

# *Financial Problem-solving Guide*

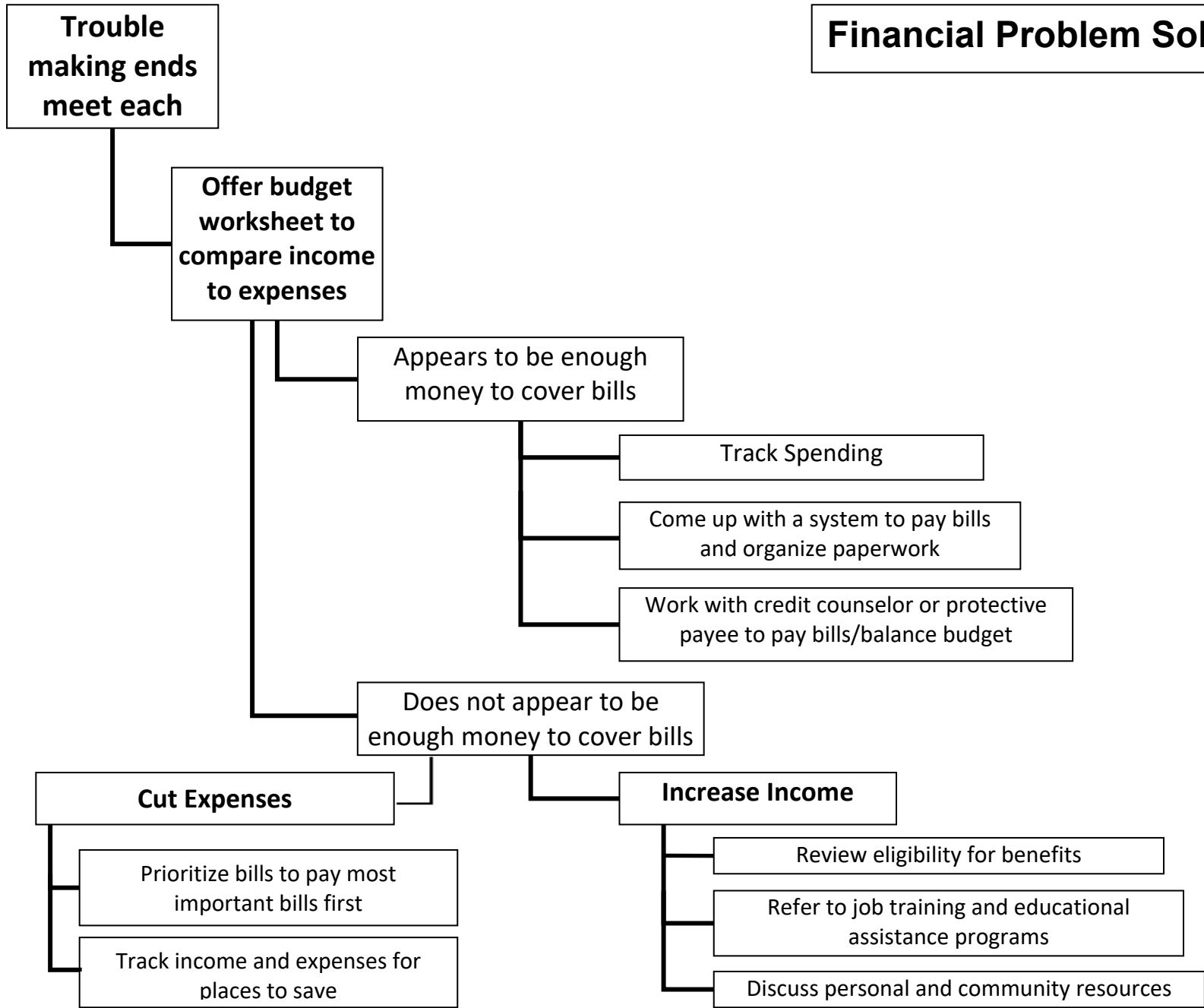


- ▶ Trouble making ends meet
- ▶ Trouble paying for rent, utilities, or other bills
- ▶ Credit problems, collections, and judgments
- ▶ Bills overdue
- ▶ Behind on rent
- ▶ Notice of utility cutoff
- ▶ Repossession
- ▶ Wage garnishment



Extension  
UNIVERSITY OF WISCONSIN-MADISON

# Financial Problem Solving Guide



# Financial Problem Solving Guide

Trouble paying for rent, utilities, or other bills

Offer budget worksheet to compare income to expenses

Appears to be enough money to cover bills

Encourage client to contact landlord, utility, or creditor to set up payment plan

Work with credit counselor to pay bills/balance budget

Track Spending

Check credit report

Does not appear to be enough money to cover bills

Prioritize bills – immediate threats include eviction, utility shut-off

Review eligibility for benefits

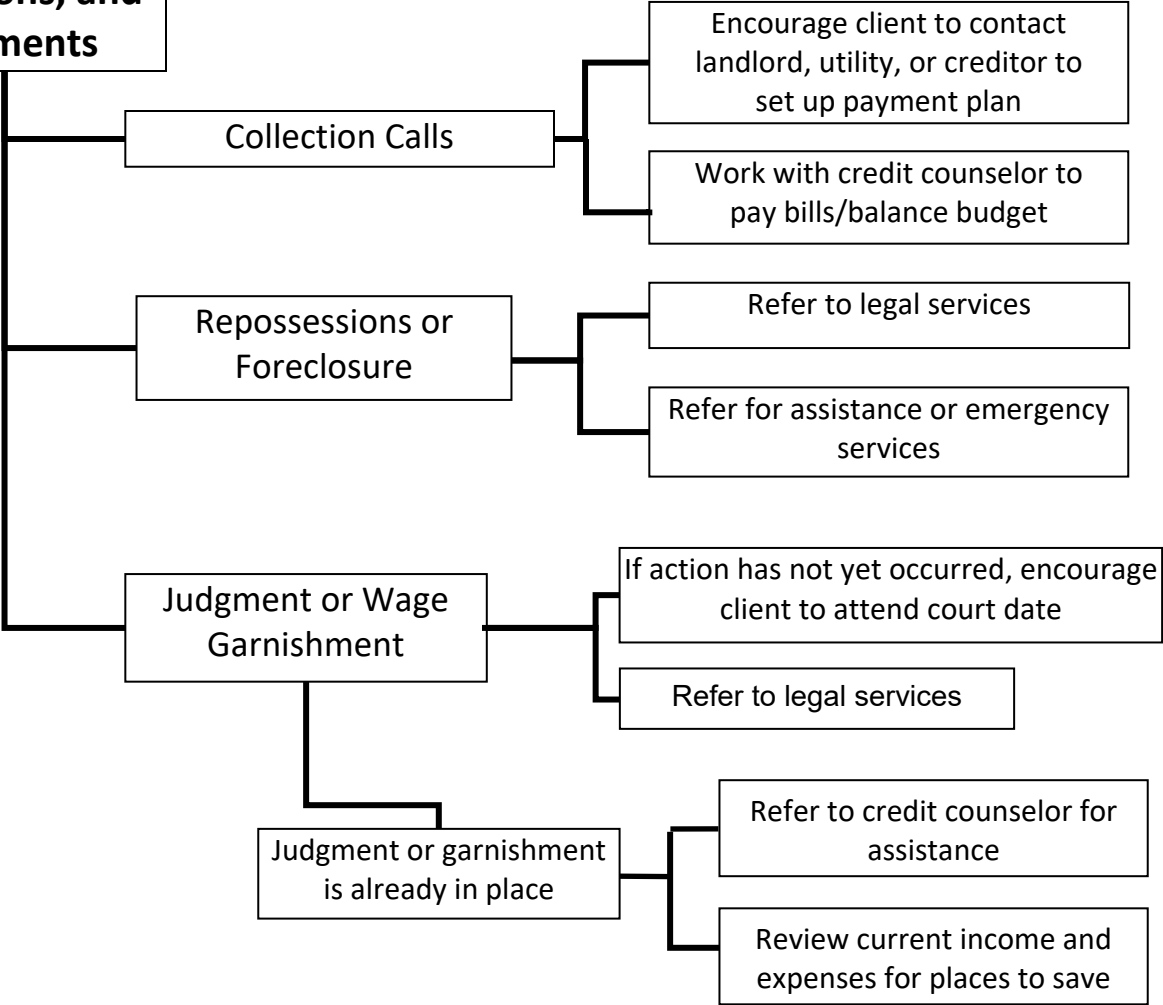
Review non-profit housing/emergency assistance

Encourage client to contact creditor to discuss problem

Review current income and expenses for places to save

# Financial Problem Solving Guide

## Credit problems, collections, and judgments



**Check credit report after any actions by creditors**

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- € 1-day late payment could lead to fees and increased rates.
- € 30-days late payment negatively impacts client's credit score.
- € At 90-120 days, creditor may sell overdue bill plus fees/interest to collection agency.
- € Creditor may seek a court order, or judgment, to garnish wages or repossess collateral.

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- € If it appears client does not have enough income to pay bills:
  - ~ Prioritize bills – what's most important?
  - ~ Review resources to stretch budget.
  - ~ Have client contact the creditor. Verify bills and amount due, and offer a realistic plan. "I can pay you \$X on Y date." Get agreement in writing from creditor before sending in payment.
- € If client appears to have enough money to cover expenses, but late payments are an issue, options to explore include:
  - ~ Ask creditor to change due date: ex. if client is paid the 15<sup>th</sup> and the bill is due the 10<sup>th</sup>.
  - ~ Assistance through financial counseling or debt management program.
- € Order and review credit report to check for late payments, collections, or legal action.

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- € Track spending and income. Look for ways to increase income and/or decrease expenses.
- € Set up a household recordkeeping system to stay on top of mail and bills.
- € Schedule regular bill payments on a calendar.
- € Set up automatic payments if late bills are an issue and client has a checking/savings account.

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Disconnect fees – Fees charged by utility companies (gas, lights, phone) when client is past due and service is stopped. Most utilities will demand a deposit to restart service. Wisconsin has a moratorium on disconnecting heat/electricity between November 1<sup>st</sup> - April 15<sup>th</sup>.

Overdue – Any bill that client has not made payment on schedule, past the listed "Due date."

Settlement – Client reaches compromise with creditor to pay less than the full amount of a debt, stopping any further fees, interest, collections calls, etc. Will negatively impact credit report. Also known as settled debt or retired debt.

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- € Find a local accredited budget or credit counselor: [www.debtadvice.org](http://www.debtadvice.org)
- € Free legal assistance for low-income households: Legal Action of Wisconsin - [www.legalaction.org](http://www.legalaction.org) (southern WI) or Judicare - [www.judicare.org](http://www.judicare.org) (northern WI)
- € For local resource and referral information: Dial "2-1-1" or [www.211.org](http://www.211.org)
- € For student loan debt: visit CFPB website at [consumerfinance.gov](http://consumerfinance.gov)
- € To get a free annual credit report: [www.annualcreditreport.com](http://www.annualcreditreport.com)

Medical Debt Unfortunately, overdue medical bills are a common problem. For uninsured or underinsured clients, some options to look into include:

- € Eligibility for government health care programs that might cover recently incurred debt, for example – earlier in a pregnancy.
- € Ask about charity care funds from non-profit hospitals.
- € Sometimes uninsured patients are charged 2 or 3 times more than insured patients, so look into negotiating a lower bill. Legal assistance might be needed.
- € Hospital and clinic bills are hard to read and could contain billing errors. Ask for a patient advocate or customer care representative to go over each line item in the bill.

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- € It's a common myth that Wisconsin has an eviction moratorium from November 1<sup>st</sup> to April 15<sup>th</sup>. This moratorium only applies toward PSC utilities and clients can be evicted during this time.
- € If client has received a "notice to vacate or "notice to quit," they have 5 or 14 days to pay overdue rent (or resolve other violation of their lease such as having a pet or visitor).
- € Landlord may send past-due rent to collections or seek court order to recover back rent and legal fees. Could result in judgment, wage garnishment, and lower credit score from collections.
- € Evictions become public records, appear in some alternate reports, and affect future rental options.
- € It is illegal for landlords to cut off utility service or to change the locks in order to force a tenant to move or pay overdue rent. Landlords must go through courts to evict tenant.
- € If client is not paying rent due to concerns about the home being unlivable, have them contact the housing inspector or a tenant hotline for their legal rights.

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- € If it appears client has the income to cover bills and catch up on rent:
  - ~ Contact the landlord to explain reason for late payment. Offer realistic repayment schedule to add late payments onto future months.
  - ~ Ask landlord to change due date if client regularly makes late payments: ex. if client is paid the 3<sup>rd</sup> and rent is due the 1<sup>st</sup>; or make smaller weekly payments if client is paid weekly.
  - ~ Assistance through financial counseling or debt management program.
- € If it appears client is unable to pay rent, options may include:
  - ~ Review eligibility for resources, such as emergency housing assistance, energy assistance, or non-profit emergency assistance.
  - ~ If sudden drop in income leaves client unable to afford current living situation, explain circumstance to landlord. Landlord may be willing to negotiate a temporary decrease in rent or allow another renter/roommate to move in.
  - ~ If client has accrued back rent, landlord may forgive back payments in exchange for an agreement to move out and forfeit any security deposit.
  - ~ Explore Section 8 housing eligibility and waiting list, especially if there's been a recent disability or change within family.
- € If client has received summons for court, encourage attending court date to explain situation.
- € Order and review credit report to check for late payments or legal action.

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- € Once client is caught up on rent or living in a more affordable home, use budgeting tools, a recordkeeping system, or calendar to balance spending and income to stay current on bills.

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Eviction Action – Legal action filed by landlord to evict tenant. Tenant then receives a summons to appear in court.

Notice to Quit – Also known as a 5-day or 14-day notice to vacate. Length of notice is based on rental agreement.

Section 8 Housing – Also known as housing assistance and managed by the local/county Housing Authority.

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- € For local resource and referral information: Dial "2-1-1" or [www.211.org](http://www.211.org)
- € Tenant Resource Center: 1-877-238-RENT or e-mail: [asktrc@tenantresourcecenter.org](mailto:asktrc@tenantresourcecenter.org)
- € To order your free annual credit report: [www.annualcreditreport.com](http://www.annualcreditreport.com)

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- € Before stopping utility services, providers must attempt to personally contact the customer with a notice including the disconnection date, reason for disconnection, utility contact information, how to contact the Public Service Commission, and notice that service will be continued up to 21 days with documentation of a medical or protective service emergency.
- € Households currently receiving service from a public utility only cannot be disconnected during the heating moratorium. Moratoriums do not apply to private utilities or cooperatives.
- € Clients who are currently disconnected must make arrangements with their local utility to pay outstanding bills in order to have service restored. Utility is not required to reconnect the service until client makes arrangements on outstanding bills for current or previous addresses.
- € Could face a large reconnect fee, interest, and deposit, plus collections or judgment.
- € Client may not qualify for energy assistance if money is owed to utility company and could be in violation of property rental agreement, face eviction, and lose Section 8 housing assistance.

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- € Tenants have special protections if their lease requires their landlord to include utilities, but the landlord has stopped making payments. Contact the utility provider to explore options to make utility payments directly to the utility and deduct the payment from their rent.
- € It is illegal for landlords to cut off utilities to force a tenant to move or pay overdue rent.
- € Local phone companies cannot terminate local service for non-payment of "900" calls.

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- € Contact the service provider to verify bills and amount due. Depending on client's situation, ask about discount plans for low-income, unemployed, elderly, or people with disabilities.
- € Review eligibility for resources, such as energy assistance, weatherization, low-income bill payment assistance programs, or non-profit emergency assistance.
- € If client appears to have money to catch up on payments, offer a realistic plan to utility: "I can pay you \$50 on the 15th each month." Get agreement in writing from provider before sending in payment.
  - ~ Ask creditor to change due date if client is regularly making late payments: ex. if client is paid on the 15<sup>th</sup> and the bill is due on the 10<sup>th</sup>.
  - ~ Assistance through financial counseling or debt management program.
- € If client cannot reach an agreement with their utility, contact the WI Public Service Commission.
- € Order and review credit report to check for late payments, collection accounts, or legal action.

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- € Once client is caught up on utilities, set up a budget plan to make equal payments throughout the year and avoid larger utility bills during certain months.
- € If utility is billed quarterly, such as water/sewer, ask about monthly payments/finance charges.
- € Explore weatherization and energy saving options to decrease future bills.
- € Use budgeting tools, recordkeeping, or calendars to stay current on bills.
- € Set up automatic payments if late bills are an issue and client has checking/savings account.

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Heating Moratorium – Period during which public utility company may not disconnect service, though utility continues to charge client; Law is different state-by-state, WI is Nov. 1<sup>st</sup>-April 15<sup>th</sup>.

LIHEAP – Low Income Home Energy Assistance Program to assist families in paying utility bills.

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- € WI Public Service Commission (PSC): <https://psc.wi.gov/Pages/Home.aspx>
- € Find a local accredited budget or credit counselor: [www.debtadvice.org](http://www.debtadvice.org)
- € Free legal assistance for low-income households: Legal Action of Wisconsin - [www.legalaction.org](http://www.legalaction.org) (southern WI) or Judicare - [www.judicare.org](http://www.judicare.org) (northern WI)

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- € Client bought something and agreed to a contract which allows a finance company (creditor) to seize the collateral, such as a car or appliance, if the client does not pay as agreed.
- € No court order is needed in WI to repossess a car. Client will typically need to pay current month, one month in advance, and fees to get the car back.
- € Creditor may change terms (higher interest rate and fees) when client gets car back.
- € Creditor generally wants to settle with the client, but may choose to sell the car and seek deficiency from client.

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- € Help client examine the sales contract: What are the terms? Who is the finance company?
- € Talk to client about their values: How bad do you want to keep this car?
- € Review budget:
  - ~ Can the client afford the future payments?
  - ~ Where will the money come from to pay the bill to get the car back?
  - ~ What is the value of the repossessed item and how much does the client still owe? The loan could be underwater – meaning the client may still owe money to the creditor after the item has been repossessed and sold to pay off the loan.
- € Encourage client to make calls:
  - ~ “As hard as it is, you need to call this person.”
  - ~ “If you don’t get answers you want, ask for the person in charge.”
  - ~ Ask the manager “What do we need to do to get the car back?”
- € Client might consider credit counseling or legal assistance.
- € Order credit report to check for additional late payments, collection accounts, or legal action.

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- € If client is contacted by creditor in the future, attempt to set up a repayment plan so creditor is less likely to sue or repossess car.
- € Use budgeting tools, recordkeeping, or calendars to stay current on bills.
- € Set up automatic payments if late bills are an issue and client has checking/savings account.

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Asset – the client’s property, which the creditor may seize or “take back.” A thing that has value that the creditor uses to ensure the client will pay them.

Creditor – the finance company that the client has agreed to a contract with.

Loan Servicer – a finance company who bills the client and/or collects on a loan. This may or may not be the company that the client signed their original contract with.

Repossession – a financial institution taking back an object that was either used as collateral or rented or leased in a transaction

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- € Federal Trade Commission (FTC) guide to repossession rights: [www.ftc.gov/bcp/online/pubs/autos/carrepo.htm](http://www.ftc.gov/bcp/online/pubs/autos/carrepo.htm)
- € Find a local accredited budget or credit counselor: [www.debtadvice.org](http://www.debtadvice.org)
- € Free legal assistance for low-income households: Legal Action of Wisconsin - [www.legalaction.org](http://www.legalaction.org) (southern WI) or Judicare - [www.judicare.org](http://www.judicare.org) (northern WI)
- € For local resource and referral information: Dial “2-1-1” or [www.211.org](http://www.211.org)
- € Check with your local WI Community Action Program to see if they offer a “Work and Wheels” program which provides 0% interest car loans to people with poor credit: [www.wiscap.org](http://www.wiscap.org)



# **Wage Garnishment**

## **What does it mean for your client?**

- Creditor has to go to court to get a judgment before garnishing wages, bank accounts, or seizing non-exempt collateral. (Exception: no court order is required to repossess vehicle.)
- Creditor who gets a court order, called a judgment, for a garnishment is paid directly by the employer from client's paycheck.
- If client has just received notice, or a summons, and does not attend "debtor's examination" hearing or contact the courts, the creditor automatically wins a "default judgment."
- Maximum garnishment is based on state/federal law – not to exceed 25% of disposable earnings or amount equal to 30 times the federal minimum hourly wage for each full week of the debtor's pay period.
- Multiple debts may appear on the credit report if the uncollected debt has been sold.
- Public assistance, worker's compensation, and unemployment benefits cannot be garnished.
- Social Security retirement and disability benefits can be garnished for government debt.
- Government-related debt, such as child support, unpaid taxes, or unpaid court fines, commonly results in garnishment and does not require a judgment.

## **Steps to address the issue**

- If court hearing has not yet been held, client could contact creditor to offer a settlement or voluntarily choose to set up a wage assignment.
- Order and review credit report to check for late payments, collection accounts, or additional legal action. An unpaid judgment can stay on a credit report up to 20 years in Wisconsin.
- If client quits their job while wages are being garnished and does not notify the creditor, the client has "gone underground." In this case, the debt will usually be sold to a collector and transfer, filing, and administration fees may be added onto the debt. The debt is still tied to that client by their name and social security number – they cannot get away from it.

## **Prevention**

- If client is contacted by creditor in the future, attempt to set up a repayment plan so creditor is less likely to sue.
- If client has been fired or laid off, encourage them to contact the creditor as soon as possible.
- Use budgeting tools, recordkeeping, or calendars to stay current on bills.
- Set up automatic payments if late bills are an issue and client has checking/savings account.

## **Relevant Terms**

Creditor – the party who is receiving money from the wage garnishment, to pay off a debt that the client owes to them.

Judgment – Decision made by a court when the creditor brings a lawsuit because the client is late on a debt. Results in a court order, such as a wage garnishment.

Settlement – Client reaches compromise with creditor to pay less than the full amount of a debt, stopping any further fees, interest, collections calls, or legal action.

Wage assignment – Client voluntarily chooses to pay a creditor directly from their wages. This may be cancelled by the client at any time by sending a letter to the creditor.

Wage garnishment – the court approved seizure of a client's wages by a creditor. Also known as a wage deduction or levy.

## **Resources**

- Free legal assistance for low-income households: Legal Action of Wisconsin - [www.legalaction.org](http://www.legalaction.org) (southern WI) or Judicare - [www.judicare.org](http://www.judicare.org) (northern WI)
- For local resource and referral information: Dial "2-1-1" or [www.211.org](http://www.211.org)
- Wage garnishment law explanation: [FairDebtCollection.com](http://FairDebtCollection.com); [www.fair-debt-collection.com/garnishment-law.html](http://www.fair-debt-collection.com/garnishment-law.html)