



# ENCOURAGING FINANCIAL CONVERSATIONS



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# ENCOURAGING FINANCIAL CONVERSATIONS

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# ENCOURAGING FINANCIAL CONVERSATIONS

|   |                                 |
|---|---------------------------------|
|    | Financial Capability            |
|    | Goal Setting                    |
|   | Maximizing Income               |
|  | Spending                        |
|  | Saving                          |
|  | Borrowing                       |
|  | Protecting                      |
|  | Financial Problem-solving Guide |



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# *Financial Capability*



*“Our chief want is someone who will  
inspire us to be what we know we could be.”*

*—Ralph Waldo Emerson*

- ▶ Building financial capability overview
- ▶ The role of helping professionals in building financial capability
- ▶ Financial competencies
- ▶ Financial capability
- ▶ Financial capability components
- ▶ Financial well-being
- ▶ Financial capability: What are you seeing?



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# Building Financial Capability Overview

## Financial Competencies Overview

The United States Financial Literacy and Education Commission, along with several other national organizations, have identified building blocks for personal finances. These building blocks apply to individuals across the lifespan and socioeconomic categories. Below are six financial competencies important for engaging in positive financial capability behaviors:

- Goal Setting
- Maximizing Income
- Spending
- Saving
- Borrowing
- Protecting

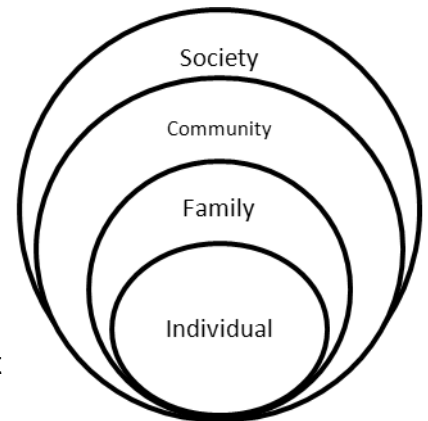
This section provides an overview of financial competencies, capability, and well-being that contribute to an individual engaging in positive financial behaviors.

Additional materials include worksheets a financial educator or coach might use with learners. When sharing financial resources and information, it's important for educators to stay within the boundaries of financial education and refer to additional resources, such as legal assistance or credit counselors, as needed.

# The Role of Helping Professionals in Building Financial Capability

## *Why is this a good fit?*

- Holistic approach – See the individual within the context of a larger system and throughout the lifespan
- Relationships – Set in a foundation of trust, encouragement, and positive communication with individuals and families
- Community resources – Individuals need access to support systems, information, and tools
- Self-determination – Individuals set their own financial goals, priorities, and pace
- Personal empowerment – Working towards change for a better tomorrow and future financial security
- Self-awareness – Helping individuals gain insight into decisions and behaviors
- Non-judgmental – Individuals are doing the best they can with current knowledge, beliefs, skills, and resources
- Accessible – helping professionals frequently work with vulnerable and marginalized populations

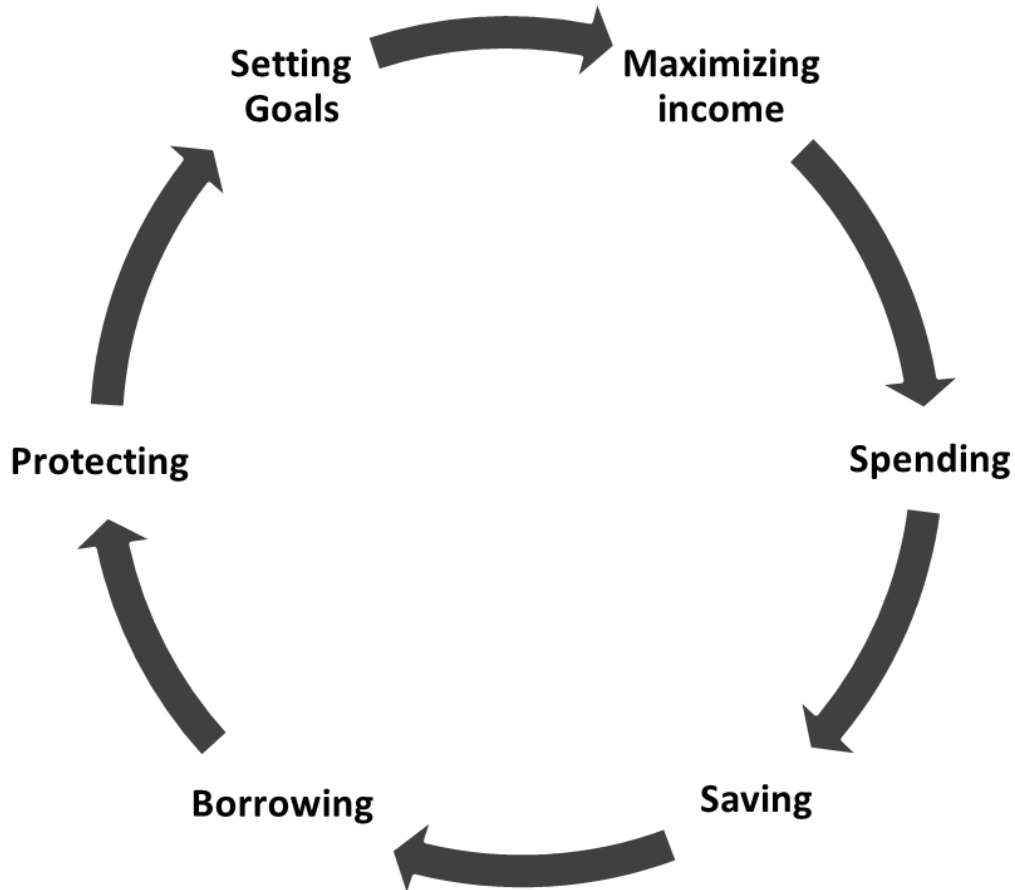


## **Barriers to assisting individuals with financial management:**

- Professional's and client's personal feelings and biases regarding financial management.
- Societal norms discourage open discussion about personal finances.
- Client factors related to readiness and abilities – drug/alcohol use, mental and physical health issues, domestic violence, cognitive limitations, etc.
- Limited personal and community financial resources.
- Financial management is another add-on to already overloaded schedules and agendas.
- Professionals/Agencies/Funders may not see financial management as relevant to core function.

## Financial Competencies

Competencies are the basic financial concepts needed to successfully manage personal finances. These competencies are interrelated in that lack of skills in one area can affect the other areas. For example, limited capabilities in spending could lead to over borrowing and lack of savings. An individual needs skills in each of these areas in order to develop financial security over the life course.



The “Financial Capability Components” chart provides several examples of what types of financial capability components – knowledge, action, access, and influences – are useful for each of these financial competencies. These components may vary depending on different financial situations and life stages.

Sources:

*Core Personal Finance Topics*, Family Financial Education Issue Briefs; Michael Collins. UW-Extension, 1/2010.

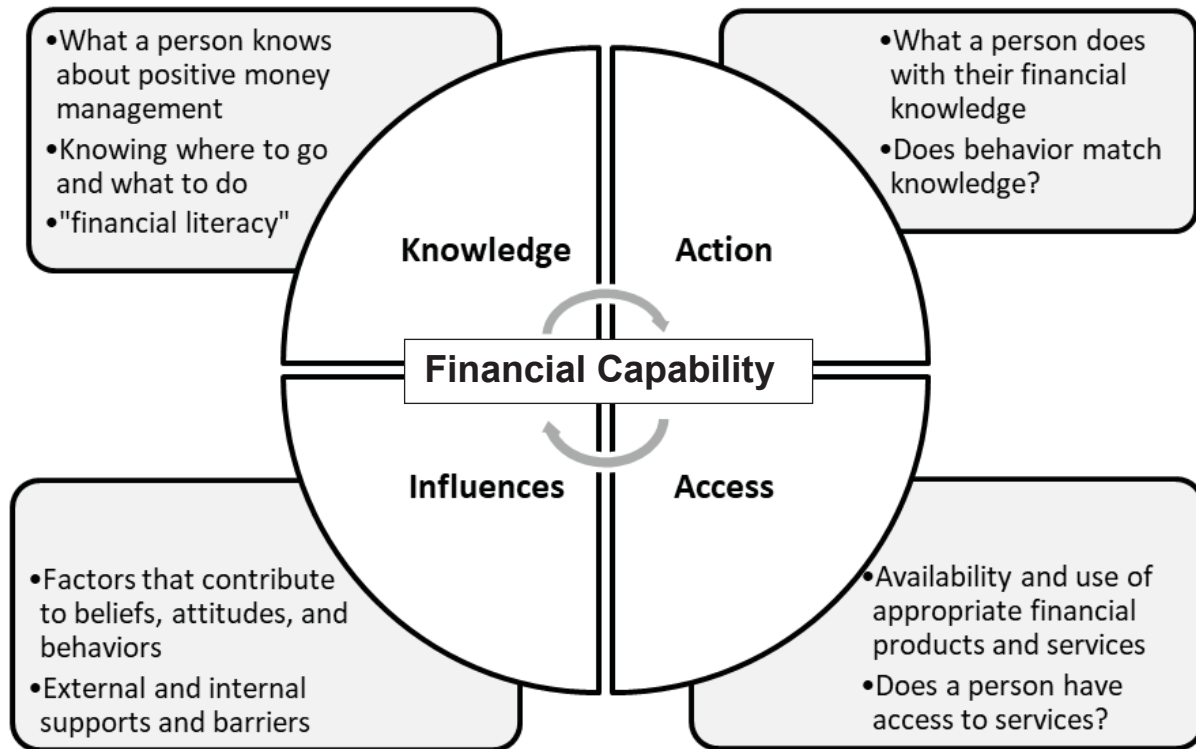
*Delivering Effective Financial Education for Today's Consumer*, Neighborworks America, 2011.

# Financial Capability

Over the past several decades, the financial landscape in the United States has changed significantly. Financial products and services, including mortgages and products used for banking, saving, and investing, have become more numerous and more complicated. Individuals must take greater charge of their financial well-being in retirement, including predicting future financial needs during and after working years. As credit records are increasingly used by employers, insurers, landlords, and others, a poor credit history can limit economic and social choices if left unaddressed.

The consequences of not having the skills to make sound financial decisions become more severe. This is particularly true in times of economic instability, when resources may be limited and negative financial events, such as a job loss or a sharp drop in income, are more frequent. Not only has managing day-to-day finances become more difficult for many Americans, but there are also greater risks in getting it wrong.

Financial capability is the ability to acquire resources, and then evaluate and apply positive financial decisions throughout the lifespan in order to develop financial security. Financial capability considers not only what people know about managing their money, but also looks at how they apply that information and whether they even have the opportunity to apply their knowledge.



## Sources:

Core Personal Finance Topics, Family Financial Education Issue Briefs; Michael Collins. UW-Extension, 1/2010.

Delivering Effective Financial Education for Today's Consumer, Neighborworks America, 2011.

Financial Capability in the United States. FINRA Investor Education Foundation, 7/2016. [www.usfinancialcapability.org](http://www.usfinancialcapability.org)

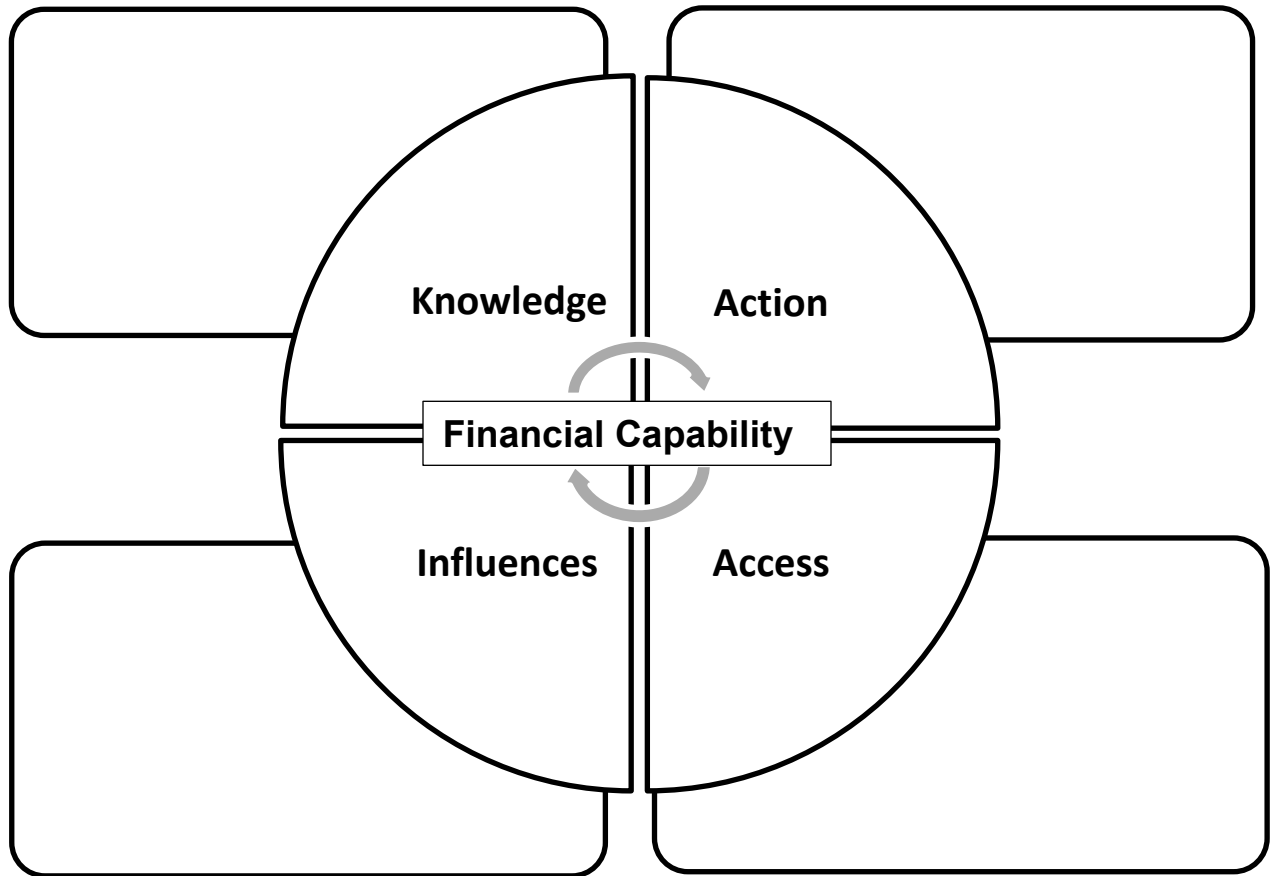
## Financial Capability Components

|                          | <b>Knowledge</b>   | <b>Action</b>   | <b>Access</b>  | <b>Influences</b>  |
|--------------------------|--|---|--|--|
| <b>Setting Goals</b>     | <p>Role of values and emotions</p> <p>Difference between needs and wants</p> <p>Decision-making techniques</p> <p>Positive communication skills</p>  | <p>Create a written plan</p> <p>Discuss household goals and priorities</p>  | <p>Financial tools for budgeting and saving</p> <p>Means to reach goals (school, steady income)</p>  | <p>Motivation</p> <p>Future orientation</p> <p>Partner/family cooperation and agreement on priorities</p>  |
| <b>Maximizing Income</b> | <p>Knowing how much you earn</p> <p>Difference between gross and net pay</p> <p>Tax preparation and credits</p> <p>Value of benefits (public and private)</p> <p>Value of education to future earnings</p> | <p>Read paycheck</p> <p>Complete tax forms</p> <p>Apply for benefits</p> <p>Continue education</p> <p>Develop positive work habits</p>          | <p>Job market</p> <p>Transportation</p> <p>Types of benefits available</p> <p>Availability of childcare</p> <p>Job training programs</p> <p>Affordable student loans</p> <p>Tax preparation services</p> | <p>Work-life balance</p> <p>Motivation</p> <p>Partner/family cooperation</p> <p>Supportive vocational counselor/career coach</p> <p>Restrictions on earnings</p>             |
| <b>Spending</b>          | <p>How to make a budget</p> <p>Difference between needs and wants</p> <p>Prioritizing spending</p> <p>Influence of marketing</p> <p>How to use banking/transactional accounts</p>                          | <p>Track spending</p> <p>Balance bank account</p> <p>Pay bills on time</p> <p>Discuss household financial priorities</p> <p>Comparison shop</p> | <p>Adequate income for basic living expenses (self-sufficiency wage)</p> <p>No/low fee transactional (checking) accounts</p> <p>Budget counselor/coach</p>   | <p>Partner/family cooperation</p> <p>Agreement on priorities</p> <p>Helpful financial institution</p> <p>Self-control mechanisms</p> <p>Social media</p>                     |
| <b>Saving</b>            | <p>Recommendations for saving</p> <p>Math/Calculator skills</p> <p>Vehicles and assets saving (accounts, CD, IRAs)</p> <p>Risk vs. return</p> <p>Time value of money</p>                                   | <p>Calculate savings goals</p> <p>Establish account</p> <p>Make regular deposits</p> <p>Track savings</p>                                       | <p>Adequate income for savings goals</p> <p>Appropriate financial products for saving/investing</p> <p>Financial/Tax advisor</p>   | <p>Ability to delay gratification</p> <p>Partner/family cooperation</p> <p>Websites/calculators</p> <p>Social media</p> <p>Spending habits</p> <p>Restrictions on assets</p> |
| <b>Borrowing</b>         | <p>Credit reports and scoring</p> <p>Debt to Income ratio</p> <p>Pros/Cons of credit products</p> <p>Renting vs. Owning</p>  | <p>Read the fine print</p> <p>Compare credit offers</p> <p>Pay bills on time</p> <p>Check credit report</p>                                     | <p>Affordable loans and credit products</p> <p>Credit counseling</p> <p>Legal advice</p>   | <p>Partner/family cooperation</p> <p>Self-control mechanisms</p> <p>Websites/calculators</p>   |
| <b>Protecting</b>        | <p>Recommendations for emergency savings/insurance</p> <p>Identity theft</p> <p>Frauds and scams</p>   | <p>Build up emergency fund</p> <p>Shop for insurance coverage</p> <p>Read fine print</p> <p>Check credit report</p>                             | <p>Affordable insurance coverage</p> <p>Financial/legal advice</p> <p>Appropriate savings products</p> <p>Insurance professional</p>   | <p>Future orientation</p> <p>Partner/family cooperation and honesty</p> <p>Risk aversion</p>   |



## Financial Capability: What are you seeing?

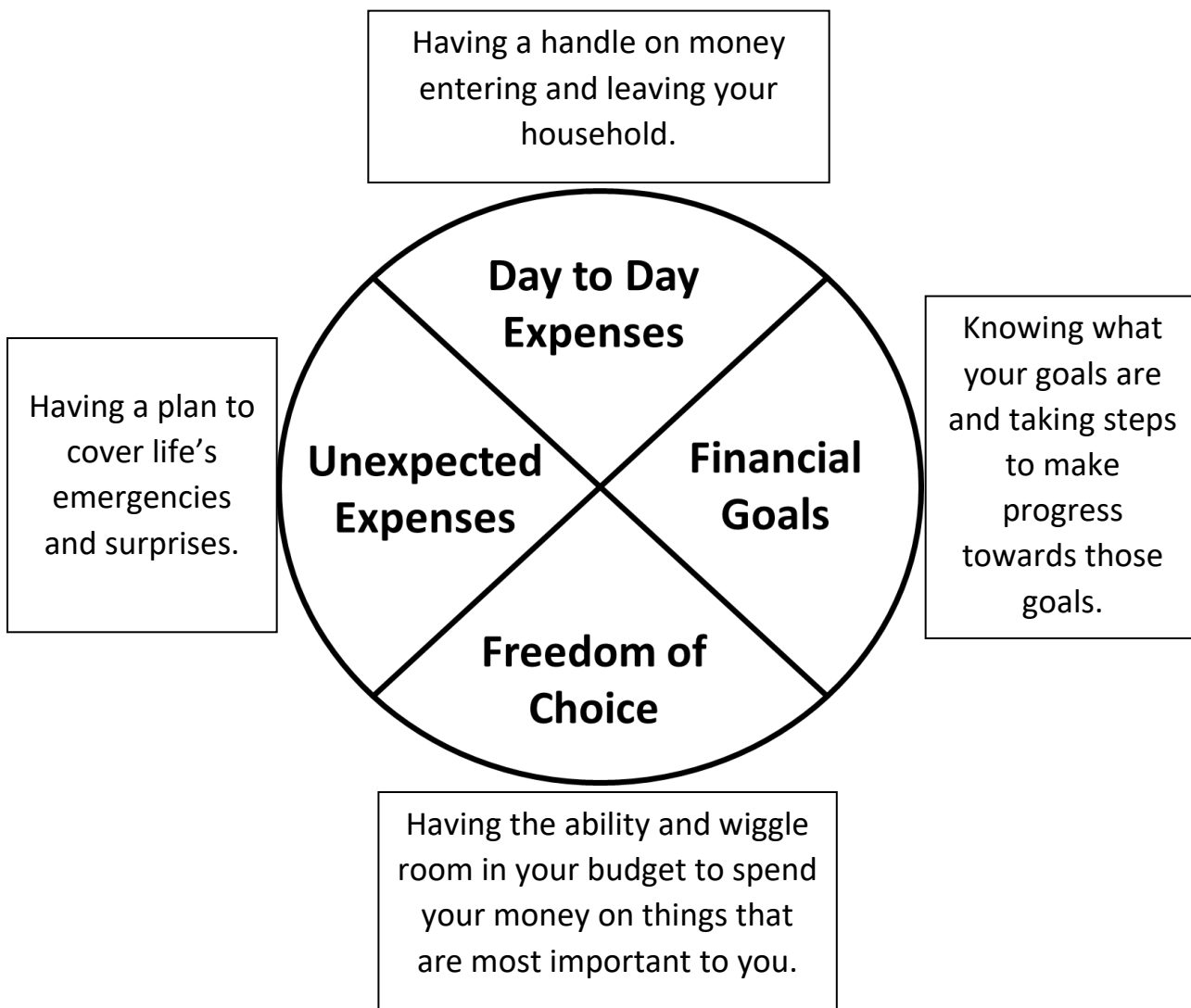
1. *What financial capability successes or barriers are you seeing with your clients?*  
Fill in the chart below with everyday examples of financial knowledge, action, access, and influences.



2. *What types of resources are being used your clients?*

3. *What types of resources are still needed by your clients?*

# Financial Well-Being



These are four factors that help determine how people feel about their current financial situation. CFPB researchers have developed both a pen-and-paper survey and an interactive online questionnaire as a tool to help measure your current financial well-being—that is, how well your current money situation is providing you with financial security and freedom of choice, today and for the future.

You can find more information and tools on the Consumer Financial Protection Bureau website: [www.consumerfinance.gov/consumer-tools/financial-well-being/](http://www.consumerfinance.gov/consumer-tools/financial-well-being/)

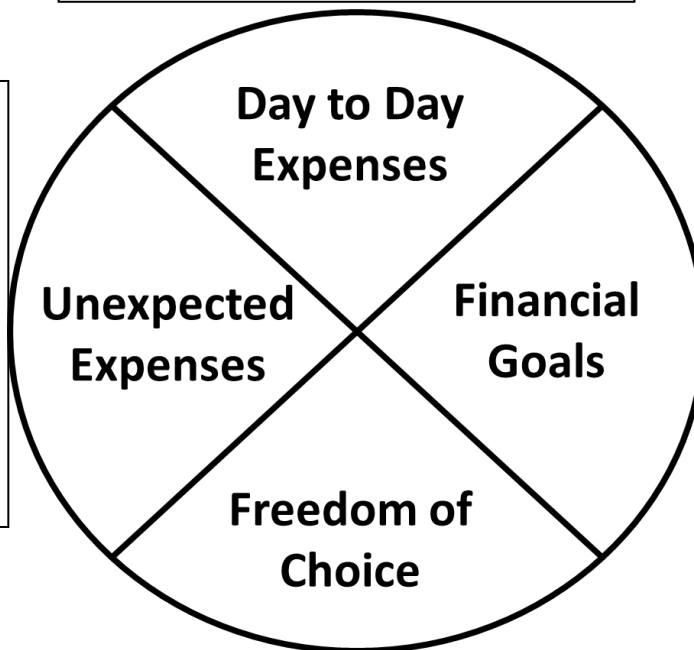
# Financial Well-being Idea Sheet

What's one thing you can do in the next few weeks for your own financial well-being?

Pick an area and write in your action step.

**ACTION:**

**ACTION:**



**ACTION:**

**ACTION:**

## **Accountability Buddy:**

Sometimes life gets in the way and we don't always act on our best intentions. Think about sharing your action step with a friend or family member who can follow-up and ask you how it's going.

*I will do this step:* \_\_\_\_\_  
*by this date:* \_\_\_\_\_

# *Engaging in Financial Conversations*



*“Build your castles in the air,  
for that is where they should be.  
Now put foundations under them.”*

*—Henry David Thoreau*

- ▶ An anti-bias framework for working with families
- ▶ Personal values and money
- ▶ Trauma-informed care strategies and approaches
- ▶ Powerful questions
- ▶ Engaging financial conversations practice worksheet



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# An anti-bias framework for working with families

| Entry Points   | Feeling   | Thinking  | Responding  | Sharing   |
|--|---|---|---|---|
| <p>What are clients, colleagues, &amp; families, thinking about?</p>   | <p>What feelings do you have?</p>   | <p>What might be meaningful to explore individually and with others?</p>  | <p>How do you advocate in everyday interactions with clients, families, and colleagues?</p>   | <p>How do you share anti-bias learning, its process, and its outcomes?</p>  |
| <ul style="list-style-type: none"> <li>• What do you see in people's interactions?</li> <li>• What do you hear/ see in the news?</li> <li>• What do you hear people talking about?</li> <li>• What do you think about yourself?</li> <li>• How do you listen carefully to individuals?</li> <li>• Consider documenting to help determine entry points</li> </ul> | <ul style="list-style-type: none"> <li>• How do you feel initially?</li> <li>• How do you react initially?</li> <li>• How do you respond out of your own experience?</li> <li>• How do you feel about talking about a topic with others?</li> </ul> | <ul style="list-style-type: none"> <li>• Plan individually, with a team, with colleagues.</li> <li>• Do more research</li> <li>• Analyze and review information</li> <li>• Determine if this is appropriate to discuss with clients, colleagues, &amp; families.</li> </ul> | <ul style="list-style-type: none"> <li>• How can you respond in the moment? Long-term?</li> <li>• Can you revisit or expand on the issue with individuals?</li> <li>• Can the topics be made accessible to others?</li> </ul> | <ul style="list-style-type: none"> <li>• How can you share the information?</li> <li>• With clients?</li> <li>• With colleagues?</li> <li>• With families?</li> </ul> |

https://militaryfamilieslearningnetwork.org/2018virtualconference/



The original framework designed by Kuh et al. (2016) can be accessed here: <http://www.jstor.org/stable/pdf/ycyoungchildren.71.1.58.pdf>



# Personal Values and Money

The following list contains words or phrases that illustrate values. Values are not like morals. There's no right or wrong. However, values guide our decisions and actions, so they might "feel" right or wrong to us personally.

When it comes to money and financial decisions, what feels right to us may not be right for someone else. The purpose of this activity is to get us thinking about the relationship between our values, beliefs, and actions.

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1. Think about yourself in a professional or volunteer setting in which you would be working with a client. In the list below, circle the 5 values you feel are most like you. Then place an X in front of 5 values that you feel are least like you.

|                |                    |                 |
|----------------|--------------------|-----------------|
| Accomplishment | Empowerment        | Passion         |
| Accuracy       | Excellence         | Peace           |
| Acknowledgment | Excitement         | Productivity    |
| Action         | Frugality          | Quality         |
| Adventure      | Growth             | Recognition     |
| Authenticity   | Harmony            | Responsibility  |
| Beauty         | Honesty            | Risk Taking     |
| Belonging      | Humor              | Self-Expression |
| Caution        | Independence       | Service         |
| Collaboration  | Integrity          | Solitude        |
| Community      | Joy                | Spirituality    |
| Compassion     | Life-long Learning | Spontaneity     |
| Contribution   | Loyalty            | Success         |
| Creativity     | Nurturing          | Tradition       |
| Directness     | Orderliness        | Trust           |
| Duty           | Participation      | Other: _____    |

2. Think about a time when you've made a financial decision.
  - a. What was the decision?
  - b. In what ways did this decision reflect your personal values?
  - c. Did this decision conflict with any of your most important values?
  
3. Think about a time when a client, friend, or family member made a financial decision that you didn't understand or didn't agree with.
  - a. What was the decision?
  - b. How did you react to the decision?
  - c. How did this person's decision reflect or not reflect your own personal values?
  - d. How do you think the decision might have reflected the other person's values?

## Trauma Informed Care Strategies & Approaches

As service providers, we cannot control people’s pasts, lives, or the systems we live in, but we can control how we approach and interact with program participants. We do not have the right to know about people’s trauma unless they choose to share, and we should treat all people as if they potentially have trauma.

1. **Do pre-work and research** to learn about the populations and cultures you provide services to while understanding each individual has their own lived experiences that shape their values, priorities, decision making and goals. Beware of the danger of a single story. **Resource:** TED Talk, Chimamanda Ngozi Adichie: [The Danger of a Single Story](#).
2. **Build relationships** through trust, confidentiality, collaboration; ask open-ended questions; be honest, genuine. Treat participants like a partner in the process from beginning to end.
3. **Help participants feel in control or empowered** as much as possible. Foreshadow and check-in along the way. Provide language access services and translated documents.
4. **Be open to feedback**, allow participants to guide programming as much as possible, give choices when possible. Be sensitive to people’s learning and literacy needs.
  - Ask about preferences: Does the client prefer to work on their own or with help? Give choice in format (quiet, writing, sharing) for reflection exercises, give people time to read forms and process questions, allow for more discussions in small groups, allow people to bring a friend, especially important for English Language Learners if there is small group or partner activities.
5. **Be warm and welcoming.** Build rapport and knowledge of the participant with strengths-based interactions. Listen for and reflect back what they value.
6. **Six Scenario Challenge-** Think of six other possibilities when questioning others’ behavior to avoid making unconfirmed assumptions (i.e., someone is behind on rent, think of 6 reasons why this might be).
7. **Belief and acceptance** that people are doing the best they can with what they have.
8. **Acknowledgements** can go a long way:
  - Systematic barriers or oppressive systems, access to systems, products.
  - Connections between feelings, emotions, thoughts, and behaviors. What looks like avoidance of an important issue may be a trauma response.
  - Family and personal history and culture surrounding money.
  - Economic parameters and restraints.
  - “Name it” aka “put it on the table,” let people know it is okay to share what’s important, model returning to previous conversations. “I’ve been thinking about your comment at last meeting . . .”
9. **E-P-E** - Elicit (permission), Provide (information) Elicit (feedback) (from Motivational Interviewing)  
Example: Service provider: “Are you interested in learning more about how to save on groceries now or would you like me to send you home with some information?” Participant: “Now is fine.” Service provider discusses handouts or strategies with participant. Service provider: “What did you think about those strategies?”
10. **Goal Setting:** (SMART vs Learning Goals) Goal setting can be intimidating or cause anxiety about failure. A person trying to meet their basic physical and emotional needs might not be ready for goal setting. A learning goal might be more appropriate than an action step-oriented goal for some. Consider needs for immediate (survival mode) vs short-term needs vs long-term goals.



# Powerful Questions

There is no right or wrong question for each client or situation. The best question is one that neither you nor the coach knows the answer to. If you already know the answer to your question, don't ask it. Instead, ask permission to share your thoughts with your client or ask a different question. If you get stuck, here are some questions to consider.

Explore the client's beliefs and values:

- What are your top priorities?
- What is important about that?
- How do you know that?
- What are you proud of?
- How do you know when things are working well?
- What are you getting from that behavior?
- What if that didn't matter?
- What is possible?
- What is this costing you?
- Where do you feel successful in your life?
- What gives you joy?

Explore a different perspective:

- How else can you look at this?
- Where do you see yourself in five years?
- What barriers might be in your way?
- How long are you willing to put up with this?
- Where else does this (pattern/thinking/belief) show up?
- How are things different today?
- What advice would you give someone in your situation?
- Who would you have to be to get that done?
- If someone gave you the right answer, what would they say?
- How would you feel about that when you are 95?
- What would your 95-year-old self tell you to do?

## Powerful Questions:

- Short – 7-10 words
- Start with 'what' or 'how'
- Avoid 'why'
- Focus on the person talking, not the problem

Powerful questions help deepen the client's understanding about what's important to them and why. They can help someone get unstuck and move closer towards their goal. Questions help the client to understand their actions and motivations, without having to justify past decisions.

“When we have arrived at the question, the answer is already near.”

—Ralph Waldo Emerson, poet

## **Encouraging Financial Conversations Practice**

Directions: In your conversation, ask your client powerful questions around their personal financial goal. The point of this activity is to provide your partner with the time and space to think about what's important to them and what they might be interested in doing to reach their goal.

If you find it helpful, you're welcome to use this worksheet to take a few notes or write down a few questions you'd like to ask your partner. A few sample questions have been provided.

**Client's Goal:** \_\_\_\_\_

### **Explore the Goal:**

- What's important about your goal?
- What's your ideal situation?
- How will you know when you reach that goal?
- Where are you getting stuck?

### **Action Planning:**

- What's one step you might take in the next few weeks?
- What support do you need?
- How do you keep yourself on track?



# *Supplemental Financial Education Resources*



*“Do the best you can until you know better.  
Then when you know better, do better.”*

*—Maya Angelou*

- ▶ Resources from the University of Wisconsin–Madison
- ▶ Consumer Financial Protection Bureau
- ▶ Federal Deposit Insurance Corporation
- ▶ Resources for financial management
- ▶ Financial management websites
- ▶ Financial education



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## F Ygci fWg`Zca `h Yl b]j Yfg]micZK ]gW`bg]b.`

Housed in the School of Human Ecology at the University of Wisconsin-Madison, the Center for Financial Security is an intellectual hub for research and outreach across disciplines. Currently, 66 researchers from the UW and campuses across the nation are affiliated with CFS. CFS attracts leading researchers through its expertise in consumer behavior, commitment to outreach and applied scholarship, access to resources for behavior research, and the dissemination of research findings. <https://cfs.wisc.edu/>

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The University of Wisconsin provides a range of resources to promote financial well-being – keeping pace with day-to-day expenses, reaching financial goals, planning for life’s unexpected events, and securing their financial future. All materials are free for public use, with the request that you cite the source as the University of Wisconsin-Extension.

<https://finances.extension.wisc.edu/>

Resources include:

- € **Getting Through Tough Times:** Fact sheets and worksheets (English and Spanish) designed to help people make sound financial choices in tough times: <https://finances.extension.wisc.edu/article-topic/getting-through-tough-times/>
- € **7 fYX]hfYdcftg.** Learn about credit reports and sign up for email reminders to order reports: <https://finances.extension.wisc.edu/programs/check-your-free-credit-report-campaign/>
- € **Helping Professionals.** Download fact sheets, worksheets, and financial newsletters: <https://finances.extension.wisc.edu/programs/financial-capability-for-helping-professionals/>
- € **F YbhGa Ufh** Focuses on the knowledge and skills essential for a successful renting experience: <https://finances.extension.wisc.edu/programs/rent-smart/>
- € **<ci gY c`Xg`k ]h `nci b[ `W ]XfYb.** Financial education newsletters and workshops (English and Spanish) designed for the *Money Smart in Head Start* Financial Coaching program: <https://finances.extension.wisc.edu/programs/money-mart-in-head-start/>
- **Money Matters:** Online, self-study financial education modules. Individuals can request a certificate of completion after reviewing a module and completing a self-assessment quiz. Individual financial coaching is also available in some Wisconsin counties: <https://finances.extension.wisc.edu/programs/money-matters/>

## 7 cbgi a Yf': ]bUbWjU'DfchYWjcb'6 i fYU 'f7 : D6 Ł'

The CFPB was created by the Federal Government to enforce federal consumer financial laws and protect consumers in the financial marketplace. Their focus includes:

- Taking consumer complaints
- Enhancing financial education
- Researching consumer experience around use of financial products
- Along with supervision, enforcement, and monitoring of the financial marketplace

### k k k 'Vcbgi a YfZbUbWjU' c j'

Resources include:

- **Mci f'AcbynzMci f'; cUg.** Includes a toolkit of financial handouts for workshops or working individually with clients. The website has supplemental booklets, companion guides, and online resources, with many available in English and Spanish: [consumerfinance.gov/practitioner-resources/your-money-your-goals/](https://consumerfinance.gov/practitioner-resources/your-money-your-goals/)
  - Special populations include:
    - # Native Communities
    - # People with Disabilities
    - # Focus on Reentry
- **Gh XYbhi@Ubg.** Online resources include step-by-step instructions around repaying student loans and options when you can't afford payments. Additional tools include understanding loans before going to school and guides to compare aid offers: <https://www.consumerfinance.gov/paying-for-college/>
- **: ]bUbWjU'K Y'!6 Y]b[ 'gi f j Ym** Individuals can take the financial well-being survey online and compare their responses to others: <https://www.consumerfinance.gov/consumer-tools/financial-well-being/>
- **List of Consumer Reporting Companies:** Many consumers know that the three credit bureaus--Equifax, Experian, and TransUnion--maintain reports on their credit use but most don't know that there are other companies that collect information and prepare consumer reports. Everyone has a right to see their reports and this list of consumer reporting companies provides all the details: [https://files.consumerfinance.gov/f/documents/cfpb\\_consumer-reporting-companies-list\\_2022-01.pdf](https://files.consumerfinance.gov/f/documents/cfpb_consumer-reporting-companies-list_2022-01.pdf).

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Money Smart is a free financial education curriculum for low– and moderate-income individuals to enhance their financial skills and create positive banking relationships. There are numerous versions of the Money Smart curriculum, including:

- Instructor-led curricula for adults available in 9 languages, Braille, and large print.
- Instructor-led curricula for young people in grades pre-K through 12.
- A stand-alone instructor-led module that targets the needs of older adults (ages 62+).
- An online, self-paced Computer Based Instruction (CBI) format for ages 13 and over.
- Plus additional resources on the main website

# Resources for Financial Management

## Credit Counseling:

If an individual is in financial trouble and not able to work out a repayment plan with creditors, a credit counseling service may be able to help. The most common of these services are members of the National Foundation for Credit Counseling (NFCC) with offices known as Consumer Credit Counseling Services (CCCS). There are dozens of credit counseling services (or “adjustment services companies” as they are technically called) licensed to offer services in Wisconsin. This includes agencies with local offices, as well as phone and Internet-based services.

- To locate a credit counselor near you, go to: [www.debtadvice.org](http://www.debtadvice.org) or call the National Foundation for Credit Counseling 1-800-388-2227.
- For a list of credit counseling (adjustment service) companies licensed to do business in Wisconsin, see the WI Department of Financial Institutions website: [www.wdfi.org/fi/lfs/licensee\\_lists](http://www.wdfi.org/fi/lfs/licensee_lists). A copy of the state regulations that govern adjustment service companies can be found at: <http://tinyurl.com/p9xw9c>.
- For homeowners concerned about keeping up with the mortgage: Foreclosure Prevention Counseling is available over the phone at: 1-888-995-HOPE, or online at: [www.995HOPE.org](http://www.995HOPE.org).

## Debt Collection:

- If an individual feels that they're being harassed by a collection agency, keep a record with the time and date of all the calls received and any harassing threats. File a complaint with the Federal Trade Commission's (FTC) Consumer Response Center: [www.ftc.gov](http://www.ftc.gov) or call: 877-FTC-HELP (382-4357).
- With a complaint about a debt collector, call the WI Department of Financial Institutions at (800) 452-3328. Please keep in mind that they can only act on complaints filed in writing or submitted through their website: [www.wdfi.org](http://www.wdfi.org).
- For a problem with a financial product or service, contact the CFPB (Consumer Financial Protection Bureau) at [www.consumerfinance.gov](http://www.consumerfinance.gov) or 855-411-2372.

## Legal Assistance:

- Contact the Wisconsin Bar Association Lawyer Referrals numbers: (608) 257-4666 or 1-800-362-9082.
- Legal Action of Wisconsin provides free legal assistance to low-income individuals in 39 southern Wisconsin counties (Migrant Farmworker Project is statewide). Find contact information for 6 offices in Southern Wisconsin. Check out the “consumer library” for information on legal issues. Website: [www.badgerlaw.net](http://www.badgerlaw.net)
- For low-income households with a civil legal problem who live in northern Wisconsin, contact Wisconsin Judicare: 1-800-472-1638 or [www.judicare.org](http://www.judicare.org).



# Financial Management Websites

## Credit Reports and Scores:

- To obtain your free annual credit report every 12 months from each of the three major credit reporting bureaus. This is the “official” government sanctioned site for a free report. Note that ordering your credit score does cost money.  
[www.annualcreditreport.com](http://www.annualcreditreport.com)
- Information, fact sheets, and calculators of credit scoring and credit management, purchase a FICO brand credit score: [www.myfico.com](http://www.myfico.com)
- There are many commercial websites that offer free “educational credit scores.” These free scores are typically not the credit score used by a creditor in making lending decisions.
  - [www.creditkarma.com](http://www.creditkarma.com)
  - [www.mint.com](http://www.mint.com)
  - [www.credit.com](http://www.credit.com)

## Financial Fact Sheets and Calculators:

- Financial fact sheets, budgeting worksheets, and calculators addressing issues across the lifespan from the U.S. Financial Literacy & Education Commission: [www.mymoney.gov](http://www.mymoney.gov)
- Debt repayment calculators and other budgeting tools from the Utah State University: [www.powerpay.org](http://www.powerpay.org)
- Financial calculators, fact sheets on financial management: [www.choosetosave.org](http://www.choosetosave.org)

## Budgeting and Financial Management Apps:

Dozens of financial management apps can be found for monitoring account balances, categorizing spending, and more. Some popular apps include: Mint.com, expensify, etc.

## Online Financial Management Tools, Videos, Curriculum, and More:

- Free educational resources for middle/high school students: [www.ngpf.org](http://www.ngpf.org)
- Find videos, calculators, and financial basics: [www.360financialliteracy.org](http://www.360financialliteracy.org)
- Send yourself reminder text messages on your cell phone: [www.ohdontforget.com](http://www.ohdontforget.com)
- Checklists and information to help identify spending leaks: [stopthinksave.org](http://stopthinksave.org)
- Have some fun playing online games around budgeting and credit:  
[www.financialentertainment.org](http://www.financialentertainment.org)
- Activities and discussion board on children and money from the CFPB:  
[www.consumerfinance.gov/money-as-you-grow](http://www.consumerfinance.gov/money-as-you-grow)
- Listen to everyday people talk about spending mistakes: [www.spendster.org](http://www.spendster.org)

## Health Insurance:

- Enrollment information for the health insurance marketplace: [www.healthcare.gov/](http://www.healthcare.gov/)
- Video on health insurance basics: [kff.org/health-reform/video/health-insurance-explained-youtoons/](http://kff.org/health-reform/video/health-insurance-explained-youtoons/)

*Websites are provided for educational and informational purposes only, and does not imply an endorsement.*

# Goal Setting



*"The future belongs to those who prepare for it today."*

*--Malcolm X*

- ▶ What are your dreams? What is important to you?
- ▶ Strategies for self-efficacy
- ▶ Action plan tool
- ▶ Financial planning worksheet
- ▶ Financial priorities
- ▶ Emergency funds
- ▶ Keep yourself on track



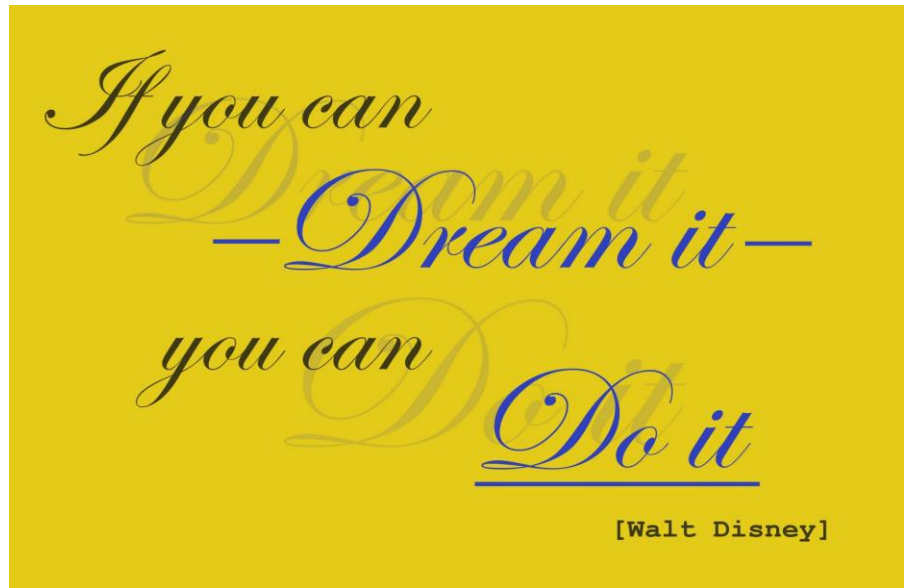
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# What Are Your Dreams?

From: Grow Your Green. Created by the Dane County office of UW-Madison Division of Extension

Take the time to consider the dreams that you have for you and your family. Whether your dream is to retire early, send your kids to college, take a nice vacation, be debt-free, or simply to make ends meet each month, having these dreams in mind will help you stay positive and motivate you to keep going. It is OK to dream....in fact, it's required!

Take some time to make a list of those things that you dream about for your family's future. Have members of your household do the same and then talk about it. Nothing is too big or too small....include them all! You will use these dreams later on in this book when you begin to set your financial goals.



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Congratulations on taking the first step to making your financial dreams a reality!

# What Is Important To You?



*If something is important to you, you will find a way. If not, you'll find an excuse....*

When it comes right down to it, the decisions you make with your money are directly related to your past experiences, your emotions, and the things that you value in life. Considering those things as you develop a budget will make your plan more personal and increase the likelihood that you will stick to it.

Taking some time to ask yourself these questions can help as you try to figure out the best way to manage your finances.

## When I think about my money situation, I usually feel:

- Anxious
- Worried
- Guilty
- Depressed
- Helpless
- Angry
- Content
- Proud
- Competent

After the basics are covered (rent, utilities, food, transportation), the items that I feel must be included in my spending plan to keep me happy are:

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## What do I do best with my money?

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## Which money issue worries me the most?

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## When I think about the setting I grew up in:

### Was money talked about openly?

- Yes  No

### Did discussions about money end in arguments?

- Yes  No

### How has this affected the way I handle money?



Your budget is unique to you and should include the things that are important to you. It may require cutting other less important things from your budget to make this happen. Everything has to do with choices and those choices are yours to make. The goal is to spend money on the things that matter most to you and avoid spending on things that do not.



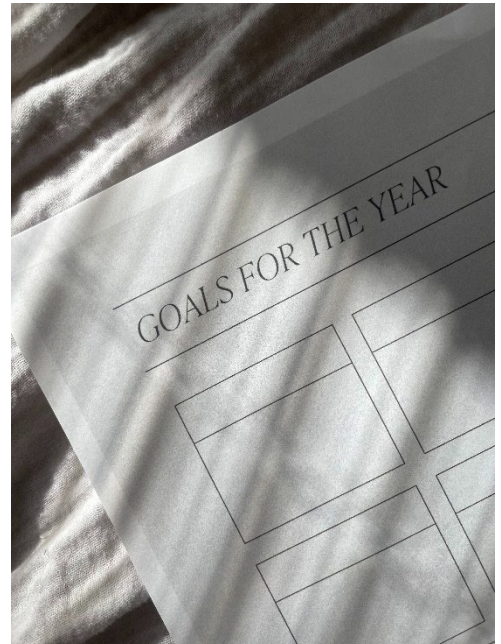
## Strategies for Building Self-Efficacy

To establish new behaviors successfully, it is important that individuals believe that they can do those behaviors. This is called “self-efficacy.” Put another way, self-efficacy is confidence in the ability to exert control over one’s motivation, behavior, and social environment. This can be accomplished through a process of **goal setting, action planning, and positive thinking.**

### Goal Setting and Action Planning

One of the most important skills for behavior change is goal setting. Without a goal, most people are not able to see and get to where they want to be. Goals usually need to be broken into achievable action steps or they feel overwhelming. Action planning helps to create these manageable steps.

1. **Identify a realistic goal.** Ask your client(s) to identify an important and realistic behavior goal that they can accomplish in six months. Have them write it on the Action Plan Tool. Be sure it is realistic and **something they want to accomplish.**
2. **Make a plan.** Ask clients to identify three actions they can take over the next week that will help them move toward their goal.
  - Ask “What will you do this week?” It is important that the activity come from the participant and not from you as the case manager/coach. This activity should be something that the client wants to do to change behavior. Each person should verbalize the behavior they want to do, starting with, “I will ... .” If they instead say “I will try ...” ask them to choose a behavior that they have confidence they will be able to do and rephrase the statement.
  - Suggest that they not try to accomplish too much at once. Small successful steps are important to changing a behavior or set routine. Have participants write the three actions on the Action Plan Tool.



This is the most difficult and important part of making an action plan. Deciding what to accomplish is worthless without making a plan. The plan should contain all of the following specific elements and answer the following questions on the Action Plan Tool for the three specific actions.

- **What will you do?**  
Exactly what is the participant going to do (ex: how much money will you save? what expenses will you cut? when will you check your credit report?)? Make sure this is an action and not the result of an action.
- **Where will you do it?**  
Be specific as to where you will do this action step (ex: at the bank, on your credit union’s app on your phone).
- **When will you do this?**  
Again, this must be specific. Example: Every Friday afternoon, I’ll deposit money in my savings account.

- **How long will you do it?**  
Example: Every week for the next year.

- **How often will the activity be done?**  
For example, weekly or monthly. Many people tend to say every day. In making an action plan, the most important thing is to succeed. Therefore, it is better to commit to do something four times a week and exceed the commitment by actually doing it five times than to commit to do something every day and fail by only doing it six days. To ensure success, encourage people to commit to doing something three to five days a week (e.g., bringing their lunch to work instead of eating out). Remember that success and self-efficacy are as important as doing the behavior.



### 3. Check the action plan.

Once the action plan is complete, ask the participant, “On a scale of 0 to 10, with 0 being not at all confident and 10 being totally confident, how confident or how sure are you that you will [repeat the client’s action plan verbatim]?”

If the answer is 7 or above, this is probably a realistic action plan. If the answer is below 7, the action plan should be reassessed. Ask the participant, “What makes you uncertain? What barriers do you have?” Then ask them to brainstorm ways to keep those barriers from getting in their way. Once the problem-solving is completed, have the client restate the action plan and return to step 3, checking the action plan.

**NOTE:** This planning process may seem cumbersome and time-consuming; however, it does work and is well worth the effort.



Making an action plan is a learned skill but by following this format your client will soon be saying, “I will \_\_\_\_\_ four times this month, and I have a confidence level of 8 that I can do this.” Thus, after two or three sessions, making an action plan should take less than a minute.

### 4. Follow up on the action plan.

Equally important to developing an action plan to reach behavior goals is to assess the client’s success at implementing the action plan and its effectiveness at moving them toward their goal. Designate a time during which clients review and evaluate their action plans. For group programs, engaging the group in a discussion of member

challenges to solicit support and suggestions can be helpful and builds group cohesion. Have participants revise their action plans to experience success and build self-efficacy.

## Participant Handout: Action Plan Tool

- Identify and write a behavior change goal that you want to accomplish in the next six months.
- Make an action plan to help you achieve your goal. Write three actions you will take to reach it. Then check off each action as you complete it.

**My goal is to:** \_\_\_\_\_

\_\_\_\_\_

**Today's date:** \_\_\_\_\_

**Action 1** \_\_\_\_\_

\_\_\_\_\_

**Done** \_\_\_\_\_

**Action 2** \_\_\_\_\_

\_\_\_\_\_

**Done** \_\_\_\_\_

**Action 3** \_\_\_\_\_

\_\_\_\_\_

**Done** \_\_\_\_\_

Where I will do it \_\_\_\_\_

When I will do it \_\_\_\_\_

How long I will do it \_\_\_\_\_

How often I will do it \_\_\_\_\_

My confidence level (0 = no confidence to 10 = very confident) \_\_\_\_\_

Challenges I might face \_\_\_\_\_

Ways to cope with these challenges \_\_\_\_\_

\_\_\_\_\_

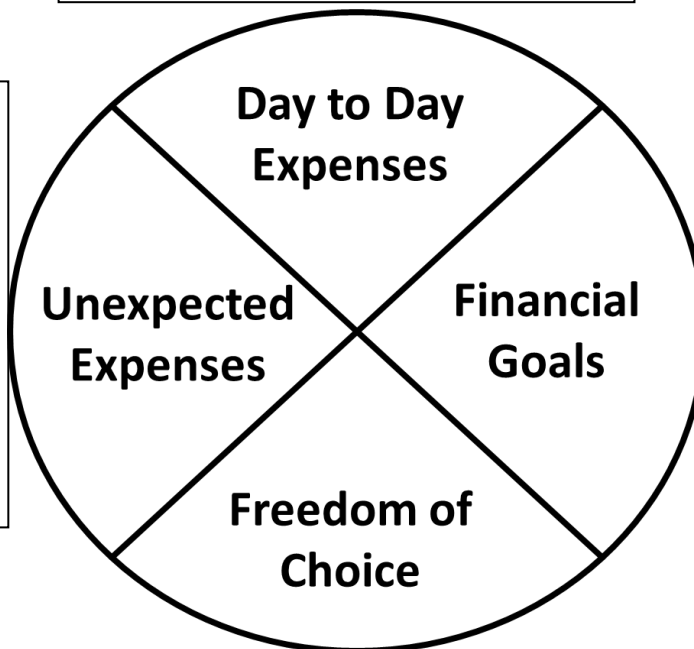
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# Financial Planning Worksheet

What's one thing you can do in the next week for your own financial well-being?  
Pick an area and write in your action step.

**ACTION:**

**ACTION:**



**ACTION:**

**ACTION:**

## OPTIONAL OFFER:

If you would like to be held accountable for your action step, please feel free to send me an email. I will then email you on your deadline date to see if you're happy with your progress.

Case Manager E-mail:

*I will do \_\_\_\_\_ (action step) \_\_\_\_\_  
by \_\_\_\_\_ (what date) \_\_\_\_\_.*



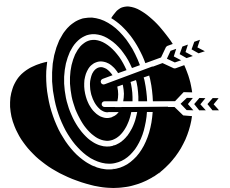
# Financial Priorities

There are a lot of different ways to spend a dollar. These questions help you talk about your financial priorities and values. You can have other family members answer the questions too and then talk about your answers together.

1. I have just been laid off from my job. I must make a major cut in spending. The first thing to go is: \_\_\_\_\_
2. I would like to see me/us spend more money on \_\_\_\_\_ and less money on \_\_\_\_\_.

## Financial Goals

The reason to plan is to make sure that you're spending your money on things that are the most important to you – your priorities. For each financial goal, figure out the total amount needed, the date you want to reach your goal, and how much you need to save monthly. For example, if you want \$500 in your emergency fund in one year, you need to save around \$42 every month.



| Financial Goals                             | Total Amount Needed | Date Needed (in months)<br>(6 months, 24 months, etc) | Amount to Save Monthly<br>(Divide the total needed by the number of months) |
|---|---------------------|---|---|
| <i>Example: Emergency Fund</i>              | \$500               | 12 months   | \$42 (\$500 / 12)   |
|   |                     |   |   |
|   |                     |   |   |
|   |                     |   |   |
|   |                     |   |   |
|   |                     |   |   |
| <b>Total amount needed to save monthly:</b> |                     |   |   |

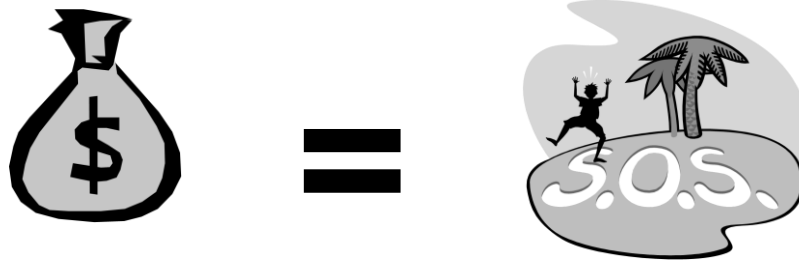
Are you able to save enough money each month for all your goals? Most people have more goals than they do money. The next step is to **prioritize** which goals come first.

# Emergency Funds

## *When you have money to fall back on:*

- 👉 You have **less stress** and **more security** when there's an emergency, like an illness, accident, or loss of work.
- 👉 If you fall short of money one month, you can still **make your payments** on time. This will also help to build up your credit history.
- 👉 You can get car or home repairs or medical care **when needed** rather than waiting until you can find the money. Waiting may make the problem bigger and more expensive.
- 👉 You can **select the best** service provider, mechanic, or other help needed, rather than relying on high interest credit.

- To set up an emergency fund, work on saving an amount equal to one month's spending for housing, utilities, food, transportation, and other regular expenses.



- Then try to add at least **1%** to this fund every month.  
For example, if your basic living expenses equal \$1400 per month, this would mean contributing \$14 per month to your fund. Add more if you can.
- Financial experts recommend keeping 3-6 months worth of your basic monthly living expenses in an emergency fund. It takes most people several years to build up an emergency fund.
- Even when you're building up your emergency fund, you can use any of the funds you have saved for any situations, repairs, or replacements that you can't pay for out of your monthly income. After you get through the emergency, start adding to your fund again.

# Keep Yourself on Track

## Reminders & Encouragement

- Send yourself a text reminder sometime in the future using: [Ohdontforget.com](http://Ohdontforget.com)
- Share your goal with others at: [Stickk.com](http://Stickk.com)
- Send yourself an email about your future goal through: [Futureme.org](http://Futureme.org)

# Maximizing Income



*“If you don’t ask, the answer is always no. If you don’t step forward, you’re always in the same place.”*

***--Nora Roberts***

- ▶ Do-it-yourself ideas for tight budgets
- ▶ Claim tax credits
- ▶ Increasing your income
- ▶ Dealing with a drop in income
- ▶ Income and benefits tracker
- ▶ Strategies for increasing income and benefits
- ▶ Benefits cliffs for Wisconsin public programs



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# Do It Yourself Ideas for Tight Budgets

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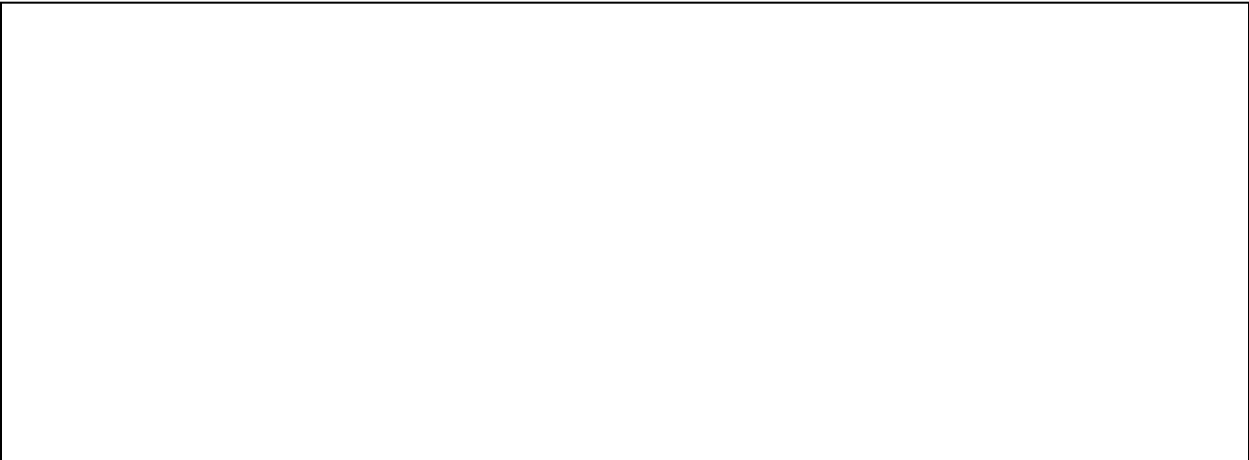
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If your household has a paycheck coming in, check out these options:

**Dropping or Decreasing Benefit Contributions:** You can choose to stop or reduce your contributions to certain benefit plans, such as health insurance, dental insurance, and vision insurance. This can help reduce your take-home pay, but it may also affect your eligibility for certain benefits.



Why? You can choose to stop or reduce your contributions to certain benefit plans, such as health insurance, dental insurance, and vision insurance.

< You can choose to stop or reduce your contributions to certain benefit plans, such as health insurance, dental insurance, and vision insurance. This can help reduce your take-home pay, but it may also affect your eligibility for certain benefits.

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**Taxes and Tax Credits:** You can take advantage of various tax credits and deductions to reduce your tax liability. This can include the child tax credit, the earned income tax credit, and the employer-sponsored health insurance deduction.



Why? You can take advantage of various tax credits and deductions to reduce your tax liability.

8c. You can take advantage of various tax credits and deductions to reduce your tax liability. This can include the child tax credit, the earned income tax credit, and the employer-sponsored health insurance deduction.

How? You can take advantage of various tax credits and deductions to reduce your tax liability.

**How? You can take advantage of various tax credits and deductions to reduce your tax liability.**

You can take advantage of various tax credits and deductions to reduce your tax liability. This can include the child tax credit, the earned income tax credit, and the employer-sponsored health insurance deduction.

8. You can take advantage of various tax credits and deductions to reduce your tax liability. This can include the child tax credit, the earned income tax credit, and the employer-sponsored health insurance deduction.

# DEALING WITH A DROP IN INCOME



University of Wisconsin-Madison Division of Extension  
[fyi.extension.wisc.edu/money/](http://fyi.extension.wisc.edu/money/)  
MARCH 2020

Contact a local Educator at your Extension County Office  
for more assistance and additional resources  
[counties.extension.wisc.edu/](http://counties.extension.wisc.edu/)



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# WHEN YOUR INCOME DROPS...

Sometimes a household's income drops suddenly because of a job layoff, an illness or death, or a divorce. It's natural to feel shocked or panicked or to want to ignore the situation.

Whatever the cause, the best thing you can do is to figure out if your new income covers all of your current expenses. Most households can't continue to spend at the same rate and with same lifestyle that they had before their income dropped – even if the drop is just temporary. The sooner you look at your household budget, the more options you have and the better off you will be in the long run.

As hard as it is, you need to let your creditors know about your financial situation. Some of your creditors may be willing to work with you during a rough patch if you're honest with them and contact them before you miss any payments.

Talk with your family and friends about your stress and the changes that might need to happen at home. If you have children at home, you don't want to worry them with adult concerns about paying for groceries or the mortgage, but it's okay to let them know that there's less money coming into your home. Children can be part of the solution when you let them know that some purchases can't be made or some activities will need to be cut or postponed. Your teens might already be contributing to the family budget through a part time job. Families often become stronger when everyone pulls together.

**No matter how bad your situation might be, ignoring your worries won't make them go away. TAKE CHARGE.**

For free, confidential service, contact your county Extension office with any questions or for more information: [counties.extension.wisc.edu](http://counties.extension.wisc.edu)





# MONTHLY CASH FLOW WORKSHEET

When you have a sudden drop in your income, the first step is to figure out what your current income will be and how much your monthly living expenses add up to. Use this worksheet to estimate if your income will cover all of your current expenses and debt payments.

## BASIC LIVING EXPENSES

| Monthly Expense                         | \$ Amount |
|---|-----------|
| Rent/Mortgage                           |           |
| Electricity                             |           |
| Heating Oil or Gas                      |           |
| Water/Sewer                             |           |
| Cable/Satellite                         |           |
| Internet                                |           |
| Cell Phone/Landline                     |           |
| Gas for Car                             |           |
| Car insurance payment                   |           |
| Eating Out                              |           |
| Groceries                               |           |
| "Stuff" for household & personal care   |           |
| Clothing and Laundry                    |           |
| Doctor co-pays/ Prescriptions           |           |
| Entertainment - movies, hobbies, habits |           |
| Pets                                    |           |
| Gifts/donations                         |           |
| Health/Life insurance                   |           |
|   |           |
|   |           |
|   |           |
| Money put into savings                  |           |

MONTHLY EXPENSES \$ \_\_\_\_\_  
(total from above)  
+ MONTHLY DEBT  
PAYMENTS \$ \_\_\_\_\_  
(total from debt chart)  
= ADD UP TOTAL  
MONTHLY SPENDING \$ \_\_\_\_\_

## DEBTS (bills that charge interest)

| Name of Creditor   | Monthly Payment Requested | Total Amount Owed Still |
|--------------------|---------------------------|-------------------------|
| Car Payment 1      | \$ _____                  | \$ _____                |
| Car Payment 2      |                           |                         |
| Medical Bill       |                           |                         |
| Past Due Utilities |                           |                         |
| Credit Cards       |                           |                         |
|                    |                           |                         |
|                    |                           |                         |
|                    |                           |                         |
|                    |                           |                         |
|                    |                           |                         |
|                    |                           |                         |
|                    |                           |                         |
|                    |                           |                         |
|                    |                           |                         |
|                    |                           |                         |
| <b>TOTAL DEBTS</b> | <b>\$ _____</b>           | <b>\$ _____</b>         |

## TAKE HOME INCOME/PAYCHECKS

(after taxes/benefits are taken out)

Income (1) \$ \_\_\_\_\_

Income (2) \$ \_\_\_\_\_

Income (3) \$ \_\_\_\_\_

Income (4) \$ \_\_\_\_\_

---

## TOTAL MONTHLY - NET (TAKE HOME) INCOME

\$ \_\_\_\_\_

MINUS TOTAL MONTHLY SPENDING - \_\_\_\_\_

DIFFERENCE +/- \_\_\_\_\_

If your total spending is more than your total monthly take home pay, keep reading to find out more about working with creditors.



# WHERE DO YOU START IF YOU CAN'T PAY BILLS?

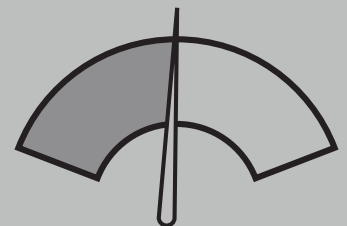
## TAKE ACTION RIGHT AWAY

Contact creditors **BEFORE** you miss a payment. You can reduce your chances of being harassed by creditors or collection agencies by working out solutions early.

### AT THE FIRST SIGN THAT YOU WILL NOT BE ABLE TO MAKE A PAYMENT, DO THE FOLLOWING:

- **Work out your new income and expenses.** Use a monthly spending plan worksheet to compare your income to current expenses. This will give you a picture of your current spending and possibly places to cut back on your day to day expenses.
- **Prioritize your bills.** Credit card collection agencies can be rude and persistent if you miss a credit card payment, but missing a mortgage payment could mean losing your house. Figure out what other bills are priorities to you, for example, the car payment or groceries. See “Deciding which debts to pay.” After you set aside enough money for priorities, then divide the rest of your income among the other creditors and bills.
- **Contact your creditors before they contact you.** When you contact creditors, you’ll need to work with someone—a supervisor, accounts manager, or “loss mitigation” specialist—who can negotiate with you. When you call, this may mean getting busy signals or spending some time on hold since many others in similar situations may be calling, too. If the creditor is local, make an appointment to meet with them in person.
- **Make specific and realistic offers to creditors.** A creditor does not have to accept a lower payment from you, but it never hurts to ask and explain your situation. Agreements may include lower payments over a longer period (with more interest added) or payment on interest alone for a set time period. Don’t make promises you can’t keep.
  - Follow up with a letter detailing the arrangements you agreed to with each creditor. In the letter, write down the terms of your agreement including amount and due date, the name of the person you talked to, and the date. Keep a copy of the letter for your records. Get agreements in writing and signed by the creditor before you send in payments.
  - Contact a credit counseling agency if you need help working with your creditors. Be aware that some agencies charge a fee to help you and a debt repayment program may affect your credit rating. To find a reputable, nonprofit credit counselor near you, go to: [www.debtadvice.org](http://www.debtadvice.org). For help with options to keep up with your mortgage, call 1-888-995-HOPE or go to: [makinghomeaffordable.gov](http://makinghomeaffordable.gov).
- **Consider getting legal advice.** You have rights under the Consumer Protection Act. If a creditor has filed a judgment against you to garnish your wages or repossess collateral, you may want to speak with an attorney before the court date. For legal information, check out: [badgerlaw.net](http://badgerlaw.net)
- **Don’t take on new debt.** You may be tempted to use credit cards, take out a home equity loan, or borrow money to pay bills. Unless your situation turns around quickly, more debt could create bigger problems.

**WHAT ABOUT YOUR CREDIT RATING?** Nonpayment of bills is reported on your credit record, which can damage your ability to get credit or increase the cost of credit. A prospective employer may ask to see your credit record. If you contact all creditors immediately and pay something on each debt as agreed, creditors are less likely to report problems to credit bureaus.



# WHAT CAN HAPPEN WHEN YOU DON'T PAY BILLS?

If you have emergency expenses or a sudden drop in income, you may be tempted to ignore bills or credit charges. Here is what may happen if you put off paying bills:

## UTILITIES



- **Utility service may be shut off.** Services such as electric, gas, or your cell phone may be turned off if you don't pay bills. Also, you may not qualify for energy assistance if you owe money to the utility company.
- **A large reconnect charge** may be difficult to pay later.
- **Interest and fees** may be charged on overdue amounts.

## MORTGAGE



- **Default** - If you miss a mortgage payment, you will receive notice from your lender that foreclosure will begin if you do not pay by a certain date.
- **Late fees** will be added to the amount you owe.
- **Cosigner will be asked to pay** - If a relative or friend cosigned the mortgage, the lender will expect them to make the payments if you do not. Your missed payments could create serious problems for your cosigner as well.
- **Foreclosure** - If you continue to not make payments, the lender will ask the courts to auction your home so the lender can regain the money owed. If this happens, you could lose your home, all of your money invested in it, and still owe more money to your lender. You may want to consider selling your house before court action begins.

## OTHER CREDITORS



- **If you miss a payment**, you will receive a letter reminding you that you missed a payment and asking you to pay promptly. After that, you may receive a more direct letter or get a phone call demanding payment.
- **Bills will probably be turned over** to an independent collection agency. At that point, you will no longer be able to negotiate with the person or company you owe money to. Collection agencies can be aggressive, but you do have certain rights. Collection agencies can't use abusive language or threaten you with violence. They can't call you at unusual hours or threaten criminal prosecution. And they can't discuss your financial situation with others.
- **Creditors can take several kinds of legal action** against you. These actions are often written into the sales contract you signed. If you fail to make payments, you will receive letters from a creditor's attorney warning you of the action the creditor plans to take.
- **These actions may include:**
  - **Acceleration** - the entire debt is payable at once if you miss a payment. The courts can force you to pay by seizing your property and selling it.
  - **Repossession** - the creditor can seize the item you bought or the property you used as collateral. If the sale of the property brings less than the amount you owe, you still must pay the difference.
  - **Wage garnishment** - a court order or judgment that requires your employer to withhold part of your wages and pay your creditor. The creditor can also garnish your checking or savings account if you have more than \$1000 in your account.



## GOVERNMENT DEBTS

- Debts like property taxes or child support are handled differently than a loan or credit card payment. See "Deciding which debts to pay" for more on these debts.

# DECIDING WHICH DEBTS TO PAY FIRST

When you are between jobs, the paychecks may stop coming, but the bills don't. You're legally obligated to pay all debt, but when you don't have enough money to cover your monthly expenses and pay your creditors the minimum amount due, you face some tough decisions. There is no magic list of the order in which debts should be paid since everyone's situation is different.

## HERE ARE SOME GENERAL RULES ABOUT HOW TO SET PRIORITIES:

- 1. First, pay housing-related bills.** Keep up rent or mortgage payments if at all possible. Failure to pay these debts can lead to loss of your home.
- 2. Pay basic living expenses next.** This includes groceries and medical insurance if you can afford the premiums. In Wisconsin, your reduced income may qualify you for FoodShare food assistance or BadgerCare medical assistance. Check out [access.wisconsin.gov](http://access.wisconsin.gov) or contact your county human services office to see if you qualify.
- 3. Pay the minimum required to keep essential utility service.** Full and immediate payment of the entire amount of the bill may not be required, but you should make the minimum payment necessary to avoid disconnection if at all possible.
- 4. Pay car loans or leases next if you need to keep your car.** If a car is needed to get to work, you will usually make the car payment the next priority after housing, food, and utilities. Your creditor can repossess your car without going through the courts first. If you keep the car, stay current on insurance payments as well to avoid additional fees, legal problems, or an overwhelming expense from an accident.
- 5. Make tax debts a high priority.** You must pay any income taxes owed that are not automatically deducted from your wages and any property taxes if they are not included in your monthly mortgage payment. You must file your federal income tax return, even if you cannot afford to pay any balance due. The government has many collection rights that other creditors do not have. Also pay child support; these debts are court-required and will not go away. Nonpayment can result in very serious problems, including prison for nonpayment.
- 6. Make student loans a medium priority.** In general, pay them ahead of low priority debts but after top priority debts. Since most student loans are backed by the government they are subject to special collection remedies, such as wage garnishments, seizure of tax refunds, and denial of new student loans and grants.

## GOVERNMENT DEBT

**Income Taxes:** If you cannot pay the total amount due, contact the Wisconsin Department of Revenue and the IRS right away. Ask for information on repayment plans and find out whether your reduced income makes you eligible for tax credits. Contact the Wisconsin DOR at (608) 266-7879 or [www.dor.state.wi.us](http://www.dor.state.wi.us). There's a \$20 fee to make an installment agreement. Contact the IRS at (800) 829-1040 and ask to be transferred to "advanced accounts."

**Property Taxes:** Contact your county treasurer and explain your situation right away if you're not able to pay property taxes.

**Child Support Orders:** If your income has dropped sharply, contact your family court to find out about lowering your support order as soon as possible. This cannot be done retroactively.

**Student Loans:** If you are having trouble making your federal student loan payments, contact your loan servicer immediately. You may be able to have payments deferred – or postponed – during periods of unemployment or financial hardship. But you cannot qualify for a deferment once your student loan is in default.

7. **Make loans without collateral a low priority.** These include credit card debts, doctor or hospital bills, other debts to professionals and similar obligations. Since you have not pledged collateral for these loans, there is rarely anything these creditors can do to hurt you in the short term.
8. **Make loans with only household goods as collateral a low priority.** Creditors rarely seize the goods due to their low market value and the difficulty in retrieval without involving the courts. If the creditors do start actions to repossess household items, you will be notified by letter.
9. **Treat cosigned debts like any others.** For example, if you put up your home or the car as collateral, that is a high-priority debt for you if other cosigners are not keeping the debt current. If you have put up no collateral, make the debts a low priority. If others have cosigned for you, you should let them know about your financial problems so that they can decide what to do about the debt.
10. **Don't pay when you have a good legal reason to not pay.** Examples include defective merchandise or when the creditor is asking for money that it is not entitled to. If you believe you have a legal defense, contact a lawyer.
11. **Don't move up a debt's priority based on threats to ruin your credit report.** In most cases, the creditor has already reported the delinquency to a credit bureau.
12. **Don't move up a debt's priority because of debt collection efforts or threat of a lawsuit.** Be polite to a collector, but make your own choices about which debts to pay based on what's best for you. Many threats are not carried out, and the procedure itself is long and complicated for the creditors. On the other hand, nonpayment of rent, mortgage, and car debts may result in immediate loss of your home or car.
13. **Do move up court judgments in priority if the creditor has already sued.** After a court judgment, that debt should move up in priority because the creditor can enforce that judgment by asking the court to seize your property, wages, and bank accounts.
14. **Be cautious about consolidating debts or refinancing your home.** Depending on your situation, this may or may not be the right option for you. It can be expensive and give creditors more opportunities to seize your important assets. A short-term fix can lead to long-term problems.

## **BANKRUPTCY**

If you owe a large amount of money and your creditors will not accept reduced payments, you may have to consider your option of last resort - personal bankruptcy. A bankruptcy stays on your credit report for 7-10 years, making it hard to get credit, buy a home, get life insurance, or sometimes get a job. However, it is a legal procedure that can offer a fresh start for people who can't pay all their debts. Filing for bankruptcy could cost between \$1500-\$2000. While it is possible to file a bankruptcy case "pro se," that is, without the assistance of an attorney, hiring an attorney is recommended. Contact the Wisconsin Bar Association Lawyer Referrals numbers: (608) 257-4666 or 1-800-362-9082 look in the phone book for "Bankruptcy" listed as a specialty branch of the law.



# SAMPLE LETTER TO CREDITORS

Use this example below as a guide when writing to or talking with creditors. Replace the blanks with your own information.

\_\_\_\_\_  
(Creditor/Company name)

\_\_\_\_\_  
(Company Address)

\_\_\_\_\_  
(City, State, Zip)

Attention: Account Representative

Date: \_\_\_\_\_

Name(s) on account: \_\_\_\_\_

Account number: \_\_\_\_\_

Date loan/account opened: \_\_\_\_\_

Total amount due: \_\_\_\_\_

Monthly payment amount: \_\_\_\_\_

This letter is to let you know that I'm currently having some financial difficulties. I'm not able to pay the complete monthly payment on my account because \_\_\_\_\_.

*(List your personal reason here – job loss, illness, etc.)*

Looking at my financial situation, I have set up a budget for my basic living expenses and have come up with a debt repayment plan based on my reduced income. I'm contacting all of my creditors to explain my situation and to ask for a reduced payment until my situation improves.

I would like to offer a reduced payment of \$\_\_\_\_\_ per month. This is the most that I can pay regularly at this time. You can expect this amount as soon as possible until the debt is totally repaid.

I hope you find this repayment amount acceptable. I look forward to your letter of acknowledgement. Thank you.

Sincerely,

\_\_\_\_\_  
(Sign your name)

\_\_\_\_\_  
(Your address)

\_\_\_\_\_  
(City, State, Zip)

## TIPS TO NEGOTIATE WITH CREDITORS

Not all creditors will accept payment plans, but they'll be more likely to work with you if you have been a good customer and if you contact them before they contact you. Before you contact each creditor, make sure you'll be able to pay the monthly amount in your agreement. If you fail to follow the new plan, your creditor will be less likely to work with you again.

Here are some options you could request from your creditor:

- Reduce your monthly payment amount
- Reduce or drop charges for late payments
- Refinance the loan at a lower interest rate
- Pay interest only on the loan until you can resume making monthly payments
- Request permission to sell the item and use the cash to repay – or partially

Prepared by: Peggy Olive, Financial Capability Specialist, February 2009. (Available online in English/Spanish at: <https://fyi.extension.wisc.edu/toughtimes/>) Updated March 2020.

Reviewed by: J. Michael Collins, Professor, Extension Specialist Family Financial Management, UW-Madison. Resources: Managing Between Jobs: Deciding which bills to pay first; Talking with creditors. UW-Extension, 2006. Surviving Debt. National Consumer Law Center, 1999.

Design work by Cassi Worster, Marketing Specialist, Extension Fond du Lac County

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# Income and benefits tracker

Get a total picture of your income and benefits to help you plan when to pay your expenses.

Your income and benefits provide you with the financial resources to pay for your living expenses. It's important to get a clear picture of how much you have coming in every month, so you can better budget to pay your bills and possibly save toward your goals.

Remember that income isn't the same as benefits. While income (like from a job) can be used to pay for anything, some benefits can only be used for a particular purpose, like food or medical costs.

Also, income may not always come on a regular basis. Knowing what income is regular, irregular, seasonal, and one-time-only can help you be prepared for when you have less coming in.

## What to do

- **Gather all of your pay stubs**, benefits statements, and records of electronic payments.
- **Enter the amount of income or benefits you receive** next to the correct category in the appropriate week of the month.

## A step further

Look at your total monthly income. If it's less than what you think you need, use the "Increasing income and benefits" tool for tips on how to make more.

If you haven't already, consider completing the "Spending tracker" (in Module 4). This will help you build a cash flow budget, which is covered in Module 5: Getting through the Month.



# Plan the best times to save and spend with this **Income and benefits tracker**

1. Fill in the net income amount you receive each week for any category that applies to you. Note any income that comes at predictable times and in the same amount to help show you what income you can count on each month.
2. Add up the amounts you receive each week and write that in as the weekly total.
3. Add up the weekly totals to figure out your income for the month.
4. Make copies of the tracker to follow your income from month to month.

### Term to know: net income

Net income is what you actually bring home in your paycheck. It's your total pay (gross income) minus taxes, insurance, and other deductions that are taken out.

Income for month of \_\_\_\_\_

|                           | WEEK 1 | WEEK 2 | WEEK 3 | WEEK 4 | WEEK 5 |
|---------------------------|--------|--------|--------|--------|--------|
| Job 1                     |        |        |        |        |        |
| Job 2                     |        |        |        |        |        |
| Child support             |        |        |        |        |        |
| Disability benefits       |        |        |        |        |        |
| SNAP                      |        |        |        |        |        |
| TANF                      |        |        |        |        |        |
| Other government programs |        |        |        |        |        |
| Other:                    |        |        |        |        |        |

**Total weekly income**

|  |  |  |  |  |
|--|--|--|--|--|
|  |  |  |  |  |
|--|--|--|--|--|



**Total income for this month**



|  |
|--|
|  |
|--|



# Think about strategies for **Increasing income and benefits**

1. Review the strategies for increasing income and benefits and check any that could work for you.
2. Write down ideas for how you can accomplish the strategies you've selected, like where you might look for a part-time job or when and where you might hold a garage sale.

| CATEGORY   | STRATEGY  | IDEAS |
|--|---|-------|
|  <b>Use your skills and resources</b> | <input type="checkbox"/> I can earn extra money with skills I have (providing childcare, doing yard work, etc.).  |       |
|  | <input type="checkbox"/> I can use my talents or hobbies to make items to sell online or start a part-time small business.  |       |
|  | <input type="checkbox"/> I can trade things (like house cleaning or baby-sitting) for services I need (like car repairs) from friends or relatives with those skills. |       |
|  | <input type="checkbox"/> I can run errands for other people for a small fee.  |       |
|  | <input type="checkbox"/> I can become a driver for a ride-sharing service.  |       |
|  | <input type="checkbox"/> I can rent a room in my home to a friend or relative (if allowed in my housing agreement).   |       |
|  <b>Look for job opportunities</b>  | <input type="checkbox"/> I can ask for a raise or additional hours at my current job.   |       |
|  | <input type="checkbox"/> I can get a part-time job.   |       |
|  | <input type="checkbox"/> I can look for opportunities for training or education to increase my wages at my current job or help me get a better job.                   |       |

| CATEGORY  | STRATEGY  | IDEAS |
|---|---|-------|
|  <b>Sell household items</b>        | <input type="checkbox"/> I can hold a yard sale/garage sale.  |       |
|   | <input type="checkbox"/> I can sell items I don't need or want online.  |       |
|   | <input type="checkbox"/> I can sell produce from my garden.   |       |
|  <b>Consider government options</b> | <input type="checkbox"/> I can see if I'm eligible for public benefits (TANF, WIC, SNAP, Medicaid, public housing, Social Security Disability, SSI, or unemployment). |       |
|   | <input type="checkbox"/> I can learn if there are tax credits I can claim.  |       |
|   | <input type="checkbox"/> I can change my tax withholding (if I generally receive a large tax refund).   |       |
|   | <input type="checkbox"/> I can decide when to claim Social Security to maximize my benefits.  |       |



# “Benefit Cliffs” for Wisconsin Public Programs

A family hits a **benefit cliff** when a small income increase makes them ineligible for public benefits they had been receiving ([UW-Madison Institute for Research on Poverty](#)). Many public benefits programs in Wisconsin have “benefits cliffs.” It is important for participants in these programs to be aware of benefits cliffs as they make financial and professional decisions that impact their income. This information sheet contains details about four commonly used Wisconsin public benefits programs as well as their eligibility limits.

## Wisconsin Shares Child Care Subsidy Program

This program helps make quality childcare more accessible and affordable by covering a portion of monthly childcare costs for qualifying families. Income eligibility limits are based on group (i.e., household) size and Wisconsin’s state median income (SMI).

| Size   | Monthly Income Limit--85% of SMI |
|--------|----------------------------------|
| 2      | \$4,956                          |
| 3      | \$6,122                          |
| 4      | \$7,289                          |
| 5      | \$8,455                          |
| Others | <a href="#">Visit Website</a>    |

## Wisconsin FoodShare Program

The FoodShare program is Wisconsin’s title for the Federal Supplemental Nutrition Assistance Program (SNAP). The program provides food benefits to low-income families to supplement their grocery budget so they can afford nutritious food essential to health and well-being. Income eligibility limits are based on household size and federal poverty level (FPL) guidelines.

| Size  | Monthly Income Limit—200% of FPL |
|-------|----------------------------------|
| 1     | \$2,266                          |
| 2     | \$3,052                          |
| 3     | \$3,840                          |
| 4     | \$4,626                          |
| 5     | \$5,412                          |
| Other | <a href="#">Visit Website</a>    |

## Wisconsin Home Energy Assistance Program (WHEAP)

This WHEAP program assists eligible households with heating and electric bills. Benefits are not guaranteed to eligible households when funds are exhausted for a program year. Income eligibility limits are based on household size & Wisconsin’s state median income (SMI).

| Size   | Monthly Income Limit--60% of SMI |
|--------|----------------------------------|
| 1      | \$2,675.25                       |
| 2      | \$3,498.42                       |
| 3      | \$4,321.58                       |
| 4      | \$5,144.83                       |
| 5      | \$5,968.00                       |
| Others | <a href="#">Visit Website</a>    |

## Wisconsin School Nutrition’s Free & Reduced Meals

This program provides nutritionally balanced, low-cost, or free lunches to children each school day. Income eligibility limits are based on household size and federal poverty level (FPL) guidelines. Note there are different limits for free and reduced-price eligibility. The limits shown in the box below are for reduced-price eligibility.

| Size   | Monthly Income Limit--185% of FPL |
|--------|-----------------------------------|
| 1      | \$2,248                           |
| 2      | \$3,041                           |
| 3      | \$3,833                           |
| 4      | \$4,625                           |
| 5      | \$5,418                           |
| Others | <a href="#">Visit Website</a>     |

[BadgerCare Plus](#), is a state & federal health insurance program that helps low-income Wisconsin residents cover the costs of doctor visits, hospital stays, and prescriptions. Contact [Covering Wisconsin](#) to explore BadgerCare Plus and other health insurance programs. Other public benefits programs may be available to you. You can contact 211 at 877-847-2211 and visit <https://access.wisconsin.gov/access/> to learn more. Talk with your county’s financial educator to get started. Visit <https://counties.extension.wisc.edu/> for more information.

# Spending



*“It’s not about what we earn, it’s all about how we spend what we’ve earned!”*

*– Stephen Magnus*

- ▶ Checking account basics
- ▶ Choosing how to pay bills\*
- ▶ Bill calendar tool\*
- ▶ Spending tracker template\*
- ▶ First things first:  
Where is my money going?
- ▶ Track your spending
- ▶ Monthly spending plan  
template
- ▶ Cutting back on spending
- ▶ Make bill paying a habit
- ▶ Cutting expenses checklist\*
- ▶ Prioritizing your bills\*

\* Consumer Financial  
Protection Bureau



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# Choosing how to pay bills can help you save money and time

1. Evaluate the benefits and risks of each bill payment method.
2. Write down questions you have about options that you think could be right for you.

|       | ✔ BENEFITS   | ! RISKS   | ? QUESTIONS I HAVE |
|-------|--|---|--------------------|
| Cash  | <ul style="list-style-type: none"><li>● Easy to use and understand</li><li>● There are often no fees, unlike getting a money order or a prepaid card</li></ul>   | <ul style="list-style-type: none"><li>● Requires bills be paid in person</li><li>● Difficult to prove payment unless you have a receipt</li><li>● May be stolen</li></ul>   |                    |
| Check | <ul style="list-style-type: none"><li>● Convenient once checking account is set up</li><li>● Can be mailed</li><li>● Easy to prove payment if there's a dispute</li><li>● Funds in the checking account are secure</li></ul> | <ul style="list-style-type: none"><li>● Likely requires a checking account, which may not be possible if you have a negative banking history</li><li>● If you don't have enough money in your account to cover your check, you may be charged nonsufficient fund or overdraft fees</li><li>● Can get lost in the mail</li></ul> |                    |

✔ **BENEFITS**

! **RISKS**

? **QUESTIONS I HAVE**

|             |   |   |  |
|-------------|---|---|--|
| Credit card | <ul style="list-style-type: none"><li>● Can pay bills by phone or online</li><li>● Can make one-time payments or set up recurring (automatic) payments, which reduce the chance of paying a bill late</li><li>● Easy to prove payment if there's a dispute</li><li>● Protected from paying for unauthorized charges</li></ul> | <ul style="list-style-type: none"><li>● Creates debt—you are borrowing money when you use a credit card</li><li>● Costs more if you can't pay the full balance and have to pay interest</li><li>● Creates another bill to pay once the credit card bill is due</li></ul>  |  |
| Debit card  | <ul style="list-style-type: none"><li>● Convenient and saves time</li><li>● Can make one-time payments or set up recurring (automatic) payments, which reduce the chance of paying a bill late</li><li>● Easy to prove payment if there's a dispute</li></ul>   | <ul style="list-style-type: none"><li>● If there isn't enough money in the account when the automatic debit happens, you may have to pay additional fees</li><li>● If you have an issue with the card and you have to replace it, you will have to remember to update the information with the billers that are being paid with automatic debit</li></ul> |  |

✔ BENEFITS

! RISKS

? QUESTIONS I HAVE

Money order

- Easy to understand
- Can be mailed
- Can be more secure than a check in some cases, as no personal banking information is on the money order

- May be inconvenient because you have to buy the money order
- Cost per money order
- May be hard to prove payment unless you have the money order receipt and receive the receipt for payment
- Hard to recover if lost





# A **Spending tracker** can help you analyze and change your spending habits

1. Get an envelope to collect your receipts.
2. Use the table to track your spending in the categories below. Don't forget about bills you share with others.
3. At the end of the month, add up each category.

Spending for the month of: \_\_\_\_\_

|   | WEEK 1 | WEEK 2 | WEEK 3 | WEEK 4 | WEEK 5 | CATEGORY TOTALS |
|---|--------|--------|--------|--------|--------|-----------------|
|  Cell phone                      |        |        |        |        |        |                 |
|  Debt payment                    |        |        |        |        |        |                 |
|  Eating out                      |        |        |        |        |        |                 |
|  Education + childcare          |        |        |        |        |        |                 |
|  Entertainment + personal care |        |        |        |        |        |                 |
|  Groceries + other supplies    |        |        |        |        |        |                 |
|  Health expenses               |        |        |        |        |        |                 |
|  Helping others                |        |        |        |        |        |                 |
|  Housing + utilities           |        |        |        |        |        |                 |
|  Pets                          |        |        |        |        |        |                 |
|  Transport                     |        |        |        |        |        |                 |
|  Other                         |        |        |        |        |        |                 |

Total spending this month:

















# Cutting expenses can help you have money for what you need most

1. Review the strategies for cutting expenses and think about if they are realistic for you.
2. Check off the strategies that you can commit to or add your own at the bottom.

## EXPENSE

## STRATEGY



### Car expenses

I will renew my license and registration on time to avoid late fees.

I will get regular oil changes and keep my tires inflated to reduce car repair expenses.



### Eating out

I will bring lunch to work instead of buying it.

I will avoid buying fountain drinks.

I will find out if local restaurants have cost-saving specials like "kids eat free" nights and will check what's included.



### Financial service fees

I will research if my accounts charge maintenance fees, ATM or overdraft fees, or fees to cash checks.

I will look into switching to lower-fee or no-fee accounts.

I will switch to a different credit card with no, or a lower, annual fee.



### Furniture and clothing

I will buy clothing and furniture second-hand or wait for sales.



### Groceries and supplies

I will use coupons.

I will join with other family or friends to buy groceries and supplies in bulk (if the cost per serving saves money).

**EXPENSE****STRATEGY****Home energy expenses**

I will find out if I'm eligible for energy assistance, weatherization programs, or discounted utility rates.

I will set my thermostat lower during the winter and higher during the summer.

I will unplug appliances when not using them.

**Insurance**

I will increase the deductible on my car insurance to lower my premium payment.

I will ask about a good student discount for the young driver in my family.

I will check rates at other companies and look for discounts for moving home and car insurance coverage to one company.

**Late fees**

I will pay bills on time to avoid penalties or late fees.

I will request a new due date for some of my bills to make them better align with my income.

**Memberships**

I will cancel my gym membership if I don't use it regularly.

I will cancel discount store memberships if I don't use them.

**Phone**

I will check to see if I qualify for a "Lifeline" phone rate. (visit [fcc.gov/guides/lifeline-and-link-affordable-telephone-service-income-eligible-consumers](https://www.fcc.gov/guides/lifeline-and-link-affordable-telephone-service-income-eligible-consumers)).

I will consider prepaid or fixed-rate plans.

**TV, Internet, streaming services**

I will check with my providers about lower-cost plans.



I will discontinue my cable or streaming services.

**Other:**





# Prioritizing bills helps you manage issues when you can't pay them on time

1. Read through the items that apply to you and write down the monthly amount of each bill. It's OK to estimate if this amount changes from month to month.
2. If you can't pay all your bills at once, think about the order you pay them in. Weigh the risks of not paying each one, then number them in the order you want to pay them, based on priority.

|   |  | AMOUNT | PRIORITIZE YOUR BILLS | CONSIDER...   |
|---|--|--------|-----------------------|---|
| <br><b>THINGS I NEED FOR A JOB</b>   | Transportation to get to work (car payment, gas or bus fare) |        |                       | If you miss a car payment, you may have to pay a late fee. You risk possible repossession of your car, a negative entry on your credit record, and lowered credit scores. |
|   | Equipment or uniform   |        |                       |   |
|   | Childcare  |        |                       | If your car is repossessed, you might have trouble getting to work and risk losing your job.  |
|   |  |        |                       |   |
| <br><b>INSURANCE I NEED TO PAY</b> | Car insurance  |        |                       | Not having insurance may mean you can't drive your car, and it puts your assets, including your health and your family's health, at risk.                                 |
|   | Health insurance   |        |                       |   |
|   | Renters or home insurance                                    |        |                       |   |
|   |  |        |                       |   |

**PRIORITIZE  
YOUR BILLS CONSIDER...**

**AMOUNT**

| <br><b>THINGS I<br/>NEED FOR<br/>HOUSING</b> | Rent, mortgage, or property taxes |  |  | <p>If you're late with rent, you may have to pay a late fee, risk possible eviction, and strain your relationship with your landlord.</p> <p>If you don't pay your utility bills, they may get cut off. Utility companies may charge fees to get reconnected.</p>                                    |
|--|-----------------------------------|--|--|--|
|  | Gas, electric                     |  |  |  |
|  | Water, garbage, sewer             |  |  |  |
|  |                                   |  |  |  |
|  |                                   |  |  |  |
| <br><b>OBLIGATIONS<br/>I HAVE TO PAY</b>     | Credit cards                      |  |  | <p>If you're late with your credit card payment, you may have to pay a late fee. You also risk a negative entry on your credit record, lowered credit scores, and higher interest rates.</p> <p>If you don't pay court-ordered obligations, like child support, you may face legal consequences.</p> |
|  | Loans (student, payday)           |  |  |  |
|  | Child support                     |  |  |  |
|  | Court-ordered fines and fees      |  |  |  |
|  |                                   |  |  |  |



# Saving



*“Do not save what is left after spending,  
but spend what is left after saving.”*

**—Warren Buffett**

- ▶ Finding a place for savings
- ▶ My saving rules to live by
- ▶ Planning for life events and large purchases
- ▶ Creating a Savings Plan
- ▶ Ideas for saving money
- ▶ Get hooked on savings
- ▶ Saving and asset limits
- ▶ Saving at tax time
- ▶ What accounts can I use to save for retirement?








**Extension**  
UNIVERSITY OF WISCONSIN-MADISON



# Finding a place for savings helps ensure it's there when you need it

1. Evaluate the benefits and risks of each place to keep your savings.
2. Write down questions you have about options that you think could be right for you.

|  |  <b>BENEFITS</b>  |  <b>RISKS</b>  |  <b>QUESTIONS I HAVE</b> |
|--|--|---|---|
| <br>Account at bank or credit union (savings, checking, or share draft) | <ul style="list-style-type: none"> <li>● Money is protected if the institution is federally insured, up to \$250,000 per depositor</li> <li>● Money can't be lost, stolen, or destroyed in a fire or other disaster</li> <li>● You can generally get it back if someone steals it by using electronic means or a debit card</li> </ul> | <ul style="list-style-type: none"> <li>● May be charged fees if you don't follow the rules for the account, such as having to keep a minimum balance or overdraft fees</li> <li>● May be difficult to open an account based on previous banking history</li> </ul>                        |   |
| <br>Family member or friend   | <ul style="list-style-type: none"> <li>● No costs to maintain it</li> </ul>  | <ul style="list-style-type: none"> <li>● Can be lost, stolen, or destroyed in a fire or natural disaster</li> <li>● Might put your friend or family member at risk of a home invasion</li> <li>● May put your money at risk if your friend or family member betrays your trust</li> </ul> |   |

**BENEFITS****RISKS****QUESTIONS I HAVE**

Home

- No costs to maintain it
- Easy to access
- Convenient

- Can be lost, stolen, or destroyed in a fire or natural disaster
- Might put you at risk of a home invasion



Prepaid card

- Easy to access
- Convenient
- No bank or credit union account needed

- May have fees for activation, loading funds, using the card, etc.
- May not have the same protections as a bank account if your card or account information is lost or stolen

Note: Check the card agreement to make sure you understand the fees and whether you have protection from loss or theft.



U.S. savings bonds

- The money can't be lost or destroyed in a fire or other disaster. If you have a paper bond, the funds can still be recovered

- You lose some of the interest if you cash the bond before it matures
- More difficult to access if you need the money right away

# My savings rule to live by

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## Money tips you might hear

### **“Save 10 percent of your income.”**

Sometimes it’s hard to apply advice you hear in articles or books—or even from friends and family—to your own circumstances. Don’t feel discouraged. You can decide on your own personal rule to live by that works for your financial situation. Putting away some money on a regular basis—even if it’s a small amount—can help you manage unexpected expenses and emergencies and reach your financial goals.

*Instructions: Use this worksheet to create your own personal rule to live by that will help you meet your savings goals. Breaking your goals into small actionable steps will keep you from feeling overwhelmed. Writing down your goal will make you much more likely to stick to it.*

Continue to the next page to get started >

## About money rules to live by

Just like lane markers on a highway, your money rules to live by are guidelines that keep you moving in the right direction. You might have to speed some things up, slow down others, or change lanes from time to time, but your money rules can help you reach your financial destination.

This worksheet is part of a series that focuses on common rules to live by that may help you make good financial decisions in your life. To read the research that helped inform this worksheet, and find out how other consumers think and feel about common advice they hear, visit [consumerfinance.gov/data-research/research-reports/consumer-voices-financial-rules-live](https://consumerfinance.gov/data-research/research-reports/consumer-voices-financial-rules-live).

## About the CFPB

The Consumer Financial Protection Bureau (CFPB) is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

For more tools and resources on making financial decisions, visit [consumerfinance.gov](https://consumerfinance.gov).

## My savings rule to live by

### Step 1: Set a savings goal that works for you

- ☑ Decide on a goal, like saving a specific amount for a rainy day fund, a special purchase, or a long-term goal.

Goal: \_\_\_\_\_ Amount: \_\_\_\_\_

- ☑ Plan where to save your money (bank account, retirement account, etc.). Set up direct deposit so the savings is automatically deposited into a savings account, if possible.

Account: \_\_\_\_\_

### Step 2: Create a rule to live by to help you achieve your goal

- ☑ Decide how you can cut your expenses or increase your income to save, and how much you can save every week or month.
- ☑ Write down your savings rule to live by amount below, sign this worksheet, and keep it where you can see it.

I will save \$ \_\_\_\_\_ per \_\_\_\_\_ (week, month, etc.)

or

I will save \_\_\_\_\_ % of my income

### Step 3: Make a promise to yourself—and take action on your rule

I will use my unique rule to live by to help me achieve my savings goal.

\_\_\_\_\_

(sign here)





# Planning for life events and large purchases can help you save for them

1. Brainstorm a list of expenses and when they're likely to happen.
2. Estimate the costs of these expenses.
3. Identify potential ways to pay for the expenses.

Common life events and large purchases to help you brainstorm:



Buying a car



Birth or adoption



Marriage



Tools for work



Birthday or rite of passage



Buying a house



College or training

| Future purchase or life event I want to plan for | Timeframe | Cost | Amount I want to save | Amount of credit I'll need |
|--|-----------|------|-----------------------|----------------------------|
|  |           |      |                       |                            |
|  |           |      |                       |                            |
|  |           |      |                       |                            |
|  |           |      |                       |                            |



# Creating a **Savings plan** can make it easier to save

1. Write down the goal you're saving toward.
2. Figure out the total amount you need to save to reach that goal.
3. Decide how many weeks you have to save.
4. Divide the total amount by the number of weeks. That is your savings target.
5. Think about ways you can cut expenses to match the total amount you need to save per week.

## Create a savings target.

|                       | EXAMPLE  | YOUR INFORMATION |
|-----------------------|--|------------------|
| Savings goal          | Save \$1,000 for an emergency fund within 10 months (about 40 weeks) |                  |
| Total amount needed   | \$1,000  |                  |
| Weeks to reach goal   | ÷ 40   | ÷                |
| Weekly amount to save | = \$25   | =                |

## Brainstorm strategies for saving.

|   | EXAMPLE   | YOUR INFORMATION |
|---|---|------------------|
| Strategies for saving and amount saved per week | Switch from premium cable to basic (\$40/month = \$10/week)<br>+ \$10 |                  |
|   | Cut down on eating out<br>+ \$15                                      |                  |
| Total projected savings per week                | = \$25  | =                |

# Ideas for Saving Money

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# Everyday Ideas for Saving



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**Foods frozen at 0 degrees stay safe indefinitely, but for best quality raw ground meat keeps in the freezer for 3 to 4 months and steaks or chops for 4 to 12 months.**

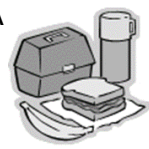
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**Example: Buying a 5-pound bag of rice instead of a 1-pound bag: Save \$1.50.**

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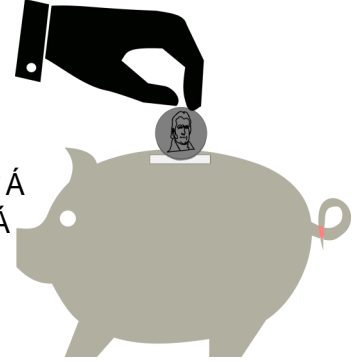
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# Get Hooked on Savings



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# Learn how **Saving and asset limits** can affect your benefits

1. Select the programs that you're enrolled in or plan to apply for in the future.
2. Review the asset limit listed and learn more about each program's asset limit rules by visiting their website.

| PROGRAM TYPE  | PROGRAM   | YOUR STATE'S ASSET LIMIT |
|---|---|--------------------------|
|  Disability                        | Social Security Disability Insurance (SSDI)<br><a href="https://ssa.gov/agency/contact">ssa.gov/agency/contact</a>  | No limit                 |
|   | Supplemental Security Income (SSI)<br><a href="https://ssa.gov/agency/contact">ssa.gov/agency/contact</a>   | \$                       |
|  Groceries and household expenses | Supplemental Nutrition Assistance Program (SNAP)<br><a href="https://fns.usda.gov/snap/state-informationhotline-numbers">fns.usda.gov/snap/state-informationhotline-numbers</a> | \$                       |
|   | Temporary Assistance for Needy Families (TANF)<br><a href="https://acf.hhs.gov/programs/ofa/help">acf.hhs.gov/programs/ofa/help</a>   | \$                       |
|  Housing and home energy         | Low Income Home Energy Assistance Program (LIHEAP)<br><a href="https://liheapch.acf.hhs.gov">liheapch.acf.hhs.gov</a>   | \$                       |
|   | Public housing<br><a href="https://portal.hud.gov/hudportal/HUD?src=/states">portal.hud.gov/hudportal/HUD?src=/states</a>   | \$                       |

| PROGRAM TYPE  | PROGRAM  | YOUR STATE'S ASSET LIMIT |
|---|--|--------------------------|
|  Medical | Family Medicaid<br><a href="https://www.medicaid.gov/medicaid/by-state/by-state.html">medicaid.gov/medicaid/by-state/by-state.html</a>                                 | No limit                 |
|   | Medicare Part D Extra Help<br>(Low-Income Subsidy)<br><a href="https://www.shiptacenter.org">shiptacenter.org</a>  | \$                       |
|   | Medicare Savings Programs<br><a href="https://www.shiptacenter.org">shiptacenter.org</a>   | \$                       |
|   | State Child Health Insurance<br>Program (SCHIP)<br><a href="https://www.medicaid.gov/medicaid/by-state/by-state.html">medicaid.gov/medicaid/by-state/by-state.html</a> | \$                       |



# Saving at tax time

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Ways to save throughout the tax process.

## TAKE ADVANTAGE OF FREE TAX SERVICES

If you need assistance in preparing and filing your returns one of your choices is to visit a Volunteer Income Tax Assistance (VITA) site. IRS-certified volunteers can help you file your taxes and make a plan for your refund, all for free. Eliminating preparation fees can make a big difference in your ability to start or build your savings, or pay bills and expenses. Find a site by visiting [irs.treasury.gov/freetaxprep](https://irs.treasury.gov/freetaxprep) or call (800) 906-9887.

## UNDERSTAND FEES FOR PAID PREPARERS

If you use a paid preparer to do your taxes, they may offer you a refund anticipation check. This is when any fees you owe for tax preparation are taken out of your refund amount, which is deposited onto a prepaid card or into a bank account. There are additional fees you pay for this service (typically ranging from \$25-\$55), on top of the tax preparation fees.

**Despite their name, refund anticipation checks don't get you money faster than filing your taxes online and using direct deposit.**

## CLAIM ALL OF YOUR TAX CREDITS

You may qualify for one of these common tax credits:

- The **Earned Income Tax Credit (EITC)** is a benefit for people who are working, but have low-to-moderate income. The amount of the credit is based on your income and

filing status. Income limits and other rules for the EITC change every year. You can look them up by visiting [irs.gov/credits-deductions/individuals/earned-income-tax-credit](https://irs.gov/credits-deductions/individuals/earned-income-tax-credit).

- The **Child Tax Credit (CTC)** reduces the taxes you owe by up to \$2,000 for each qualifying child under the age of 17 who meets certain criteria. The refundable portion of the credit is limited to \$1,400. This amount will be adjusted for inflation after 2018. In order to receive the child tax credit (i.e., both the refundable and non-refundable portion), a taxpayer must include a Social Security number for each qualifying child for whom the credit is claimed on the tax return. For the most current information visit [irs.gov/publications/p972/ar02.html](https://irs.gov/publications/p972/ar02.html).

The IRS is required to do additional verification of information on tax returns claiming the EITC and the CTC. This may cause some delay in the receipt of refunds that include these tax credits.

## CONSIDER DIRECT DEPOSIT

If you're receiving a refund, using direct deposit is free and faster than a check. Depositing part or all of your refund into your account or onto a prepaid card keeps your money secure until you need it.

**Have your account information ready.** If you're filing your own return there's space on the form or in the software to enter your account information for direct deposit. If you're getting help filing your return make sure to bring your account information with you.

## KICK-START YOUR SAVINGS

Your tax refund can help you pay for things you need right now or help you save for things you want down the road.

Great, no-hassle ways to save:

- **Keep part of your tax refund in a separate account**, like a savings account, so you'll have money for sudden expenses.
- **Purchase a Series I Savings Bond** and earn interest from the government. You don't need a bank account and you can give bonds as a gift. For more information visit [treasurydirect.gov/indiv/research/indepth/ibonds/res\\_ibonds\\_ibuy.htm](https://treasurydirect.gov/indiv/research/indepth/ibonds/res_ibonds_ibuy.htm)





# What accounts can I use to save for retirement?

Retirement planning can help you prepare for your long-term financial needs. To successfully plan for retirement, it is important to understand the accounts that can be used. You may have several options to save for retirement including accounts offered by your employer, often called employer-sponsored retirement plans, and individual retirement accounts. You may be able to save for retirement on a pre-tax basis (“Traditional”) or post-tax basis (“Roth”). Also, retirement accounts have annual contribution limits. Talk with your financial advisor and/or human resources staff to learn more.

There are 2 main categories of employer-sponsored retirement plans: defined benefit & defined contribution.

- A [defined benefit plan](#), commonly known as a pension, promises you a regular payment from the day you retire through the rest of your life ([PGBC](#)). However, statistics show that 15% or less of private-sector employees are offered a defined benefit plan ([BLS](#)).
- Most employees save for retirement through [defined contribution plans](#), which do not promise you a specific monthly payment upon retirement—instead you will have the ability to withdraw funds from the total balance in your retirement account as you desire ([investor.gov](#)).

Common retirement accounts offered through employers include the following:

| Account  | Type                 |
|--|----------------------|
| Traditional Pension  | Defined Benefit      |
| Cash Balance Pension   | Defined Benefit      |
| Traditional 401(k) and Roth 401(k)                           | Defined Contribution |
| Traditional 403(b) and Roth 403(b)                           | Defined Contribution |
| Traditional 457(b) and Roth 457(b)                           | Defined Contribution |
| Traditional Thrift Savings Plan and Roth Thrift Savings Plan | Defined Contribution |

Owners and employees at small businesses or people who are self-employed may have access to other retirement plans. If this applies to you, talk with your financial advisor about these retirement account options. For help finding a financial advisor, read UW-Extension’s article, “[How to Choose a Financial Advisor](#).”

| Account  | Type                 |
|--|----------------------|
| Solo 401(k) and Roth Solo 401(k)   | Defined Contribution |
| Traditional and Roth Savings Incentive Match Plan for Employees (SIMPLE IRA) | Defined Contribution |
| Traditional and Roth Simplified-Employed Pension (SEP IRA)                   | Defined Contribution |

There are also retirement savings accounts available that are not connected to your employer. These accounts require you to have earned income. You can open these accounts at your preferred financial institution.

- Traditional Individual Retirement (IRA)
- Roth Individual Retirement Account (Roth IRA)

Additionally, it is important to consider how government programs such as Social Security and Medicare may fit into your retirement planning. You can talk about getting started on retirement planning, and other financial topics, with your county’s financial educator. Visit <https://counties.extension.wisc.edu/> for more information.





# *Borrowing*



*“Money talks - but credit has an echo.”*

*—Bob Thaves*

- ▶ Non-traditional services/products at a glance
- ▶ Pick a strategy for requesting your free credit reports
- ▶ Annual credit report request form
  - Formulario de solicitud para el informe crediticio annual
- ▶ Credit report basics
- ▶ Reviewing a credit report
- ▶ Reading a sample credit report
- ▶ Credit scores



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UNIVERSITY OF WISCONSIN-MADISON

## NON-TRADITIONAL SERVICES/PRODUCTS AT A GLANCE

Note that solutions listed below will not fit every situation.

| Service/Product               | What is the Problem?  | Alternative Solutions   |
|-------------------------------|---|---|
| <b>Check Cashing</b>          | <ul style="list-style-type: none"> <li>• Often charge high fees.</li> <li>• Fees could be avoided or reduced by using lower cost alternatives.</li> </ul>   | <ul style="list-style-type: none"> <li>• Direct deposit for immediately available funds at no fee.</li> <li>• Shop around for lowest check cashing fees.</li> </ul>   |
| <b>Payday Loans</b>           | <ul style="list-style-type: none"> <li>• High loan fees with short re-payment period.</li> <li>• Most borrowers can not pay back in 2 weeks.</li> <li>• Often exceeds 500% APR.</li> </ul>                                | <ul style="list-style-type: none"> <li>• Borrow from friends, family or charitable organizations.</li> <li>• Loan from local bank or credit union.</li> <li>• Low fee credit card advance.</li> <li>• Build savings for next short-term cash need.</li> </ul>       |
| <b>Auto Title Loans</b>       | <ul style="list-style-type: none"> <li>• High loan fees with short re-payment period.</li> <li>• Fees often equal 25% of loan principal <b>each</b> month, more than 300% APR.</li> <li>• Risk losing vehicle.</li> </ul> | <ul style="list-style-type: none"> <li>• Loan from friends or family.</li> <li>• Loan from local bank or credit union.</li> <li>• Loan from charitable organizations.</li> <li>• Low fee credit card advance.</li> <li>• Build savings for future needs.</li> </ul> |
| <b>Pawn Shops</b>             | <ul style="list-style-type: none"> <li>• If the loan is not repaid, the collateral becomes the property of the pawn shop.</li> <li>• Lose value in excess of loan.</li> </ul>   | <ul style="list-style-type: none"> <li>• Secure a part-time job for extra cash.</li> <li>• Pay advance from employer.</li> <li>• Loan from family or friends.</li> </ul>  |
| <b>Rent-to-Own</b>            | <ul style="list-style-type: none"> <li>• Items over-priced.</li> <li>• Extra fees.</li> <li>• Missed payment means losing item and money.</li> </ul>  | <ul style="list-style-type: none"> <li>• Save first, then purchase.</li> <li>• Layaway plans.</li> <li>• Garage sales, second-hand stores, and classified ads.</li> </ul>   |
| <b>Subprime Car Financing</b> | <ul style="list-style-type: none"> <li>• High interest rates, upwards of 32% APR.</li> <li>• Over-valuation of vehicles.</li> <li>• Autos often repossessed after one missed payment.</li> </ul>                          | <ul style="list-style-type: none"> <li>• Use public transportation and save for a vehicle.</li> <li>• Credit counseling to improve credit history and score and access prime rate loans.</li> </ul>   |

## NON-TRADITIONAL SERVICES/PRODUCTS AT A GLANCE

| Service/Product                     | What is the Problem?   | Alternative Solutions   |
|-------------------------------------|--|---|
| <b>Subprime Credit Cards</b>        | <ul style="list-style-type: none"> <li>• High interest rates.</li> <li>• Excessive fees.</li> <li>• Lower credit limits.</li> <li>• No grace period.</li> <li>• Application and setup fees.</li> </ul> | <ul style="list-style-type: none"> <li>• Secured credit card.</li> <li>• Improve credit through financial education and counseling.</li> </ul>                                |
| <b>Tax Return Prep and RAL</b>      | <ul style="list-style-type: none"> <li>• High fees.</li> <li>• Refund Anticipation Loan (RAL) APRs 60% to 700%.</li> </ul>   | <ul style="list-style-type: none"> <li>• Community Tax Center or Voluntary Income Tax Assistance Programs provide free professional tax filing services.</li> </ul>           |
| <b>Credit Counseling</b>            | <ul style="list-style-type: none"> <li>• Some agencies may over promise or charge for services that do not assist customer.</li> </ul>   | <ul style="list-style-type: none"> <li>• Self-help.</li> <li>• Shop around for a reputable credit counseling agency.</li> </ul>   |
| <b>Debt Management Plan</b>         | <ul style="list-style-type: none"> <li>• Need sufficient income to meet the payment required.</li> <li>• May include high fees.</li> </ul>   | <ul style="list-style-type: none"> <li>• Self-help.</li> <li>• Negotiate directly with creditors.</li> <li>• Shop around for a reputable credit counseling agency.</li> </ul> |
| <b>Debt Consolidation</b>           | <ul style="list-style-type: none"> <li>• Requires collateral (usually home equity).</li> <li>• Trading unsecured debt for secured debt.</li> <li>• High fees.</li> </ul>                               | <ul style="list-style-type: none"> <li>• Contact creditors directly.</li> <li>• Develop a spending plan.</li> <li>• Locate a reputable credit counseling agency.</li> </ul>   |
| <b>Credit Repair</b>                | <ul style="list-style-type: none"> <li>• Paying a fee for a service you can do yourself.</li> <li>• Deceptive claims.</li> </ul>   | <ul style="list-style-type: none"> <li>• Locate a reputable credit counseling agency for a credit report review and to learn about options.</li> </ul>                        |
| <b>Debt Settlement/ Negotiation</b> | <ul style="list-style-type: none"> <li>• Substantial fees for this service with no guaranteed results.</li> </ul>  | <ul style="list-style-type: none"> <li>• Negotiate directly with creditors.</li> <li>• Contact reputable credit counseling agency.</li> </ul>                                 |



# Pick a strategy for **Requesting your free credit reports**

1. Pick when you'll request your credit reports using the strategy that works best for you.
2. Write down when you'll request them from each company, Experian, Equifax, and TransUnion. You can get a free report from each company once every 12 months.
3. Create a reminder on your calendar or phone to help you follow through.

## Strategies for requesting your credit reports

| REQUEST ON THREE SEPARATE DATES   |            | REQUEST ON A SINGLE DATE  |                               |
|---|------------|---|-------------------------------|
| Check your reports on three different dates throughout the year. Staggering them can help you see if anything is changing throughout the year or if any fraud has occurred. |            | Choose a single date that's easy to remember, like a birthday or holiday, to request all three of your reports at once. This is good if you're buying something big soon, that requires new credit, so you can correct errors right away. |                               |
| I will request my reports on these three separate dates:  |            | I will request a report from all three companies on this day:   |                               |
| DATE  | COMPANY    | DATE  | COMPANY                       |
|   | Equifax    |   | Equifax, Experian, TransUnion |
|   | Experian   |   |                               |
|   | TransUnion |   |                               |

## How to request your free reports

The federal government authorizes only one source for your free credit reports. You can make a request online, by phone, or by mail.

Visit [AnnualCreditReport.com](https://www.annualcreditreport.com)

Call (877) 322-8228

**Request by mail.** Download and complete the form at [annualcreditreport.com/manualRequestForm.action](https://www.annualcreditreport.com/manualRequestForm.action).

Mail the completed form to:  
 Annual Credit Report Request Service  
 P.O. Box 105281  
 Atlanta, GA 30348-5281





# Credit Report Basics

Overview of Credit Report Components

- Personal Information (Name, Address, SSN)
- Credit Accounts (Mortgage, Credit Cards, Loans)
- Public Records (Bankruptcy, Tax Liens)

Key Factors Affecting Credit Score

- Payment History (35%)
- Amounts Owed (30%)
- Length of Credit History (15%)
- New Credit (10%)
- Credit Mix (10%)

Understanding Credit Score

- Range: 300-850
- Higher score = better creditworthiness
- Factors influencing score: payment history, amounts owed, length of credit history, new credit, credit mix

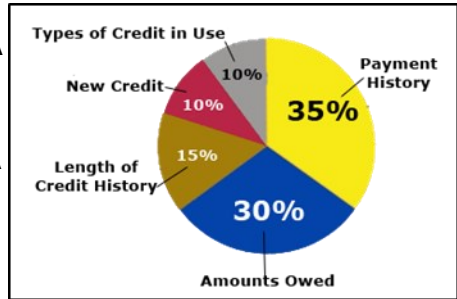
Key Credit Report Terms

Definitions of credit report terms such as delinquent, charged-off, and collection.

- **Delinquent**: Past due payments.
- **Charged-off**: Debtor has failed to pay a debt for an extended period.
- **Collection**: Debt is being pursued by a third party.

Key Credit Report Terms

Definitions of credit report terms such as delinquent, charged-off, and collection.



Key Credit Report Terms

| Term               | Definition  |
|--------------------|---|
| <b>Delinquent</b>  | Payments not made on time.                              |
| <b>Charged-off</b> | Debtor has failed to pay a debt for an extended period. |
| <b>Collection</b>  | Debt is being pursued by a third party.                 |
| <b>Delinquent</b>  | Payments not made on time.                              |
| <b>Charged-off</b> | Debtor has failed to pay a debt for an extended period. |
| <b>Collection</b>  | Debt is being pursued by a third party.                 |

# Reviewing a Credit Report

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| <b>SAMPLE CREDIT REPORT</b>  |  |
| Report Date: 5/10/2018   | Report Number: 123456  |
| <b>PERSONAL CONSUMER INFORMATION</b>   |  |
| SSN #: XXX-XX-6789 (Your SSN has been masked for your protection)  |  |
| DOB: 01/01/1988  |  |
| <b>Names Reported:</b><br>John Doe<br>John Q. Doe  | <b>Telephone Numbers Reported:</b><br>555-555-5555<br>555-123-4567 |
| <b>Addresses Reported:</b><br>123 Oak St. Anytown, WI. 11111<br>111 Miller St. Hometown, WI. 33333<br>333 1st St. Townville, MN. 22222 | <b>Date Reported:</b><br>08/02/2013<br>06/06/2010<br>03/15/2007    |
| <b>EMPLOYMENT RECORDS</b>  |  |
| <b>Employer Name:</b> Dairyland Company  | <b>Location:</b> Anytown, WI                                       |
| <b>Date Reported:</b> 09/2013  | <b>Hire Date:</b> 07/2013  |
| <b>PUBLIC RECORDS INFORMATION</b>  |  |
| This information was collected from public records sources by Sample Credit Report or a company we hired.                              |  |
| <b>REGIONAL FEDERAL COURT Docket # XYZ789</b><br>111 Court Street, Capital City, WI 55555  |  |
| <b>Account Number:</b> ***9514   | <b>Filed as:</b> Individual Account                                |
| <b>Type:</b> Chapter 7 Bankruptcy  | <b>Liability:</b> \$35,000   |
| <b>Status:</b> Filed   | <b>Exempt Amount:</b> \$5,000                                      |
| <b>Date Reported:</b> 04/2013  | <b>Asset Amount:</b> \$10,000                                      |
| <b>Closing Date:</b> 07/2013   | <b>Paid:</b> \$2,000   |
| <b>Estimated month and year that this item will be removed:</b> 04/2023  |  |

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**ADVERSE ACCOUNTS**

Adverse information typically remains in your file for up to 7 years from the date of delinquency.

**American Hospital Collections Acct #: 10254688**  
PO Box 999, Townsburg, WI 11111  
(555) 123-1234

**Date Placed for Collection:** 07/01/2016  
**Responsibility:** Individual Account  
**Type:** COLLECTION AGENCY/ ATTORNEY  
**Original Amount:** \$302  
**Original Creditor:** REGIONAL HOSPITAL OP  
(Medical/Health Care)

**Balance:** \$0  
**Date Paid:** 11/14/2016  
**Pay Status:** >Account paid in full;  
was a Collection<  
**Date Updated:** 02/01/2017

**Remarks:** >Paid Collection<  
**Estimated month and year that this item will be removed:** 1/2023

**Urgent Care Collections Acct #: 1234XYZ9**  
999 Business Road, Hometown, MN 11111  
(555) 555-9999

**Date Placed for Collection:** 02/15/2013  
**Responsibility:** Individual Account  
**Type:** COLLECTION AGENCY/ ATTORNEY  
**Original Amount:** \$8023  
**Original Creditor:** EMERGENCY HOSPITAL  
(Medical/Health Care)

**Balance:** \$0  
**Date Closed:** 06/2013  
**Pay Status:** >Account included in  
Bankruptcy; was a Collection<  
**Date Updated:** 08/01/2013

**Remarks:** >Account included in Bankruptcy<  
**Estimated month and year that this item will be removed:** 1/2020

**All American Collections Acct #: 000999ZZ**  
888 Industry Drive, Maintown, TX 00000  
(555) 555-6789

**Date Placed for Collection:** 03/30/2013  
**Responsibility:** Individual Account  
**Type:** COLLECTION AGENCY/ ATTORNEY  
**Original Amount:** \$1500  
**Original Creditor:** KWIK KASH LOANS

**Balance:** \$0  
**Date Closed:** 06/2013  
**Pay Status:** >Account included in  
Bankruptcy; was a Collection<  
**Date Updated:** 07/15/2013

**Remarks:** >Account included in Bankruptcy<  
**Estimated month and year that this item will be removed:** 2/2020

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**SATISFACTORY ACCOUNTS**

|             |                          |                       |                            |                                |
|-------------|--------------------------|-----------------------|----------------------------|--------------------------------|
| <b>Code</b> | <b>OK=paid as agreed</b> | <b>X=not reported</b> | <b>30/60/90= days late</b> | <b>Blank=no data available</b> |
|-------------|--------------------------|-----------------------|----------------------------|--------------------------------|

**Automobile Finance Inc. Acct #: 70705606**  
 456 Drivers Lane, Big City, IL 66666  
 (555) 555-9876

**Date Opened:** 03/22/2016  
**Responsibility:** Individual Account  
**Account Type:** Installment Account  
**Type:** Automobile  
**Pay Status:** Current; Paying as Agreed

**Balance:** \$6,580  
**Last Payment Made:** 05/01/2018  
**Payment Received:** \$240  
**High Balance:** \$12,400  
**Terms:** \$240 per month; paid Monthly for 60 months

**Remark:** Open; one 30-day late payment

| Year | Jan | Feb | Mar | Apr | May | Jun | July | Aug | Sept | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|------|-----|------|-----|-----|-----|
| 2018 | OK  | X   | OK  | OK  | OK  |     |      |     |      |     |     |     |
| 2017 | OK  | OK  | OK  | OK  | OK  | OK  | OK   | OK  | X    | OK  | OK  | OK  |
| 2016 |     |     |     |     | OK  | 30  | OK   | OK  | OK   | OK  | OK  | OK  |

**Convenient Credit Card Acct #: XXXXX3333**  
 PO Box 2233, Great Prairie, ND 77777  
 1-800-555-2233

**Date Opened:** 11/02/2015  
**Responsibility:** Joint Account  
**Account Type:** Revolving Account  
**Type:** CHARGE ACCOUNT  
**Pay Status:** Current; Paying as Agreed

**Balance:** \$387  
**Last Payment Made:** 05/02/2018  
**Payment Received:** \$48  
**High Balance:** \$723  
**Credit Limit:** \$1,000  
**Terms:** Paid Monthly

**Remarks:** Open; never late

| Year | Jan | Feb | Mar | Apr | May | Jun | July | Aug | Sept | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|------|-----|------|-----|-----|-----|
| 2018 | OK  | OK  | OK  | OK  | OK  |     |      |     |      |     |     |     |
| 2017 | OK  | OK  | OK  | OK  | OK  | OK  | OK   | OK  | OK   | OK  | OK  | OK  |
| 2016 | OK  | X   | OK  | OK  | OK  | OK  | OK   | OK  | OK   | OK  | OK  | OK  |
| 2015 |     |     |     |     |     |     |      |     |      |     |     | OK  |

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|------|-------------------|----------------|---------------------|-------------------------|
| Code | OK=paid as agreed | X=not reported | 30/60/90= days late | Blank=no data available |
|------|-------------------|----------------|---------------------|-------------------------|

**SATISFACTORY ACCOUNTS**

**Student Loan Services Acct #:** XXXXX-6299  
 PO Box 67890, Centralville, MD 88888  
 1-800-555-2999

**Date Opened:** 08/22/2009  
**Responsibility:** Individual Account  
**Account Type:** Installment Account  
**Type:** STUDENT LOAN  
**Pay Status:** Current; Paying as Agreed

**Balance:** \$2,765  
**Last Payment Made:** 05/01/2018  
**Payment Received:** \$115  
**High Balance:** \$10,000  
**Terms:** \$115 per month; paid Monthly for 120 months

**Remarks:** Open; never late

| Year | Jan | Feb | Mar | Apr | May | Jun | July | Aug | Sept | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|------|-----|------|-----|-----|-----|
| 2018 | OK  | OK  | OK  | OK  | OK  |     |      |     |      |     |     |     |
| 2017 | OK  | OK  | OK  | OK  | OK  | OK  | OK   | OK  | OK   | OK  | OK  | OK  |
| 2016 | OK  | OK  | OK  | OK  | OK  | OK  | OK   | OK  | OK   | OK  | OK  | OK  |
| 2015 | OK  | OK  | OK  | OK  | OK  | OK  | OK   | OK  | OK   | OK  | OK  | OK  |
| 2014 | OK  | OK  | OK  | OK  | OK  | OK  | OK   | OK  | OK   | OK  | OK  | OK  |

**Major Utilities #:** 888-9000  
 PO Box 1234, Hometown, WI 33333  
 1-800-555-6666

**Date Opened:** 06/01/2010  
**Responsibility:** Individual Account  
**Account Type:** Open Account  
**Type:** UTILITY COMPANY  
**Pay Status:** Closed; Paid as Agreed

**Balance:** \$0  
**Last Payment Made:** 07/01/2013  
**Payment Received:** \$85  
**High Balance:** \$155  
**Terms:** Paid monthly  
**Date Closed:** 07/01/2013

**Remarks:** Account closed at consumer's request

| Year | Jan | Feb | Mar | Apr | May | Jun | July | Aug | Sept | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|-----|------|-----|------|-----|-----|-----|
| 2013 | OK  | OK  | OK  | OK  | OK  | OK  | OK   |     |      |     |     |     |
| 2012 | OK  | OK  | OK  | OK  | OK  | OK  | OK   | OK  | OK   | OK  | OK  | OK  |
| 2011 | OK  | OK  | OK  | OK  | OK  | OK  | OK   | OK  | OK   | OK  | OK  | OK  |
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**CREDIT INQUIRIES**

**REGULAR INQUIRIES**

Regular inquiries are posted when someone accesses your credit information from Sample Credit Reports. These inquiries will remain on your credit file for up to 2 years.

**Convenient Credit Card**  
PO Box 2233, Great Prairie, ND 77777  
1-800-555-2233

**Requested on:** 11/18/2017  
**Inquiry Type:** Individual

**A1 Insurance Coverage**  
1234 Business Park Road, Townsquare, IL 66666  
(555) 555-1111

**Requested on:** 10/01/2017  
**Inquiry Type:** Individual

**Automobile Finance Inc.**  
456 Drivers Lane, Big City, IL 66666  
(555) 555-9876

**Requested on:** 3/22/2016  
**Inquiry Type:** Individual

**ACCOUNT REVIEW INQUIRIES**

The companies listed below received your name, address, and other limited information in order to make an offer of credit or insurance. These inquiries are not seen by anyone but you and do not affect your score.

**Payless Insurance Company**  
999 Circle Drive, Townville, IL 66666  
(555) 555-1111

**Requested on:** 03/01/2018

**ChargeMore Credit Card**  
444 Lake St., Lake City, ND 88888  
(555) 555-9652

**Requested on:** 12/1/2017

**Sample Credit Report Company**  
Annual free consumer report provided

**Requested on:** 10/10/2017

**PERSONAL CONSUMER STATEMENT**

I had a bad accident in 2013 and couldn't work. I filed for bankruptcy in 2013 because of medical bills.

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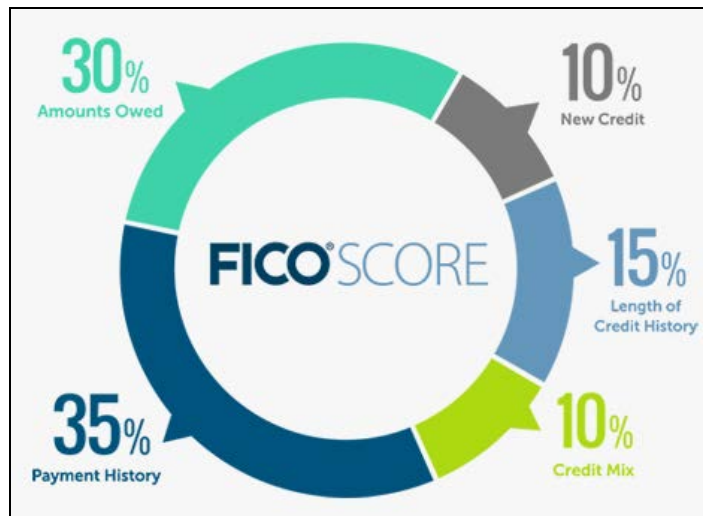
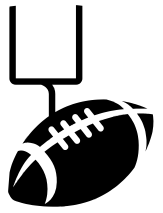
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# Credit Scores

“If winning isn’t everything, why do they keep score?” – Vince Lombardi



There are hundreds of different credit scores used by lenders, insurers, and others. FICO 8.0 is the most common credit score model used by creditors, followed by the VantageScore.

Source: Fair Isaac Corporation, [www.myfico.com](http://www.myfico.com), retrieved 2018.

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% ' ) i ' ! ' D U n a Y b h i < ] g h c f m This is the single most important factor in a credit score. The longer you have paid your bills on time, the better your score. Payment history includes:

- € Payment information on each type of account (mortgages, installment loans, credit cards, etc.). Active positive information can remain on your credit report indefinitely, while a closed account with positive information usually stays on your report for 10 years from the date of closing.
- € Late loan or credit payments and collection accounts stay on reports for 7 years from the first late payment.
- € The credit score reflects when the late payment occurred, how many payments were late, and length of time of delinquency.
- € Public Records on your credit report:
  - ~ Chapter 7 Bankruptcy – 10 years from date of filing
  - ~ Chapter 13 Bankruptcy – 7 years from date of filing

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- € Pay all bills on time.
  - ~ Pay attention to due dates and due times.
  - ~ Recent missed payments lower your score more than older missed payments from several years earlier.
- € If you carry a credit card balance, pay more than the minimum every month. Paying only the minimum can lower your score.
- € Schedule automatic monthly payments if that helps you pay on time.

**5. Payment History**. This is the second most important factor of your credit score:

- € Balances on accounts: Even if you pay off your credit card monthly, your balance is reported to the credit bureau based on the date/time the record is pulled. The creditor may not know if you pay off the balance in full.
- € The amounts owed on the different types of accounts are scored differently. As an example, a mortgage loan would be scored differently than a credit card or a “big box” store loan.
- € Your Credit Utilization Ratio (CRU) is how much you’ve borrowed on revolving credit compared to the total amount of credit available to you.
- € Installment loan balances, like a car loan, are compared to the original loan amounts. As the loan balance goes down, it shows you’re able and willing to manage and repay debt.

#### ↑ **6. Credit Utilization**

- € Pay off credit cards in full every month to keep the balance from growing.
- € Use less than 25% of your credit limit on credit cards, even if you pay it off every month. To raise your score, use no more than 5% of your credit limit.
- € Pay attention to credit card limits – card companies can lower your credit limit triggering over the limit fees.
- € Keep current credit card accounts open and use them every few months.

**7. Length of Credit History**. In general, the longer your credit history, the better your credit score. Length of credit history factors include:

- € How long credit accounts have been established. In order to have a credit score, your credit report must list at least one account that has been open for six months or more.
- € The age of the oldest account, the age of your newest account, and the average age of all your accounts combined.
- € How long it has been since you used your credit accounts.

#### ↑ **8. New Credit**

- € If you’re young or don’t have a very long credit history, don’t open a lot of new accounts too quickly. That can lower your average account age and your credit score.
- € If you pay off a credit card, don’t close the account if it is an account you have had for a while. If you only recently opened it, closing the account may not have much effect.
- € Ask a family member with good credit if you could be an authorized user on their credit card – that’s ≠ their creditor reports authorized user data to the credit bureaus. You could also ask to be added as a joint account holder. Note there are risks with attaching your credit report to another person.
- € Secured credit cards can help build up a credit history but **cb`mif** the creditor reports to a Credit Reporting Bureau.

## Hard Inquiries: Multiple Credit Requests

**Red flags go up when many accounts are opened in a short amount of time. New accounts show up as “hard inquiries” in a credit report. New credit factors include:**

- € Multiple credit requests/inquiries lower your score, with a few exceptions:
  - ~ Credit inquiries that were made within the prior 30 days don't count towards your score.
  - ~ Inquiries older than 30 days that occur within a “typical shopping period” for the same type of transaction (home loans, car loans) will only count as one inquiry. ‘Typical’ could range from 14-45 days.
- € How long it has been since a new account was opened and the type of account that was opened.

### ↑ **Good News.**

- € Comparison shop for a home or car loan within a 14 to 30 day period.
- € Think twice about store offers to open a new credit card to receive an instant discount on your purchase. The new account could lower your credit score and cost you more in interest and insurance rates than you will have saved with a 10% discount on your purchase. Plus you should take time to review the details of the offer—hard to do in the checkout line.
- € When you apply for new credit, a “hard inquiry” shows up on your credit report and can lower your credit score for many months. Too many hard inquiries can send the message to creditors that you are desperate for new credit. (“Soft inquiries” don't affect your score so don't worry about ordering your free annual credit reports or a free report if you've been turned down for credit.)

**The types of credit includes the following factors:**

- € The mix of accounts including mortgage loans, credit cards, installment loans, finance company accounts, etc.
- € This is usually not a major factor in the credit score unless the credit report does not have a lot of other information to base the score.

### ↑ **Good News.**

- € It's good to have at least one major credit card in addition to a few retail store credit cards. Experts say 3 active installment and revolving accounts are ideal, but 5 credit cards can lower your score.
- € Don't open new accounts just to have a better credit mix. That could lower your score more in the short term.
- € “Payday” and title loans may not report to Credit Reporting Agencies unless you miss a payment. Even if the lenders do report regular payments to the Agencies – be careful using these higher cost forms of debt since other lenders may view them negatively.



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That depends. These five factors have different effects on lower credit scores than they do on higher ones. Plus there are several different credit score models being used by the three credit reporting bureaus and Fair Isaac Corporation (FICO) that may weigh these various credit events differently.

| <b>Credit Karma Credit Simulator Score Chart</b>      |                                   |     |       |                                    |     |       |
|---|-----------------------------------|-----|-------|------------------------------------|-----|-------|
| <b>7 fYX]h9 j Ybh</b>                                 | <b>&gt;UbY' 7\ Ub[ Y' Dc]bfg'</b> |     |       | <b>&gt;c\ b' 7\ Ub[ Y' Dc]bfg'</b> |     |       |
| Add a New Credit Card with a Credit Limit of \$15,000 | 793                               | 791 | !&'   | 576                                | 557 | !%'   |
| Increase Credit Limit of Credit Cards by \$10,000     | 793                               | 793 | 0     | 576                                | 612 | +36   |
| Closing Oldest Account                                | 793                               | 793 | 0     | 576                                | 558 | !%'   |
| Increase Credit Card Debt by \$10,000                 | 793                               | 769 | !&'   | 576                                | 556 | !&\$' |
| Paying Off All Credit Card Debt                       | 793                               | 793 | 0     | 576                                | 615 | +39   |
| Allow 1 Monthly Account to Become 30 Days Past Due    | 793                               | 759 | !' (' | 576                                | 558 | !%'   |
| Have On Time Credit History for 24 Months             | 793                               | 793 | 0     | 576                                | 595 | +19   |

Source: CreditKarma.com Credit Simulator, Retrieved June 2009

- For your **free annual credit report**: [www.annualcreditreport.com](http://www.annualcreditreport.com)
- To **purchase** your credit score\*: [www.myfico.com](http://www.myfico.com)
- To **estimate** your FICO score\*: [www.bankrate.com](http://www.bankrate.com) – under calculators
- For a **free educational score**\*: [www.creditkarma.com](http://www.creditkarma.com)  
[www.quizzle.com](http://www.quizzle.com)  
[www.credit.com](http://www.credit.com)
- **I K !9I hYbg]cb** “Free credit report reminder” website: [fyi.uwex.edu/creditreport/](http://fyi.uwex.edu/creditreport/)

\*Educational scores might not be used by lenders. Websites are listed for information and education purposes only.

Prepared by: Peggy Olive, UW-Extension, June 2009. Revised May 2018.

Reviewed by: J. Michael Collins, Assistant Professor, Extension Specialist Family Financial Management, UW-Madison.

Sources: *Credit Scores & Credit Reports: How the System Really Works, What You Can Do*, Evan Hendricks. Privacy Times, 2005.

*Understanding Your FICO® Score*, [www.myfico.com/crediteducation](http://www.myfico.com/crediteducation), May 2009.

*Your Credit Score: How to Fix, Improve, and Protect the 3-Digit Number that Shapes Your Financial Future*, Liz Pulliam Weston. Prentice Hall, 2004.

# *Dealing with Credit Concerns*



- ▶ Where do you start if you can't pay bills?
- ▶ Deciding which debts to pay first
- ▶ Quick facts on debt collection, judgments, garnishments, and repossession
- ▶ How to handle debt collectors
- ▶ Sample letter to creditors
- ▶ Credit repair options
- ▶ How to rebuild your credit
- ▶ Building credit from scratch
- ▶ Avoiding medical debt
- ▶ I can't pay my medical bill
- ▶ Student loans and grants
- ▶ Credit discrimination is illegal



ENCOURAGING  
FINANCIAL  
CONVERSATIONS



Extension  
UNIVERSITY OF WISCONSIN-MADISON

# Where do you start if you can't pay bills?

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# QUICK FACTS on Debt Collection, Judgments, Garnishment, & Repossession

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# When debt collectors call

Learn about your rights concerning debt collectors and what to do if they contact you.

When companies decide they no longer want to try to collect overdue debts, they may assign or sell those debts to third-party debt collectors. There are laws about how debt collectors can act, what they can say, and how they can treat you. The Fair Debt Collections Practices Act provides you with rights when a debt collector is trying to get you to pay a debt.

A debt collector can't:

- Call repeatedly to harass you or abuse you
- Use abusive or obscene language
- Threaten you by saying they'll take action they can't or don't intend to take
- Call you without telling you who they are
- Lie to or mislead you
- Publish your name for not paying a debt

You may want to discuss your debt issue with a lawyer. Visit [consumerfinance.gov/askcfpb/1433](https://consumerfinance.gov/askcfpb/1433) to find a lawyer in your area.

## What to do

- **Review the questions to ask** if a debt collector calls.
- Fill out the template to **request more information** from the debt collector. Carefully review and check the box next to the information you're requesting.
- If the debt isn't yours, fill out the second letter template to **dispute the debt**.

## A step further

Find other letter templates for contacting debt collectors at [consumerfinance.gov/consumer-tools/debt-collection](https://consumerfinance.gov/consumer-tools/debt-collection).





# You can be prepared to ask questions When debt collectors call

1. If you're contacted by a debt collector, ask them these questions and write down their answers.
2. To request more information about the debt, fill out and send the first template to the debt collector. Don't forget to check the boxes next to the information you're requesting.
3. If the debt isn't yours, fill out and send the second template to dispute the debt.

### Be cautious and keep records.

- You don't have to share private information (like bank accounts) no matter what debt collectors say.
- Write down all dates, times, and detailed notes of what's said for each call.
- Save everything debt collectors send and make copies of anything before you send it (don't send originals).

### WHAT TO SAY TO A DEBT COLLECTOR

### NOTES

|   |  |
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| What is your (the debt collector's) name and address?   |  |
| What is the original creditor's name and address?   |  |
| What is the account number?   |  |
| What is the amount owed?  |  |
| What date did the account become delinquent?  |  |
| What date did you (the debt collector) obtain the debt?   |  |
| What was the amount of debt when you (the debt collector) obtained it?  |  |
| On what date will the debt's statute of limitations (the time you can no longer be sued for the debt) expire? |  |
| <b>If you don't believe you owe the debt or you already paid it:</b>  |  |
| Please provide documentation proving I'm required to pay.   |  |
| Please provide me with a copy of the last bill.   |  |

## Resolve issues with debt collectors

**If the debt is not legitimate (if it's not yours or you already paid it), don't delay in disputing it.**

Use the second letter template to send the debt collector a letter disputing the debt immediately. You may lose your ability to dispute the debt if you wait.

**If the claim is legitimate, don't despair.**

At least now you know what you're dealing with. You still have options, depending on your financial situation and what you want to do with the debt.

- Negotiate a payment plan that will give you more time to pay down your debt.  
See [consumerfinance.gov/askcfpb/1447](https://consumerfinance.gov/askcfpb/1447) for more information.
- Pay the debt in full and move on.
- Try to settle with the debt collector on a total amount of what you're willing to pay that will fully resolve the account. You can do this yourself by contacting the collector.

**If you're sued by a debt collector, be sure to respond to court documents.**

If you don't respond to court documents, or if you don't show up for a court hearing, the court will usually issue a money judgment against you. You may want a lawyer to advise or represent you at the hearing. To find a lawyer in your state to discuss debt collection with, visit [consumerfinance.gov/askcfpb/1433](https://consumerfinance.gov/askcfpb/1433).



# I am responding to your contact about a debt you are trying to collect. Please supply the information I have marked so that I can be fully informed.

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 below, 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,

Name

## About the debt you're trying to collect

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Today's date

Debt collector's name and address

Name and return address

Account number for the debt

You contacted me on this date

Any other information given to me

You contacted me by

Phone

Mail

Please supply the information I have marked so that I can be fully informed.

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**WHY YOU THINK I OWE THE DEBT AND TO WHOM I OWE IT, INCLUDING:**

The name and address of the creditor to whom the debt is currently owed, the account number used by that creditor, and the amount owed.

If this debt started with a different creditor, provide the name and address of the original creditor, the account number used by that creditor, and the amount owed to that creditor at the time it was transferred. When you identify the original creditor, please provide any other name by which I might know them, if that is different from the official name. In addition, tell me when the current creditor obtained the debt and who the current creditor obtained it from.

Provide verification and documentation that there is a valid basis for claiming that I am required to pay the debt to the current creditor. For example, can you provide a copy of the written agreement that created my original requirement to pay?

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

**THE AMOUNT AND AGE OF THE DEBT, INCLUDING:**

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 am responding to your contact about collecting a debt. I do not have any responsibility for the debt you're trying to collect.

If you have good reason to believe that I am responsible for this debt, mail me the documents that make you believe that. Stop all other communication with me and with this address, and record that I dispute having any obligation for this debt. If you stop your collection of this debt, and forward or return it 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,

Name

## About the debt you're trying to collect

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Today's date

Debt collector's name and address

Name and return address

Account number for the debt

You contacted me on this date

Any other information given to me

You contacted me by

Phone

Mail

# How to rebuild your credit

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When you experience a financial challenge, your credit record could suffer. Rebuilding it takes time. There are no shortcuts or secrets.

## The steps below can help

### 1. Pay your bills on time, every time

“On time” means the payment gets to the company by the day the bill is due. Mail your bills a few days before they’re due.

Think about signing up for text alerts to make sure you don’t pay late or miss a payment. Or, consider automatic payments from your bank to help make sure your bills get paid on time. Keep track of automatic payments so you know you have enough money in your account to cover them.

### 2. Don’t get too close to your credit limit

Credit scores consider how close you are to being “maxed out” on credit cards. If you use too much of your available credit, you can hurt your credit score. Experts advise using no more than 30 percent of your available credit – some even say you should use less than 10 percent.

### 3. Don’t apply for too much credit in a short time

Your credit score may go down if you apply for or open a lot of new accounts in a short time. This includes getting a new card so you can transfer



balances, or opening a new store card account so you can get a discount.

### 4. If you can’t qualify for a regular credit card, try a secured card

Many banks and credit unions offer secured credit cards. With most of these cards, your credit line starts out small. You put an amount equal to your credit limit in an account as a deposit.

As you show you can pay on time, your credit limit may grow and you may have your deposit refunded. Fees and interest rates can be high for secured cards, but using one can help you to establish a credit record.

### 5. If you pay with a credit card, pay your balance off every month

You’ll build credit by using your credit card and paying on time, every time. Pay off your balances

in full each month to avoid paying finance charges. Paying off your balance each month can also build better credit than carrying a balance.

## Keep it up

Credit scores are partly based on experience over time. The longer you have credit and pay on time, the more information there is to show you're a good credit risk.

## 6. Check your credit reports and fix errors right away

You can get a free copy of each of your credit reports from the three nationwide credit reporting companies every year at [annualcreditreport.com](https://annualcreditreport.com).

You may find incorrect information that is bringing your score down. If you do, file a dispute with the credit reporting company and with the company that was the source of the information.

### How long does negative information generally stay on your credit report?

|                        |                   |
|------------------------|-------------------|
| Bankruptcy             | 10 years          |
| Foreclosure            | 7 years           |
| Lawsuits and judgments | 7 years or longer |


## These four things don't help rebuild your credit


- 1. Using a debit card or paying cash.** These transactions don't help you prove you can repay debts.
- 2. Using a prepaid card.** A prepaid card is your own money, loaded on to the card in advance.
- 3. Taking out a payday loan.** Even making on-time repayments might not help your credit.
- 4. Taking an auto loan from a "buy here, pay here" car lot,** unless they promise in writing to report your on-time payments.


## Submit a complaint

Have an issue with a financial product or service? We'll forward your complaint to the company and work to get you a response - generally within 15 days.

 **Online**  
[consumerfinance.gov/complaint](https://consumerfinance.gov/complaint)

 **By phone (180+ languages)**  
M-F, 8 a.m. - 8 p.m. ET  
(855) 411-CFPB (2372)  
(855) 729-CFPB (2372) TTY/TDD

 **By mail**  
Consumer Financial Protection Bureau  
P.O. Box 2900  
Clinton, Iowa 52733-2900

 **By fax**  
(855) 237-2392

# Building credit from scratch

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Starting out in the financial world can be confusing. And building good credit takes time. Below are some types of helpful products, as well as actions you can take to help reach your financial goals.

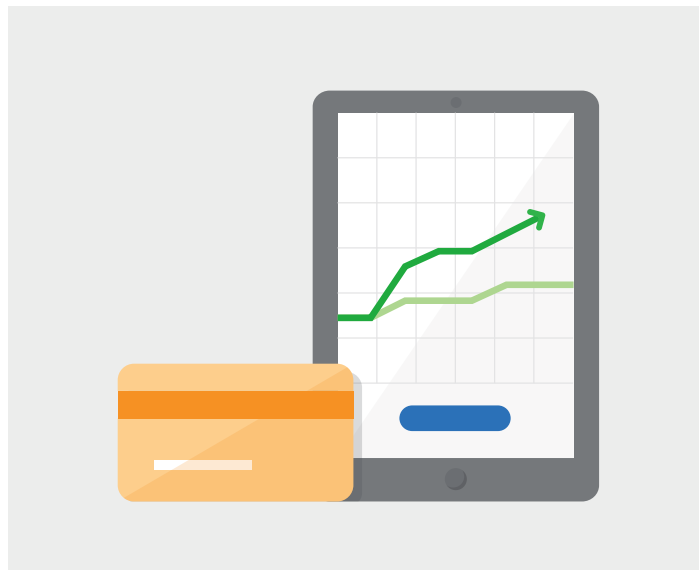
## Finding the right products

### Secured credit cards

Apply for this card as you would a traditional credit card. Once approved you deposit an amount of money -which can range from \$50 to \$300- into a separate account. The bank holds onto this deposit and extends a credit line matching the deposit amount. Generally, you can build credit with a secured card, but be sure to ask your card issuer about reporting to the credit reporting companies. Many of these cards include a "graduation" component, so you are able to move from a secured card to a traditional credit card seamlessly after establishing a pattern of consistent payments.

### Credit builder loans

Financial institutions, typically credit unions, deposit a small "loan" (often \$300-\$1000) into a locked savings account and then you pay the institution back with small-dollar payments over 6 to 24 months. These payments are reported to the credit reporting companies. Once you come to the end of the loan term, you receive the accumulated money back in total.



### Retail store cards

Many gas stations, department stores or retail chains offer credit cards. These cards tend to be easier to obtain and typically offer lower credit lines. This combination makes them an option when you are looking to build up a thin or nonexistent credit record.

## Actions you can take & things to know about your credit report and score

### Get and read your credit report

The first and most important step in building and maintaining good credit is to know and understand what is in your credit report. You are entitled to and can request your credit report from each of the three nationwide credit reporting companies once every 12 months free of charge at [annualcreditreport.com](https://annualcreditreport.com).

## Know what matters

Paying your credit card bills or other loan payments on time is one critical step in building a good credit score. Also, don't get too close to the credit limit. Credit scoring models look at how close you are to being "maxed out." Formulas predict that people who use too much of their available credit may have future troubles with repayment. Experts advise keeping use at no more than 30% of your total credit limit. Credit scores may also decline if you apply for and open too many credit accounts, such as credit cards, in a short time.

## Take steps to correct errors

You should actively take steps to correct any issues with your credit report. After accessing your report, you will have a better understanding of your current creditworthiness and be able to request an investigation of any errors or inaccuracies you find.

## Contact us



Online

[consumerfinance.gov](https://consumerfinance.gov)



By phone

(855) 411-CFPB (2372)

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



By mail

Consumer Financial Protection Bureau

P.O. Box 4503

Iowa City, Iowa 52244



Submit a complaint

[consumerfinance.gov/complaint](https://consumerfinance.gov/complaint)



Ask CFPB

[consumerfinance.gov/askcfpb](https://consumerfinance.gov/askcfpb)





# Avoiding medical debt

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Whether you're about to receive a medical procedure or are having trouble paying your medical bills, there are things you can do to help keep medical debt in check.

## Preparing for medical bills

### **CHECK WHAT'S COVERED BY INSURANCE AND MAKE SURE YOUR INFORMATION IS UP TO DATE**

You should know what your insurance covers and what it doesn't. Ask your insurer what it will cover and the cost before getting a procedure or test done. If something isn't covered, ask if there are alternatives that are covered. This helps you avoid medical debt by reducing your out-of-pocket cost upfront.

### **KEEP GOOD RECORDS**

Prepare an organized record of all your medical bills and explanation of benefits (EOB) from your insurance company (these are usually mailed to you with a line-by-line explanation of costs, what insurance covered, and what you may owe).

If you need to dispute a bill, send a written notice to the provider and include a copy of all relevant documents, such as records from doctors' offices or credit card statements. Do not send original documents.

### **REVIEW MEDICAL BILLS CAREFULLY**

Check each bill carefully before you pay it. If you don't recognize the provider, check the date of service to see if you had a medical treatment on that day. Some providers who bill you directly may be associated with a hospital where you were treated, so you may not know you were receiving services from them at the time of treatment.

For more complicated procedures, ask for an itemized bill from the provider in order to check how much you were charged for each service. Ask questions if something seems high—a dose of Tylenol shouldn't cost \$1,000, for example. Sometimes a simple typing mistake or mis-categorization can result in a large error on your bill.

## Disputing medical bills

### **NEGOTIATE YOUR BILL**

Hospitals or doctor's offices may negotiate the amount of the bill with you. The total may be reduced if you pay the whole amount upfront.

You can also try asking for the rate that people with insurance get or if they offer a cash or prompt payment discount. The provider or hospital might also offer a plan that lets you pay off the debt in installments, with little or no interest. It doesn't hurt to ask what options there are if you expect that you won't be able to afford the bill.

Get your repayment plan agreement in writing and request the following terms:

- No interest on the debt
- Monthly statements showing the amount paid and the outstanding balance
- That the debt servicing stays with the healthcare provider and not be turned over to a third-party collection agency
- An agreement that you don't have to make full payment right away if you're late or miss a payment on your plan

### **ACT QUICKLY TO RESOLVE OR DISPUTE MEDICAL BILLS**

First verify that you owe the amount on the bill. Check that the amount that insurance is covering is correct, and pay the bill right away or negotiate repayment if you can't afford to pay the entire bill all at once. If you delay payment and it ends up in collections, it can have a negative affect on your credit scores.

If you don't owe the bill or the amount is incorrect, dispute it as soon as possible. Bill disputes can take a while to clear up, and in the meantime the bill is still owed and could be subject to late fees or interest.

## **9 Paying medical bills**

### **GET FINANCIAL ASSISTANCE OR SUPPORT**

Many hospitals have financial assistance programs, which may be called "charity care," if you're unable to pay your bill. Ask your provider if they offer any kind of assistance before you get treatments—or immediately afterwards. There may be a time period to sign up for these kinds of programs, so check the deadlines for enrollment beforehand.

### **DON'T PAY FOR MEDICAL BILLS ON CREDIT CARDS UNLESS YOU CAN PAY THE BALANCE**

If you aren't able to pay your medical bill, ask your provider for a payment plan with little or no interest before paying the bill with a credit card. Once you've paid with a credit card, you'll no longer be eligible for a payment plan. Putting large medical charges on your credit card is risky, especially if you don't have the money to pay off the card immediately. You can end up paying interest on that medical debt.

Also, your medical debt will look like credit card debt to creditors, who might weigh that differently when considering a loan application.

# What can I do?

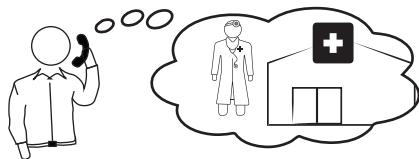
## I Can't Pay my Medical Bill



**⚠ Do not ignore your bills!** If your bill is less than 30 days late, most medical offices will discuss payment plans. Do not be afraid to ask for help.

### 1. Call the office that sent you the bill and confirm the charges.

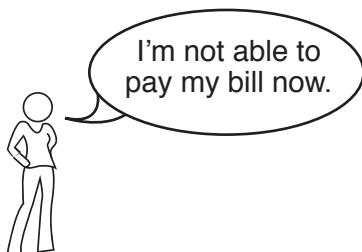
This could be a hospital, doctor's office, clinic, or other medical office.



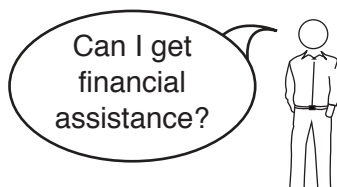
### 2. Ask to talk to a financial counselor.



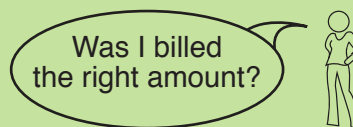
### 3. Let them know you are having trouble paying your bill.



### 4. Ask to apply for coverage programs or financial help to lower your bill.



**If you have health insurance**, call your insurance company and ask if you were charged the correct amount.



### Do you need health insurance?

**Call 1-800-318-2596** to learn more about your insurance options.

**Call 2-1-1** to find free, local insurance help.

### Do you need additional FREE help?

You may qualify for help to make a plan to pay your bills. Call a non-profit credit counseling agency to learn more.

**National Foundation for Credit Counseling:**  
1-800-388-2227

**National Council on Aging:**  
571-527-3900

**Financial Counseling Association of America:**  
1-866-694-7253

**Call 2-1-1** and ask to speak to a financial counselor.

### ⚠ Do not ignore your bills!

If your payment will be more than 30 days late, call the office and let them know.

Keep in mind: late payments affect your credit score and may go to collections.

**covering**  
**Wisconsin**  
Connect to Care, Engage in Health

[www.coveringwi.org](http://www.coveringwi.org)

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# Federal Student Grant Programs

The federal government provides grant funds for students attending colleges, career schools, and universities. Grants, unlike loans, are sources of free money and do not have to be repaid.\* The major federal student grant programs are briefly described below.

| Federal Grant Program  | Program Details  | Annual Award (subject to change)  |
|--|--|---|
| <b>Federal Pell Grant</b>  | <ul style="list-style-type: none"> <li>Awarded to undergraduate students who have exceptional financial need and who have not earned a bachelor's, graduate, or professional degree; in some cases, students enrolled in a postbaccalaureate teacher certification program may receive a Federal Pell Grant</li> <li>A student who meets certain requirements may be eligible for a larger Pell Grant if his or her parent died in Iraq or Afghanistan or in the line of duty as a public safety officer</li> <li>Pell Grant lifetime eligibility is limited to 12 semesters or the equivalent</li> </ul>  | Up to \$6,195 for the 2019–20 award year  |
| <b>Federal Supplemental Educational Opportunity Grant (FSEOG)</b>                  | <ul style="list-style-type: none"> <li>Awarded to undergraduate students who have exceptional financial need and who have not earned a bachelor's or graduate degree</li> <li>Federal Pell Grant recipients receive priority</li> <li>Not all schools participate in the FSEOG program</li> <li>Funds depend on availability at the school; applications must be received by the school's deadline</li> </ul>  | Up to \$4,000 a year  |
| <b>Teacher Education Assistance for College and Higher Education (TEACH) Grant</b> | <ul style="list-style-type: none"> <li>For undergraduate, postbaccalaureate, or graduate students who are enrolled in programs designed to prepare them to teach in a high-need field at the elementary or secondary school level</li> <li>Must agree to serve for a minimum of four years (within eight years of completing the program for which you received the grant funds) as a full-time teacher in a high-need field in a school or educational service agency that serves low-income students</li> <li>Must attend a participating school and meet certain academic achievement requirements</li> <li>Failure to complete the teaching service commitment will result in the grant being converted to a Direct Unsubsidized Loan that must be repaid</li> </ul> | Up to \$3,752 for grants first disbursed on or after Oct. 1, 2018, and before Oct. 1, 2019    |
| <b>Iraq and Afghanistan Service Grant</b>  | <ul style="list-style-type: none"> <li>For students whose parent or guardian was a member of the U.S. armed forces and died as a result of performing military service in Iraq or Afghanistan after the events of 9/11</li> <li>Must be ineligible for a Federal Pell Grant due to having less financial need than is required to receive Federal Pell Grant funds</li> <li>Must have been younger than 24 years old or enrolled at least part-time at a college or career school at the time of the parent's or guardian's death</li> </ul>   | Up to \$5,717.11 for grants first disbursed on or after Oct. 1, 2018, and before Oct. 1, 2019 |

\*Occasionally a student may have to pay back part or all of a grant if, for example, he or she withdraws from school early or doesn't fulfill the requirements of the TEACH Grant service obligation.

Looking for more sources of free money? Try [StudentAid.gov/scholarships](https://studentaid.gov/scholarships) for tips on where to look and for a link to a free scholarship search tool. For more information on grants, visit [StudentAid.gov/grants](https://studentaid.gov/grants). Find this fact sheet at [StudentAid.gov/resources#grant-programs](https://studentaid.gov/resources#grant-programs).

## Have questions? Contact or visit the following:

- [StudentAid.gov](https://studentaid.gov)
- a school's financial aid office
- [studentaid@ed.gov](mailto:studentaid@ed.gov)
- 1-800-4-FED-AID (1-800-433-3243)
- TTY for the deaf or hard of hearing: 1-800-730-8913



# Credit discrimination is illegal






Under federal law, lenders are not allowed to discriminate against you. When you apply for credit or borrow money, it is against the law to discriminate because of:

- § Race
- § Color
- § Religion
- § National origin
- § Sex (including gender)\*
- § Marital status
- § Age
- § Receiving money from public assistance

\*Currently, the law supports arguments that the prohibition against sex discrimination also affords broad protection from discrimination based on a consumer's gender identity and sexual orientation.

Lenders are allowed to ask you for this type of information in some situations, but they can't discourage you from applying for credit. And, they can't reject your application for any of the reasons on the list—or for exercising your rights under certain consumer protection laws. Lenders are not allowed to charge higher costs, like a higher interest rate or higher fees, for these reasons either.

The ECOA applies to all forms of credit including:

-  Car loans
-  Credit cards
-  Home loans
-  Student loans
-  Small business loans

Within limits, lenders are allowed to consider other factors, such as income, debt, and credit history, when they decide whether to offer you credit and what terms to offer you.

## You are protected under the Equal Credit Opportunity Act (ECOA)

ECOA was enacted in 1974. It makes credit discrimination illegal and holds lenders responsible if they break the law. Many parts of the U.S. government enforce the law—including the CFPB as well as the Office of the Comptroller of Currency, Federal Reserve Board, Federal Deposit Insurance Corporation, National Credit Union National Credit Union Administration, Department of Justice, and Federal Trade Commission.

## Protect yourself from discrimination

### Do your research

Shop around. Learn about the benefits and risks of the loan or credit card you want. Research current interest rates. Compare offers from several lenders. You can more easily spot if someone is trying to take advantage of you if you have facts on hand.

### Know your credit history

Some lenders make decisions based on your credit history. Be sure there are no mistakes or missing items in your credit reports. Request a free copy of your credit report every 12 months from [AnnualCreditReport.com](https://www.annualcreditreport.com), which includes reports from the three biggest consumer reporting companies.

### Stay in control

Your lender shouldn't make you feel rushed or unnecessarily delay action on your application.

### Be sure before signing

You shouldn't ever feel pressured to sign. Take the time to make sure the credit product and terms work for you.

### Ask questions

Don't focus only on your monthly payment. Ask about rates and the total amount of interest and fees you may pay over the long run.

## Warning signs of discrimination

Credit discrimination often happens behind closed doors, which makes it hard to spot. But there may be warning signs. Pay attention to whether you are:

- § Treated differently in person than on the phone
- § Discouraged from applying for credit
- § Hearing the lender make negative comments about race, national origin, sex, or other factors.
- § Refused credit even though you qualify for it based on advertised requirements
- § Offered credit with a higher interest rate than the one on the application, even though you qualify for a lower rate based on advertised requirements

### If you believe you are the victim of credit discrimination, seek help

- § For legal resources listed state by state, visit: [lawhelp.org](https://www.lawhelp.org)
- § To find out about eligibility for assistance from a Legal Services program funded by the Legal Services Corporation, visit: [lsc.gov/what-legal-aid/find-legal-aid](https://www.lsc.gov/what-legal-aid/find-legal-aid)
- § Locate your state attorney general's office: [naag.org/naag/attorneys-general/whos-my-ag.php](https://www.naag.org/naag/attorneys-general/whos-my-ag.php)
- § Submit a complaint with the CFPB: [consumerfinance.gov](https://www.consumerfinance.gov)



# Protecting



*"As a young child my mother told me I could be anyone I wanted to be. Turns out this is identity theft"*

*--Anonymous*

- ▶ Identity theft
- ▶ Federal student aid and identity theft
- ▶ Credit report freeze: Why do it?
- ▶ How to handle identity theft
- ▶ Spotting red flags
- ▶ Submit a complaint



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## Identity Theft

- When someone uses your personal information without your permission
  - # Social Security number
  - # Name & birthdate
  - # Credit card
- Costs you time and money
- Can destroy your credit and ruin your good name
- Can create hard feeling among family or friends



### Signs of Identity Theft

- # Mail or bills that don't arrive
- # Denials of credit for no reason
- # Charges you didn't make on credit cards
- # Withdrawals from bank accounts
- # Utility accounts in your name that you never opened, at an address where you never lived, or that were opened when you were under 18 years old

### Steps to Take if You Suspect Identity Theft

1. Contact the Federal Trade Commission: [www.identitytheft.gov](http://www.identitytheft.gov) or by phone: (877) 438-4338. Complete an FTC Identify Theft Affidavit.
2. Place a 1-year "Fraud Alert" on your credit reports by calling any one of the three nationwide credit reporting companies or visiting their websites. The credit bureau you contact will then notify the other two bureaus. A fraud alert is free. Note that bureaus may try to sell additional services. An 'extended fraud alert' can stay on your credit report for 7 years. It will make it harder for someone to open new accounts in your name.
  - Equifax: 1-800-525-6285 <https://www.equifax.com/personal/identity-theft-protection/>
  - Experian: 1-888-397-3742 <https://www.experian.com/help/identity-theft-victim-assistance.html>
  - TransUnion: 1-800-680-7289 <https://www.transunion.com/identity-theft>
3. Order a free copy of your credit reports from [www.annualcreditreport.com](http://www.annualcreditreport.com) or (877) 322-8228. Review your reports and close accounts that have been tampered with or opened fraudulently.
4. File a police report. Bring your FTC Affidavit, photo ID, proof of your address, and any papers you have showing the fraud or theft (bills or collection notices). Ask for a copy of your police report.

# How Identity Theft Happens

## How Identity Theft Happens

### How Identity Theft Happens

Criminals access personal data such as names, Social Security numbers, and bank and credit card information. Using stolen data, criminals can obtain credit cards, set up cell phone accounts, and more.

### Reduce Your Risk When Applying for Federal Student Aid

- Apply for aid by filling out the *Free Application for Federal Student Aid* (FAFSA®) form at [fafsa.gov](#).
- When you exit the FAFSA site, close the browser so cookies from the session will be deleted automatically.
- Don't give your FSA ID to anyone, even if that person is helping you fill out the FAFSA form.
- Review your financial aid offers, and keep track of the amounts you applied for and received.
- Never give personal information over the phone or internet unless you made the contact. If you have questions about your financial aid, ask your college or contact the Federal Student Aid Information Center at [800-4-FED-AID](#) (1-800-433-3243; TTY for the deaf or hard of hearing 1-800-730-8913).

### How We Keep Your Information Safe

Information you share with us via our secure websites (such as [fafsa.gov](#) and [myfinaid.org](#)) goes through a process called "encryption," which uses a mathematical formula to scramble your data into a format that is unreadable to a hacker.

### Report Identity Theft

If you suspect that your personal information has been stolen, act quickly. Contact the credit reporting agencies and have a freeze put on your account so nobody else can open new credit accounts in your name. You'll find tips and credit agency contact information at the Federal Trade Commission's website listed below.

These federal websites offer information on reporting and repairing identity theft:

- U.S. Department of Education (ED) Office of Inspector General Hotline at [800-425-7340](#) (for cases in which ED funds are involved)
- Federal Trade Commission at [ftc.gov](#)
- Social Security Administration at [800-795-6887](#)
- Consumer Financial Protection Bureau at [800-393-8242](#)



## Credit Report Freeze – Why Do It?

### *Worried you might be the target of identity theft or fraud?*

To help safeguard your credit history information, all three of the major credit agencies – Equifax, TransUnion, and Experian – allow individuals to freeze access to their credit reports. Security freezes prevent companies other than ones you already do business with from viewing your credit report.

Due to a change in Federal law in late 2018, consumers in Wisconsin and across the United States are now able to place **FREE credit freezes** on their credit reports with each of the three major consumer reporting agencies. Before this change in law, Wisconsinites were charged a \$10 fee per credit bureau for placing a freeze on their credit report and then \$10 for removing a freeze, except if they were a victim of identity theft.

A credit freeze, also called a security freeze, is one of the strongest steps you can take to prevent people from fraudulently opening new accounts in your name. A credit freeze restricts people's access to your credit report, and you will likely need to lift the freeze when applying for new credit.

Credit freezes do not prevent your current creditors from reviewing your credit report. Your existing insurance company may review your credit report before renewing a policy, for example, or your credit card company may check your credit report before increasing your credit limit. Also, a freeze will not prevent new accounts from being opened by creditors who do not use credit reporting data.

A security freeze will make it slower for you to conduct some normal activities such as:

- Open a new credit card
- Apply for a mortgage
- Apply for a new apartment
- Shop for a new insurance policy
- Obtain an auto loan
- Open a Social Security account online
- Apply for a private student loan
- Have an employment background check

You can temporarily lift a security freeze when applying for new accounts or doing other activities that require access to your credit report. Lifting the freeze may take a few hours or a day depending on the credit reporting agency's procedures for processing requests.

### **APPLYING FOR A SECURITY FREEZE**

You must apply for a security freeze directly with each of the three credit agencies. Placing a freeze with one agency does not freeze access to your reports from the other two agencies. Have your full legal name, social security number, and addresses for the past two years available.

|        | Experian   | Equifax  | TransUnion   |
|--------|--|--|--|
| Online | <a href="http://www.experian.com/freeze">www.experian.com/freeze</a> | <a href="http://www.freeze.equifax.com">www.freeze.equifax.com</a> | <a href="http://www.transunion.com/credit-freeze">www.transunion.com/credit-freeze</a> |
| Phone  | 888-397-3742   | 800-685-1111   | 888-909-8872   |

## ALTERNATIVES TO A SECURITY FREEZE

If you decide that the inconvenience of freezing your account is too extreme, there are other methods to protect your credit.

- **Fraud Alert** – Also new in 2018, individuals can place a free 1-year fraud alert on their credit report by contacting one of the three major bureaus which will contact the other two bureaus. A fraud alert requires any would-be creditor to take extra steps to verify your identity before opening a new account. Victims of identity theft can place an extended alert on their credit report for seven years.
- **Active Duty Alert** – Members of the military on active duty can place a free alert on their credit report notifying creditors that they are currently deployed. Creditors will then need to take extra steps to verify your identity before opening a new account. This alert lasts for one year and is renewable during the service member's deployment.
- The Consumer Financial Protection Bureau [www.consumerfinance.gov](http://www.consumerfinance.gov) explains what to do if you believe you are the victim of identity theft.

### A FREEZE OR A LOCK – WHAT'S THE DIFFERENCE?

A freeze and a lock both prevent creditors from accessing your credit report, but there are differences:

#### FREEZE

- Consumer rights are protected by law.
- Time to lift a freeze varies between credit bureaus.
- Is a regulated free service mandated by Federal law.

#### LOCK

- Consumer rights are determined by credit bureau offering service.
- Time to lift a lock varies between bureaus - may take minutes, hours, or 2 days.
- Services vary between bureaus.

Another good practice to protect your identity is to monitor your credit report. The University of Wisconsin-Extension "[Check Your Free Credit Report](#)" campaign makes the process of ordering and reviewing a free credit report as easy as possible. Anyone can sign up to receive an email reminder from UW-Extension three times a year—on 2/2, 6/6, and 10/10—on the right sidebar. While you can order all three reports from the three credit bureaus – Equifax, Experian, and TransUnion – at the same time, UW-Extension recommends that you view one report every four months so you can be sure that the information is up-to-date and accurate year-round. Visit the Check Your Free Credit Report Campaign's website at [fyi.uwex.edu/creditreport](http://fyi.uwex.edu/creditreport)

At a minimum, protect your credit by checking your monthly credit card and bank statements for any suspicious or unknown charges. Contact your credit card or financial institution immediately and report any unauthorized use to your local police. With the most recent data breach, it is critical to your data security that you are watchful of all your accounts activities and particularly cautious with sharing personal information.

Visit the *Check Your Free Credit Report Campaign* website at [fyi.extension.wisc.edu/creditreport](http://fyi.extension.wisc.edu/creditreport)



# How to handle identity theft

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Here's what you can do if you suspect you're the victim of identity theft or fraud.

## **ORDER YOUR CREDIT REPORTS FROM ALL THREE NATIONWIDE CREDIT REPORTING COMPANIES**

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 to take further action.

See Module 7: Understanding Credit Reports and Scores for tools that can help you order, review, and correct mistakes on your credit reports.

## **REPORT IDENTITY THEFT**

Report identity theft to the Federal Trade Commission (FTC) at [identitytheft.gov](https://www.ftc.gov/identitytheft) or (877) 438-4338. You'll answer some questions about what happened and they'll use your information to:

- Create a personal recovery plan
- Pre-fill letters to send to merchants, banks, and others affected by the identity theft
- Complete an "Identity Theft Report," which is your official statement about the crime

In most cases, you can use your Identity Theft Report in place of a police report to clear your

account and credit history of transactions that resulted from the identity theft.

Contact the police to report identity theft if:

- You know who did it or have information that could help a police investigation
- An identity thief used your name in a traffic stop or any encounter with police
- If you're asked to produce a police report

## **CONSIDER A CREDIT PROTECTION TOOL**

There are three types of credit protection tools that you can request from credit reporting companies: a security freeze, an initial fraud alert, or an extended fraud alert.

### **SECURITY FREEZE**

A freeze on your credit report generally helps prevent new credit accounts from being opened in your name. Usually, third-party access to your credit file is completely blocked from new users without your express authorization.

A freeze helps prevent identity thieves from opening fraudulent accounts in your name. This also means you won't be able to apply for credit as easily if you were planning to open a new account or apply for a loan.

You must contact each of the credit reporting companies to freeze your credit report. You will have to contact them to lift the freeze before a third-party can access your credit report.

## INITIAL FRAUD ALERT

An initial fraud alert requires creditors to verify your identity before opening a new account, issuing an additional card, or increasing the credit limit on an existing account. This is a good first step if you're worried that your identity may be stolen, like after a data breach. The alert lasts for one year and can be renewed after it expires.

## EXTENDED FRAUD ALERT

An extended fraud alert requires creditors to contact you before approving credit and lasts for seven years. It also requires credit reporting companies to remove you from lists prepared for pre-screen offers of credit or insurance for five years. This is available if you've filed an identity theft report with one of the three nationwide credit reporting companies.

| CREDIT PROTECTION AND REQUIREMENTS  | SECURITY FREEZE | INITIAL ALERT | EXTENDED ALERT |
|---|-----------------|---------------|----------------|
| Lender is required to verify your identity before approving new credit                  |                 | ✓             | ✓              |
| Completely prevents your report from being shared with most third parties unless lifted | ✓               |               |                |
| Triggers heightened verification procedures for the people who use your credit report   |                 | ✓             | ✓              |
| Request if you believe you're a victim of ID theft                                      | ✓               | ✓             |                |
| Requires an identity theft report   |                 |               | ✓              |
| Extra free credit report  |                 | ✓             | ✓              |
| Exclusion from prescreening lists   |                 |               | ✓              |
| Free in every state   | ✓               | ✓             | ✓              |

## CONTACT INFO FOR THE THREE NATIONWIDE CREDIT REPORTING COMPANIES

### Equifax Security Freeze

P.O. Box 105788  
Atlanta, Georgia 30348  
(800) 685-1111

[equifax.com/personal/credit-report-services](https://www.equifax.com/personal/credit-report-services)

### Experian Security Freeze

P.O. Box 9554  
Allen, TX 75013  
(888) 397-3742

[experian.com/blogs/ask-experian/credit-education/preventing-fraud/security-freeze](https://www.experian.com/blogs/ask-experian/credit-education/preventing-fraud/security-freeze)

### Transunion

P.O. Box 2000  
Chester, PA 19016  
(800) 680-7289

[transunion.com/credit-freeze/place-credit-freeze](https://www.transunion.com/credit-freeze/place-credit-freeze)



## Spotting red flags

If you spot one of these sales tactics or red flags when you're shopping for financial products or services, think twice before you sign anything. It's always okay to walk away from a purchase if something doesn't feel right or you see a red flag.

| RED FLAG                                   | DESCRIPTION   |
|--|---|
| Pressured sales tactics                    | You're pressured to purchase things or take out loans you don't want or can't afford  |
| No consistency                             | 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 what they pay for   |
| No clear cancellation or return policy     | There's no clear cancellation or return policy—don't assume you're able to return a product or cancel a purchase  |
| Inconsistent information on interest rates | The salesperson tells you about an interest rate, but the numbers on the form are much higher   |
| Pushed to purchase                         | You are being pushed to make a big-ticket purchase immediately—if a salesperson says the offer won't still apply if you take a day to think about it, be suspicious |
| 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 a regular prime loan                    |
| Paperwork doesn't match the sales pitch    | The promises made to you by a salesperson aren't in the papers or the online documents that you're asked to sign  |



| RED FLAG                                       | DESCRIPTION  |
|--|--|
| Confusing fine-print                           | A simple rule to follow is to refuse to sign anything that you don't understand  |
| Incomplete paperwork                           | Never sign a contract with blank spaces to be filled in later  |
| Additional insurance and other add-on products | Some lenders may insist on or imply that borrowers must buy unnecessary items like 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  |



# Submit a complaint

Having an issue with a financial product or service? If so, you can submit a complaint to the Bureau and we'll work to get you a response from the company.

The Bureau has handled over 1 million complaints, helping consumers connect with financial companies to get direct responses about problems with mortgages, student loans, debt collection, credit reports, and other financial products and services.

Every complaint we receive gives us insights into problems that people are experiencing in the marketplace and helps us to identify and prioritize problems for potential action.

## THE COMPLAINT PROCESS

After you submit a complaint, it goes through several steps.

### 1. Complaint submitted

You submit a complaint about an issue you have with a company about a consumer financial product or service. You'll receive email updates and can log in at [cfpb.gov/complaint](https://cfpb.gov/complaint) to track the status of your complaint.

### 2. Review and route

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

### 3. Company response

The company reviews your complaint, communicates with you as needed, and reports back about the steps taken or that will be taken on the issue you identify in your complaint.

### 4. Complaint published

We publish information about your complaint—such as the subject and date of the complaint—on our public Consumer Complaint Database ([consumerfinance.gov/data-research/consumer-complaints](https://consumerfinance.gov/data-research/consumer-complaints)). If you consent, we also publish your description of what happened, after taking steps to remove personal information.

### 5. Consumer review

We'll let you know when the company responds. You'll be able to review the company's response and will have 60 days to give us feedback about the complaint process.

## HOW TO SUBMIT A COMPLAINT



Online

[consumerfinance.gov/complaint](https://consumerfinance.gov/complaint)



By phone (180+ languages)

M-F, 8 a.m. - 8 p.m. ET

(855) 411-2372

(855) 729-2372 TTY/TDD



By mail

Bureau of Consumer Financial Protection

P.O. Box 2900

Clinton, IA 52733-2900



By fax

(855) 237-2392

# *Financial Problem-solving Guide*

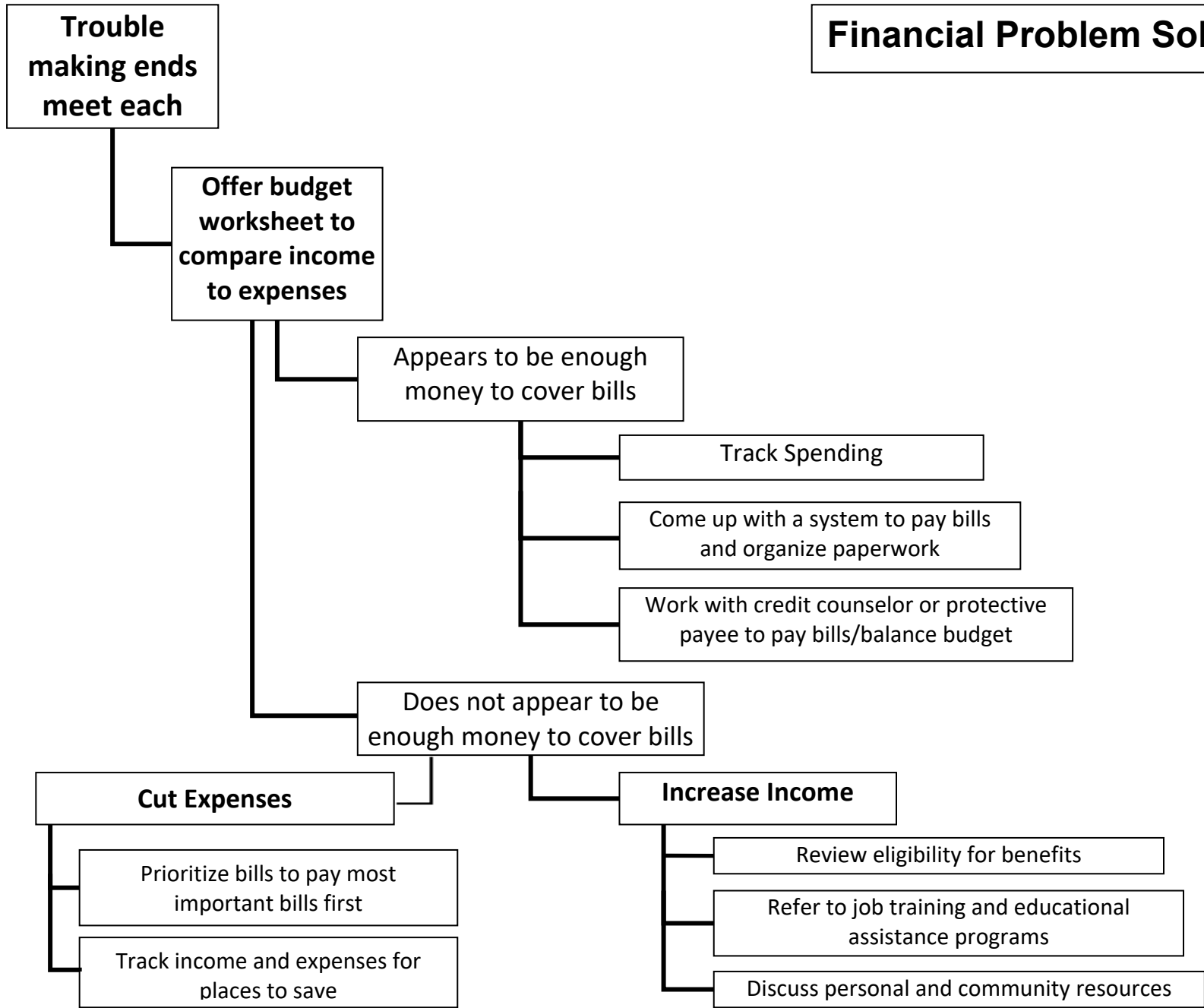


- ▶ Trouble making ends meet
- ▶ Trouble paying for rent, utilities, or other bills
- ▶ Credit problems, collections, and judgments
- ▶ Bills overdue
- ▶ Behind on rent
- ▶ Notice of utility cutoff
- ▶ Repossession
- ▶ Wage garnishment
- ▶ Financial Management Scenarios



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# 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

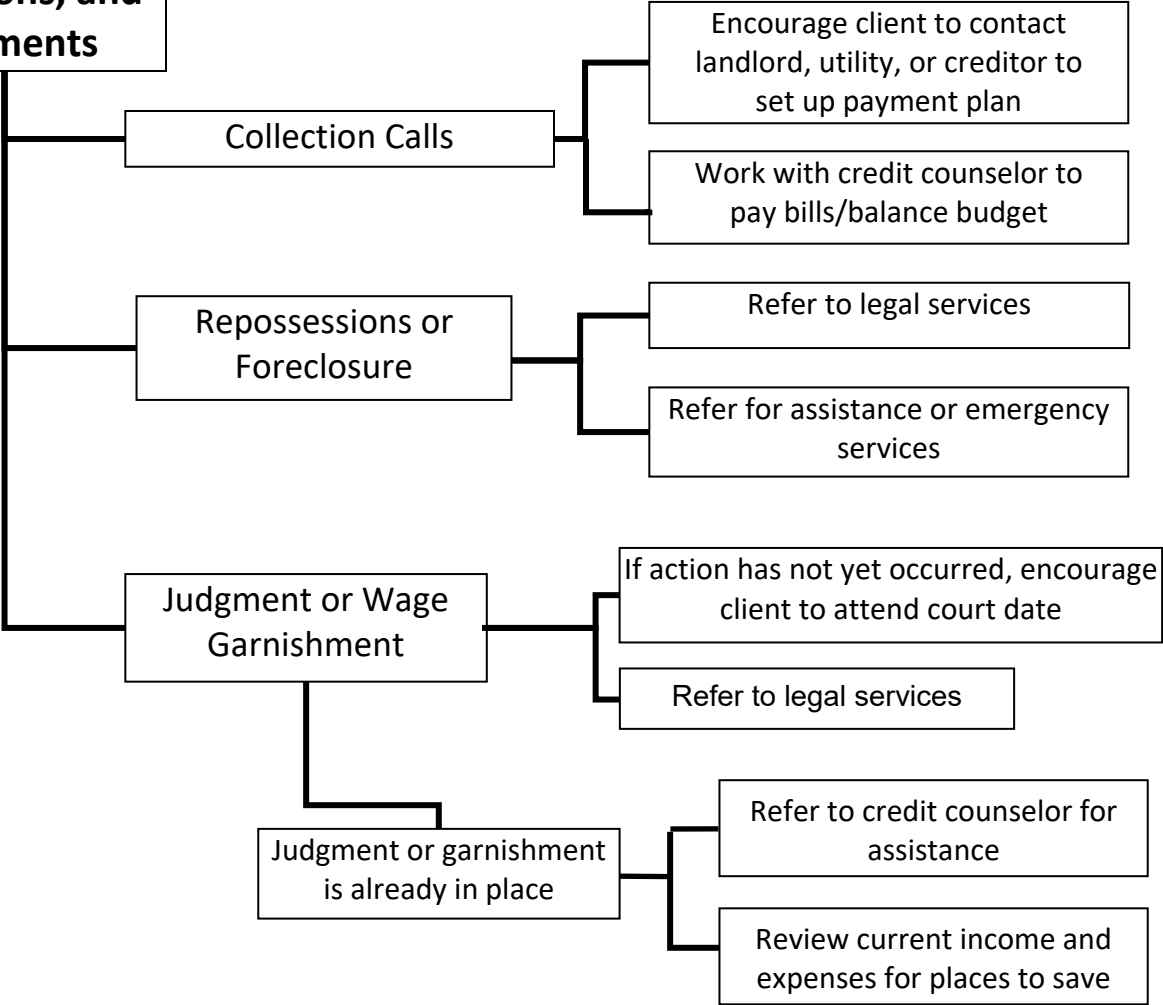
Review non-profit housing/emergency assistance

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**

## 6]`g`Cj YfXi Y`

### K\ UhiXcYg`]hia YUb`Zcf`nci f`W]YbI8`

- € 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.

### GhYdg`hc`UXXfYgg`H`Y`]ggi Y`

- € 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.

### DfYi YbIicb`

- € 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.

### FYyi UbhHYfa g`

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.

### FYgci fWg`

- € 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.

## 6 Y |bX'cb'F Ybh

### K \ UhXcYg'lhia YUb'Zc'nci f'W|Yb|b'

- € 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.

### GhYdg'hc'UXXfYgg'h Y'gqi Y

- € 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.

### DfYj Ybh|cb'

- € 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.

### FYYi UbhHYfa g'

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.

### FYqci fW|g

- € 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)
- € 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)



## **BchW'cZI h`]mi7 i hcZZ**

### **K \ UhiXcYg`]ha YUb`Zf`nci f`W]Yb18`**

- € 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.

### **GdYWU`Dfcj ]g]cbg`**

- € 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.

### **GHYdg`hc`UXXfYgg`h`Y`]ggi`Y`**

- € 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.

### **DfYj Yb]cb`**

- € 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.

### **FYYj UbhHYfa g`**

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.

### **FYgci fWYg`**

- € 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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### K \ UhXcYg]hia YUb`Zcf`nci f`W]Ybt8`

- € 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.

### DfYj`Ybh]cb`

- € 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.

### F`Y`Yj`Ubh`HYfa`g`

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

### F`Y`gci`f`W`g`

- € 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)

# Financial Management Scenarios

Read the following scenarios and discuss the questions at the end of this handout. Refer to the factsheets and worksheets provided in the handouts. Consider how you would start the financial conversation.

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## **Lisa:**

Lisa is a single mom of two children: a daughter age 5 and a son age 3. They live in a single family home for which she pays \$850 a month for mortgage and property taxes combined. Her ex-husband lives in Illinois with his new girlfriend and does not make consistent child support payments, so Lisa “never counts on that money.” She makes \$14.80 per hour and works 40 hours a week as a purchasing assistant, bringing home around \$2,200 a month. Her other bills and expenses include:

- \$100 per week on groceries
- \$30 a week on gasoline
- \$120 average for gas & electric bill each month
- \$95 per month on phone and satellite TV
- \$50 average per month for clothes and “miscellaneous” expenses
- Child care \$186 per week during the school year because her daughter is in 5-year old kindergarten (\$128 for her son and \$58 for her daughter)

The children are covered under their father’s health insurance plan, and Lisa has a high-deductible health insurance for herself through her employer. Her ex has been paying the children’s copays and deductibles. He also pays the car loan which is in his name each month and says “that’s his child support.” Since her divorce about a year ago, Lisa has been using credit cards for things she can’t afford to pay by check or cash, like getting her car fixed, groceries, clothes, going out to eat, and getting her hair done. Over the last year, she’s used her three credit cards a lot. They have a combined balance over \$9000 on them with minimum monthly payments totally \$165 per month. She has been paying everything on time, but the credit card debt is growing. Everything has finally caught up with her, and she realizes that she has to stop using credit. She doesn’t know what to do to get back on her feet.

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## **Daniel:**

Daniel is a 57 year old man who lives alone in a one-bedroom studio apartment which costs him \$565 per month in rent, heat included. He has some undiagnosed psychological problems, but has been able to keep his job at a large retailer for almost one year. He makes \$8.55 per hour and works 34 hours a week, taking home around \$1,050/month. He says he can’t afford their high deductibles and co-pays for medical benefits, so he doesn’t seek regular care. His other bills and expenses include:

- \$45 per month on his electric bill
- \$75 per week on groceries
- \$95 a month on phone/cable
- \$40 per week on gasoline

You ask if he spends money on things like cigarettes, alcohol or other miscellaneous items. He says that he doesn’t spend money on that stuff, but you smell the cigarettes as you sit across from him. He needs to pay for \$400 car repair, and doesn’t have the money. He does not have any credit or credit cards but is curious about payday loans. Daniel seems like he wants to tell you something and finally shares that he is behind on rent. He paid late the month before, and he hasn’t paid this month’s rent yet, and it’s now 16 days after the rent was due. His landlord has posted a notice. He got a tax return which helped cover several expenses, but the money is gone, and he doesn’t have enough money to pay all his bills right now. He also has a toothache and needs to see a dentist as soon as possible.

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**Charlotte:**

Charlotte is 44 years old and lives with her husband Robert, her youngest daughter who is 17 and two grandchildren (Charlotte has custody of both), a grandson age 2 and a granddaughter age 5. Charlotte has an associate's degree from community college and used to work part-time but stopped several years ago due to a medical disability. She receives disability benefits of \$820 per month. Robert was employed full time, but lost his job a few months ago. He is getting unemployment benefits of \$1452 per month, but will only receive payments for another few weeks. The family is also receiving several public benefits: Food Share (SNAP) of \$230 per month, the granddaughter receives free meals at school, and all the children have BadgerCare+ health care. Charlotte also has a child support order for her daughter, but the payments are irregular and the most recent monthly payment was only \$25. The family has a checking account with \$40 and a savings account with \$5. When they filed their taxes this year using a commercial tax preparation service, Charlotte thinks they did get an EITC credit. The family's current bills include:

- \$850 for rent
- Utilities are around \$120 (although energy is past due owing \$300)
- \$95 for cellphones
- \$60 for cable
- \$185 car payment
- Around \$150 a month in groceries beyond what SNAP benefits cover

There is also a medical bill (in collections) and a judgment for an unpaid medical bill. The family does not currently follow a written spending plan. Charlotte says that her credit rating is poor due to several medical bills that are in collections for which she gets frequent calls from collection agents. There is a judgment on at least one of the bills. She is worried about being able to afford their basic needs and pay bills on time when the unemployment money stops coming. She is worried about losing their housing in the next few months and reports feeling overwhelmed about money issues.

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**Michelle:**

This young woman just moved into her own apartment after she graduated from high school. She works for a retail store and brings home about \$285 per week. Michelle will be getting a raise in the next few weeks that will bump her up to \$310 per week. She also has been talking with a friend who may be interested in sharing an apartment with her. Until then, Michelle is responsible for all the bills. Michelle is debating if she should find another job. See below a list of all the things she needs to include in her budget:

- Rent – \$650 per month
- Cellphone – \$80 per month
- Electric – \$100 per month
- Water – \$50 per month
- Food (Grocery Store) – \$180 per month
- Food (Out to Eat) – \$40 per month
- Health Insurance – \$25 per month
- Renter's Insurance – \$100 per 6 months
- Car Insurance – \$80 per month
- Gas – \$40 per month
- Savings – \$100 (she would like to save)
- Emergency Fund – \$50 (she would like to save)

## Discussion Questions:

1. What major financial issues is the household struggling with?
2. The household has some information regarding their monthly expenses and some information is missing.
  - a. Brainstorm on ways to approach your client and opening lines you can use to get a better understanding of the household's total monthly budget.
  
  
  - b. Pick one approach to share back with the large group.
3. Select 2 resources or worksheets from your handouts to help address the household's financial challenges. Which 2 handouts did you choose and why?
4. What resources is the household already using to help stretch their budget?
5. If this family lived in your community, what additional resources might the household explore for eligibility?

## Sample Monthly Spending Plan

### Basic Living Expenses

| Monthly Expense                         | \$ Amount |
|---|-----------|
| Rent/Mortgage                           |           |
| Electricity                             |           |
| Heating Oil or Gas                      |           |
| Water/Sewer                             |           |
| Cable/Satellite                         |           |
| Internet                                |           |
| Cell Phone/Landline                     |           |
| Gas for Car                             |           |
| Car insurance payment                   |           |
| Eating Out                              |           |
| Groceries                               |           |
| “Stuff” for household & personal care   |           |
| Clothing and Laundry                    |           |
| Doctor co-pays/ Prescriptions           |           |
| Entertainment – movies, hobbies, habits |           |
| Pets                                    |           |
| Gifts/donations                         |           |
| Health/Life insurance                   |           |
|   |           |
|   |           |
|   |           |
|   |           |
| Money put into savings                  |           |
|   |           |
|   |           |
| <b>MONTHLY EXPENSES</b> \$              |           |
| (total from above)                      |           |
| <b>+ MONTHLY DEBT PAYMENTS</b>          | \$        |
| (total from debt chart)                 |           |
| <b>= ADD UP TOTAL MONTHLY SPENDING</b>  | \$        |

### Debts (bills that charge interest)

| Name of Creditor   | Monthly Payment Requested | Total Amount Owed Yet |
|--------------------|---------------------------|-----------------------|
| Car Payment 1      | \$                        | \$                    |
| Car Payment 2      |                           |                       |
| Medical Bill       |                           |                       |
| Past Due Utilities |                           |                       |
| Credit Cards       |                           |                       |
|                    |                           |                       |
|                    |                           |                       |
|                    |                           |                       |
|                    |                           |                       |
|                    |                           |                       |
|                    |                           |                       |
| <b>TOTAL DEBTS</b> | <b>\$</b>                 | <b>\$</b>             |

#### TAKE HOME INCOME/PAYCHECKS

(after taxes/benefits are taken out)

Income (1) \$ \_\_\_\_\_

Income (2) \$ \_\_\_\_\_

Income (3) \$ \_\_\_\_\_

Income (4) \$ \_\_\_\_\_

**TOTAL MONTHLY NET (TAKE HOME) INCOME**

\$ \_\_\_\_\_

**Minus Total Monthly Spending -** \_\_\_\_\_

**Difference +/-** \_\_\_\_\_

