clients face may interfere with their progress toward other goals, and providing financial empowerment information and tools is a natural extension of what you are already doing.

What is "financial empowerment" and how is it different from financial education or financial literacy?

Financial education is a strategy that provides people with financial knowledge, skills, and resources so they can get, manage, and use their money to achieve their goals. Financial education

Case manager

The term "case manager" is used throughout this toolkit, and it refers to anyone who works directly with people with low or moderate income in a wide range of organizations and on a broad range of issues. Staff may have different titles, but they generally come from non-profit or private sector organizations or city, county, or tribal governmental organizations, and they are generally responsible for the following with clients:

- Conducting needs assessments
- Developing action plans with clients
- Providing resources and referrals needed to implement action plans
- Monitoring progress and evaluating results

is about building an individual's knowledge, skills, and capacity to use resources and tools, including financial products and services. Financial education leads to financial literacy.

Financial empowerment includes financial education and financial literacy, but it is focused both on building the ability of individuals to manage money and use financial services and on providing access to products that work for them. Financially empowered individuals are informed and skilled; they know where to get help with their financial challenges. This sense of empowerment can build confidence that they can effectively use their financial knowledge, skills, and resources to reach their goals.

Financial empowerment

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

We designed this toolkit to help you help your clients become financially empowered consumers. This financial empowerment toolkit is different from a financial education curriculum. With a curriculum, you are generally expected to work through most or all of the material in the order presented to achieve a specific set of objectives. This toolkit is a collection of important financial empowerment information and tools you can access as needed based on the client's goals. In other words, the aim is not to cover all of the information and tools in the toolkit - it is to identify and use the information and tools that are best suited to help your clients reach their goals.

An introduction to the CFPB

CFPB is the abbreviation for the Consumer Financial Protection Bureau. The CFPB's mission is to make markets for consumer financial products and services work for Americans—whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products.

Above all, 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 nothing is buried in fine print.

We are working to give consumers the information they need to understand the terms of their agreements with financial companies. We are working to make regulations and guidance as clear and streamlined as possible so providers of consumer financial products and services can follow the rules on their own.

Congress established the CFPB through the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). The Bureau:

- 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 about the consumer financial experience.

Our primary strategies are:

- **Education**—An informed consumer is the first line of defense against harmful practices.
- **Enforcement**—We supervise banks, credit unions, and other financial companies, and we enforce Federal consumer financial laws.
- **Study**—We gather and analyze available information to better understand consumers, financial services providers, and consumer financial markets.

The Office of Financial Empowerment within the Division of Consumer Education and Engagement developed this toolkit because case managers like you meet with thousands of consumers that need high quality, unbiased financial information and tools to help them address financial issues more effectively. This toolkit can help you help your clients reduce financial stress as they become more financially empowered.

We hope you will use this information, the tools found within this toolkit, and the resources at http://www.consumerfinance.gov with as many of your clients as possible. As you do, you'll help inform and empower the individuals in the community you serve to manage their finances in ways that achieve their goals and dreams.

Financial empowerment and your life

As a case manager, you may sometimes hesitate to share information about financial empowerment, because you feel like you don't know enough about it. Or you may feel like you know the information but haven't applied the information and tools to your own life. In other words, you might sometimes feel like you don't have the "right" to provide financial empowerment information, because you may feel your own financial house may not fully be in order.

Case managers and financial empowerment

As a case manager, you are in a good position to provide financial empowerment services to your clients. Case managers like you have access to and the trust of millions of individuals who are most in need of financial empowerment services. You may feel more equipped and empowered to provide these services when you read the content and use the tools provided in the toolkit.

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

Financial empowerment: A way to improve client and program outcomes

Sharing financial empowerment information and tools with clients may feel like a completely different job—one more thing you're being asked to add to your workload. But, once you become familiar with the resources in this toolkit, we believe it can become natural to integrate its contents into the work you do. That's because its core functions relate to what you already do.

As a case manager, one of your job responsibilities is likely to be assessing client or client and family needs. The toolkit starts you off with an assessment to help you understand your clients' goals and the financial situations they may be facing.

You then develop a plan to help your clients receive your organization's services. You often have to gather and coordinate information, tools, and other resources to share with them.

This is the exact function of the toolkit. It brings together information, tools, and links to other resources you can use to help your clients build skills in managing money, credit, debt, and financial products. Having all those resources in one place can make it easier for you to integrate financial empowerment into your meetings with clients.

Financial empowerment and outcomes

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

We developed the *Your Money, Your Goals* toolkit because using the information and tools can improve outcomes for both your clients and your program or organization. As you share the toolkit with them, your clients will have new understanding of financial concepts and financial tools to apply to their own lives and to reaching their goals of financial stability and self-sufficiency.

Depending on what your clients need, you may be able to help them:

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

- Evaluate financial products and services
- Recognize when their consumer rights may have been violated and know how to take action

With these new skills and tools, you may be able to help your clients transition from the services they receive from your organization, too. This won't happen solely because of the way that you use the information and tools in the *Your Money, Your Goals* toolkit. But when you provide these services, they may play a role in helping your clients increase their financial stability and reduce their future need for services.

Making referrals

Are you expected to provide all of the help clients need? The answer, of course, is "no."

You can make a big difference in the lives of your clients by introducing them to financial empowerment and providing them with some new information and tools to help them solve specific financial challenges.

Because your clients trust you, they look to you for quality information and referrals on topics such as the following:

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

But some of your clients may need more help—help you may not feel comfortable providing because it is technical, beyond what you feel comfortable addressing, or not available within your organization. This is where your resource and referral network will be important.

Referral partners in your community may include certified, non-profit credit counselors, independent loan specialists, free volunteer tax assistance sites sponsored by the IRS, and financial education programs, among others. These referral partners are often found at non-profit agencies. It is important that your 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 partners are objective—able to show your clients the upside and the downside of specific actions they take and the impact these actions have on their financial situations.

To get you started in making these types of referrals, there are instructions and a template for making a referral guide in the supplemental module entitled *Making a financial empowerment resource and referral guide*. If you are working with a local financial empowerment trainer, this person has or will provide you with a list of websites and local organizations you may find helpful in your work with clients.

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

The goal of *Your Money, Your Goals*

The goal of the *Your Money, Your Goals* toolkit is to improve client outcomes by making it easier for you as a case manager to help clients become more financially empowered.

The *Your Money, Your Goals* toolkit is divided into 14 modules:

- Modules 1 through 5 are introductory modules.
- Modules 6 through 14 include information on specific topics and tools clients can use to put that information to work.

You should note that these modules are designed to be used as needed. Because the process is designed to be client-driven, this isn't a curriculum that requires you to start with *Module 6: Setting goals* and work all the way through *Module 14: Protecting consumer rights*.

Consider each module a specific set of tools to be used as needed with each client.

For example, you may have a client who has just lost her job. Starting with *Module 6: Setting goals* would likely not be useful to this client. But tips for managing cash flow and identifying new resources if she doesn't have enough cash to cover basic living expenses (*Module 10: Managing cash flow* and *Module 8: Managing income and benefits*) could be useful for this client at this particular time.

You may have a client who wants to get out of debt. A focus on cash flow (*Module 10: Managing cash flow*) may be useful, but you and the client might decide to start by developing a simple plan to lessen her debt (*Module 11: Dealing with debt*).

If your work only allows you to meet with a client infrequently—or even just once—this toolkit will also help you identify ways to start a conversation that opens the door for you to make referrals to others in your community who may provide financial education or work with your client to build financial empowerment.

Giving clients tools

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

But take care to not send too many tools home with them at once. Getting all of the tools at once or even five tools at one time can be overwhelming for most clients. A better approach is to identify the topic and tools that will make the biggest difference for each client at that specific time.

And if you decide to send tools home with your client, limit it to just one or two that you have shown them how to use.

To make the best use of the toolkit, however, we advise not giving clients all of the tools at once. Getting too many tools at one time would likely be overwhelming for most clients. A better approach is to identify the topic and tool that will make the biggest difference for each client. ***If you are going to send tools home with your client, limit it to one or two that you have worked with them on how to use.*** If you give them too many tools at once, none of the tools are likely to be used.

MODULE 2:

Assessing the situation

Before you start providing financial empowerment services to clients, we want to be sure you have some tools to help you figure out what your clients may need.

We also want to give you tools to understand your own knowledge and level of confidence about money management, and the opportunities you have to provide financial empowerment services to clients.

In this module of the *Your Money, Your Goals* toolkit, we provide two assessment tools to give you a starting point. The assessment tools include the following:

Tool 1: Financial Empowerment Case Manager Self-Assessment is a three-part tool to help you understand how much financial knowledge you already have. Learning more will not only benefit your clients, but may also benefit you as you apply what you learn to your own life.

Tool 2: Client Goals and Financial Situation Assessment is designed to help you and your client understand the client's goals and financial situation. This information can help you target the right module of the toolkit for each client. For example, if a client has a goal to buy a car or a home, you can target *Module 12: Understanding credit reports and scores* because learning how to improve his credit history may help him qualify for a lower cost loan. If you have a client that is struggling to make ends meet every month, you can target *Module 10: Managing cash flow*.

This tool will help you match each client's goals and financial situation with specific modules and tools within the toolkit.

Tool 1:

Financial empowerment self-assessment

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

> **Financial Empowerment**
>
> Financial empowerment involves building the ability to use financial management knowledge, skills, and tools to access resources, products, and services to achieve your goals.

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

Use the following self-assessment to develop an understanding of your own level of financial knowledge, skills, and confidence—your level of financial empowerment. Questions asked in this assessment are related to topics in the *Your Money, Your Goals* toolkit.

Case manager financial empowerment self-assessment

As someone who works with clients, it's important for you to understand your own level of financial empowerment. **Use this three-part self-assessment to develop an understanding of your financial knowledge, skill, and confidence.** As you will see in the answer keys, the questions asked in this assessment are directly related to modules in the *Your Money, Your Goals* toolkit.

Case manager self-assessment: Part 1

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

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

Financial empowerment self-assessment: Part 1 results

Number Correct:	**_________________ out of 10**
Topics to Learn More About:	

Case Manager Self-Assessment: Part 2

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

Statement	Rating				
	Does not apply	*Strongly disagree*	*Disagree*	*Agree*	*Strongly agree*
1. I am satisfied with the amount of money I save.					
2. I know about state and federal tax credits and how to claim them.					
3. I am not concerned about how much money I owe.					
4. I am confident about my credit reports and scores.					
5. I do not worry about being able to pay my monthly living expenses.					
6. I understand how credit works.					
7. I know how to fix incorrect statements on my credit report.					
8. I feel confident about helping clients begin to manage some of their financial challenges.					
9. I know where the resources are in my community for credit and debt counseling and for free tax filing assistance.					
10. I know where to get help if I have questions about financial issues.					

Case manager self-assessment: Part 3

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

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

Case manager self-assessment: Part 1 answer key

Here are the correct answers for Part 1 of the "*Financial Empowerment Self-Assessment*." If you did not answer the question correctly, see the module in the toolkit listed next to the answer for more information. Reading through the module indicated will help you understand the answer to the question and build your financial empowerment knowledge and confidence.

Questions	True	False	Module
1. Goals are not important to financial planning or budgets.		✕	Module 6
2. To have enough money for emergencies you must save 3 to 6 months' worth of living expenses.		✕	Module 7
3. A cash flow budget helps you track whether you will have enough cash to cover your bills from week to week.	✕		Module 10
4. If you can't pay all of your bills and collectors are calling, the "squeaky wheel" that calls you the most should be paid first.		✕	Module 9
5. The only way to get the income you earn from working is receiving a paycheck.		✕	Module 8
6. Credit is when you owe someone money.		✕	Module 12
7. The amount of your monthly debt payments may impact your ability to pay your other bills and living expenses and to access new credit.	✕		Module 11
8. A poor credit history may keep you from getting an apartment, insurance in some states, or even a job.	✕		Module 12
9. There are no risks or additional costs associated with having a checking account.		✕	Module 13
10. As a consumer, you have almost no rights when it comes to financial products.		✕	Module 14

Case manager self-assessment: Part 2 answer key

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

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

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

Statement	If your rating is ***disagree*** **or** ***strongly disagree*****, check out . . .**
1. I am satisfied with the amount of money I save.	Modules 6 and 7
2. I know about state and federal tax credits and how to claim them.	Modules 7 and 8
3. I am not concerned about how much money I owe.	Modules 10 and 11
4. I am confident about my credit reports and scores.	Module 12
5. I do not worry about being able to pay my monthly living expenses.	Module 9 and 10
6. I understand how credit works.	Module 12
7. I know how to fix incorrect statements on my credit report.	Module 12
8. I feel confident about helping clients begin to manage some of their financial challenges.	Consider reviewing all of the content modules.
9. I know where the resources are in my community for credit and debt counseling and for free tax filing assistance.	Supplemental *Your Money, Your Goals* information on making a financial empowerment resource and referral guide
10. I know where to get help if I have questions about financial issues.	Supplemental *Your Money, Your Goals* information on making a financial empowerment resource and referral guide

Case manager self-assessment: Part 3 answer key

There are no right or wrong answers for Part 3 of the "*Financial Empowerment Self-Assessment*" because it helps you identify the financial products or services with which you have had experience. If you have not used some of these products or services that your clients may use, you may need to learn more about them. Use the materials in Modules 7, 8, and 9 to learn more about products, services, and financial service providers. You may also find it beneficial to review those modules even if you have experience with the products, services, and financial service providers.

Question	Modules of interest
1. I have a savings or checking account at a bank or credit union, and I use this account (make deposits and withdrawals regularly).	If *no* or *I don't know*, see Module 13.
2. I have applied for, received, and used a credit card.	If *no* or *I don't know*, see Modules 12, and 13.
3. I have applied for and received a loan for a car or a home.	If *no* or *I don't know*, see Modules 11, 12, and 13.
4. I have applied for and received a payday loan.	If *yes* or *I don't know*, see Modules 10, 11, and 13.
5. I have requested my own credit report and reviewed it.	If *no* or *I don't know*, see Module 12.
6. I track my income and spending.	If *no* or *I don't know*, see Module 8.
7. I have received a loan from a pawn shop.	If *yes* or *I don't know*, see Modules 10, 11, and 13.
8. I have used the services of a check cashing business.	If *yes* or *I don't know*, see Modules 8 and 13.
9. I have had a car or other type of personal property repossessed for nonpayment.	If *yes* or *I don't know*, see Modules 10 and 11.
10. I have received calls from debt collection agencies.	If *yes* or *I don't know*, see Module 11.

11. I understand my rights and know what to do if I believe a financial services provider has tried to take advantage of me.	If *no* or *I don't know*, see Module 14.
12. I receive my earnings from work via a method other than a paycheck. (Payroll card, direct deposit, or cash, for example.)	For any response, see Module 7.

Tool 2:

Client goal and financial situation assessment

You may be wondering where you should start with a client. The *Client Goal and Financial Situation Assessment* may help you figure out a beginning point with a client.

Use of this assessment is optional. It can help you efficiently and effectively determine where to start in the toolkit, but you may find that you already ask similar questions in your existing assessment protocol.

Situation Assessment

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

If you do use this assessment, consider using it when:

- Clients fill out intake paperwork for your organization or program
- You meet with clients for an initial assessment
- Clients are waiting for other services (such as waiting to have their tax returns prepared at a Volunteer Income Tax Assistance site)

You 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 your clients
- Ask the questions over several sessions with your client

How does it work? When you feel the time is right, you can simply ask a client to complete the assessment. You can match her answers with modules in the *Your Money, Your Goals* toolkit as a starting point for assistance.

Because the assessment is simple and only has a few key questions, you might often be able to gather the information in a conversation. Reading the assessment and recording the answers for her may be useful if you are working with a client that has limited literacy levels, is an English language learner, or with whom a question and answer format would be more productive.

Introducing the assessment may be uncomfortable if you're not used to asking these types of questions. Module 3 of the *Your Money, Your Goals* toolkit provides tips on starting the conversation. With the assessment, you can use a statement like the following as an introduction:

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

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

Finally, be sure you have a system for keeping your clients' assessments completely confidential. When discussing this assessment with your clients, be sure you can provide assurance of confidentiality and describe your system for keeping this information secure (e.g., a locked drawer in a file cabinet). As you proceed, be sure to follow your organization's data policy guidelines and retention policy.

Your goals and financial situation

Please answer the following questions based on where you are today. There are no right or wrong answers. The purpose of this questionnaire to ensure the right financial information and resources are provided to you to help you reach your goals.

Question	Response		
1. Do you have financial goals and know how much money you need to reach them?	Yes	No	I don't know
2. Are you in danger of losing your housing or car because you cannot make payments?	Yes	No	I don't know
3. Are you in danger of having any of your utilities shut off because of nonpayment?	Yes	No	I don't know
4. Do you have a regular and reliable source of income?	Yes	No	I don't know
5. Do you have money set aside to cover emergencies or unexpected expenses?	Yes	No	I don't know
6. Are you able to cover all of your bills and monthly living expenses each month?	Yes	No	I don't know
7. Do you owe a person or business money?	Yes	No	I don't know
8. Do you have student loans or other debts you can't pay?	Yes	No	I don't know
9. Have you been unable to get a job, cell phone plan, insurance, apartment, credit card, or car due to a bad credit record?	Yes	No	I don't know
10. Do you have an account at a bank or credit union?	Yes	No	I don't know
11. Have you been denied a savings or checking account?	Yes	No	I don't know
12. Do you feel like the financial services you use cost you too much?	Yes	No	I don't know

13. Do you know who to call with a complaint about a financial product or service?	Yes	No	I don't know

14. If you answered that you have financial goals, what are they?

____

____

15. If you could change one thing about your financial situation, what would that be?

____

____

Client goals and financial situation assessment key

Use the following chart to help you analyze the "Client Goals and Financial Situation Assessment." This analysis will help you determine where to start financial empowerment work with your client. If your client seems to have several high-priority areas, you can list them and ask the client to prioritize them with you.

Question	Response
1. Do you have financial goals and know how much money you need to reach them?	If *no* or *I don't know*, see Module 6.
2. Are you in danger of losing your housing or car because you cannot make payments?	If *yes*, call 211 or local emergency assistance center. For homeowners, call (888) 995-HOPE.
3. Are you in danger of having any of your utilities shut off because of nonpayment?	If *yes*, call 211 or local emergency assistance center.
4. Do you have a regular and reliable source of income?	If *no*, call 211, workforce opportunity center, or local emergency assistance center and see Module 8.
5. Do you have money set aside to cover emergencies or unexpected expenses?	If *no* or *I don't know*, see Modules 7 and 13.
6. Are you able to cover all of your bills and monthly living expenses each month?	If *no* or *I don't know*, see Module 10.
7. Do you owe a person or business money?	If *yes* or *I don't know*, see Modules 10, 11, and 12.
8. Do you have student loans or other debts you can't pay?	If *yes* or *I don't know*, see Modules 9 and 11.
9. Have you been unable to get a job, cell phone plan, insurance, apartment, credit card, or car due to a bad credit record?	If *yes* or *I don't know*, see Module 12.
10. Do you have an account at a bank or credit union?	If *no* or *I don't know*, see Module 9.

11. Have you been denied a savings or checking account?	If *yes* or *I don't know*, see Module 13.
12. Do you feel like the financial services you use cost you too much?	If *yes* or *I don't know*, see Module 13.
13. Do you know who to call with a complaint about a financial product or service?	If *no* or *I don't know*, see Module 14.

Answers to Questions 14 and 15 will vary. Use the answers to these two questions as additional information to help you pinpoint the module and tool that will be most useful for your client right now.

MODULE 3:

Starting the conversation

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

It can be difficult, though, to talk about money, even with people that you know well. It can feel uncomfortable to raise the topic of personal finance because it's so personal. Because the subject of money is deeply personal, it can seem even more difficult to talk about it with clients that you don't know well.

But you talk with clients all the time about other personal issues. Talking about money can get easier if you **start the conversation with your clients at the right time in a way that acknowledges their desire to have control over their own lives.** By approaching financial issues in a non-judgmental way, you will build trust that allows you to work with clients to address their financial challenges.

Most people are working to get their financial houses in order. But even if you are among the few who have never had money struggles yourself, chances are that you've seen someone you care about struggle with financial issues.

Starting the conversation

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

- Using the existing assessment tool in intake or assessment meetings with clients
- Making the most of shorter discussions you have with clients to introduce a tool or make a referral
- Integrating financial empowerment into organizational programs or procedures
- Following up with clients when they bring up financial issues directly or indirectly

Use the experiences that you've had in your own life to help you empathize with your clients and understand where they're coming from. When they feel that you respect them and that they can trust you, they will be more willing to open up and discuss financial topics that might otherwise make them feel uncomfortable.

When should I bring up money topics?

The right time to bring up money topics will depend on the people that you work with and your relationship with them. For example, the needs of people transitioning from a shelter into permanent housing are very different from the needs of people who own their own homes and are at risk of foreclosure. Likewise, discussing money topics will vary depending on how much contact you have with your clients. A conversation about financial topics with a client you see once a year will be very different than the discussion you'll have if you see him or her weekly or monthly. Like every other intervention, you need to balance meeting clients where they are with the expectations of your program.

If you are screening someone for benefits, follow your organization's protocol closely when it comes to financial questions so that clients don't feel like you are trying to find out more information than is required for screening them. In this case, talking about financial empowerment at the wrong time could undermine their trust in you. Instead, you may use this opportunity to build trust by suggesting resources they may qualify for such as free tax filing assistance or claiming the Earned Income Tax Credit as a way to bring more money into the household.

Clients may also share problems they're having with a financial product or service provider. As you listen to the challenges they're facing and how they have tried to resolve the problem, if appropriate, you can offer to help them submit a complaint to the CFPB.

How should I bring up money topics?

Use the assessment tool

If you have a lot of contact with a client, one of the easiest ways to bring up money is to use the *Client Goal and Financial Situation Assessment* from Module 2. By going over this series of questions with your client, you will have a clear picture of where he or she stands and what information might be most useful. Remember, you can:

- Ask your client to complete the assessment individually either in your office or at home
- Cover the questions in the assessment orally or in conversation format
- Ask your clients to complete or answer only a few of the questions

Make the most of short-term contacts

While it's great to be able to build trust and discuss financial issues with your clients over the long term, sometimes you just don't have that kind of time. But that doesn't mean that you can't work on empowering your clients financially during short-contact meetings, such as when a client applies for public benefits or comes in for job skills training. For example, if you had a brief meeting with a new client, George, who came in to apply for an energy assistance program, you could say:

You	I've been working on my taxes…not fun, but I think I'm getting a refund this year…Have you done yours yet?
George	No, not yet. I hate them. There are a lot of forms.
You	Have you ever tried a VITA site? They do your taxes for free. Have you not gotten a refund in the past? You may qualify for the EITC tax credit, which can be a lot of money back.
George	No, I always just go to the place in the mall, and sometimes I get a refund, but last year it was only like $125.
You	Think about going to the VITA site - you can get your taxes done free. The IRS trains and certifies the volunteers,so they know what they are doing. Here, let me look up the one closest to your house. If you got a refund, what do you think you'd do with it?
George	I don't know. When I've gotten one in the past it just gets used up if you know what I mean.
You	That's okay. Have you thought about doing something different?
George	Well, every year we talk about trying to get ahead a bit. Take care of some bills, you know. Maybe set a little aside.
You	Good intentions! I know I have lots of good intentions. But I find that if I don't have a plan I don't follow through. Would you be interested in talking through some options or possible plans for your refund?

Build it into existing program procedures

Take a look at your existing organizational purpose, program procedures, and protocols. Often, you may find that introducing financial topics, such as credit, debt, savings, and cash flow, help clients to become more economically self-sufficient. If economic self-sufficiency or a similarly stated purpose is part of your organization's mission or is required by your funders, can you add these topics into your existing protocols, procedures or program offerings to help empower your clients financially?

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

You	Congratulations on the new job! I'm so happy for you. Have you filled out any paperwork yet? Did they give you a direct deposit form?
Javier	Thank you! Its been so great to be working again. Having my own income. I really want to be smart about my money this time. I've filled out a bunch of paperwork, but I have no idea what a direct deposit form is.
You	It's a form that you could fill out so that your new employer can deposit your paycheck directly into your savings or checking account at a bank or credit union.
Javier	Oh, I don't have a savings or checking account. I had one a while ago but they kept charging me for things for no good reason, so in my last job I took my check to this place down the street and they gave me cash.
You	I'm sorry you had such a bad experience. Banks and credit unions can seem really confusing sometimes. I know of a program that can help you get an account at a bank or credit union. And since you are worried about extra fees, here's information from the Consumer Financial Protection Bureau on how to avoid extra fees on your account. We could go over the way it works together if you're interested. It would be a safer place to keep your money. You could even start saving some of it for emergencies or your daughter's education. I remember you telling me how smart she is.

Respond when clients initiate

Sometimes an opportunity to talk with a client about financial issues will arise outside of a formal assessment or procedure. This happens when a client brings up a financial issue directly or indirectly.

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

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

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

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

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

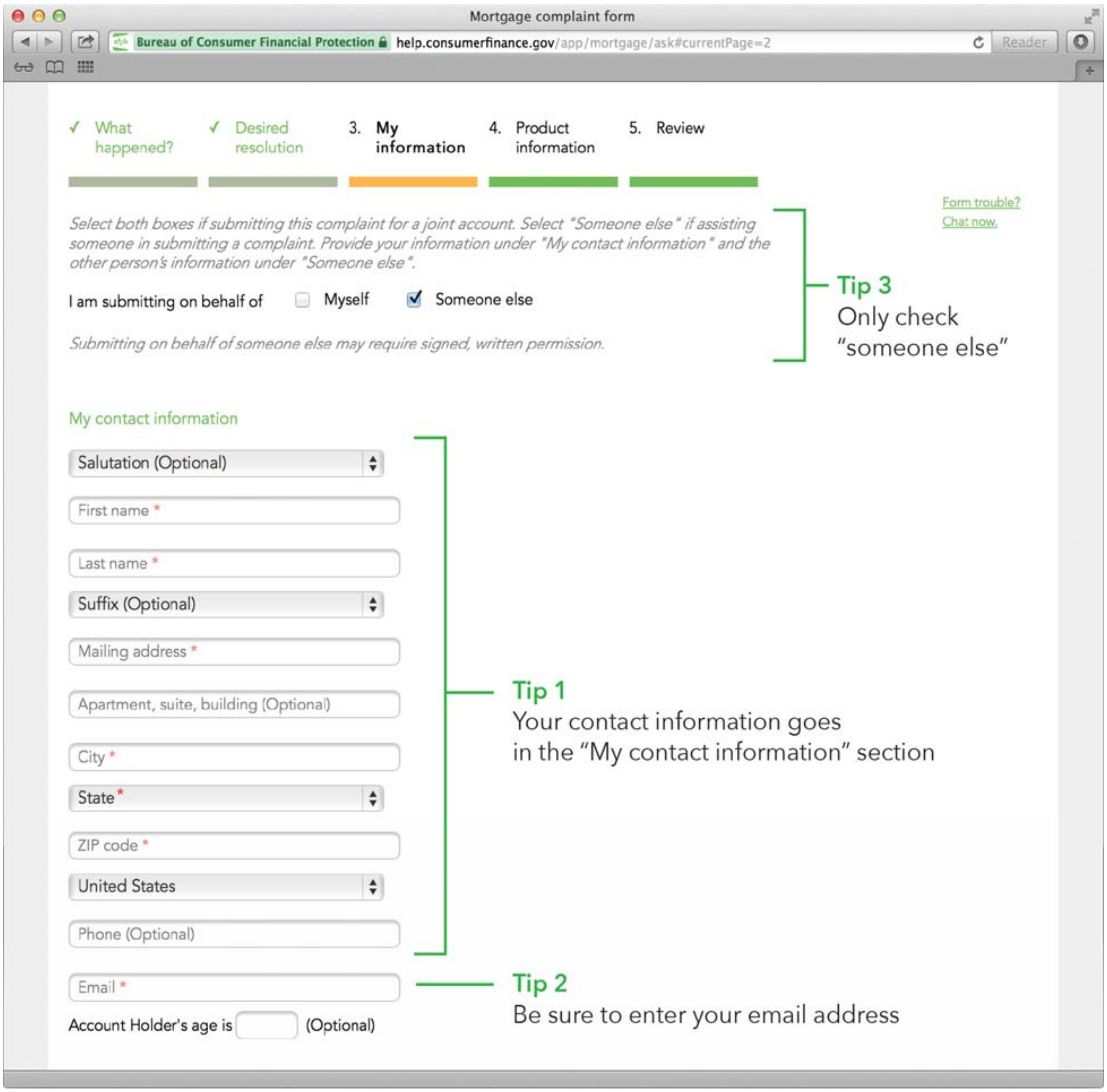
Discussing difficulties or problems with financial products with your clients

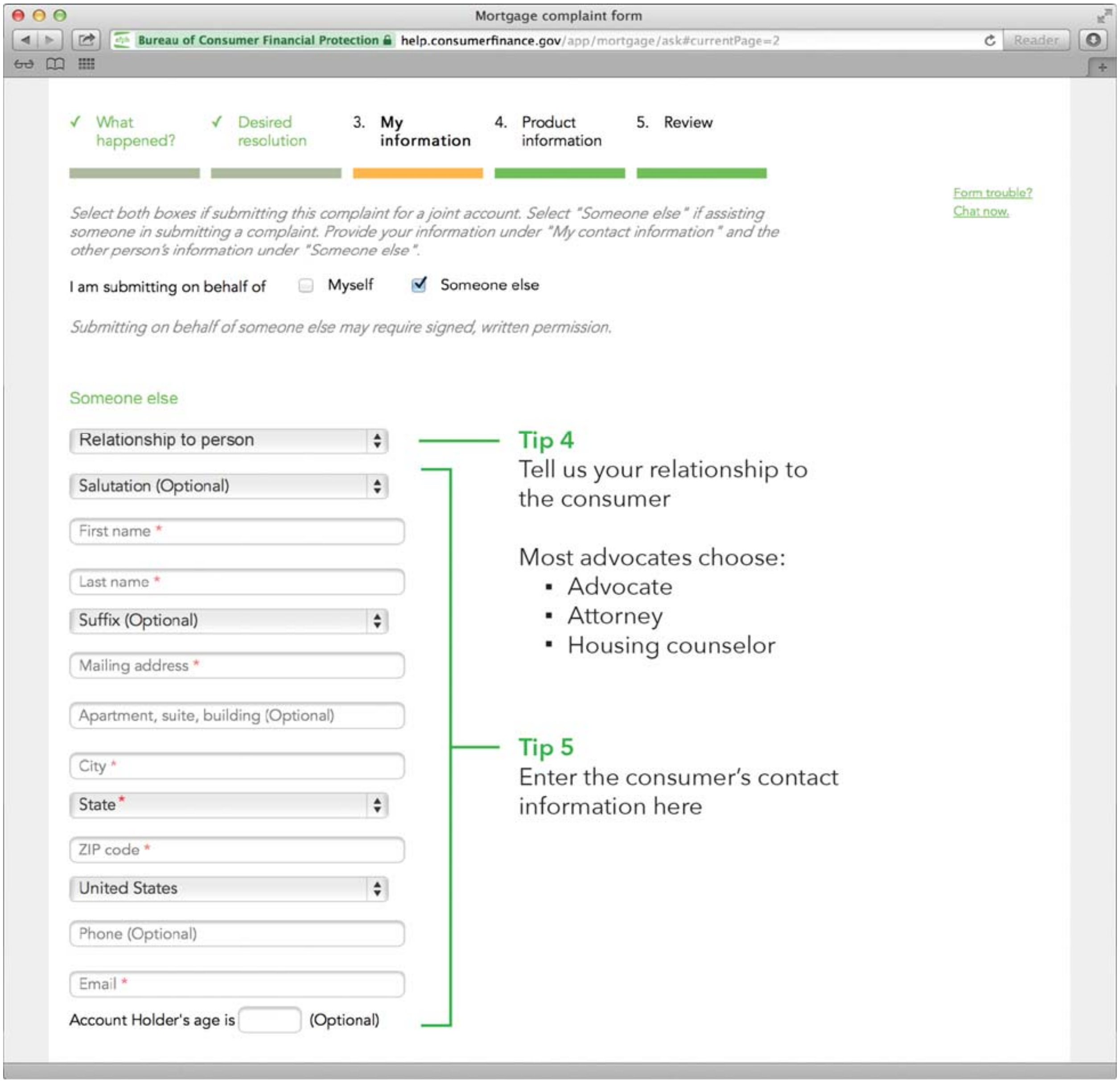
Many people have difficulty with credit or other financial services, but your clients may feel a sense of shame or embarrassment because of their situation. When discussing what has happened with your clients, be sure to explain in clear terms how to avoid a similar situation in the future and how to get help from the CFPB and other federal, state, or local agencies if they can't resolve problems with the financial services provider. See *Module 14: Protecting consumer rights* for information on submitting a complaint to the CFPB and other authorities. Alternatively, you can submit a complaint on behalf of your client.

Submitting a complaint on behalf of another person

CFPB's online complaint system allows you to submit a complaint on behalf of another person but the forms and the way in which you submit may vary depending on the type of complaint. To submit on behalf of someone else, go to the complaint area of the website. Fill out the first two sections—"What happened?" and "Desired Resolution"—and then you will arrive at the "My information" section. At the top of the "My information" section in some intake forms, you will be asked whether you are submitting a complaint on behalf of “myself” or “someone else.” Choose the “someone else” option and you will be prompted to another section where you can fill out the consumer’s contact information. In other forms, you may be able to enter information about the contact person that is different from the information provided about the consumer. You should upload a copy of the Representation Agreement as an attachment when provided an opportunity on the last page of the form.

This is what one of the online forms looks like with notes for how to complete it for a client:





Here is what will happen to the complaint:

- **Complaint Submitted**: The CFPB will screen you complaint based on several criteria. These criteria include whether your complaint falls within the CFPB's primary enforcement authority, whether the complaint is complete, and whether it is a duplicate of another complaint you have submitted.

- **Review and Route:** If a particular complaint does not involve a product or market that is within the Bureau's jurisdiction or that is not currently being handled by the Bureau, the CFPB refers it to the appropriate regulator. Screened complaints are sent via a secure web portal to the appropriate company—the business you have the complaint with.

- **Company Response:** The company reviews the information, communicates with you as needed. It then determines what action to take in response. The company reports back to you and the CFPB via the secure "company portal." After your complaint is sent to the company, the company has 15 days to provide a substantive response to you and the CFPB. Companies are expected to close all but the most complicated complaints within 60 days.

- **Consumer Review:** CFPB then invites you to review the response and provide feedback. Consumer Tracking: You can log onto the secure "consumer portal" available on the CFPB's website or call a toll-free number to receive status updates, provide additional information, and review responses provided to the you by the company.

- **Review and Investigate:** The CFPB reviews your feedback about company responses, using this information along with other information such as the timeliness of the company's response, for example, to help prioritize complaints for investigation.

- **Analyze and report:** Complaints help with the CFPB's work to supervise companies, enforce federal consumer financial laws, and write better rules and regulations. The CFPB also reports to Congress about the complaints we receive and makes anonymized consumer complaint data available to the public on the website: 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 4:

Emotional and cultural influences on financial decisions

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

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

Emotional influences on financial decisions

When people talk about money, it's not just about the numbers—what they are really discussing is what money means to them. Attitudes and behaviors around money are wrapped up in feelings around security, failure, family, love, and status. It's important to observe your clients to try to determine their emotional reactions to money and its meaning, and integrate their emotions and feelings into your discussions about their finances. If someone is "upset or rattled about money, they tend to swing too far in one direction or the other. The best approach takes a middle path – talk to both head and heart."[1]

Instead of just asking your clients to provide you with the basic numbers, try asking your clients questions about how they feel when you're discussing their finances. You could try questions such as:

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

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

Cultural influences on financial decisions

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

Cultural influences are heavily rooted in values. Consider how common American values—such as individualism, practicality, honesty, and hard work[2]—might influence the financial choices people make. Values around money are also influenced by businesses, governments, changes in financial markets, and the media.

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[1] Mellan, Olivia and Christie, Sherrie, *Second Thoughts: Making Better Decisions*, ThinkAdvisor, February 25, 2013. See http://www.thinkadvisor.com/2013/02/25/second-thoughts-making-better-decisions.

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

Cultural conflicts

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

Sometimes, these conflicts aren't just internal, but take place within a family: one spouse may have cultural influences or a family background that encourage them to save for their children's education, while the other may feel that children should be responsible for their own educational expenses. Consequently, one parent may want to save the family's tax refund; the other will think that money should go towards things the family needs or simply wants now. These conflicts can lead to emotional decisions that may not look rational on the outside but make perfect sense given their background, values, and culture.

How can this understanding help my clients?

Discover your clients' cultural and emotional context

When discussing clients' financial behavior, don't just accept their expressed wants at face value; probe gently to discover their underlying attitudes, needs, goals, and roadblocks. Ask them questions like:

- "Who handles the finances in your family?"
- "How does your community of faith view money?"
- "How did your family handle finances when you were growing up? Did you discuss money openly?"
- "How do your friends view money? How do you think this may influence you?"

- “What do you want your children to learn about money? What do you think they are learning from you now?”

It’s often difficult for people to open up about money, but taking the time to really understand and connect with your clients’ cultural and emotional values and needs around money will build empathy, making you more successful in achieving both client and program outcomes.

Recognize emotional and cultural influences

An example of how a difference in cultural values might affect financial behavior is that Western culture values individuality and personal well-being, which means it’s generally considered appropriate for each person to support themselves financially. In some other cultures, family members support each other financially throughout their lives—if they save money, it may go to a family member they believe needs it. If a client chooses to spend his disposable income on his extended family instead of saving it in an emergency fund, this doesn’t mean that he has bad financial habits, just that he is making financial choices in a different cultural context than you may be familiar with.

Helping to bridge cultural and emotional roadblocks

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

Once you understand the cultural factors that are guiding your clients’ behavior, you can coach them toward financial choices that help them effectively manage their obligations and line up with their true values and desires. This might mean that you help them figure out a compromise: for example, how to ensure that they take responsibility for their own financial needs and obligations without asking them to abandon their commitment to help their extended family.

MODULE 5:

Using the toolkit

How does it work?

At this point you may be wondering: How am I ever going to find the time to add financial empowerment into my already packed schedule? One way to think about this financial empowerment work is that it is not an “add-on” service, but rather something to be integrated into the work you are already doing with clients.

Does this mean that it doesn’t require time on your part? Of course not. But that time will be front-loaded. In order to integrate financial empowerment into the case management or other supportive services you provide, you will have to invest time into:

- Learning the toolkit content
- Becoming comfortable with the topics and the tools in the toolkit
- Thinking about ways to introduce financial empowerment in the context of the case management you provide
- Potentially capturing the outcomes of financial empowerment in the work you do

Integration

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

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

- It builds on established relationships you may have with clients.
- Clients are busy—there is efficiency in addressing many issues in one stop.
- Financial and economic issues cut across situations and challenges: basic needs housing, health and health care, child rearing and care, work, transportation, and so on.
- Financial empowerment integration may present a more holistic approach to working with clients.
- It provides opportunities for reinforcement during "natural" discussions with clients.
- It may result in better outcomes for the clients and programs.[3]

This module provides you with a tool to get you started: the *Client Financial Empowerment Checklist*. The purpose of this tool is to provide you with a tracking template for use with each client you provide financial empowerment services to. It's meant to be a simple way to keep track of the tools or information you have shared with a particular client as you integrate financial empowerment into the work you are already doing with clients. It can also be used to share output level data with your organization and as a case management tool to connect one meeting with a client to the next.

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

Tool 1:

Client financial empowerment checklist

This financial empowerment checklist can help you:

- Identify the financial empowerment information and tools to share with your clients
- Keep track of the information you have shared including any referrals you have made for a client

The checklist is organized by financial empowerment topic or module with each tool associated with that module following. The question(s) following each module name can help you identify the financial empowerment problem addressed in the module and through the tools.

The goal is not to cover all of the tools with each client, but rather to find the right module or tools given the client's most pressing financial empowerment problem or the area in which they have expressed an interest to get more help.

Use this checklist as follows:

- Print a copy of the checklist for each client.
- Write the client's name on the checklist.
- When you have covered the topic or tool, put a check next to the tool or write in the date.
- Use the notes section if you are working with a client on an ongoing basis. Include information about your discussion, specific challenges, and whether you made a referral.
- Keep the checklist with the file so each time you work with the client, you can check in on their financial empowerment progress.

Client Name: ____

✔ or date	Tool	Notes and referral information
Module 6: Setting goals—*Does the client have clear goals? Is the client satisfied with his or her financial situation?*		
	Goal setting tool	
Module 7: Saving for emergencies, the unexpected, and goals—*Does the client have money set aside for emergencies or unexpected expenses?*		
	Savings plan	
	Benefits and asset limits	
	Finding a safe place for savings	
Module 8: Managing income and benefits—*Does the client have enough income?*		
	Income and financial resource tracker	
	Strategies for increasing sources of cash and financial resources	
	Cash, paychecks, direct deposit, payroll cards, and EBT— understanding the pros and cons	
	Increasing your income through tax credits	
Module 9: Paying bills and other expenses—*Does the client pay bills on time each month?*		
	Spending tracker	
	Bill calendar	
	Strategies for cutting expenses	

	When cash is short: prioritizing bills and spending	
Module 10: Managing cash flow—*Is the client able to make ends meet each month?*		
	Cash flow budget	
	Cash flow calendar	
	Improving cash flow checklist	
Module 11: Dealing with debt—*Is the client able to manage his or her debts?*		
	Debt management worksheet	
	Debt-to-income worksheet	
	Debt reduction strategies worksheet	
Module 12: Understanding credit reports and scores—*Has the client ever reviewed his or her credit report?*		
	Getting your credit reports and scores	
	Credit report review checklist	
	Improving credit reports and scores	
Module 13: Evaluating financial service providers, products, and services—*Has the client considered using different financial products or services to manage income and pay expenses?*		
	Selecting financial products and providers	
	Evaluating financial service providers	

	Basic definitions of financial services	
	Opening an account checklist	
Module 14: Protecting consumer rights—*Does the client know about basic steps to be protected from scams, cons, fraud, and identity theft? If the client has a question or a problem with a financial product or service, does he or she know how to contact the CFPB?*		
	Red flags	
	Protecting your identity	
	Learning more about consumer protection	
	Filing a complaint	

MODULE 6:

Setting goals

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

But people sometimes hesitate to set goals because they feel like their life is out of control and that they can't change the direction they're going.

One way to think about financial empowerment is to begin by thinking about your goals. Once you know where you are now and where you'd like to go, that can help you take the first step in the direction you've chosen.

If you're like most people, you'll need money to achieve some of your goals. Your goals may include, for example, having enough money to pay all of your bills each month, or having enough money to pay off a short-term loan from a family member or lender. Your goals could also include saving money to buy gifts at holiday time, set up an emergency fund, purchase a used car, move to a nicer apartment, make a repair on your home, send your child to college, pay for education for yourself, or put into a retirement account.

To start the process, ask yourself how you would like your life to be different. Ask yourself what you really want most from life, too.

This process of figuring out where you want to go in life and knowing what you want to achieve for yourself or for your family is called setting goals. As you know, depending on the goal, it can take just a week, a month, or a few months to reach some goals. These are short-term goals. You may also have long-term goals—things that will take many months or even years to reach.

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

Setting goals helps you to:

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

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, think about the following:

Specific	**Ask yourself:** Who will achieve or benefit from the goal? What is specifically being achieved? 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, because it provides something defined to reach for.
Measurable	**Ask yourself:** How much? How many? How will I know when it is done? You should be able to track your progress toward meeting the goal.
Able to be reached	**Ask yourself:** Is this goal something that I can actually reach? You might want to get out of high credit card debt tomorrow or become a millionaire in a year, but for most of us, those are totally impossible goals. That doesn’t mean that your goals should be easy. Your goal may be a stretch for you, but it should not be extreme or impossible.
Relevant	**Ask yourself:** Is this something that I really want? Is now the right time to do this? Set goals that matter to you and are a priority in your life.

Timebound	**Ask yourself:** By what date must this goal be reached? Goals should have a clearly defined time frame, including a target or deadline date. This helps ensure they are measureable (Did I achieve the goal by the target date?) and that actions are planned to reach the goal by the date.

Here are some hopes, wants, or dreams you might have for your family and how they could be translated into strong goals.

Hopes, wants, or dreams	Strong goals
I'd like to be able to pay all of my bills each month.	**Short-term goal:** I will review my budget to see if there are ways to cut my spending by the end of the month. **Short-term goal:** I will meet with the Community Action Program to see if I qualify for job training and other benefits by the end of the month.
I really want to save some money in case something happens in the future and I lose my job.	I will save $50 over the next six months to start an emergency fund.
I want to get out of credit card debt.	I will pay down $1,000 of my debt over the next 18 months.
I'd like a safe, stable place to raise my children.	**Short-term goal:** I will save $800 for the required first month rent in the next six months so that I can move into a new apartment by June. **Long-term goal:** I will save $3,000 for a down payment, apply for additional down payment help, and purchase a home in four years.
I'd like to buy a new television.	I will save $400 and purchase a new television in six months.
I'd like to help my child go to college.	**Short-term goal:** I will read to my child every night to show that school and learning are important. **Long-term goal:** I will save $5000 in a fund to help pay my child's tuition in ten years.

Turning goals into savings targets

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

When figuring out how much you need to save every week to meet your goal, you need two pieces of information: the total amount that you'd like to save and the number of weeks you have to save. Then, you can plug those two pieces of information into this formula:

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

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

You can plug these numbers into the formula:

$500 ÷ 32 = $15.65 (rounded)

The formula shows that you would need to save about $15.65 every week in order to have $500 by the time your kids start school. (To get the monthly total, divide the savings goal by 8 months instead of 32 weeks.)

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

$500 ÷ 16 = $31.25 per week

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

After doing these examples, did you notice how the three pieces of information (total amount of savings, number of weeks, and amount needed to save every month) are related to each other? Though the amount of total savings is the same in both, you'd need to save more each week in the second example, because you have fewer weeks to save. This relationship is a good rule to remember.

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

It's helpful to use this formula when figuring out if your goal is actually reachable. For example, in September you decide to buy a new television by the end of November. You've looked at models, and the one you want is $600. If you start saving at the beginning of September, you have twelve weeks to save. You can plug this into the formula to see how much you'd need to save each month.

$600 ÷ 12 = $50 per week

You would need to save $50 every week (or $200 every month) in order to meet this goal. But what if you don't have $50 extra dollars in your cash flow budget? Does that mean buying a new television is a bad goal?

No – it just means you need to make an adjustment to either the amount of savings or to the length of time you have to save so that the goal is attainable. Are you willing to buy a less expensive television? Here is an example of adjusting your goal and purchasing a less expensive ($300) television:

$300 ÷ 12 = $25 per week

By lowering the total amount of savings to $300, you bring your monthly weekly savings to $25, which might fit more easily into your cash flow budget. But if you don't want to buy a less expensive television, what else could you do to make this goal attainable? You can decide to lengthen the savings period. Instead of saving for three months, you extend the time to six months or 24 weeks to save for the television:

$600 ÷ 24= $25 per week

By giving yourself 24 weeks to save instead of 12, you can bring your weekly savings down to $25 and purchase your desired television in February instead of November.

Once you have your savings goal, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 10: Managing cash flow*. For ideas on finding money to save for your goals, see *Module 7: Saving for the unexpected, emergencies, and goals*.

What about revising goals?

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

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

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

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

If the amount of saving every week or month toward the goal exceeds what is possible for you, think about if you can change either the length of time you have to save or the total savings. Ask yourself if this goal can wait a bit longer. If it can, adjust the length of time you have to save, which will bring down the amount of your weekly or monthly savings. If you can't adjust the length of time, you can lower the amount of total savings, which will also bring down the amount of your weekly or monthly savings.

If your Emergency Savings have been used, they've done their job. Now it's time to replenish them. Create a new goal by figuring out how much Emergency Savings you'd like to have and by when. Calculate the amount you need to save weekly or monthly and start saving. (See *Module 7: Saving for the unexpected, emergencies, and goals* for more information on this topic.)

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

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

Savings accounts for children

Clients 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?

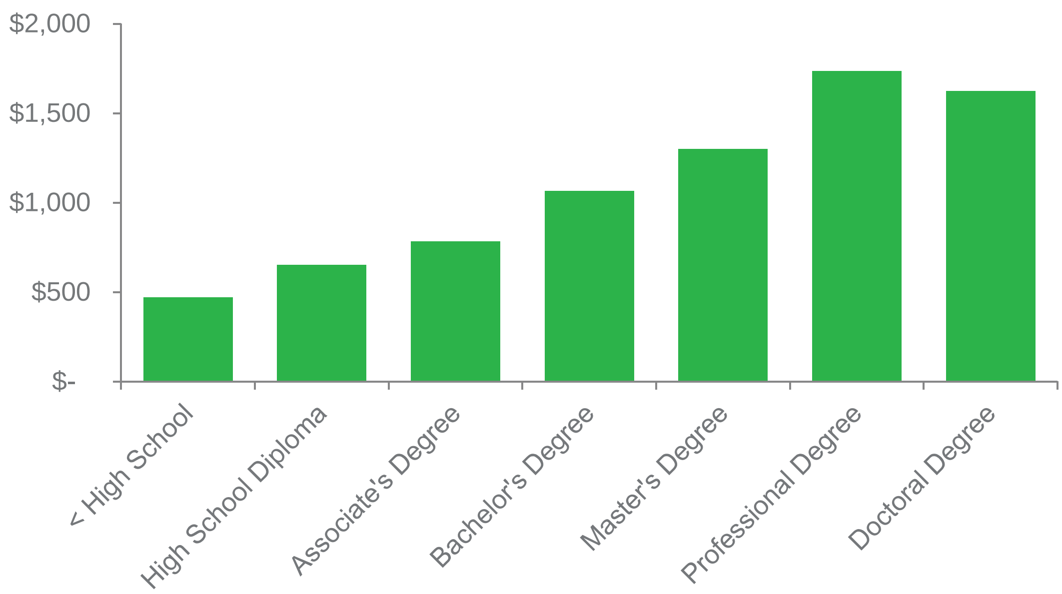
- Providing a safe place for a child to put money earned or received as gifts
- Introducing a child to saving and using financial services
- Helping a child to build assets and learn to plan for the future

Saving for education

Clients with children may want to work toward making a better life for their children. Saving for children's postsecondary education or training may be a financial goal for these clients, because they see them as a path to "a better life."

Postsecondary education, which means training or education after completion of 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 1: MEDIAN WEEKLY EARNINGS, 2012



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

Saving for children's education can help pay for the costs associated with training and education after high school. These savings can also reduce the amount of money that must be borrowed and may increase the number of options children have for schooling after high school.

There are many financial products geared toward helping people save for children's education, but the first step is setting a goal and setting aside money specifically for it. Once someone has done this, he can save for postsecondary education in a savings account, a certificate of deposit, or an investment option designed specifically to help people save for postsecondary education. One option is a 529 college savings plan. These are tax-advantaged savings plans designed to help parents, guardians, and grandparents save for children's education. For more information on saving for college using a 529 Plan, visit http://www.collegesavings.org.

Tool 1:

Goal setting tool

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

There are three 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:** Finally, figure out how much you need to save each week (or month) to reach your goal using the final section of the worksheet.

If you decide to make a budget or a cash flow budget (See Module 10), be sure to add in your monthly savings 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 specific, measurable, able to be achieved, relevant, and time bound.

You may have many things you want to achieve. If you can focus on one or two, you may have a better chance of reaching that goal. (If you want to write more than one short-term goal and one long-term goal, make another copy of the worksheet for this step.)

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

Step 3: Figure out weekly savings target

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

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

Once you have your savings goal, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 10: Managing cash flow*. For ideas on finding money to save, see *Module 7: Saving for the unexpected, emergencies, and goals*.

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

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

This tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this tool. The CFPB is not responsible and has no control over how others may use the information that you provide to them about your personal or financial situation. Be cautious how you use this tool. CFPB recommends that you do not include names, account numbers; that you lock up completed hard copies and encrypt completed soft copies of the tool that contain sensitive personal and financial information; and shred hard copies that contain sensitive personal and financial information when no longer needed

MODULE 7:

Saving for the unexpected, emergencies, and goals

What is savings?

Savings is money you set aside today to use in the future. People save for many reasons. Two big reasons they save are for:

- Unexpected expenses and emergencies
- Their own goals, like a new TV, appliances, a home, their children's education, and retirement

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

Everyone has unexpected expenses and emergencies—this could be a suddenly needed car repair, the need to travel to help a sick family member in another state, a cutback in hours or even the loss of a job.

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

When you skip paying other bills to pay for an emergency, you often pay late fees. And if it results in loss of service (your utilities are shut off, for example), then you have to come up with more money to turn them back on.

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

Borrowing money to cover unexpected expenses and emergencies both costs you more and uses up some of your income every month until you have paid back the money. So saving money now for unexpected expenses and emergencies can save you money later.

How to save

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

- **You can decrease spending on one item or many things.** Then, put that money "not spent" into savings. The easiest way to find a chunk of money to save is to eliminate one major cost. This may mean cutting back on television services (from premium cable service to basic), phone service (from unlimited texts and calling to a limited or prepaid plan), or on a service you're paying for but may not be using.

  If there are not "major costs" to cut, you may have to cut back a little bit in several different categories of spending—cutting out one meal out per month, for example, or consolidating errands to spend less on gasoline.

  But the big challenge is turning that "money saved" into savings. You have to move that money you have saved by not spending it into a savings jar or envelope in your home and then into a savings account at a bank or credit union or a savings bond. If you don't have a place to set it aside, it can be easy to spend it instead of save it.

- **You can also increase your income.** This can mean taking another part-time job or ensuring you file your taxes and claim tax credits you qualify for. For example, your 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. Again, you must make sure that some of that new income gets moved into the place you have decided to save it. You can use *Tool 1: Savings plan* to figure out why you need to save, how much you need to save, and how you can start to find the money to save. *Tool 4: Increasing your income through tax credits* explains the Earned Income Tax Credit (EITC) and the Child Tax Credit and how they can help you increase the income you have available to pay bills, pay down debt, or save for your goals.

Savings and public benefits

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

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

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

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

Savings plan

Did you know that most people in the U.S. don't have enough savings to cover a $1,000 emergency?[4] Whether you have low income or high income, most people can expect around $2,000 worth of unexpected or emergency expenses in a year.[5] These unexpected expenses include medical bills that aren't covered by insurance, auto repairs, home and appliance repairs, and bills that you still have to pay if you lose your job are the most common. For individuals with fluctuating or seasonal income, the amount of money needed to cover weeks or months when the income is less than expected or nonexistent will be even greater than the $2,000 for unexpected or emergency expenses.

4 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.

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

What is a savings plan? A savings plan is a plan that includes:

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

- **The amounts you need to save.** This is the total amount of money you need to save. You do not need to save this all at once. Your savings plan will help you come up with an amount of money you can save each and every month to reach all of your savings goals.[6]

- **How you are going to find that money to save.** These are the specific strategies you are going to use to find that money to save. Most 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 strategy is using direct deposit or transfer of a set amount into a savings account if you have a regular paycheck. *Tool 4: Increasing your income through tax credits* explains the Earned Income Tax Credit (EITC) and the Child Tax Credit and how they can help you save for your goals.

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

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6 While the target amount for an emergency fund will vary from person to person based on their needs, $500 to $1,000 has been suggested as a starting point. See http://www.AmericaSaves.org.

Emergency fund

An emergency fund or a rainy day fund can be an important part of your savings plan. Having your own money set aside to cover unexpected expenses can save you money, because you won't pay interest, fees, or other costs that come from borrowing the money you need.

How much should you save? Start with $500 as your goal. This is enough to cover a lot of common emergencies: many car repairs, a plane ticket to care for a sick family member, or to pay minor medical costs.

Once you reach $500, consider reaching for $1,000. This may be enough to cover your rent if you lose your job, take care of major car repairs, and pay for many household repairs.

What are the benefits of a savings plan?

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

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

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

	Emergency savings	Credit card	Payday loan
Amount	$350	$350	$350
APR[7]		21.99% annual percentage rate (APR)	$15 for every $100 borrowed for 14 days. This means a 391% annual percentage rate (APR).[8]
Payment		Must pay at least a certain amount each month.[9] (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).[10]
Total 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[11] 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.[12]

[7] 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.

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

[9] 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.

[10] 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.

[11] 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.

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

A safe place to save

Setting aside money to save can be hard and it's important to understand the risks and the benefits of each of the places you can put the money until you want or need to use it. As you consider the options, you'll want to make sure to be aware of the potential costs of each financial product.

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

Federal insurance for financial institutions

There are two agencies established by the federal government to make certain that the money people deposit in banks or credit unions will be there when the person wants to withdraw it. The Federal Deposit Insurance Corporation (FDIC) insures money in banks. The National Credit Union Administration (NCUA) insures money in credit unions.

In general, the limit is $250,000 per depositor, per insured institution. So, if you have no more than $250,000 in a savings account in an insured bank and the bank fails, you will get all your money back. The FDIC and NCUA do NOT insure money that people use to invest in 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. FDIC

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

NCUA

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

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

Direct deposit and savings

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

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

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

Check with your employer to learn more about direct deposit.

Your banking history report

If you are considering opening a savings account, it's important to understand the impact that your banking history report may have on the type of account you may be able to open. The information below can help you learn more and take action to correct any mistakes in your report.

When you complete the application to open an account at a bank or credit union, the bank or credit union often contacts specialty consumer reporting agencies that have information on checking account history. Banks and credit unions contact companies like ChexSystems, TeleCheck, Early Warning, and others like them to find out if you have had prior difficulties using a checking account, including writing bad checks or suspected fraud.

These agencies collect information about how consumers manage savings and checking accounts. They do this for financial institutions that are a part of their network. Financial institutions 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 that have been reported (routing transit number and/or account number), date information was reported about an account, and then the reason for the report. The report also includes retail information, which refers to returned checks. Retailers and other businesses report this type of information to SCAN (Shared Check Authorization Network).

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

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

You can order your own free ChexSystems report online at www.consumerdebit.com, call for more information at (800) 428-9623, or send a written request to: Chex Systems, Inc., 7805 Hudson Road, Suite 100, Woodbury, MN 55125.

You can request your annual file disclosure from TeleCheck Services by calling (800) 366-2425. You can order your TeleCheck Services Report by sending a written request and include a daytime phone number, a copy of your driver's license, your social security number, and a copy of a voided check to: TeleCheck Services, Inc., Attention: Consumer Resolution – FA, P.O. Box 4514, Houston, TX 77210-4515.

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

Tool 1:

Savings plan

This tool can help you make a plan to save money for your goals, expenses, and 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. To complete this worksheet, you will need to know:

- Your savings goals. If you haven't set these, consider using the information and tools in *Module 6: Setting goals*.
- Strategies you can use for saving money. The worksheet encourages you to be as specific as possible. See the example in the worksheet to get started.
- Where you will put the money you save.

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

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

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

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

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

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

____ I borrow money from other family members or friends.

____ I get a payday loan.

____ I get cash through a pawn shop.

____ I use a credit card.

____ I use a refund anticipation loan (RAL).

____ I use my tax refund.

____ I use a car title loan.

Savings plan[13]

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 budget or cash flow budget. For more information on cash flow budgets, see *Module 10: Managing cash flow*. For more information on setting up an account to save in, see *Module 13: Evaluating financial service providers, products, and services.*

13 This table refers to a monthly savings plan. The training also emphasizes irregular savings deposits as well from such places such as Federal and State EITC returns. An example could include depositing $200 of a $2,000 EITC return.

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.

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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.

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

Asset limits and savings

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

If you have saved money from the Earned Income Tax Credit, this savings is 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

If you answered "yes" to the question above, you may want to review the following tool with your case manager.

It is important to note that some benefits are federal, and some benefits come from the state. Be sure you find out the rules that apply to the benefits you get in your own state.

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

Benefit[14,15]	**Do you have this?**	**Asset limits**	**Contact and other information**
SNAP[16] **Supplemental Nutrition Program, also called Food Stamps**		Up to $2,000 in countable resources (bank account) or $3,250 if one household member is over 60 or disabled[17] States using broad-based categorical eligibility have no asset limits.[18,19]	
TANF - Temporary Assistance for Needy Families		$2,000 to $3,000 in most states	
SSI - Supplemental Security Income		$2,000 if single $3,000 if married	

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14 This information is current as of January 2013 and pertains to rules for 2012.

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

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

17 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.

18 States have had the option to enroll people using broad-based categorical eligibility. This effectively eliminates the asset test specifically for SNAP because people are enrolled based on their enrollment in other programs. See http://www.fas.org/sgp/crs/misc/R42054.pdf.

19 United States Department of Agriculture Food and Nutrition Service. See http://origin.www.fns.usda.gov/snap/rules/Memo/BBCE.pdf.

Benefit[14,15]	Do you have this?	Asset limits	Contact and other information
SSDI **Social Security Disability Insurance**		No asset limits	
Rental assistance			
Energy Assistance			
Family Medicaid[20]		No asset limit test due to Affordable Care Act Regulations that took effect in 2014	
State Child Health Insurance Program		No asset limit test in most states; contact state administrator for details.	
Other:			

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

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 may have given up premium cable or satellite dish service for basic. Or, you have found a way to bring in more income – you've taken on a 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. For some people, a secret place in their home may feel like a safe place. 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 for maintaining 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 for maintaining 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)	Easy to access Convenient No account needed	May have fees for activation, loading funds, using the card, etc. May not be insured for you or have the same protections from loss or theft as a savings account if the card or PIN are lost or stolen.	Check the card agreement to ensure that you understand the fees and whether you have protection from loss or theft.
In a federally insured savings or checking account	If the institution is federally insured, up to $250,000 per depositor is protected. Unlike cash, the money cannot be lost, stolen, or destroyed in a fire or other disaster. You can generally get it back if someone steals it by stealing your ATM or debit card.	May be charged fees if you do not follow the rules for the account	You may not be able to open an account for a period of time if you have had an account closed because of unpaid account fees and debts in the last five years. Be sure you understand any monthly fees and other fees.
U.S. Savings Bonds	The money cannot be lost or destroyed in a fire or other disaster. If you have a paper bond, the funds can be recovered The rate is guaranteed for the length of the bond.	You lose some of the interest if you cash the bond before it matures.	
Other			

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

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Tool 4:

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 2013 tax year the following income limits and maximum tax credits apply:

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	$46,227	$51,567	$6,044
Two qualifying children	$43,038	$48,378	$5,372
One qualifying child	$37,870	$43,210	$3,250
No qualifying children	$14,340	$19,680	$487

Also, **investment income** must be $3,300 or less for the year.

Your kids are “qualifying children” if:

- They have lived with you 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;” and
- 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. 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.

Be sure to visit 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 and in your life. Find one at http://irs.treasury.gov/freetaxprep or call (800) 906-9887.

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 8:

Managing income and benefits

Income

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

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

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

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

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

You can use *Tool 1: Income tracker* to figure out if your income is regular, irregular, seasonal, or one-time within a year. It is the first step in planning how you can manage your income differently to cover spending in months you may not have income. This is also an important step in creating a cash flow budget, which is explained in *Module 10: Managing cash flow*.

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

Benefits

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

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

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

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

Benefits are important financial resources that cover living expenses. That's why it is important to track benefits the same way you keep track of your income. Having benefits can also free up cash to pay for other living expenses not generally covered by benefits, such as:

- Utilities
- Gasoline for an automobile
- Car repairs

- Cell phone service
- Debt repayment

In some states, people receive their unemployment benefits and other government benefits on a prepaid card.[21] Instead of getting checks, they receive a card, and each month 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, you can also choose direct deposit to a checking or savings account or a prepaid card of your choice.

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

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

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

Getting income

There are different ways to receive income and benefits. In some situations, you do not have a choice. For example, some public benefits you must receive using EBT where benefits are directly deposited to a card or a bank account. Some employers may only pay you using a traditional paycheck. You may get your income in one or more of the following ways:

- Cash

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

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

Why does this matter? Each way to get income has advantages and disadvantages. Some of these advantages and disadvantages may make it easier or harder for you to manage your income. To better understand the pros and cons of each method, use *Tool 3: Cash, paychecks, direct deposit, payroll cards, and EBT—understanding the pros and cons.*

After you have you have tracked your income, be sure to add it into your budget or cash flow budget. For more information on cash flow budgets, see *Module 10: Managing cash flow*.

Garnishments

There are two kinds of garnishment:

- **Wage garnishment**—your earnings are garnished or attached to pay for a debt
- **Nonwage garnishment**—money in a bank account is attached or garnished to pay for a debt

Wage garnishments give the government or creditors the right to collect money directly out of someone's paycheck. This can generally only happen with a court order.

Common reasons for wage and nonwage garnishment are:

- Taxes owed to the IRS or the state
- Money owed for child support
- Money owed for delinquent student loans
- Other unpaid or delinquent debts such as credit card or medical debt

With a wage garnishment order, only a certain percentage of the employees disposable earning can be withheld. Title III of the Consumer Credit Protection Act details the limits the wage garnishments. Generally, the amount must be the lesser of two figures:

- 25% of disposable income

  or

- The amount that a person earns each week over the federal minimum wage ($7.25) times 30 ($7.25 X 30 = $217.50). (Note that the federal minimum wage is subject to change. See http://www.dol.gov for updates.)

All mandatory deductions are protected from garnishment outright:

- Federal, state and local taxes
- FICA contributions

Voluntary deductions are not protected.

Some states have additional protections. Find a legal aid organization in your community to learn more about protections from wage garnishment.

All income and money in an account is available for garnishment unless you receive it from a **protected income** source:

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

If you owe money for federal taxes, child support, or federal student loans, even protected income sources can be garnished. If you owe state or federal debt, no court order is needed to attach your bank account.

Tool 1:

Income and financial resource tracker

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

Use this tool to track all of income and financial resources that you receive during a month.

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)

You can track either gross income or net income. It is easier to track net income, however. This is the money you actually have to use to pay for your living expenses.

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 10: Managing Your Cash Flow*.

Income for the Month of: ____

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

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

	Week 1 __/__/__	**Week 2** __/__/__	**Week 3** __/__/__	**Week 4** __/__/__	**Total by source**	***Regular***	***Irregular***	***Seasonal***	***One-time***
Job									
Second job									
Self- employment Income									
SNAP									
TANF									
SSI									
SSDI									
Childcare payment									

	Week 1 __/__/__	Week 2 __/__/__	Week 3 __/__/__	Week 4 __/__/__	Total by source	*Regular*	*Irregular*	*Seasonal*	*One-time*
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 10: Managing cash flow*. For more information on financial services that may help you manage your income, see *Module 13: Evaluating financial service providers, products, and services.*

Tool 2:

Strategies for increasing sources of cash and financial resources

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

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

This tool focuses on ways to increase 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 sometimes bring in more income through a one-time activity. This would include selling items in a garage sale or on sales websites. This would also include getting a tax refund by claiming tax credits for which you qualify.

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

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

✔ if option for you	Strategy for increasing sources of cash and 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	
	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	
	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	
	If you qualify, 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 10: Managing cash flow*.

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Tool 3:

Cash, paychecks, direct deposit, payroll cards, and EBT—understanding the benefits and risks

Salaries, wages, and public benefits can be provided in a variety of ways: cash, paychecks, direct deposit, payroll cards and electronic benefits transfer (EBT) cards. Each has potential pros and cons related to convenience, security, and fees.

The table below highlights some of the pros and cons associated with each method in order to 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.

	Definition	Benefits	Risks
Cash	Paper or coin money minted by the U.S. Government	Accepted everywhere Not subject to garnishment or other collection	Could be lost or stolen Some people find it tempting to spend cash they have on hand (i.e. “burns a hole in your pocket”). Can be more difficult to track for personal budgeting and tax purposes Not all bill payments can be made in cash
☐ *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 a check cashing service to cash them. 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.
☐ *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 routed to your bank or credit union account or your own prepaid card without the use of a paper check.	Safer and more secure than carrying cash or checks Funds are usually available immediately. Reduces trips to bank Funds can be accessed via a debit card, ATM card, or personal checks. If the direct deposit is made to a checking account, the account's debit card has full consumer protections for funds taken by error or theft. Income can be routed to a bank or credit union account. Many employers allow you to split your deposit between a checking and savings account, which can help you build savings. No check cashing fees	If direct deposit is made to a prepaid card, the card may lack full consumer protections for funds taken by error or theft. Potential overdraft fees if employee writes checks or uses debit card without sufficient funds Requires some extra effort to access cash when cash is needed May not be offered by all employers
☐ *This is a good option for me. Ways to get more information:* ☐ *This is not a good option for me.*			
Payroll cards	Prepaid cards arranged by an employer through which employees access their salary or wages	Safer and more secure than carrying cash or checks The payroll card has full consumer protections for funds taken by error or theft.	Potential inactivity and service fees Potential overdraft fees if employee uses card without sufficient funds Requires some extra effort to access cash when cash is needed
☐ *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.[22]	Safer and more secure than carrying cash or checks Looks like a debit or credit card	Not all merchants accept EBT cards. Some EBT cards are subject to fees. Certain cards lack full consumer protections for returning funds taken by error or theft.
☐ *This is a good option for me. Ways to get more information:* ☐ *This is not a good option for me.*			

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

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

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 9:

Paying bills and other expenses

This can be a struggle for many people. For some people, there is never enough income to cover their needs, wants, and obligations. For others, balancing their personal priorities and their cultural expectations can create a challenge.

The general guideline for financial health is to spend less than you earn. But, if your earnings do not cover even very basic living expenses, this rule of thumb may not seem very helpful.

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

Needs, wants, and obligations

Needs, wants, and obligations are all things you spend money on. But, what are the differences among needs, wants, and obligations? Needs are something you must have to live. Wants are things you can survive without. Obligations are things you must pay because you owe someone money (a car loan) or have been ordered to pay someone (child support).

Needs are those things you 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. Determining what you can afford to get and to maintain or sustain can be a challenge with respect to needs.

Obligations are those things you must pay because you owe money or have been ordered to pay someone money. Debts are examples of obligations. Child support, alimony, and judgments are also examples of obligations.

Wants are the things you can survive without. For example, while a reliable car to get to work is a need, a new car with expensive features is both a need and a want.

Separating out needs, obligations, and wants can be challenging because what one person may view as a want, another person may see as a need. Financial empowerment is about providing people with options and letting them make choices for themselves. Being able to separate needs, obligations, and wants for yourself empowers you to cut back on those areas you determine are optional in your life.

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

If you are trying to make ends meet or find money to save, you may also want to cut back on the money and financial resources going to bills and living expenses. When this is the case, the key is to identify which bills and expenses can be cut. For specific ideas on cutting back on uses of money and financial resources, use *Tool 3: Strategies for reducing expenses.*

Paying bills

Many people have recurring obligations—rent, utilities, car payments, child support payments, and insurance payments are examples of these obligations. You may avoid late fees and other consequences of late or nonpayment if you can:

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

Tool 2: Bill calendar was designed to help you document what you owe and when it is due. You could also explore reminder services for bills as well as apps. These are designed to send reminders when bills are due and should be paid. Another part of bill payment is how bills are paid. In general, you can pay your bills using:

- Cash
- Money orders
- Checks

- Credit cards
- Automatic debit
- Online bill payment

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

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

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

Check	Convenient once the checking account is set up at a bank or credit union. Can be mailed, so more convenient than cash. Easier to prove payment should a dispute arise. Option for online bill payment through the bank or credit union. Funds in checking account are safe.	Requires an account at bank or credit union; you may not be able to get a checking account if you have a negative banking history report. The bank or credit union may charge nonsufficient fund fees, overdraft charges, or returned check fees if you pay bills by check without enough money in your account. May be difficult for some people to understand and manage a checking account. Time to write out checks and mail them. Costs of mailing the bills.
Credit cards	Convenient. Can pay bills over the phone or online. Easier to prove payment should a dispute arise. Credit card protections. Can be set up to automatically pay recurring bills with no risk of overdraft.	Creates debt—you are borrowing money to pay for bills and other items. Costs more than paying for the purchase with cash or a check if you can't pay the credit card balance in full and have to pay interest on the balance.
Automatic debit	Convenient. No chance of being late—set it up once and forget it. Can be linked to a debit card (checking account) or credit card. Easier to prove payment should a dispute arise. Saves time.	If 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.

Online bill payment	Convenient. You may have the option to automate outgoing payments or manually make the payments using your bank or credit union's online banking portal. Minimizes chances of being late if bills are set up for automatic payment. 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. May include options for setting up payment from cell phones/smart devices. Saves time.	Takes time to set up and learn. Possible risks of overdraft.

When cash is short: Prioritizing bills

Even when you cut spending, you may still find yourself to be short on cash.

But when you're trying to decide which of your obligations to pay first and bill collectors are calling, it can sometimes seem easiest to just pay the "squeakiest wheel."

You are responsible for paying all of your obligations on time. But when you have cut out everything that is not a "need" and truly do not have enough money to cover your obligations and living expenses, you may have to make a short-term plan to get through the month.

Sometimes this may involve paying some bills late. Sometimes it may mean missing a bill. This can be an extremely stressful situation, but it requires careful, clear-headed thinking. Part of making this short-term plan involves understanding the consequences of delaying paying certain bills. And sometimes it means ignoring that squeaky wheel for a short period of time until you can build a plan for repayment.

For example, what are the potential consequences of the following scenarios?

Action	Some potential consequences
Five days past the due date for your rent	Pay the late fine as outlined in your lease agreement. Risk creating a pattern of late payment, which could lead to eviction–the landlord terminating your tenancy through the courts. Strain your relationship with your landlord. Create stress for you.
Miss a credit card payment	Pay the late fee as outlined in your credit card agreement. Risk an increase in your interest rate (if you are 60 days late). Get a negative entry on your credit reports. Risk a drop in your credit scores.
Miss your car payment	Pay the late fee as outlined in your loan agreement. Risk creating a pattern of late payment, which could lead to repossession of your car. Create a situation in which you need more cash the following month—to catch up the car payment you missed. Get a negative entry on your credit reports. Risk a drop in your credit scores.
Miss your electric bill payment	Pay the late fee. Create a situation in which you need more cash the following month—to catch up the electric bill you missed. Potentially get a negative entry on your credit reports. Risk a drop in your credit scores. If you are late for several months, your electricity could be cut off. To get it turned on, you will have to not only catch up on payments, but also pay a fee to get your service turned back on.

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

Finally, after you have examined the consequences of not paying or paying bills late, and have called your creditors, make a short-term plan. Use *Tool 4: When cash is short: prioritizing bills and spending*, to make a plan. This tool is designed to help ensure you protect first those expenses associated with earning an income. If you don't cover these expenses, you may jeopardize your ability to earn the money you need to pay any of your bills.

When creditors call

- Do not ignore bills you can't pay. If you must miss a payment, call and explain that you will miss a payment and the reason for it.
- If a creditor (such as a credit card company or medical provider) threatens to sue you, respond to any court documents.
- When possible, do not risk additional expenses associated with protecting your income, shelter, assets, and failing to meet other legal obligations.
- Consider the risk to your income, shelter, assets and the legal implications of delaying payment on your court-ordered obligations first, and then decide which bills to pay first.

For more information on what creditors and debt collectors can and cannot do if you owe them money, visit Ask CFPB at http://www.consumerfinance.gov/AskCFPB.

At the Ask CFPB page, you can search for the kind of information you specifically want on this and other topics.

Your rights in debt collection

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

- Repeated phone calls that are intended to annoy, abuse, or harass you or any person answering the phone
- Obscene or profane language
- Threats of violence or harm
- Publishing lists of people who refuse to pay their debts (this does not include reporting information to a credit reporting company)
- Calling you without telling you who they are

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

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

Tool 1:

Spending tracker

Many people cannot tell you exactly how they get and spend their money during a month. Whether they have a lot of money to spend or are struggling to make ends meet, most people cannot account for all of the ways they use their money.

Spending

Money you use to pay for a wide range of basic needs, your financial obligations, and other things you may want.

Before you think about making any changes, it's a good idea to understand how you use your money now.

How can you do this? It takes three steps and commitment. The three steps are:

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 eliminate or cut back on.
3. Use this information for figuring 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 list what you purchased, take a few seconds and write it down on the receipt. If you don't get a receipt, write one out on scrap paper.

Analyze your spending. Use the following tool, *Analyze Your Spending*, for each week of the month. Go through your receipts. Enter the total you spent in the column that makes most sense to you. Be sure to write it in on the correct date. See how much you spend in each category. At the end of each week, add the amounts for each category. 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, for emergencies, for children's education, for retirement, for holiday purchases, for back-to-school shopping
Debt payments	Credit card, installment loan, payday loan, pawn loan, and car title loan payments; other loan payments
Housing	Rent, mortgage, insurance, property taxes
Utilities	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
Groceries	Food and beverages you bring into the home to prepare, including baby food and formula
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, public transportation
Health care	Co-payments, medication, eye care, dental care, health care premiums
Personal care	Haircuts, hygiene items, dry cleaning
Childcare and school expenses	Child care costs, diapers, school supplies, school materials fees, field trip and other activity fees

Entertainment	Going to the movies, concerts, or sporting events; sports equipment/fees, lottery tickets, memberships, alcohol, books/CDs, subscriptions
Court-ordered obligations	Child support, alimony, 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. Please 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	Utilities	Household suppl., exp.	Groceries	Eating out	Pets	Transportation	Health care	Personal care	Childcare & school	Entertainment	Court-ordered oblig.	Gifts, donations, other	Total
__																
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Total																

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

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

Are there items that can be completely eliminated? If yes, the money spent on these items can be used on other things such as 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 10: Managing cash flow*. For more information on financial services that may help you pay your bills, see *Module 13: Evaluating financial service providers, products, and services.*

Tool 2:

Bill calendar

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

Figuring out which bills you expect throughout the month can be helpful in a couple of ways. Doing so helps you to plan to have enough money or other financial resources on hand to pay them. In addition, 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 by bills when they arrive in the mail.

Create a bill calendar using the following tool:

1. Print the bill calendar.
2. Fill in the name of the month and year.
3. Add numbers to represent the days of the month.
4. Gather all of the bills you pay in one month OR use the information from your *Tool 1: Spending tracker*.
5. On another piece of paper, write down the due dates for these bills.
6. Since due dates are when bills must arrive, also 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.
7. Then 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.
8. 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 13: Evaluating financial service providers, products, and services.*

______, 20__

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

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Tool 3:

Strategies for cutting expenses

If you do not have enough money or financial resources to pay your bills and expenses, 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 strategies may apply to you. Check those that may be an option for you, and use this as a plan for getting more information or resources.

✔ if an option for you	Strategy for cutting expenses and other uses of financial resources	Additional information or resources you need to access this information	Estimate $ value of spending cut you select
Cut back on regular (recurring expenses)			
	Television	*Check with your provider about bundling and lower cost plans or discontinue cable.*	
	Internet	*Check with your provider about bundling and lower cost plans.*	
	Phone	*Check if you qualify for a "Lifeline" phone rate.*[23]	

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

	Cell phone plan	*Review prepaid or fixed-price call plans. Check if you qualify for a "Lifeline" phone rate.*	
	Insurance	*Review insurance and consider increasing deductible on auto insurance to lower premium payment.* *Check to see if moving insurances to one company will save you money, and for other discounts.*	
	Energy costs	*Check to see if eligible for weatherization programs or other energy efficiency/savings incentives.* *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.*	
	Other:		
Get rid of regular (recurring) expenses			
	Online video membership		
	Discount store memberships if not using regularly		
	Gym/health club membership (if not using)		
	Credit monitoring services		
	Other:		
Avoid fees			

	Review financial services.	*Could you switch to a no-fee or lower-fee account?* *Are you paying to cash your checks?* *Are you paying maintenance fees on checking or savings accounts?* *Do you pay overdraft fees?* *Are you paying annual fees for credit cards?* *Know the fees you are paying for your loans.*	
	Pay bills and fines like parking tickets on time.	*Parking tickets and other fines cost more if you pay them late.*	
	Return library materials, rented DVDs, etc. on time.		
	Renew license and registration on time.		
	Other:		
Other methods			
	Negotiate a new due date for bills to make them easier to handle in cash flow.		
	Avoid or cut back on eating out.	*Cut one meal out per month.* *If you buy lunch at work, could you save if you bring it instead?* *If you have children, identify the restaurants that have "kids eat free" nights.*	
	Avoid bottled water.	*Reuse water bottles.*	
	Avoid buying coffee or soda out.		

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

Once you have identified strategies for cutting your spending, adjust your cash flow. See *Module 10: Managing cash flow*.

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Tool 4:

When cash is short—prioritizing bills and spending

Even when you increase sources of income or cut spending, you may still find yourself to be cash short. But when bill collectors are calling, it can seem easiest to just pay the "squeakiest wheel." Take time to consider how each of your bills impacts these areas: protecting your job, your shelter, your assets, and meeting your legal responsibilities.

You are responsible for paying all of your obligations on time. When you truly do not have enough money to cover your obligations and living expenses—this means you have cut out everything you don't need—you may have to make a short-term plan to get through the month.

Sometimes this may involve paying some bills late. Sometimes it may mean missing a bill. This can be an extremely stressful situation. While stressful, it requires careful, clear-headed thinking. Part of making this short-term plan involves understanding the consequences of delaying paying certain bills. And sometimes it means ignoring the squeakiest wheel for a short period of time.

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

Protect your income	Protect your shelter	Protect your assets	Pay your obligations
If you need a car to get to and from work, stay current on your car payment and insurance. *Maintain other expenses to keep your job*.	Whether you rent or have a mortgage, the costs of losing your home are big. *Be sure to pay taxes, condo fees, mobile home lot payments, too.* *If possible, maintain your utilities. They are difficult to live without, and reconnection is expensive.*	Do not let essential insurance coverage lapse; this includes auto, renter's / homeowner's, health. *Not having insurance puts your assets, including your health/your family's health, at risk.*	Example include: ▪ Child support ▪ Income taxes ▪ Student loans
Your expenses:	**Your expenses:**	**Your expenses:**	**Your expenses:**

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

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

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 10:

Managing cash flow

What is a cash flow budget?

When it comes to money, timing matters. People often find themselves flush with cash 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 your income doesn't match the timing of your expenses and you haven't planned for it, you'll come up short.

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

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

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 you have an account at a bank or credit union, check to see if these tools may be available for you.

You may also want to explore the use of online financial management tools. Ensure the website is secure when entering personal or banking information.

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

Making a cash flow budget

Making a cash flow budget involves three steps:

1. **Keeping track** of everything you earn and spend money on for a week, two weeks, or one month. You can use *Tool 1: Income and financial resource tracker* from *Module 8* and *Tool 1: Spending tracker* from *Module 9* to do this.
2. **Analyzing** your spending. You can use *Tool 1: Spending tracker* from *Module 9* to do this.
3. Using this information to **create a cash flow budget**. You will use *Tool 1: Cash flow budget* to complete this step or *Tool 2: Cash flow calendar*. Your cash flow budget is about setting targets for how you will use your income going forward.

Tool 1:

Cash flow budget

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

You can create a cash flow budget using the following form. There are "fixed" expenses such as rent and your car payment. These are expenses that you cannot cut back or that you would have to make major changes to lower, such as by 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 other areas, put these new target levels of spending in your cash flow budget. For example, if you're spending $350 per month on groceries now, you may decide to buy and cook in bulk and cut out bottled water to decrease that amount to $300.

But remember, it's important to be realistic when you set new spending targets. Your cash flow budget is about setting achievable targets for how you will use your income going forward.

Here are some important tips:

1. 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.

2. 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	
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Groceries	$180.00	$80.00
Eating out (meals and beverages)		
Transportation	$240.00	$60.00
Total uses of cash and other financial resources	**$1,129.97**	**$235.50**
Ending balance for the week	**$142.37**	**$197.67**

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

3. Total uses of cash and other financial resources

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

SNAP cannot be used for:

- Any nonfood item, such as pet foods, soaps, paper products and household supplies, grooming items, toothpaste, and cosmetics
- Alcoholic beverages and tobacco
- Vitamins and medicines
- Any food that will be eaten in the store
- Hot foods[24]

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

4. 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					
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 6: Setting goals*, *Module 7: Saving for the unexpected, emergencies, and goals*, *Module 8: Managing income and benefits*, *Module 9: Paying bills and other expenses*, and *Module 11: Dealing with debt*.

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Tool 2:

Cash flow calendar

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

Use the information from your *Module 8, Tool 1: Income and financial resource tracker* and *Module 9, 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.: $130 + Total sources: $585 – Total uses: $450 = Ending bal.: $265
Sources							
	SNAP, $280					Pay, $305	
Uses							
	Food, $180 Phone bill, $60			Gas, $30		Car Payment, $180	

______, 20__

Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	End of Week
__	__	__	__	__	__	__	Beginning bal.: __________ + Total sources: ________ – Total uses: ________ = Ending bal.: ___________
Sources							
Uses							

Sun.	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	End of Week
__	__	__	__	__	__	__	Beginning bal.: __________ + Total sources: ________ – Total uses: ________ = Ending bal.: ___________
Sources							
Uses							

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

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Tool 3:

Improving cash flow checklist

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

Improving cash flow comes down to one of three strategies:

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

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

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

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

	Seek credit counseling or explore debt consolidation.	*If you have many debts and good credit, consider credit counseling 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. Be sure you understand the terms and are not paying more interest with your new loan. See the Resources list at the end of the module for credit counseling links.*	
	Refinance your car or home for lower interest rates if possible or explore extending the time you will repay the loan.	*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, it may make monthly payments more manageable.*	
	Check to make sure your withholding enough tax with your employer.	*This can help ensure you do not end up with a large income tax bill because your withholding was too low.*	
	If you have student loans, check to see if you have repayment options.	*See if you qualify for income-based repayment or other programs. http://studentaid.ed.gov/repay-loans/*	
	Other:		

Cut out spending			
	Review 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*.	
	Review insurance and check to make sure you have the right deductibles for auto and home insurance.	*Check to see if moving insurances to one company will save you money, and check for other discounts.*	
	Find ways to save on energy: Turn off and unplug unused electric appliances. Insulate and use weather stripping around doors and windows. Set thermostat higher in summer and lower in winter.	*Check to see if eligible for weatherization programs or other incentives.*	
	Eliminate online video or music pass membership.		
	Eliminate gym/health club or discount store memberships if not using regularly.		
	Eliminate credit monitoring services if you are paying for them.		
	Pay bills and renew license and registration on time to avoid late fees.		
	Return library materials, rented DVDs, etc. on time.		

	Access community resources for some living expenses.	*See if you qualify for community food programs, clothing closets, transportation voucher programs, childcare subsidies, etc.*	
	Other:		
Increase income			
	Take another part-time job if your schedule allows.		
	Work odd jobs.		
	Apply for benefits for which you may qualify.	*Visit http://www.benefits.gov.*	
	File taxes so that you can receive a refund if you qualify.	*Consider saving some of your refund to help pay bills for the rest of the year.*	
	Other:		

Resources

For MyMoney.gov budgeting resources, visit:

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

If you want more information on budgeting, visit:

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

For more information on benefits, visit:

http://www.benefits.gov

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

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

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

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

http://www.servicelocator.org

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

http://www.benefits.gov

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

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 11:

Dealing with debt

What is debt?

Debt is money you have borrowed from a person or a business. When you owe someone money, you have a liability. **When you owe money, you have to pay it back, sometimes in the form of scheduled payments. Often you use money from your future income to make those payments.** While borrowing money may give you access to something today, you may have monthly payments for months or years going forward. This obligation may decrease your options in the future.

Debt is different from credit. Credit is the ability to borrow money. Debt results from using credit. You can have credit without having debt. For example, you may have a credit card but no outstanding balance on it.

Good debt, bad debt?

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

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

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

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

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

This information is not meant to scare you. It's simply meant to show you that **even debt that many people consider "good" should be approached with caution.**

Some people consider loans such as credit card debt, short-term loans, and pawn loans "bad" debt. This is because they carry fees and interest, and when they have been used for things you consume (like meals out, gifts, or a vacation) they do not help build assets. But, these sources of debt can help cover a gap in your cash flow if you have a way to repay them. So, there is no one type of debt that is "good" or "bad." That's why it's important to first understand your goal or your need. Then you can shop for the credit you need, especially for purchases like a car or a home, before you make your final decision on your purchase.

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

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

- A home loan. The debt is secured with the home you are buying. If you do not pay your loan, the lender can foreclose on your home, sell it, and use the money from the sale to cover your loan.
- An auto loan. The debt is secured with your car. If you do not pay your loan, the lender can repossess (repo) your car and sell it to cover the loan.
- A pawn loan. The debt is secured with the item you have pawned. If you do not make payment when it is due, the pawned item is eventually sold.

- A secured credit card. The debt you incur is secured by funds you deposit at a bank or credit union. Your credit limit will generally equal your deposit. For example, if you deposit $300, your credit limit will be $300.

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

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

If these loans are not paid as agreed, they often go to collections.

Rent-to-own versus installment plans

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

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

Using *Tool 1: Debt management worksheet*, you can list all of your debts and determine whether they are secured or unsecured. For more information on student loan debt, see *Tool 4: Student loan debt*.

How much debt is too much debt?

One way to know if you have too much debt is based on how much stress your debt causes you. If you are worried about your debt, you likely have too much.

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

These include:

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

Debt-to-income ratio

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

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

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

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

Avoiding debt traps

If you are considering loan products that meet an immediate need, it's important to avoid debt traps on your path to your goals.

A debt trap is a situation where people take a loan and have to 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 and taking on more debt 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 such as payday loans. Signature loans and deposit advance loans are other examples of short-term loans.

These loans have many things in common. They:

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

Common misunderstandings about payday loans and deposit advance products

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

1. 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*[25] 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.

2. The borrowers can pay back the loan.

   Fact: While they may pay it back on time, many borrowers have to either immediately take a new loan or take another one in the same pay-period. A CFPB study[26] found that payday borrowers are in debt for a median of 199 days (nearly seven months) of the year

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[25] 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.

[26] 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.

and pay a median of $458 in fees (not including the principal). The Pew Charitable Trust[27] found similar results – that on average, 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.

Deposit advance loans

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: 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 banks are discontinuing this product, but clients may still find them at some banks.

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[27] 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.

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.

Alternatives to high-cost credit

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

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

- Using your own emergency savings
- Using lower-cost short-term loan alternatives from a credit union or bank
- Borrowing from a friend or family member
- Using a credit card – while it will increase your monthly card payment, it may prove cheaper in the long run
- Negotiating for more time to pay if the loan is for a bill that is due
- Bartering for part or all of what you are borrowing the money to cover
- Determining whether the item or circumstance you are borrowing the money for is a need, an obligation, or a want. If it's a want, consider whether it's possible to spend less money for it or not purchasing 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[28]		21.99% annual percentage rate (APR)	$15 for every $100 borrowed for 14 days. This means a 391% annual percentage rate (APR).[29]
Payment		Must pay at least a certain amount each month.[30] (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).[31]
Total 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[32] 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.[33]

[28] 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.

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

[30] 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.

[31] 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.

[32] 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.

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

Dealing with a debt collector

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

Debt collectors use persuasive techniques to get you to send in money. **Do not send money or even acknowledge the debt the first time you are contacted. This is because:**

- **You want to make sure you actually owe the debt.**
- **You want to make sure the individual contacting you really has the authority to collect the debt.**

If you know the debt is not your debt, you can ask the debt collector to stop contacting you.

Before sending money or acknowledging the debt, ask the debt collection agency to verify the debt. Do this by sending a letter within 30 days of the debt collector's first contact asking them to verify the debt is yours and that they have the authority to collect it. Use the sample letters in *Tool 5: When debt collectors call* to get started.

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

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

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

Your rights in debt collection

The Fair Debt Collection Practices Act (FDCPA) says what debt collectors can and cannot do. This law covers businesses or individuals that collect the debt of other businesses. These are often called “third party debt collectors.” This law does not apply to businesses trying to collect their own debts.

The law states that debt collectors may not harass, oppress, or abuse you or any other people they contact. Some examples of harassment are:

- Repeated phone calls that are intended to annoy, abuse, or harass you or any person answering the phone
- Obscene or profane language
- Threats of violence or harm
- Publishing lists of people who refuse to pay their debts (this does not include reporting information to a credit reporting company)
- Calling you without telling you who they are

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

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

Tool 1:

Debt management worksheet

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

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

On the debt management worksheet, you will include:

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

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

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

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

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Tool 2:

Debt-to-income worksheet

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

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

The result is a percentage. This 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 implement a debt reduction plan. As you pay down your debts, your debt-to-income ratio will also decline. And this will result in money being freed up to use on other things, such as saving for your goals, unexpected expenses, and emergencies.

Use the following tool and the analysis to figure out your debt-to-income ratio.

Your total monthly debt payment (from Tool 1)	
DIVIDED BY	
Your monthly gross income (Income before taxes)	
EQUALS	
Your current debt-to-income ratio	

Understanding your debt-to-income analysis

If your debt-to-income ratio is higher than these percentages below, 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 would not be able to handle their debt on top of what you already owe.

The following debt-to-income ratio ranges are guidelines. These ranges are not rules. In fact, many creditors set their own guidelines. 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 for <u>just the mortgage (home loan), taxes, and insurance.</u>**
  - This includes the monthly principal, interest, taxes, and insurance (called PITI).
- **For homeowners: Consider maintaining a debt-to-income ratio for all debts of 36% or less.**

- This means that if you have a mortgage and other debts—credit card payments, student loan payments, auto loan payment, and payday loan payments–your debt-to-income ratio should be below 36%.
- If you have court-ordered, fixed payments, such as child support, count these as debt for this purpose.
- Some lenders will go up to 43% or higher for all debt.[34]

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

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[34] 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.

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

- **Highest interest rate method**

    1. List your debts from highest rate to lowest rate.
    2. 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.
    3. 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**

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

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

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Tool 4:

Student loan debt

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

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

If you have student loan debt, start with the Repaying Your Student Loans section of the tool, which can be accessed at: http://www.consumerfinance.gov/paying-for-college/repay-student-debt/#Question-1.

Repaying federal student loans

There are two general kinds of student loans: federal student loans and private student loans. **Federal student loans** are loans that are funded by the federal government. **Private student loans** are nonfederal loans made by a lender such as a bank, credit union, state agency, or a school. In both federal and private student loans, delinquent payment will impact your credit history and scores and may result in collections. Private student loans 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. Some of the repayment options include:

- **Standard Repayment.** Most borrowers start with this payment plan. This repayment plan has fixed payment of at least $50/month for up to 10 years.
- **Graduated Repayment.** The payment is lower the first year and then gradually increased every 2 years for up to 10 years.
- **Extended Repayment.** The payment is fixed or graduated for up to 25 years. The monthly payments are lower than the standard or graduated repayment plans, but you will pay more interest over the life the loan(s).
- **Income-Based Repayment (IBR).** Payment is limited to 15% of discretionary income, which is the difference between your adjusted gross income and 150% of the Federal Poverty Guidelines. Payments change as income changes and the terms can last up to 25 years. After 25 years of consistent payment (you have missed no payments or caught up with payments), the loan will be forgiven. You will have to pay income tax on the portion of the loan that is forgiven. To qualify for IBR, you must be able to show partial hardship.
- **Pay as You Earn.** Payment is limited to 10% of discretionary income as defined above, payment changes as income changes, and the loan term is 20 years. After 20 years of payments, the loan is forgiven as described above, and taxes will be owed on the amount forgiven. To qualify for pay as you earn, you must be able to show partial hardship.
- **Consolidation Loan.** You pay off all of your existing federal student loans with a new loan. This simplifies paperwork and payment for you—you go from monthly payments on multiple loans to one payment per month on the one new loan. Your loans must be in good standing to qualify. This results in lower monthly payments as the term is 30 years; however, you will pay more interest over the life of the loan.

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

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

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

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

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

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

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

Except for the above circumstances, it is nearly impossible to eliminate federal student loan debt even in bankruptcy. And your wages and bank accounts can be garnished for nonpayment.

Tool 5:

When debt collectors call

Ask for more information

Before sending money or acknowledging the debt, ask the debt collection agency to verify the debt. You can do this by sending a letter within 30 days of the debt collector's first contact asking them to verify the debt is yours and that they have the authority to collect it.

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 contacts you the first time about a debt. Even if 30 days have passed, and a debt collector isn't legally required to give you certain information, you can still ask for it.

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

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

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

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

Example letter to a debt collector asking to verify the debt

[Your name]
[Your return address]

[Date]

[Debt collector name]
[Debt collector address]

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

Dear [Debt collector name]:

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

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

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

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

The amount and age of the debt, specifically:

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

Details about your authority to collect this debt.

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

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

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

Thank you for your cooperation.

Sincerely,

[Your name]

You can ask a debt collector to stop contacting you

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

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

Example letter

[Your name]
[Your return address]

[Date]

[Debt collector name]
[Debt collector Address]

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

Dear [Debt collector name]:

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

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

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]

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

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 12:

Understanding credit reports and scores

What are credit reports?

A credit report is a consumer report that looks at some of your bill paying history, public record information, and a record of your applications for credit. Your credit reports 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 delinquent (late) debt you owe to a debt collector.

Why do credit reports and scores matter?

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

- A bank or credit card will use them to decide whether to give you a loan or offer you a credit card.
- A credit card company may use them to decide what interest rate you will pay on your future charges if you are approved.
- A landlord may use your reports or scores to determine whether to rent an apartment to you.
- In many states, an insurance company may use your reports or scores to determine whether to give you insurance coverage and the rates you will pay for coverage.

- Other service providers, like cell phone and utilities companies, may use them to screen you for deposit levels and cost of service.
- A potential employer may use your reports to determine whether you will get a job. (Note: According to the credit reporting agencies, actual scores are not used by employers. A special version of the credit report is used by employers.)
- An existing employer may use your reports to determine whether you will get a promotion.

Having a positive credit history and good credit scores can open doors for you. Not having a positive credit history or good credit scores can create obstacles for you and end up costing you more money in terms of the price you will pay for loans, credit cards, and other services.

That's why it's important to pay bills on time and pay attention to what's in your credit report. The score is calculated based on the information in the report – so take the time to make sure the information in your report is accurate.

What is in a credit report?

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

A credit report contains five sections. These sections include:

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

- **Public record information**—This section includes public record data of a financial nature, including consumer bankruptcies, judgments, and state and federal tax liens. Records of arrests and convictions generally do not appear on your credit file, but other types of consumer reporting agencies, such as employment background screening agencies, often include them. Other public records that usually do not appear in credit reports are marriage records, adoptions, and records of civil suits that have not resulted in judgments.
- **Collection agency account information**—This section will show if you have or have had any accounts with a collection agency and the status of those accounts.
- **Credit account information** —This section may include accounts you have now or that you had before with creditors. This 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 you are current or late with payments) and the balance, whether you have a past due amount, and the date information was reported to the credit bureau. Some accounts may not be listed, especially older accounts or those you have closed. So there may be inconsistencies across credit files and credit reporting agencies in the contents of this section. It is important to make sure what is listed, however, does or did belong to you.
- **Inquiries made to your account**—Companies look at your credit report when you apply for credit, when they review your account, or when they offer you a special promotional rate. When you apply for credit and a lender reviews your credit report, it is listed as an "inquiry" on your report. Promotional inquiries, periodic reviews of your credit history by one of your creditors, and your requests for a copy of your report aren't listed as an "inquiry."

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

Even though the information is not able to be reported beyond the limits provided in the Fair Credit Reporting Act, the credit reporting agencies may continue to keep the information in your file. Why? Because there is no time limit in terms of reporting information (positive or negative) when you are:

- Applying for credit of $150,000 or more
- Applying for life insurance with a face value of $150,000 or more
- Applying for a job with an annual salary of $75,000 or more

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

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

Negative information

In general, negative information will be reported on your 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

Example credit report

This is an example credit report and not based on the format of any one credit reporting agency. **The italicized text explains what types of information are found in each section.**

It is for example purposes only. Readers should note that each credit reporting agency has its own format that will vary in layout, look, and level of detail reported.

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, and 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. The consumer will also pay $8,165 in interest assuming no late fees.

File number: 12345678 **Date issued: 9/30/2013**

Personal information

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.

Name: Miguel Smith **SSN:** XXX-XX-1234

Other names: Miguel S Smith **Date of birth:** 12-1-1980

Miguel Simon Smith **Telephone:** 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

Responsibility: Individual

Payment received: $349

Account type: Automobile

Last payment made: 7/5/2013

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

Bank of Wisconsin (B42394) **Account# 543298760192XXXX**

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

	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:** 6/2013

90 President Lane, Big City, WI 43529

Super Store **Requested on:** 12/2012

100 First Street, Anytown, IA 78691

Promotional inquiries

The following companies received your name, address and other limited information about your 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:** 07/2012

31 Fashion Lane, Big City, WI 43530

EZ Loan Store **Requested on:** 4/2013

220 4th Avenue, Littletown, MI 09876

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:** 3/2013

457 State Street, Big City, WI 43532

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

Term	Explanation
Authorized user	A person permitted to use a credit card account, but who is not responsible for the account. The payment status of the account (positive or negative) is shown on the credit report of both the authorized user and the account's owner.
Payment status	The history of the account including on-time payments as well as delinquencies and other negative items.
Delinquent	An account that has not been paid on time and is late. Generally delinquencies are expressed as being 30, 60, 90, or 120 days or more delinquent.
Default	An account that has been delinquent (late) for several 30 day billing cycles.
Charge off	When a business decides an account is uncollectible. However, the consumer is still responsible for the debt, and collections will likely continue on this debt.
Closed date	The date an account is closed. An account can be closed by the business or the consumer. If there is still a balance when the account is closed, the consumer is still responsible for paying this.
Discharge	When the court releases a consumer of responsibility for a debt as part of the bankruptcy process.
Chapter 7 bankruptcy	A legal process in which the consumer's assets are used to pay off creditors. Any eligible debts not paid through the assets are discharged. This will be in the public records section of the credit report.

Chapter 13 bankruptcy	A legal process in which a consumer enters into a payment plan to pay off creditors using future income. These are arranged by the courts. Once the payment plan is complete, remaining eligible debts are discharged. This will be in the public records section of the credit report.
Dispute	A right consumers have to challenge and require investigation of information they believe is incorrect on their credit reports. Consumers must initiate the dispute process.
End user	The business or individual that receives a credit report.
Information provider or furnisher	A business or individual that reports information to a credit reporting agency.

Disputing errors on credit reports

If you find something wrong on your credit report, you should dispute it. You may contact both the **credit reporting agency (most often TransUnion, Equifax, or Experian)** and the **company that provided the incorrect information (the information furnisher).** You will need to explain what you think is wrong and why. If you have evidence (a receipt for payment, copy of a cancelled check, etc.) you can include a copy of this and a copy of your credit report with the incorrect information highlighted.

Never send original documents—only send copies. You may want to send this information with your letter using certified mail *return receipt requested*. This will give you notification of when the credit reporting agency and information furnisher receive your dispute letter.

The credit reporting agency generally has 30 - 45 days to respond to your request from the time it receives it (and you will know this because of the return receipt you have).

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

Example letter

[Your name]
[Your return address]

[Date]

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

Dear Sir or Madam:

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

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

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

Sincerely,

[Your name]

Enclosures: [List what you are enclosing.]

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

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

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

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

TransUnion
Online: http://www.transunion.com/personal-credit/credit-disputes-alerts-freezes.page
By mail: Download and complete the dispute form:
http://www.transunion.com/docs/rev/personal/InvestigationRequest.pdf
Mail the dispute form with your letter to:
TransUnion Consumer Solutions
P.O. Box 2000,
Chester, PA 19022-2000
By phone: (800) 916-8800

If the dispute results in a business changing the information it reported, the business must notify the credit reporting agencies to which it has provided the disputed information. And vice versa, if the consumer filed a dispute with a credit reporting agency, the agency must first fix the file and notify the creditor of the error.

You can also submit a complaint to the Consumer Financial Protection Bureau. To do so:

- Visit our website at http://www.consumerfinance.gov/complaint.

- Select the icon labeled “credit reporting.”
- Complete and submit the online form.

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.

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. The formulas are created by looking at how other people whose credit file looks like yours have paid their bills over time.

Credit scores make it easier for businesses to make decisions about whether to do business with you. This is because scores provide a standardized way for businesses to understand the risk that you may not repay your loan. Without it, they would have to take the time to read and interpret your credit report.

With credit scoring formulas, the higher the number, the less risky lenders believe you are likely to be. In fact, most credit scoring formulas say that you are unlikely to default on a loan if your credit scores are high.

FICO scores (calculated using a formula made by Fair Isaac Corporation) are the most commonly used scores. These scores range from 300 to 850. People with the very best credit scores have FICO Scores of 750 and higher. A score above 700 is considered good by most businesses. According to the FICO Banking Analytics Blog, in 2012, just over 24% of the population had FICO scores below 600, 22% of the population had scores from 600 to 699, and 53% of the population had scores of 700 or above.[35]

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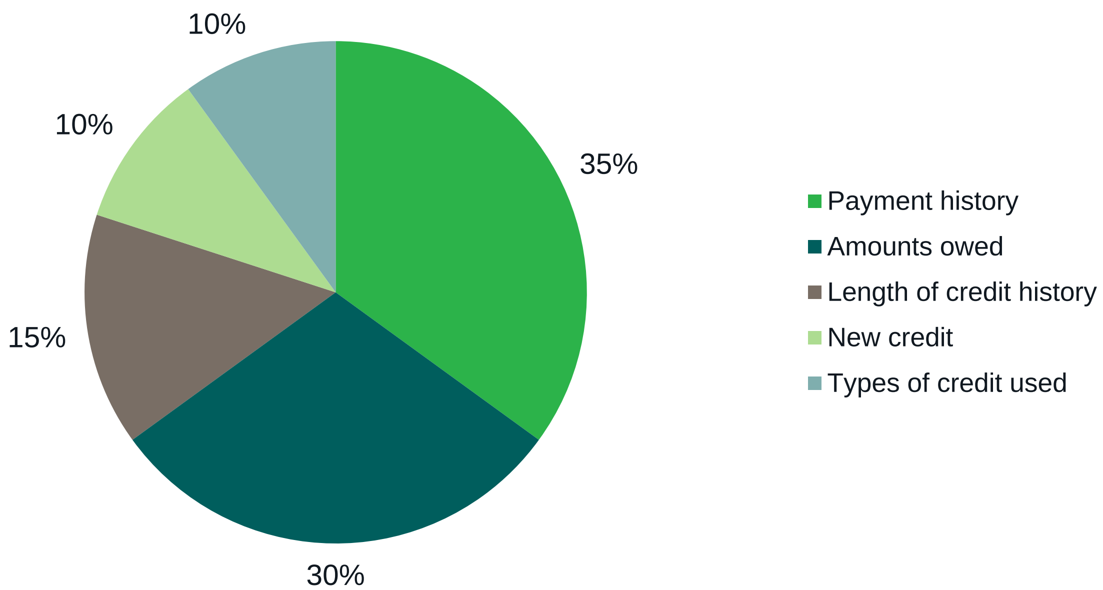
[35] FICO, *FICO Scores Reflect Slow Economic Recovery*, Bank Analytics Blog, September 18, 2012. See http://bankinganalyticsblog.fico.com/2012/09/fico-scores-reflect-slow-economic-recovery-.html.

Finally, it is important to note that you have more than one credit score – each agency generates a score, and they may differ from each other, sometimes significantly. In addition, an agency generates different scores for different kinds of users, and the score it sells to you may be another different score called an "educational score."

What goes into FICO scores?

The actual way the FICO scores (and other scores) are calculated is considered a business secret. But we do know generally what makes up FICO Scores.[36]

FIGURE 2: WHAT GOES INTO FICO SCORES?



Payment history tracks whether you are paying your bills on time and as agreed. This is the biggest factor in your FICO Scores. Paying bills late, not paying bills at all, and having bills that go to collections will cause your scores to drop. The older this information is, the less impact it has on your scores. This is the reason is it more important to stay current with active accounts than it is to pay off old debts. Debts that have gone to collections have already damaged your scores.

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

Credit utilization rate

Credit scoring models 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 30% of the revolving credit you have available to you. 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 had 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%*

To figure out the maximum that she should charge on this card if she wants to maintain her credit score:

> *$5,000 (the credit limit) multiplied by .3 (30%) = $1,500.*

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 you use more than 30% of your available credit limit, you run the risk of your credit score dropping.

If you know you have more than 30% of your credit limit charged on your card, you may want to get your credit utilization rate below 30% by paying down your credit card before you apply for new credit.

Amounts owed includes whether you are paying down your 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. If you use more than 30% of your credit limits, your scores may drop.

Length of credit history is the next factor that impacts your scores. Your score increases the longer you have a credit history.

New credit tracks your inquiries. 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 a home,, car, or student loan, however, most models give you a short window of time when multiple inquiries can be made for some types of credit without causing your score to drop.

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). Generally, it is considered a positive to have a mortgage, an auto loan, and not too many credit cards.

Tool 1:

Getting your credit reports and scores

Getting your reports

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

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

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

Start with your free annual report

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

Some states 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

Use this table to track when you have printed or received your credit reports.

Source of credit report	**Equifax** PO Box 740241 Atlanta, GA 30374 (877) 784-2528 www.equifax.com	**Experian** (866) 200-6020 www.experian.com	**TransUnion LLC** 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 generally have to buy another product or service to get it. DO NOT use a search engine (Google or Yahoo, for example) to find the annual credit report site. Go directly to: https://www.annualcreditreport.com or go through http://www.consumerfinance.gov.

You can get an additional free report if you:

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

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

- You are an authorized user or joint owner on an account
- You are an emancipated minor
- Your state law allows you to enter contracts at 17
- You have student loans
- You have been the victim of identity theft and credit or financial fraud

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

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

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

Getting your credit scores

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

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

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

You cannot know ahead of time whether the scores you purchase will vary moderately or significantly from a score sold to creditors. You should not rely on credit scores you purchase exclusively as a guide to how creditors will view you 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.**

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:

- You apply for a mortgage loan and the lender uses your credit score. The lender must send you a notice telling you this and include your score.
- Your application for credit is turned down or you have to pay a higher initial deposit for a service (cell phone plan for example). You will get a notice (disclosure) from the provider explaining this with your credit score.
- You get less favorable terms from a lender than the terms available to most people who get credit from that lender. 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. Be cautious how you use this tool. CFPB recommends that you do not include names, account numbers; that you lock up completed hard copies and encrypt completed soft copies of the tool that contain sensitive personal and financial information; and shred hard copies that contain sensitive personal and financial information when no longer needed.

Tool 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.

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

✔	**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 your employment history 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 types of disputes that 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, see the example letter earlier in this module. Your dispute letter should include: Your complete name, address, and telephone number; your report confirmation number (if you have one); and the account number for any account you may be disputing.

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

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

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

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

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

TransUnion
Online: http://www.transunion.com/personal-credit/credit-disputes-alerts-freezes.page
By mail: Download and complete the dispute form:
http://www.transunion.com/docs/rev/personal/InvestigationRequest.pdf
Mail the dispute form with your letter to:
TransUnion Consumer Solutions
P.O. Box 2000,
Chester, PA 19022-2000
By phone: (800) 916-8800

Keep copies of your dispute letter and enclosures.

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

If the error is with a specific account, you can first contact the creditor (information furnisher) 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.

✔	**Steps to filing a dispute**
	Write a letter to the credit bureau that sent you the report.
	Provide the account number for the item you feel is not accurate.
	For each item, explain concisely why you believe it is not accurate.
	If you can, include copies of bills or cleared checks (money order stubs) that show you have paid them on time.
	Provide your address and telephone number at the end of the letter so the credit bureau can contact you for more information if necessary.
	Make a copy of your letter before you send it to the credit bureau.
	Send the letter. You may choose to use Certified Mail with Return Receipt to have proof of when the letter was received. The consumer reporting agency or the creditor generally has 30-45 days to investigate your claim.

This tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this tool. The CFPB is not responsible and has no control over how others may use the information that you provide to them about your personal or financial situation. Be cautious how you use this tool. CFPB recommends that you do not include names, account numbers; that you lock up completed hard copies and encrypt completed soft copies of the tool that contain sensitive personal and financial information; and shred hard copies that contain sensitive personal and financial information when no longer needed.

Tool 3:

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 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.

✔ if you plan to implement	Strategy for improving credit reports and scores	Other information or resources you need
	Obtaining free credit reports annually Online at https://www.annualcreditreport.com By phone: Call (877) 322-8228 By mail: Go to https://www.annualcreditreport.com to print the form (Use *Tool 1: Getting your credit reports and scores*)	
	Reviewing the credit reports for accuracy (Use *Tool 3: Credit report review checklist*)	
	Disputing errors found on the reports (Use *Tool 3: Credit report review checklist*)	
	Understanding Credit Scores (Use *Tool 2: Getting your credit reports and scores*)	
	Paying bills on-time is the most effective way to improve your credit reports and credit scores.	
	Keeping the amount of credit available that you use low. (While there is not an "official" published limit, many financial experts recommend keeping the amount of credit used between 25% and 30%[37] of the credit available.)	
	Keeping unused credit accounts open—credit card company may close account because of inactivity. (They are not allowed to charge fees if this occurs.) However, if your goal is paying down debt and you may be tempted to use the card, keeping the account open may not help you reach your goal.	
	Developing a plan to take care of outstanding judgments or liens	

[37] 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.

	Diversifying credit sources	
	Getting on payment plan for medical debt—ensure provider is not reporting balance as outstanding	
	Asking for a "good will" deletion for an unusual late payment	
	Negotiating with collection agency to "not report" in exchange for payment	
	Paying down old debt or debt in collections	
	Using credit building products Secured credit cards. This can be a way to build a positive credit history. But because credit limits tend to be low with these cards, be sure to watch your credit utilization rate and not get too close to using the full limit. Credit building loans. Visit a bank or credit union to find out about these products. With some credit builder loans, you make monthly payments first, and receive the loan amount when it is paid off. This helps you avoid taking on debt while you build a positive payment record. These loans can be very effective in creating new history and will have a positive impact on your reports and scores.	
	Other:	

Resources

FDIC.gov, Credit Repair:

http://www.fdic.gov/consumers/consumer/ccc/repair.html

Consumer.gov, Building a Better Credit Report:

http://www.consumer.ftc.gov/articles/pdf-0032-building-a-better-credit-report.pdf

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

http://www.consumerfinance.gov/AskCFPB

If you have a consumer complaint, visit:

http://www.consumerfinance.gov/complaint

MODULE 13:

Evaluating financial service providers, products, and services

Financial service providers

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 other places that offer financial services. Here are a few:

- Department stores—credit cards or charge cards
- Automobile dealers—car loans
- Retail superstores, convenience stores, grocery stores, and other stores—check cashing, bill payment, money orders, prepaid cards, and money transfers
- Check cashers and payday lenders–check cashing, money transfers, bill payment, money orders, prepaid cards, and short-term loans
- Online companies—money transfers, bill payment services, loans, financial management tools, online “wallets” or “accounts”
- Mortgage companies—loans for homes
- Commercial tax preparers—refund anticipation loans
- Consumer finance companies–loans
- U.S. Postal Service—money orders and money transfers

The federal government issues student loans, offers savings bonds, and provides the Direct Express® card to recipients of federal benefits if they do not have a bank account.

The key to finding the right financial service provider is figuring out the reason you need one. For example, you may want:

- A safe and secure place to put the money you are saving for your goals, unexpected expenses, or emergencies (see *Module 4: Setting goals* and *Module 5: Saving for the unexpected, emergencies, and goals*).

- A convenient way to pay your bills (see *Module 6: Managing your cash flow*).

- A loan to buy a car (see *Module 11: Dealing with debt*).

- A way to repair or build your credit history to improve your credit scores (see *Module 8: Understanding credit reports and credit scores*).

Choosing financial products

Financial products and services are the tools you can choose from to do all of these things and more. But selecting a financial service provider can be hard because there are so many choices in today's marketplace.

Use *Tool 1: Selecting financial service products and providers* to help you figure out the primary reason you need financial products or services.

Then use *Tool 2: Evaluating financial service providers* to ensure you get the right questions answered before choosing a financial service provider. If you are not clear about the different kinds of financial service providers or the products and services they offer, use *Tool 3: Types of financial services* to learn more about them.

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

Managing a bank account

If you decide that you'd like to open a bank account, it is your responsibility to take care of it. This starts with learning the rules of your new account from your bank or credit union. When you do not follow the rules of your account, the bank or credit union may charge your fees.

No one likes to see fees reducing their checking account balance every month. You may not be able to eliminate all the fees charged by your bank or credit union, but here are six steps to reduce the number or amount of fees you pay:

1. Keep track of your balance to avoid spending more than you have available or going below your minimum balance requirement.

   For example:

   - Check your balance at the ATM before you withdraw cash.
   - Ask if your bank or credit union offers low-balance warnings via e-mail or text.
   - Ask your bank or credit union when the money you deposit will be available for your use.
   - Ask your bank how it processes debits to your account (debits are when money is taken out of your account). Debits are not always processed in the order in which they occur.
   - Monitor your account online, with text alerts, or with a mobile app.

2. Find out if fees can be waived. Many financial institutions waive monthly service fees if you maintain a minimum balance or sign up for direct deposit. Compare fees.
3. Watch out for overdraft fees. Overdrafts occur when you spend or withdraw more money than is available in your checking account. If you have more than one overdraft in a day, many banks and credit unions will charge you between $30 and $35 for each one.
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. This account may have 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 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.

Federal insurance for financial institutions

There are two agencies established by the federal government to make certain that the money people deposit in banks or credit unions will be there when the person wants to withdraw it. The Federal Deposit Insurance Corporation (FDIC) insures money in banks. The National Credit Union Administration (NCUA) insures money in credit unions.

In general, the limit is $250,000 per depositor, per insured institution. So, if you have no more than $250,000 in a savings account in an insured bank and the bank fails, you will get all your money back. FDIC and NCUA do NOT insure money that people use to invest in 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. FDIC

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

NCUA

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

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

Overdraft coverage programs

An overdraft occurs when you spend or withdraw more money than is available in your checking account. Banks or credit unions can advance you money to cover the shortfall and charge you a fee. This is called sometimes overdraft coverage or overdraft protection.

At its surface, overdraft programs can seem like they might be a good deal—they prevent people from being charged bounced or returned check fees by the merchant and the financial institution. But in reality, this protection can be expensive. The bank or credit union can charge you daily when you overdraw your account. And these fees can add up. Finally, you must pay the bank or credit union back for both the amount covered by the financial institution plus the fees.

You can’t be charged a fee for an overdraft with your debit card unless you “opt in” to overdraft coverage and fees. (This is a relatively new law.) This means you have to actively choose to have it. If you have opted in previously, you can opt out now.

Even if you don’t opt in, however, you can still be charged an overdraft fee if a recurring payment you have set up with your debit card number or via a direct billing arrangement overdraws your account. If you want to have a checking account and don’t want to pay overdraft fees, use one of these approaches:

- Keep track of your balances. And remember, that not all deposits are available for use immediately.
- Sign up for low balance alerts at your bank or credit union.
- Know when regular electronic transfers, such a rent payments or utility bills, will be paid.
- Link your checking account to your savings account. If you run out of money in your checking account, the bank will pull money out of your savings account. The fee for this is usually much lower than an overdraft fee.
- Link your checking account to a credit card or line of credit.

New 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 transfer and authorizing 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:

Selecting financial service products and providers

Selecting a financial service provider 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.

Here is a checklist of common reasons to find a financial service provider. Pick the top three reasons for you.

Ranking	Reason for a financial service provider
	I want a safe and secure place to keep my money.
	I want to be able to make purchases without having to carry cash.
	I want a low cost and easy way to pay and manage my bills.
	I want to pay bills, manage my finances, or conduct other transactions online.
	I want to have my paycheck directly deposited.
	I want to accumulate savings.
	I want to save for retirement, my children’s education, or other life events.
	I want to buy a car.
	I want to buy a home.
	I want to be able to get small loans quickly and without a hassle.
	I want to build my credit history.
	I want to send money to someone.

On this chart, find the three reasons you identified above. Circle them and read about the financial service 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 (if set up so that the individual funds are fully insured by FDIC)
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
I want a low cost and easy way to pay 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
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
I want to save for retirement, my children's education, or other life events.	Bank or credit union	Savings account, certificate of deposit, and investment accounts
I want to buy a car.	Bank or credit union	Car loan
	Automobile dealer	Dealer financing
I want to buy a home.	Bank or credit union Mortgage company	Mortgage
I want to be able to get loans quickly and without a hassle.	Credit card company	Credit card
	Pawn shop	Pawn loan
	Some Credit Unions and Banks Finance company	Deposit advance loans (requires a bank account) Signature loan
	Payday loan provider	Payday loan (requires a bank account)
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

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

Tool 2:

Evaluating financial service providers

Once you know the reasons you want a financial product or service and have identified possible providers, use the following tool to compare businesses that can offer you those services. Using this form, you can compare up to three financial service providers at time. If there are services that don't matter to you, just put a line through the entire row.

	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?			
Are 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 I 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 I earn interest on savings? What is the rate of interest I 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 I 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?			
Other:			
Other:			

This Tool may ask you to provide sensitive personal and financial information. The CFPB does not collect any information from you or the organization using this Tool. The CFPB is not responsible and has no control over how others may use the information that you provide to them about your personal or financial situation. Be cautious how you use this Tool. CFPB recommends that you do not include names, account numbers; that you lock up completed hard copies and encrypt completed soft copies of the Tool that contain sensitive personal and financial information; and shred hard copies that contain sensitive personal and financial information when no longer needed.

Tool 3:

Types of financial services

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.

✔ if you are interested	Common financial products or services	Description	Where can you get this product or service in your community?
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 transactions. 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. You will often not be charged a fee if you use ATMs that are owned by your bank or credit union or within the same ATM network. Many ATM cards are also debit cards. An ATM card cannot be used to make purchases at businesses unless it is also a debit card.	
	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. 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. 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.	

Tool 4:

Opening account checklist

Opening an account at a bank or credit union[38]

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. **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 ask.

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:

[38] From *Take it to the Bank: Your Guide to Opening a Bank Account* produced by the Community Affairs Office of the Federal Reserve Bank of Dallas and Texas Appleseed.

- Your Social Security card
- A bill with name and address on it
- Your birth certificate

If you do not have a U. S. government-issued form of identification, some banks and credit unions accept foreign passports and Consular IDs, such as the Matricula Consular card, which is an official Mexican Government identification document. (Other countries, such as Guatemala and Argentina have similar IDs.) Consulates in the United State offer them. Visit your country's consulate for more information about how to get an ID card, and with the banks and credit unions about whether they accept it.

Interest-bearing accounts

Interest is considered income. If you earn interest, you must pay taxes on it. In order to open an interest bearing account, such as a savings account, you must have a Social Security number or an Individual Taxpayer Identification Number (ITIN).[39] Or, you must be able to show evidence that you have applied for an ITIN.

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 a non-interest bearing account.

Barriers to opening an account

Not having the proper identification can be one barrier to opening an account. Another barrier is a potentially 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:

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

- Had a lot of bounced checks and non-sufficient funds (NSF) fees
- Not paid debts and fees owed to a bank or credit union related to an account
- Been suspected of fraud related to a checking account
- Have had an account closed (involuntarily) by a bank or credit union within the last 12 months

Involuntary closures stay on your ChexSystems report for five years and on the Early Warning System report for seven. Overdrafts remain on your consumer record for five years, even if you have paid back what you owe the bank or credit union. Each bank or credit union has its own policies about the way the information in your banking history report impacts your ability to open an account. This can include the amount of time that has passed since events like an involuntary closure or repeated overdrafts occurred.

Some banks and credit unions require you to pay these old charges and fees before you are allowed to open a savings or checking account. In other cases, you may be offered the opportunity to open a "second chance" or checkless checking account that has different features and restrictions than standard checking accounts offer. Depending on the account's rules, you may be allowed to open a standard checking account after six to twelve months if you have not over drafted or bounced any checks.

You can order your own ChexSystems report online from ChexSystems at http://www.consumerdebit.com, 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.

Use this checklist to ensure you have what you need to open an account at a bank or credit union.

✔	**Information needed**	**Additional questions**
	A U.S. or foreign government-issued form of identification with my picture on it. Note that each bank or credit union has its own policy on which foreign IDs it accepts.	
	Another form of identification: Your Social Security card A bill with your 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 a noninterest bearing account.	
	Money to open the account	
Information about:		
	Minimum balance required in the account to avoid monthly service fees	
	Monthly service fees	
	Per-check or transaction fees	
	Fees associated with use of automated teller machines (ATMs)	
	Internet banking access and any costs	
	Online bill pay access and any costs	
	Overdraft fees (see note that follows)	

	Low balance alert notifications	
	Other:	

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

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

MODULE 14:

Protecting consumer rights

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

The CFPB has already handled thousands of consumer complaints about:

- Credit cards
- Mortgages
- Bank accounts and services
- Private student loans
- Vehicle or consumer loans
- Payday loans
- Debt collection
- Money transfers
- Credit reporting

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

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

Consumer complaints

Submit a complaint

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

Fill out the form, providing as much detail as possible.

You will then be able to review and edit any information before clicking "Submit" to send your complaint. If you need help while you're online, click on the link that says "Form Trouble? Chat now." to talk with CFPB team members on the site.

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

Para presentar una queja en español, llamar al (855) 411-2372.

If you want more information on how complaints are handled, you can read the Privacy Impact Assessment for the Consumer Response System available at http://www.consumerfinance.gov/privacy-office/consumer-response-database/.

What happens when I submit a complaint?

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

CFPB screens the complaints it receives and forwards them via a secure web portal to the appropriate company—the business you have the complaint with.

The company has 15 days to provide a substantive response to you and to the CFPB. Companies are expected to close all but the most complicated complaints within 60 days.

CFPB then invites you to review the response and provide feedback. The CFPB reviews your feedback about company responses and uses this information along with other information such as the timeliness of the company's response, for example, to help prioritize complaints for investigation.

Complaints help with the CFPB's work to supervise companies, enforce federal consumer financial laws, and write better rules and regulations. The CFPB also reports to Congress about the complaints we receive and makes anonymized consumer complaint data available to the public on its website: http://www.consumerfinance.gov/complaintdatabase.

It's your money—be aware and take care

It's your money. Ask questions.

It can be hard to ask about financial planning or products.

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

"I have an amazing opportunity, just for YOU!"

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

In general,

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

It’s your money. You can say no.

Scammers target polite people because they have a harder time saying no.

- If you feel pressured to make a decision, chances are you are being scammed.
- It may be hard, especially if it is a friend or relative, but just saying “No, I am not interested,” may save you from a financial loss.
- You don’t have to stay on the telephone line if you feel uncomfortable. Tell them to take you off their list and then HANG UP.

It’s your information. Take care of it.

Never give out personal information, such as account numbers, passwords, or answers to security questions, over the phone or through email unless you know the company and you initiated the call or directly typed in the website address and you see signals that the site is secure, like a URL that begins with "https." Telephone and online scams are common and constantly changing, so you have to be proactive and protect yourself. It may be hard to believe it's a scam when you get a call from someone far away that needs help or tells you that your family member needs help. But it usually is.

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

Tool 1:

Red flags

When making purchasing decisions, watch out for the following red flags. Use this checklist when you are considering a product or services. If you find you have checked one or more of these items, be sure to take a closer look at the product, the service, or the business that offers it.

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

Red flags when signing loan documents		
	Paperwork doesn’t match the sales pitch	The promises made to you by a salesperson are not in the papers that you are asked to sign.
	Confusing fine-print	A good rule of thumb is to refuse to sign anything that you don’t understand.
	Incomplete paperwork	You are asked to sign a contract with blank spaces to be filled in later.
	Additional insurance and other add-on products	Some lenders may insist on, intimidate, or imply that borrowers must buy unnecessary items—additional insurance, unneeded warranties, monitoring services, etc. They get incorporated into the loan amount, and the borrower pays interest on them over the life of the loan.
	Prepayment penalties	Prepayment penalties are fees lenders require a borrower to pay if the borrower pays off a loan early.
	Mandatory arbitration	Language is included in the fine print of the loan terms and conditions making it illegal for the borrower to take legal action against the lender. The loan documents require the borrower to submit to arbitration. Borrowers can find it difficult to find legal representation for mandatory arbitration proceedings.

Tool 2:

Protecting your identity

Though it might not seem like it, your identity is one of the most precious things you possess. Criminals who are able to steal your identifying information can pretend to be you, buying things on accounts that you own or are under your name. This leaves you getting their bills! It can also create problems with your credit reports and scores.

Identifying information is anything that is specifically unique to you, such as your:

- Credit card and bank account numbers
- Driver's license number
- Date, city, and state of birth
- Social security number
- Passwords or PIN numbers

Many people think that identity theft happens primarily online, and if you don't shop online, you are safe. The reality is that most identity thefts take place offline—just the opposite of what many people think. In addition, in over half of the cases of identity theft, the thief is someone that the victim knows. Because of this, it's important to be cautious with your identifying information–both online and in the real world.

✔	**Steps to protect your identity**
Check your credit report	
	Remove your name from all three credit bureaus' (Equifax, Experian, and TransUnion) mailing lists by calling to opt-out at (888) 567-8688 or online at http://www.optoutprescreen.com – choose "forever" removal option. This prevents prescreened offers from falling into other people's hands.

	Check your credit at all three credit agencies each year using the free https://www.annualcreditreport.com. If you see anything that is incorrect or suspicious, contact them immediately. (See *Module 12: Understanding Your Credit Reports and Scores* for more information).
Limit access to your information	
	Don't carry your Social Security card or number in your wallet or purse.
	Remove your name from many direct mail marketers' lists by registering with the *Direct Marketing Association* online form at http://www.dmachoice.org. Removing your name from marketers' lists will create fewer opportunities for thieves to steal your information.
	Remove yourself from most telemarketers' lists by registering your phone number with the *Do Not Call Registry* at (888) 382-1222 or at http://.www.donotcall.gov. Numbers registered after February 2008 remain permanently on the National Do Not Call Registry.
	Never give your personal information to someone who calls you and asks for it, even if they say there are from your financial institution.
	Use a shredder, scissors, or your hands to tear all papers with identifying information or account numbers into tiny pieces before throwing them out.
	Give out your Social Security number only when absolutely necessary. Often when someone asks for it, you are not required to give it to them.
Practice online security	
	Commit all passwords to memory. Never write them down or carry them with you (not even on a post-it by your computer!).
	Make sure passwords include upper- and lower-case letters, numbers, and do not include any words that can be found in a dictionary or names and dates that can be associated with you (your children's names and birthdates, for example). Longer passwords are better. The best practice is to have a different password for each account. If you find it too hard to keep track of so many passwords, have separate, longer, harder-to-guess passwords for your financial accounts than for ordinary uses like your e-mail.
	Don't give out your financial or personal information over the Internet, unless you have initiated the contact or know for certain who you are dealing with.
	Never share identity information online unless the site is ***secure*** with an encryption program so no one can intercept your information. **If secure, the web site address will start with https, not http**. There will also be a lock icon ( ) in front of the web address.

	Do not reply to emails asking for personal banking information, **even if they have a bank or PayPal logo! Financial Institutions will never ask for personal information via email.**

According to the Federal Trade Commission (FTC), identity protection means treating your personal information like cash or a valuable commodity—being careful not to leave it around, and being thoughtful about who is asking for it, why they need it, and how they're going to safeguard it for you.

This is the FTC's list of common red flags that your identity has been stolen:

- There are mistakes on your bank, credit card, or other account statements.
- There are mistakes on the explanation of medical benefits from your health plan.
- Your regular bills and account statements don't arrive on time.
- You get bills or collection notices for products or services you never received.
- You receive calls from debt collectors about debts that don't belong to you.
- You get a notice from the IRS that someone used your Social Security number.
- You receive mail, email, or calls about accounts or jobs in your minor child's name.
- You receive unwarranted collection notices on your credit report.
- Businesses turn down your checks.
- You are turned down unexpectedly for a loan or job.

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

1. Place a fraud alert on your credit file

Call one of the nationwide credit reporting agencies, and ask for a fraud alert on your credit report. The company you call must contact the other two so they can put fraud alerts on your files. An initial fraud alert is good for 90 days. If you want to place an extended alert on your credit report after your identity has been stolen, you must file either a police report or a report with a government agency such as the FTC, known as an "identity theft report." An extended alert is good for seven years. An extended alert requires that the creditor contact you in person or through the telephone number or other contact method you designate to verify whether you are the person making the credit request.

- **Equifax:** (800) 525-6285
- **Experian:** (888) 397-3742
- **TransUnion:** (800) 680-7289

2. Consider a security freeze

You can also place a “freeze” on your credit report. A security freeze means that potential new creditors cannot access your credit report. Only a limited number of entities can see your file while a freeze is in place, including existing creditors, certain government entities like child support agencies, and companies that monitor your credit file at your direction to prevent fraud. Because most businesses will not open credit accounts without checking your credit report, a freeze can deter identity thieves from opening new accounts in your name. Be mindful that a freeze does not prevent identity thieves taking over existing accounts. Credit reporting agencies may charge for this service. In some states, identity theft victims are not charged to place a security freeze.

3. Order your credit reports

Each company’s credit report about you is slightly different, so order a report from each company. When you order, you must answer some questions to prove your identity. Read your reports carefully to see if the information is correct. If you see mistakes or signs of fraud, contact the credit reporting company.

4. Create an identity theft report

An Identity Theft Report can help you get fraudulent information removed from your credit report, stop a company from collecting debts caused by identity theft, and get information about accounts a thief opened in your name. To create an Identity Theft Report, first file a complaint with the FTC at ftc.gov/complaint or (877) 438-4338; TTY: (866) 653-4261. Your completed complaint is called an FTC Identity Theft Affidavit. Next, you can take your FTC Affidavit to your local police, or to the police where the theft occurred, and file a police report. Get a copy of the police report. The two documents comprise an Identity Theft Report.

For more information from the Federal Trade Commission, visit:
http://www.consumer.ftc.gov/features/feature-0015-identity-theft-resources.

Tool 3:

Submitting a complaint

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

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

- Credit cards
- Mortgages
- Bank (checking and savings) accounts and services
- Private student loans
- Vehicle or consumer loans
- Money transfers
- Credit reporting
- Debt collection
- Payday loans

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 loans, debt collection, or vehicle/consumer loan.

Instructions for a consumer to submit a complaint

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

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

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

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

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

Here is what will happen to your complaint:

1. **Complaint submitted:** The CFPB will screen your complaint based on several criteria. These criteria include whether your complaint falls within the CFPB's primary enforcement authority, whether the complaint is complete, and whether it is a duplicate of another complaint you have submitted.
2. **Review and route**: If a particular complaint does not involve a product or market that is within the Bureau's jurisdiction or that is currently being handled by the Bureau, Consumer Response refers it to the appropriate regulator. Screened complaints are sent via a secure web portal to the appropriate company—the business you have the complaint with.
3. **Company response:** The company reviews the information, communicates with you as needed. It then determines what action to take in response. The company reports back to you and the CFPB via the secure "company portal." After your complaint is sent to the company, **the company has 15 days to provide a substantive response to you**

and the CFPB. Companies are expected to close all but the most complicated complaints within 60 days.

4. **Consumer review:** CFPB then invites you to review the response and provide feedback. Consumer Tracking: You can log onto the secure "consumer portal" available on the CFPB's website or call a toll-free number to receive status updates, provide additional information, and review responses provided to the you by the company.

5. **Review and investigate:** The CFPB reviews your feedback about company responses, using this information along with other information such as the timeliness of the company's response, for example, to help prioritize complaints for investigation.

6. **Analyze and report**. Complaints help with the CFPB's work to supervise companies, enforce federal consumer financial laws, and write better rules and regulations. The CFPB also reports to Congress about the complaints we receive and makes anonymized consumer complaint data available to the public on its website format: http://www.consumerfinance.gov/complaintdatabase.

Contact information

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

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

Tool 4:

Learning more about consumer protection

Protecting your rights as a consumer starts with knowing that you have rights. The following consumer protection laws establish consumer rights related to financial services and products. This is not a comprehensive list, but it provides a starting place for understanding some of the many rights and responsibilities about which financial educators and coaches should be familiar.

Read the summary of each law below. Put a check in the "Follow Up for More Information" column if knowing a little more about this law will help you or people you know. The follow the link listed within the "Short Description" or visit our website at http://www.consumerfinance.gov for more information.

Consumer Protection Law	Short Description	Follow Up
Regulation B: **Equal Credit Opportunity Act**	▪ The Equal Credit Opportunity Act (ECOA), implemented by Regulation B, makes it illegal for a creditor to discriminate in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant is old enough to enter into a contract), receipt of public assistance income, or good faith exercise of certain consumer rights. ▪ ECOA and Regulation B prohibit certain creditor practices, such as the refusal to provide credit if an applicant qualifies for it; the discouragement of an applicant from applying for credit; an offer of less favorable terms to an applicant than terms offered to someone similarly situated; on the basis of any of the above listed characteristics. ▪ ECOA and/or Regulation B require(s) creditors, among other things, to: ◦ 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 other characteristics in applications for certain residential mortgages for government monitoring purposes. ▫ Provide applicants with copies of appraisal reports used in connection with residential mortgage applications. For more information about this law including information about how to detect discrimination, visit http://www.consumerfinance.gov/fair-lending.	
Regulation C: Home Mortgage Disclosure Act	▪ The Home Mortgage Disclosure Act (HMDA), implemented by Regulation C, requires certain mortgage lenders to collect and report loan data that can be used to: a) help determine if financial institutions are serving the housing needs of their communities; b) assist public officials in distributing public-sector investment to attract private investment to areas where needed; and c) assist identifying possible discriminatory lending patterns and enforcing antidiscrimination statutes. This data is available for use by the public as well as by federal and state regulatory and enforcement agencies. ▪ Data fields required to be reported under HMDA include, for each application, the action taken by the creditor; the location of the property to be mortgaged; the race, ethnicity, and sex of the applicant; and the income relied on in the application. For more information about this law, visit http://www.consumerfinance.gov/learnmore.	
Regulation E: Electronic Fund Transfer Act	▪ Establishes the basic rights, liabilities, and responsibilities of consumers who use electronic fund transfer services or send remittances and of the financial institutions and other companies that offer these services. “Electronic fund transfers” include transactions, for example, where you swipe your card at check-out, make purchases with your card by phone or online, or make deposits or withdrawals at an ATM. “Remittance transfers” sometimes called international wire transfers), include many common ways of transferring money to people in other countries. ▪ Protects individual consumers engaging in electronic fund transfers or remittance transfers. ▪ Restricts inactivity and service fees and limits how quickly funds can expire for gift cards, gift certificates, and certain other prepaid cards. Requires all fees and other important terms to be clearly communicated in writing. ▪ Applies to any transaction initiated through an electronic terminal, telephone, computer or magnetic tape in which a financial institution is told to either deposit or withdraw from an individual’s account at the financial institution. Establishes “opt in” provisions for overdraft fees on ATM transactions and non-recurring debit card transactions; financial institutions are prohibited from charging overdraft protection fees on these unless consumers opt in.	

	For more information on the "opt in" provisions for overdraft fees, visit http://www.consumerfinance.gov/blog/whats-your-status-when-it-comes-to-overdraft-coverage. For more information on remittance transfers (also covered under Regulation E), visit http://www.consumerfinance.gov/regulations/final-remittance-rule-amendment-regulation-e.	
Regulation F: Fair Debt Collection Practices Act	▪ The Fair Debt Collection Practices Act (FDCPA) is the main federal law that governs debt collection practices. ▪ The FDCPA prohibits debt collection companies from using abusive, unfair or deceptive practices to collect past due debts from you. ▪ The FDCPA covers the collection of consumer debt such as mortgages, credit cards, medical debts, and other debts primarily for personal, family, or household purposes. It covers personal debt, not business debt. ▪ The FDCPA does not generally cover collection by the person or business from whom you first borrowed money—it covers third party debt collections (debt collection agencies and debt-buyers involved in collection) and attorneys who collect debt on behalf of their clients. For a summary of this law visit http://www.consumerfinance.gov/askcfpb/329/what-is-the-fair-debt-collection-practices-act.html.	
Regulation M: Consumer Leasing Act	▪ Ensures that people who lease personal property receive meaningful disclosures that enable them to compare lease terms with other leases and, where appropriate, with credit transactions. ▪ Limits the amount of balloon payments in consumer lease transactions. ▪ Provides for the accurate disclosure of lease terms in advertising. For more information on leasing an automobile, visit http://www.consumerfinance.gov/askcfpb/815/should-i-buy-or-lease-whats-difference.html.	
Regulation P: Privacy of Consumer Financial Information (Gramm-Leach-Bliley Act)	▪ Governs the treatment of nonpublic personal information about consumers by financial institutions and by institutions that use or re-use or re-disclose information from financial institutions. This type of information includes your account information and your Social Security number. ▪ Provides a method for consumers to prevent a financial institution from disclosing that information to other businesses or individuals by "opting out" (there are exceptions to this). ▪ Restricts when financial institutions may disclose non-public personal financial information to other businesses or individuals.	

	▪ Requires financial institutions to send privacy notices to consumers in specified circumstances. For a link to Regulation P, visit: http://www.consumerfinance.gov/regulations.	

Regulation V: Fair Credit Reporting Act	▪ Provides guidelines and limitations for persons that get and use information about consumers to:
	  ▫ Determine the consumer's eligibility for products, services, or employment;
	  ▫ Share such information among affiliates; and
	  ▫ Furnish information to consumer reporting agencies.
	▪ Limits the reporting of outdated negative information.
	▪ Limits who can access information in a consumer's credit file.
	▪ Establishes consumer rights including the following:
	  ▫ Consumers must be informed their filed has been used against them—the information has led to a denial of a product, service, or employment.
	  ▫ Consumers have the right to know what is in their file.
	  ▫ Consumers have the right to dispute incomplete or inaccurate information; consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information.
	
	For answers to common questions regarding this law, visit http://www.consumerfinance.gov/askcfpb/search?selected_facets=tag_exact%3AFair+Credit+Reporting+Act.	

Regulation X: Real Estate Settlement Procedures Act	▪ Provides advance disclosures of settlement costs to home buyers and sellers. ▪ Prohibits kickbacks or referral fees for settlement services. ▪ Regulates mortgage servicers' management of escrow accounts established to ensure the payment of real estate taxes and insurance. ▪ Requires Mortgage servicers to correct errors and provide certain information requested by borrowers ▪ Requires mortgage servicers to provide information to delinquent borrowers about mortgage loss mitigation options and to establish policies and procedures for continuity of contact with servicer personnel regarding these options. For more information about this law, visit http://www.consumerfinance.gov/knowbeforeyouowe and http://consumerfinance.gov/regulatory-implementation.	
Regulation Z: Truth in Lending Act	▪ Promotes the informed use of consumer credit by requiring disclosures about its terms and cost such as APR (annual percentage rate). ▪ Establishes uniform terminology for credit disclosures, such as APR.	

	▪ Gives consumers the right in certain circumstances to cancel credit transactions that involve a lien on a consumer's principal dwelling. ▪ Regulates certain credit card practices. ▪ Provides a means for fair and timely resolution of credit billing disputes ▪ Additional examples of what this law covers: ◻ Requires a maximum interest rate to be stated in variable-rate contracts secured by the consumer's dwelling. ◻ Imposes requirements on home-equity plans and mortgages. ◻ Regulates practices of creditors who extend private education loans. For more information on this law, visit http://www.consumerfinance.gov/askcfpb/787/what-truth-lending-disclosure-when-do-i-get-see-it.html.	
Regulation DD: Truth in Savings Act	▪ Ensures consumers are able to make informed decisions about accounts offered at depository institutions. ▪ Requires depository institutions (banks, credit unions, and thrifts) to provide disclosures so that consumers can make meaningful comparisons among depository institutions.	

Resources

Consumer.gov, Identity Theft:

http://www.consumer.ftc.gov/features/feature-0014-identity-theft

FBI.gov, Identity Theft:

http://www.fbi.gov/about-us/investigate/cyber/identity_theft

For 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

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.