



ENCOURAGING FINANCIAL CONVERSATIONS

Tools and Resources



Extension
UNIVERSITY OF WISCONSIN-MADISON



ENCOURAGING FINANCIAL CONVERSATIONS

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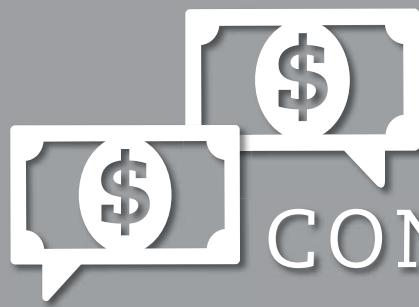
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ENCOURAGING FINANCIAL CONVERSATIONS



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

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

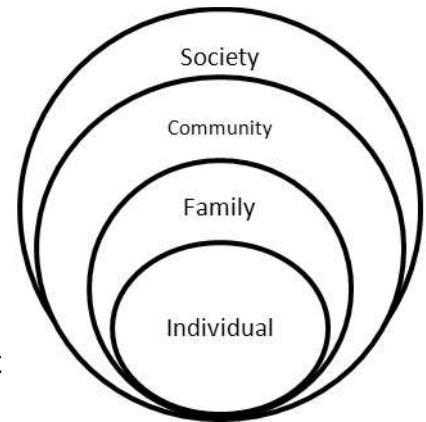
This section provides an overview of financial competencies, capability, and well-being that contribute to an individual engaging in positive financial behaviors.

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

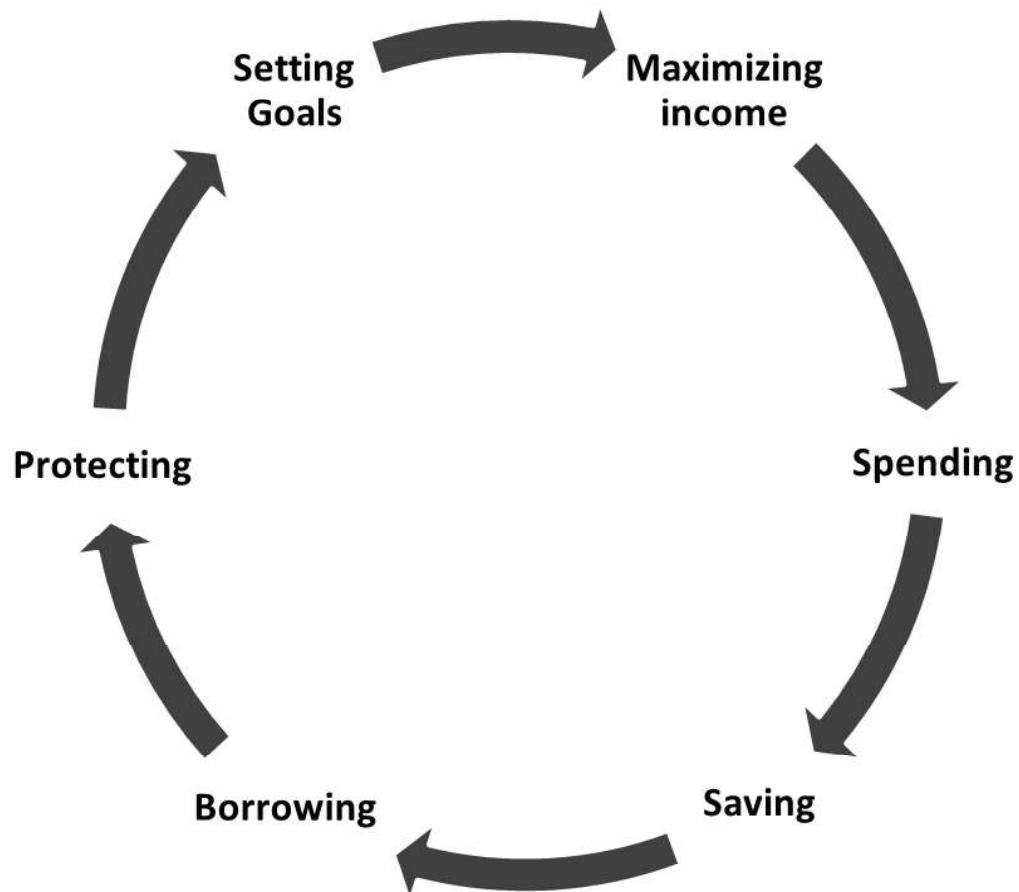


Barriers to assisting individuals with financial management:

- 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:

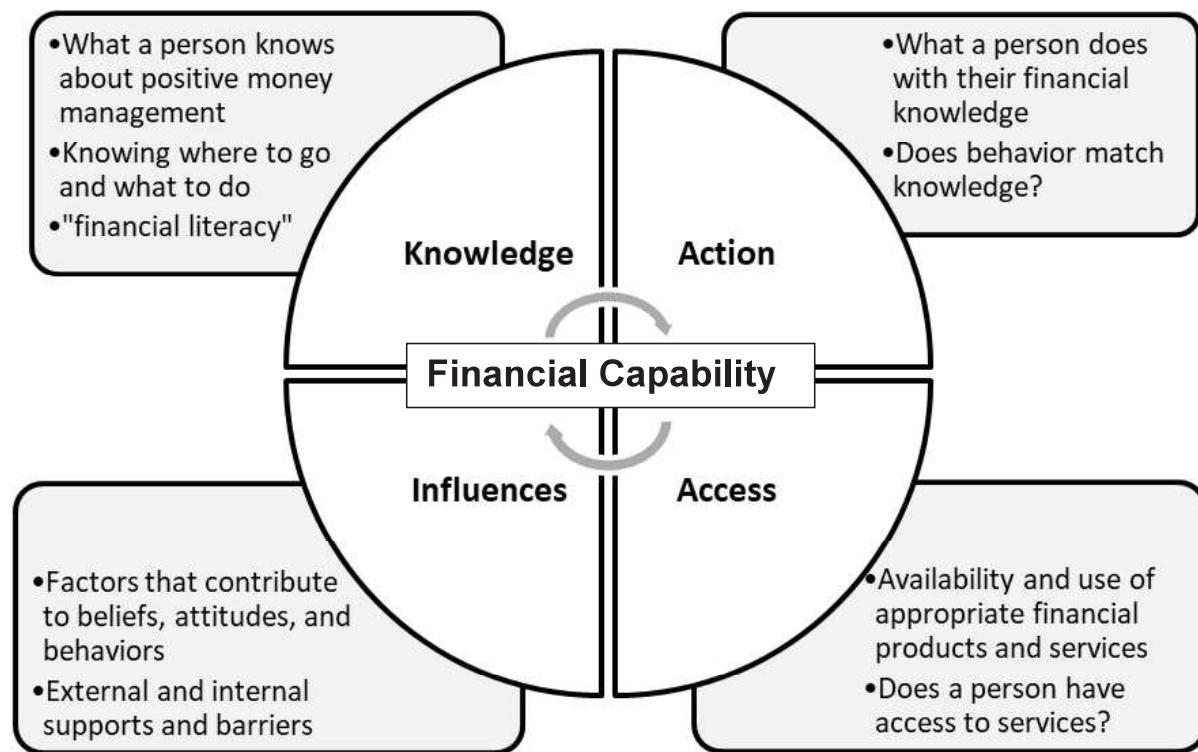
Core Personal Finance Topics, Family Financial Education Issue Briefs; Michael Collins, UW-Extension, 1/2010.
Delivering Effective Financial Education for Today's Consumer, Neighborworks America, 2011.

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:

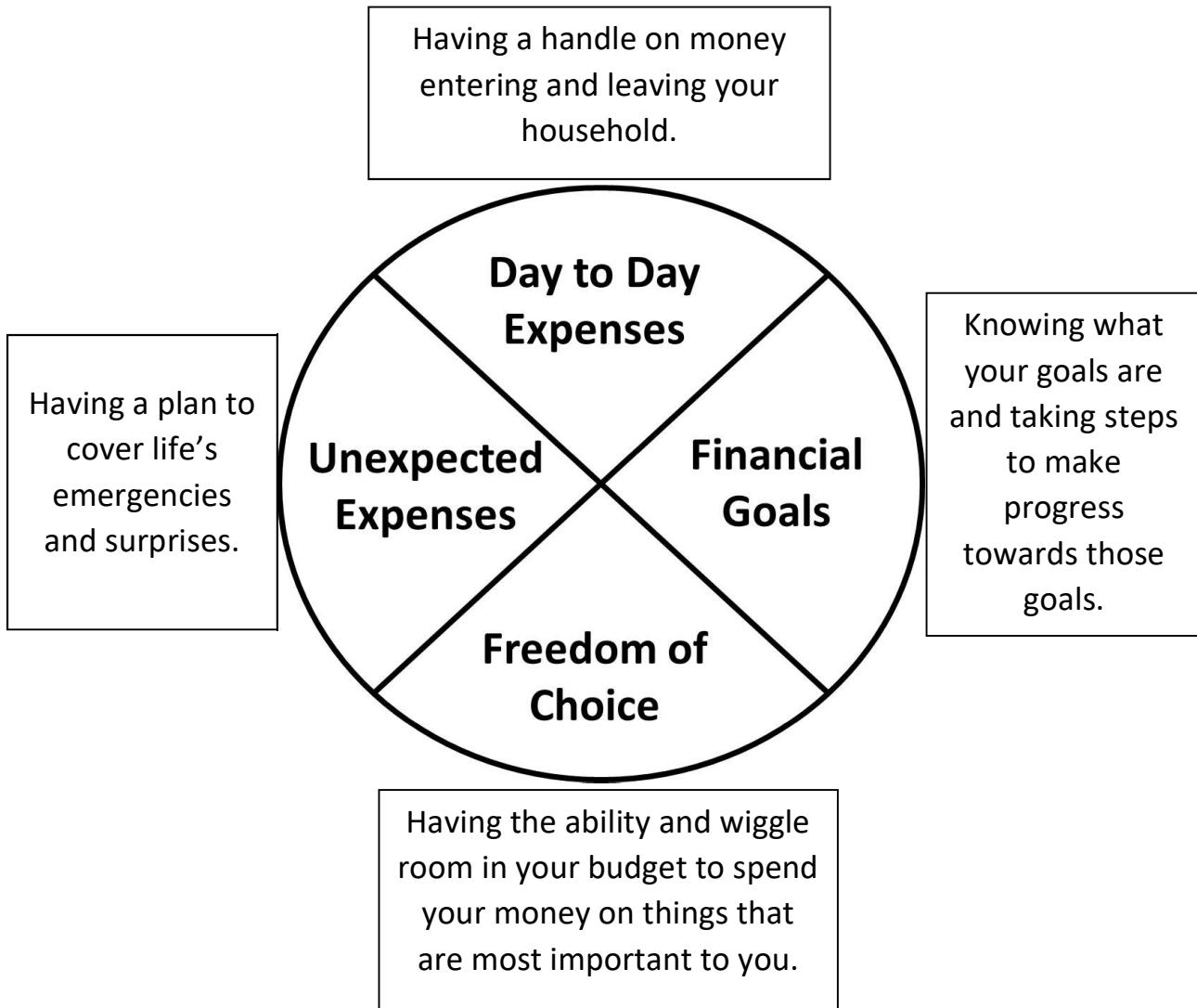
Core Personal Finance Topics, Family Financial Education Issue Briefs; Michael Collins, UW-Extension, 1/2010.

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

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

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/

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
- ▶ Trauma-informed care strategies and approaches
- ▶ Powerful questions



An anti-bias framework for working with families

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

<https://militaryfamilieslearningnetwork.org/2018virtualconference/>



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

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

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



Resources from the University of Wisconsin:

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/>

Division of Extension

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/>
- **Credit reports:** 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/>
- **Rent Smart:** Focuses on the knowledge and skills essential for a successful renting experience: <https://finances.extension.wisc.edu/programs/rent-smart/>
- **Households with young children:** Financial education newsletters and workshops (English and Spanish) designed for the *Money \$mart 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/>

Consumer Financial Protection Bureau (CFPB)

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

www.consumerfinance.gov

Resources include:

- **Your Money, Your Goals:** 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://www.consumerfinance.gov/practitioner-resources/your-money-your-goals/)
 - Special populations include:
 - Native Communities
 - People with Disabilities
 - Focus on Reentry
- **Student Loans:** 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/>
- **Financial Well-Being survey:** 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.

Federal Deposit Insurance Corporation (FDIC)

www.fdic.gov/consumers/consumer/moneysmart

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 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. 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.

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 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.
- For a problem with a financial product or service, contact the CFPB (Consumer Financial Protection Bureau) at 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
- 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.

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
- Information, fact sheets, and calculators of credit scoring and credit management, purchase a FICO brand credit score: 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
 - www.mint.com
 - 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
- Debt repayment calculators and other budgeting tools from the Utah State University: www.powerpay.org
- Financial calculators, fact sheets on financial management: 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
- Find videos, calculators, and financial basics: www.360financialliteracy.org
- Send yourself reminder text messages on your cell phone: www.ohdontforget.com
- Checklists and information to help identify spending leaks: stopthinks.org
- Have some fun playing online games around budgeting and credit: www.financialentertainment.org
- Activities and discussion board on children and money from the CFPB: www.consumerfinance.gov/money-as-you-grow
- Listen to everyday people talk about spending mistakes: www.spendster.org

Health Insurance:

- Enrollment information for the health insurance marketplace: www.healthcare.gov
- Video on health insurance basics: 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

- ▶ Strategies for self-efficacy
- ▶ Emergency funds
- ▶ Keep yourself on track



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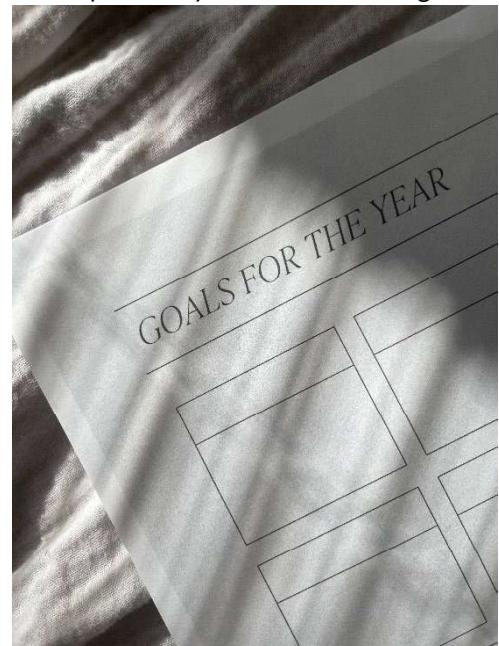
Strategies for Building Self-Efficacy

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

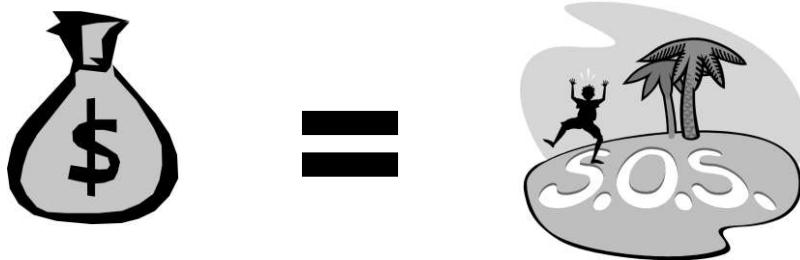
challenges to solicit support and suggestions can be helpful and builds group cohesion. Have participants revise their action plans to experience success and build self-efficacy.

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
- Share your goal with others at: Stickk.com
- Send yourself an email about your future goal through: 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

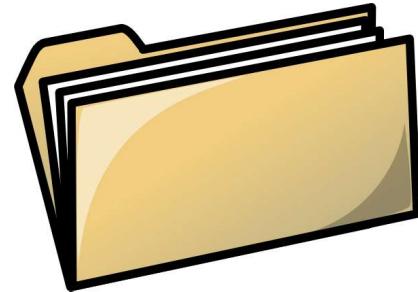
- ▶ Claim tax credits
- ▶ Increasing your income
- ▶ Dealing with a drop in income
- ▶ Benefits cliffs for Wisconsin public programs



Want More Money in your Pocket?: Claim Tax Credits

If you're eligible, you can get money just by mailing in an extra tax form, but you need to fill out a form to claim the refund. Every year, thousands of people who are eligible for these tax credits fail to claim them.

Take a look at the following tax credits and see if any match your situation. Since the income limits and the amount of tax credits change every year, check out the resources listed below for the latest, up-to-date information.



Federal Earned Income Credit (EIC)

- Tax credit for low to moderate income workers with one or more children.
- A worker without qualifying children must be age 25-64 to claim the EIC. He/she cannot be the dependent or the 'qualifying child' of someone else.
- The amount of the tax credit depends on earnings and adjusted gross income.
- Earned income includes: salary, wages, self-employment, military pay, strike benefits, long-term private disability pay, and cash wages.
- Workers whose earnings were too small to have taxes withheld can get the EIC.
- Must have a social security number and be a citizen or 'resident alien for tax purposes' for the whole year.
- If you are eligible for this tax credit but did not claim it in previous years, you can still go back and claim the credit for the past 3 years.
- Fill out federal tax return form 1040 along with Schedule EIC.
- For help: Internal Revenue Service 1-800-829-3676 or www.irs.gov

Wisconsin Earned Income Credit

- State tax credit for low to moderate income workers with one or more children who get the Federal EIC and have lived in Wisconsin for the entire year.
- Workers whose earnings were too small to have taxes withheld can get the EIC.
- The Wisconsin EIC is calculated as a percent of the Federal EIC.
- The EIC — and other tax credits — do not count as income in determining eligibility for benefits such as W-2, Medicaid, Food Stamps, SSI, or public or subsidized housing.
- If you are eligible for this tax credit but did not claim it in previous years, you can still go back and claim the credit for the past 3 years.
- Fill out Wisconsin tax return form 1.
- For help: Wisconsin Department of Revenue 608-266-1961 or www.dor.state.wi.us

Wisconsin Homestead Credit

- Tax benefit to lessen the impact of rent or property taxes for low and moderate income renters and homeowners.
- Must be at least 18 years old by December 31st and a legal resident of Wisconsin for the entire year.
- You must have at least some earned income OR be disabled OR be at least 62 years old to claim the Homestead Credit.
- Only half of eligible households apply for or receive the Homestead Credit.
- If you are eligible for this tax credit but did not claim it in previous years, you can still go back and claim the credit for the past 4 years.
- Fill out Wisconsin Schedule H-EZ or Schedule H.
- For help: Wisconsin Department of Revenue 608-266-1961 or www.dor.state.wi.us

Federal Child Tax Credit

- Tax credit for families with children under age 17 to lessen the impact of income taxes for families raising children.
- Qualifying persons who file federal tax returns get back some or all of the federal income tax withheld from their pay during the year.
- Some workers whose earnings are too low to owe any taxes can still get cash back from the credit.
- Fill out federal tax return form 1040 or 1040NR. To claim the refundable portion, also complete Schedule 8812.
- For help: Wisconsin Department of Revenue 608-266-1961 or www.dor.state.wi.us

NOTE: Dependents who can't be claimed for the child tax credit may still qualify the taxpayer for the credit for other dependents. These dependents may also be dependent children who are age 17 or older at the end of 2018. It also includes parents or other qualifying relatives supported by the taxpayer.

Your community might also provide help with filing taxes for limited income households. Look for a TCE (Taxpayer Counseling for the Elderly) or VITA (Volunteer Income Tax Assistance) site near you:
<http://irs.treasury.gov/freetaxprep/>

For more information, visit: <https://fyi.extension.wisc.edu/eitc/>

Increasing Your Income

Sometimes more money can come from selling stuff you don't use anymore, turning a hobby into a paying job, getting a tax refund, or reducing the amount of taxes withheld. Even small changes can add up. But it's just as important to understand how decisions to cut costs to save money can affect your future financial security.

Selling Assets: Selling items online or at a rummage sale can help you come up with cash to put toward your monthly bills. While this can be a good one-time source of cash to pay down debt, it doesn't add to your monthly income to cover future debt payments.

Keep in Mind:

You could lose money: When selling, you typically won't get as much money as you paid for an item. If you plan to replace the item when you get back on solid financial ground, this option could cost you more money in the long run.

Are you really willing to sell?: You might own some family heirlooms or items with sentimental value that would be too hard to part with.

Do you own it?: You might not be able to sell an item that is being used as collateral for a loan. Sometimes the creditor will give you permission to sell the item, such as an auto, in order to use the money to pay off the balance on the loan.



Withdrawing Retirement Savings: The Internal Revenue Service allows "hardship withdrawals" from certain retirement plans when faced with an immediate and heavy financial need, including preventing foreclosure or eviction. Your withdrawal is limited to the amount of money you paid in and does not include any employer match or interest income. A withdrawal is not considered necessary if you still have other options available to you, such as getting a bank loan or selling assets.

A hardship withdrawal is different from taking a loan out of your retirement account. Unless you're purchasing a home, a loan must be repaid within 5 years with payments beginning immediately. On the other hand, a hardship withdrawal doesn't need to be paid back. If you take out a loan and then leave the company before the loan is paid back, you must repay the loan right away or else pay taxes and penalties.



Keep in Mind:

You could owe more taxes: Withdrawals are taxed as income, plus there's a 10% penalty added on, so you need to figure this amount into how much savings you plan to withdraw. It's extremely important to check with a tax professional about penalties and taxes due if you are considering cashing in a retirement policy. Find out more on the IRS website at: www.irs.gov.

There are exceptions for withdrawals: A retirement plan is not required to offer hardship withdrawals. Your options for withdrawing savings also depend on the type of plan you have, such as a 401(k), 403(b), 457(b) or IRA.

The long-term impact: A hardship withdrawal permanently lowers your retirement savings since the money can't be paid back once it's taken out. Also, you won't be able to contribute to any retirement account for at least 6 months following a withdrawal.

If it comes down to bankruptcy: Retirement savings are exempt from seizure by your creditors during a bankruptcy. Once you've spent the hardship withdrawal from your retirement savings, what other options do you have for keeping up with your bills? Borrowing from retirement savings may not be the best option if you end up filing for bankruptcy a few months later.

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

Dropping or Decreasing Benefit Contributions: When you look at your paycheck, what deductions do you see listed? Some deductions might be required, like a pension plan, while other contributions might be scaled back even if temporarily. Check with your human resources office to find out which payments are under your control.

Keep in Mind:

Health coverage: There are typically restrictions and enrollment periods surrounding health care plans and supplemental policies that may prevent or postpone your ability to cancel coverage. If you drop a policy and later want to re-enroll, you may face issues around pre-existing conditions and waiting periods. If you buy your own health insurance, find out more about your options at: healthcare.gov.



Retirement savings: Some pension programs are mandatory, but you might also have voluntary retirement contributions taken out of your paycheck. Cutting back on retirement savings can add more to your monthly budget now, but you'll have less money when you're older which could mean working longer or living on less later.

Life and disability insurance: Some policies are mandatory, while others could be cancelled. Dropping some types of protection could leave you and your family at risk for future financial trouble. Instead of dropping coverage entirely, are there options to increase your deductible or waiting period? Just make sure you have money to cover a large deductible if needed.

Taxes and Tax Credits: A drop in income might affect the amount of taxes you have withheld from your paycheck. You might also be eligible for tax credits, such as earned income, child tax credit, or homestead credit, when you file your taxes next year.

Keep in Mind:



Do the math: You don't want to be in a position of having too little taxes withheld and then scramble for money next April to make a tax payment.

File taxes even if you don't owe money: Tax credits can either be *refundable*, meaning they will give you money back even if you don't owe any taxes, or *non-refundable*, meaning they will only credit you if you owe taxes. While deductions are subtracted from your income, tax credits are subtracted from your tax due.

To find out more: Visit the Internal Revenue Website at: www.irs.gov.

Increasing household resources

When's there not enough money to cover monthly bills, there are other ways to balance the family budget. If your income has dropped, you may be eligible for a number of programs for individuals and families with lower incomes. Government and non-profit programs can help bring in resources, such as housing, heating, or food payment assistance. Check out access.wisconsin.gov or call your county human services office to see if you qualify.

Dial 2-1-1 If you are having trouble meeting your basic needs, call 211 for a local directory of all the government and non-profit programs and organizations that provide services to low-income individuals.

DEALING WITH A DROP IN INCOME



University of Wisconsin-Madison Division of Extension
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/

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



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

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		
TOTAL DEBTS	\$	\$

TAKE HOME INCOME/PAYCHECKS

(after taxes/benefits are taken out)

Income (1) \$ _____

Income (2) \$ _____

Income (3) \$ _____

Income (4) \$ _____

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

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?

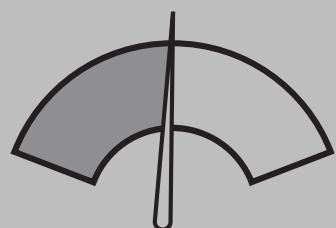
TAKE ACTION RIGHT AWAY

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. For help with options to keep up with your mortgage, call 1-888-995-HOPE or go to: 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
- **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 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. 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.
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“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	Visit Website

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	Visit Website

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	Visit Website

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	Visit Website

[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

Spending Tools and Resources

- ▶ Checking account basics
- ▶ First things first: Where is my money going?
- ▶ Track your spending
- ▶ Make bill paying a habit



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Checking Account Basics

Don't feel safe walking around with a lot of cash? Maybe you know cash in your pocket is too easily spent. Many people like to manage their money with a checking account. There are many choices when opening a checking account and responsibilities that go along with it.

What are Advantages and Disadvantages of a checking account?

Advantages

Convenient—money available
Safer than carrying cash
Proof of payment
Easier budgeting

Disadvantages

Must keep track of account balance (checks, debits, ATMs)
Minimum balance or extra fees
Over-drafting (bounced checks) can be costly

Questions to ask when shopping around for a checking account:

- **What types of checking accounts are available?**

There are many types of checking accounts varying in names: Basic checking, "Free" checking, Express checking, "No Frills" checking, Interest bearing. Usually an account that pays interest means that you need to keep a certain amount of money in your account. Sometimes a fee may be charged for a debit card and for using the card at certain locations, so it's important to keep track of debit fees.

- **Are overdraft protection plans available?**

Fees for overdraft protection may vary, but usually is not free. Funds must be available in some form of savings or a line of credit to cover exceeded amounts. An amount is usually charged - \$25 to \$35 - each time a bounced check is processed through your account. Once you make a deposit, the fees will be taken out before checks are paid and may leave you owing a large amount of money.

Financial institutions must offer you the choice to "opt-in" or agree to overdraft protection services if you overdraw your account when you use your **debit card or ATM**. BUT if you overdraw your account when you write a **check** or have an **automatic bill payment** from your account, your financial institution can charge you for overdraft protection. If you don't want overdraft protection services on checks and automatic payments, you need to check with your Financial Institution to find out if you can cancel this option or not. For more information: www.federalreserve.gov/consumerinfo/

To open a checking or savings account, you must provide your name, birthdate, address, and acceptable ID number. An acceptable ID number can come from one of the following: Social Security card, passport (U.S. or foreign), or other government issued ID.



Other documents that MAY be accepted to open an account, depending on the policies of the individual financial institution, include: driver's license (foreign may be acceptable); telephone, gas, cable or electricity bill with name and current address; major credit card with an expiration date; voter registration card (foreign may be acceptable); student ID from a major college or university or military service card.

For an interest bearing account, a Social Security number or an Individual Tax Identification Number (ITIN) is required. If you don't have either one, you may be able to open a joint savings account with someone who does have a SS number. The U.S. Internal Revenue Service issues ITIN's to people who need to file income tax returns but are not eligible for a Social Security number.

Consult with an immigration advocate or attorney before applying for an ITIN. To apply for an ITIN, you need IRS Form W-7. Some local banks, credit unions or community organizations may be able to help, but don't pay for the W-7 form - it is free. Not all banks and credit unions accept the same documents. If legal documents are not accepted at one place, go to another.

Consular ID Cards

Many banks and credit unions now accept ID cards issued by foreign consulates, such as the Matricula Consular issued by Mexican consulates, as a primary form of identification. Contact the relevant local consulate to see if they issue an ID card accepted by banks and credit unions. Beware of "international IDs" that are not issued by governments. They are expensive and will not be accepted to open accounts.

Sources: http://www.texasappleseed.net/pdf/brochure_Immigrant_IDNeeded.pdf; FDIC Money Smart

First things first: Where is my money going?!

Ask yourself:

- ⇒ Does your income cover all of your living expenses and savings goals?
- ⇒ Or are you running out of money by the end of the month?

Sometimes it's hard just to figure out where your money is going, much less where to start if you need to cut back. That's where having a monthly budget or spending plan comes in.

But spending plans don't work if there's not enough room for flexibility in your monthly expenses and your savings goals. They also don't work if there's *too much room* - "spare change" spending – like that \$20 bill that just disappears before you know it.

Here are some tips to get you started on creating your own monthly spending plan:

- **Be realistic:** Keep track of what you *actually* spend, not what you *think* you spend. Also, be realistic about the amount you can save for your financial goals without feeling deprived during the month.
- **Be specific:** If you go through the effort of putting your monthly expenses in categories, you'll have a much better idea of where you're spending your money. This will also help you to decide where you want to spend your money and where to make changes, like cutting back on vending machine snacks instead of groceries if you're trying to save money on your food bill.
- **Allow for the unexpected:** Life never fails to throw a few curve balls. Having an emergency fund or savings for those expenses that are likely to come up in the future – like car repairs – will keep you from blowing your budget or having to take on debt.
- **Get (sort of) organized:** Sometimes staying within your spending plan is a matter of paying bills on time to avoid late fees or balancing your checking account regularly to avoid overdrafts. If you set up a regular time for paying bills and a specific place for sorting and filing paperwork, life will get a whole lot easier.
- **Prioritize:** There are a lot of ways to spend a dollar. Most financial experts would agree that top budget priorities are to keep up with housing-related bills, car payments, and basic living expenses. Ideally, your spending reflects what's most important to you and is based on your family's financial priorities and values.

The bottom line is: ***Are you happy with where your money is going?***

If you find that your credit card balance continues to grow each month, this could mean trouble. You might be relying on credit to make ends meet. Plus, minimum payments due can quickly become too big to pay



Track Your Spending

Most of us have a good handle on the cost of our fixed monthly expenses – that is, those bills that stay the same month after month. It's those expenses that change a little, or a lot, each month that can really throw you off. If you have a hard time figuring out where your money goes each month, there are many different ways to track your spending.



- **Computer:** Enter your spending and income into a computer program or a free downloadable spreadsheet that totals up your spending for you at the end of the month.
 - **Popular free programs:** smartaboutmoney.org; mint.com; quizzle.com
 - **Popular free apps:** mint, expensify, billguard, levelmoney, and many others
- **Bank:** Many banks offer online bill paying, tracking, text messages, online piggy banks for saving money, and other features.
- **Notebook:** When you spend money, write it down right away. Keep a pen and paper in your pocket, car, or purse.
- **Receipts:** Put your receipts in a folder or envelope and add them up at the end of the month. Didn't get a receipt? Write the amount on the folder.
- **Calendar:** If you're used to looking at a calendar every day, write down what you spend, what bills were paid, and income received in your calendar.
- **Envelope method:** If you usually spend cash, put your spending money for the day or week in an envelope. When you take cash out, put your receipt in or write your purchase on the envelope. You can also divide your expenses into categories like "groceries" or "entertainment" if you're trying to limit your spending. When one envelope's empty, the money has to come out of another envelope – you decide.
- **Checkbook:** Look through your checkbook register or your monthly bank statement for check and debit purchases.

Why track your spending?

The biggest reason budgets don't work for many of us is that our spending and expenses change weekly or monthly. When you're trying to stick to a spending plan, it's easy to get discouraged the minute you go over.

Tracking your spending lets you stay on top of where your money is really going. It gives you the big picture for all of your spending during the month. After all, what really matters is how far ahead or behind you come out at the end of the month.

If your monthly expenses are consistently higher than your monthly income, you have **3 options: cut back on spending, increase your income, or do both.**

Make Bill Paying a Habit

Bill Paying Tips

- Pay bills on time and save on late fees and interest payments.
- Who will pay bills? Make it a “job” at your house.
- Keep bills and paperwork in one spot in your house.
- Open every bill as soon as it shows up in the mail or your email.
- Look at the due date and put it in your calendar
- Once a week, go through any mail, emails, or paperwork to keep it from piling up.
- Keep a record – Save stubs from checks or money orders.

1) PLAN FOR IT

- Use a paper calendar or your smartphone—whichever you’ll look at more.
- When a bill comes, look at the due date. Find that date on your calendar and add the amount and type of bill on that date. Circle the date or add a reminder to your phone.
- Add in income when you get it.
- As you pay each bill, check it off your calendar.
- Double check any auto-payments to make sure the bill was paid and to check if any bills were higher than expected.

2) STASH IT - work on putting money aside for monthly bills

- **What are regular bills?** Use a spending plan worksheet to keep track of bills due and how much money you have to work with for the month.
- If you mainly use cash:
 - It can help to sort money into folders or envelopes: FOOD, HOUSING, GAS/BUS, and OTHER.
 - Put enough money in each labeled envelope every paycheck.
 - Pay bills with the money in the envelope before the due date.
 - Return any change to the envelope it came from.
 - Put receipts into the envelopes and write the amount spent on the back of the envelope with date.
- You can also set money aside in a prepaid debit card or a savings account.

*Paying bills on time **saves you money** in late fees and interest charges.*

*If you know you won’t have money for the entire bill when it’s due,
contact your creditor **before** the due date.*



Saving



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

—Warren Buffett

- ▶ Ideas for saving money
- ▶ Get hooked on savings
- ▶ Saving at tax time
- ▶ What accounts can I use to save for retirement?



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Everyday Ideas for Saving

Here are easy tips that can total big bucks at the store and around the house.



Save on energy costs. For each degree you turn down your thermostat while you're sleeping or away from home, you save 2% on heating costs. Lowering 5 degrees saves the average household \$200/year. Unplug your electrical gadgets when you're not using them and save an average of 10% - or \$120/year - on your electric bill.

Keep a grocery list. Keep a grocery list on your phone or the fridge and take it with you to the store. Plan your menus around sale items, especially more expensive purchases, such as meat. Gas for an extra trip to the store easily can add a dollar or more to your grocery bill. And the less you shop, the less likely you will make an impulse purchase. Stick to your list and menu — unless you come across a good sale.

Shop the specials. Invest in staple foods when they're on sale. Buying a boatload of bananas (and other perishable foods) isn't a very good long-term investment. Stocking up on staple items such as reduced-price canned tuna or tomato sauce can be. Buying several packages of meat when it is on sale and freezing it may save quite a bit. It is safe to freeze meat or poultry directly in its supermarket wrapping if you'll use the food in a month or two. Otherwise, over wrap these packages using airtight heavy-duty foil, freezer paper, or place the package inside a freezer plastic bag. You can also repackage family packs into smaller amounts.



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.

Buy bigger sizes only when the price is right and you can use it. First, do the math and check if you actually do save by buying a larger package. The cost of two products of the smaller size may be a better price than the larger one, as you might find with peanut butter or toothpaste. Plus, will you use the food before it goes bad?

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

Plan a “Nothing Week”: Once in a while, have an entire week when you and your family do not go to the movies, out to eat, bowling, etc. Plan to do special activities that don't cost money, such as a board game, picnic, or long walk.

Or consider a “**Cut-Back Week.**” During that week, do what you would normally do, but think of ways to make it less expensive and save the difference. For example, rent or borrow a movie instead of going to the theater, make your own pizza from scratch, drink mix-your-own lemonade instead of soft drinks, etc.

Brown bag it. If you're used to going out for lunch or using the vending machines, get up 10 minutes earlier and make your own lunch. If all family members do this, the money saved can really add up. NOTE: You may save money on your children's lunch by having them participate in the school lunch program.



Garbage check. We lose money whenever we toss food because it spoiled before we got around to eating it. If wilted lettuce is a frequent occupant of your garbage can, serve more salads at the beginning of the week. If extra mashed potatoes get tossed because they've lingered too long in the fridge, make less next time or recycle them as potato patties, shepherd's pie, or potato soup within a day or two of making them. Use ripe bananas in banana bread or fruit smoothies. Put some leftovers in the freezer right away for a homemade TV dinner. Avoid buying a food that is past its prime. If it's on sale and near its expiration date, use it soon.



The average household throws out \$600 in groceries each year.

Coupon common sense. Use coupons only for foods you normally would eat, rather than for "extras." If you have access to a computer, check online for coupons at websites such as coolsavings.com. If possible, shop on double or triple coupon days when a store increases the value of coupons. Put aside the amount you "saved" by using coupons at the grocery store or drugstore. The amount saved is probably printed on each receipt. Put the "savings" (the money you did not spend) in a special "coupon saving jar." Saving just \$2 a week for 52 weeks gives you an annual savings total of \$104.

Costly prepackaged foods. How much time do you really save when you buy a convenience food? It takes just a few seconds to mix your own sugar and cinnamon rather than buying it pre-mixed. Microwaving a bowl of regular oatmeal rather than pouring hot water over a pre-measured package adds only a few minutes. You're likely to save by cutting fruits and veggies yourself. Plus, the precut ones won't keep as long.

Example: *Buying a carton of old-fashioned or quick oatmeal that provides 30 servings vs. buying 3 boxes instant oatmeal that contain 10 packets each: Save \$5.50.*

Store brand savings. Store brands are comparable in nutrition to name brands. And taste-wise there may be little difference. In some comparisons, they have been preferred over the name brands. Some store brands may vary more in size, color, or texture than the name brands. Store brands and lower-priced brands tend to be positioned on the top and bottom shelves. The national brands are more likely to be on the middle shelves.

Think before you drink: Buy a reusable water bottle and fill it with tap water. You can also flavor water by adding a small amount of juice to it as a substitute for soda.

The Rule of 3: If you get a tax refund or rebate check, divide it by 3. Use 1/3 to pay down a bill, put 1/3 into savings, and spend the remaining 1/3 on whatever you want.



Get Hooked on Savings

Learning to save, even as you pay off bills, is an important part of managing money. Once you have had the satisfaction of getting something you have saved for, it is easier to continue. Putting money into savings each month for emergencies or for something you want gives you more control.

What do you need?

- A sheet of paper and pencil.
- A container for savings—a jar with a screw on lid, coffee can or purchased “piggy bank” will work.



What do we do?

1. Make a list of 4-6 items you or your family would like to have. Try to start with things that cost less than \$100.00.
2. Look over the list and have each family member vote for item they would most like to save for now. The item with the most votes wins.
3. Use store ads, magazine pictures or draw a picture of the item. Tape or glue the pictures to the container.
4. Check store prices and figure out exactly how much money is needed to buy the item. Label the container with this amount.
5. Make a plan to start saving the money needed for the item.
 - Save certain coins like dimes or quarters.
 - Save change at the end of each day.
 - Spend less on an expense—take a lunch to work and put money you would have spent in the jar, get a video from the library and put money for video rental in jar, make a pizza at home and subtract the cost of the ingredients from the price of having a pizza delivered and put the difference in the jar.
 - Collect aluminum cans, sell them and put money in the jar.
6. Once a week, meet together, and count the money in the jar.
7. When there is enough money to buy the item, plan a trip to make the purchase and celebrate.
8. Keep the jar and decide on the next item you want to save for.

It can be fun to save for what you want!



Saving at tax time

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 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.

- 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.

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



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
- ▶ Credit report basics
- ▶ Reviewing a credit report
- ▶ Reading a sample credit report
- ▶ Credit scores



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

NON-TRADITIONAL SERVICES/PRODUCTS AT A GLANCE

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

Credit Report Basics

A *credit* report tells you several things:

- How you've paid your debts
- How much debt you have
- If you've made payments on time or late

Who looks at your credit report?

- Lenders – to decide whether to loan you money and the interest rate
- Landlords
- Employers
- Utility & Insurance Companies

By improving your credit:

- You will be more able to borrow when you need it
- Borrow at a lower interest rate
- Increase employment and housing choices

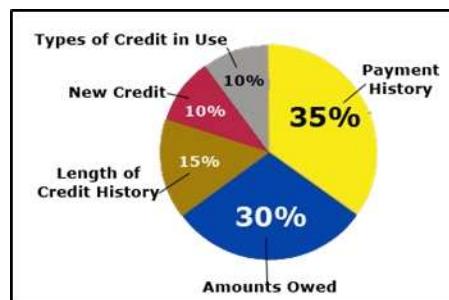
Getting your **FREE** credit report:

Get a copy of your credit report to look for mistakes or other surprises in your credit history. You can get one **free** credit report once every week from each of the three major credit reporting companies.

- Get your free credit report at: www.annualcreditreport.com or 877-322-8228

What is a credit score?

The information on your credit report translates into a three digit number – *your credit score* – a signal of creditworthiness. There are hundreds of different credit scores. FICO® credit scores range from 300-850 and most people fall between 600 and 800.



What makes a credit score? & How to improve it!

Credit Score Factor	Steps to Improve Your Credit
Payment History	Pay bills on time. Pay more than the minimum due.
Amount Owed	Pay off balances when possible. Do not use more than 25% of your total credit limit.
Length of Credit History	Have only a few accounts. Hold on to older accounts.
Types of Credit	Have at least 1 major credit card. Avoid very high cost lenders if possible.
New Credit	Don't apply for a lot of new credit in a short amount of time.

Reviewing a Credit Report

You're entitled to one **free** credit report ("consumer disclosure statement") every week from each of the three major consumer reporting bureaus.

The Fair Credit Reporting Act (FCRA) and the 2003 amendment known as the Fair and Accurate Credit Transactions Act (FACT Act or FACTA) give consumers the rights to:

- Learn what their credit record contains
- Correct inaccurate or incomplete information
- Order a free credit report as often as each week from the three consumer credit reporting agencies at: www.annualcreditreport.com or 877-322-8228
- Note that this provides a free credit *report*, not a free credit *score*.

How to read a credit report

The credit report will contain the following information: the person requesting the report, potentially negative items, accounts in good standing, requests for credit history, and personal information.

1. Make sure the name, social security number, and current/past addresses are correct.
2. Public Records: This section has information on a previous bankruptcy.
3. Account History: Check that balances make sense, payment history is accurate, and the accounts listed are in fact yours.
4. Look for anything suspicious in the section that lists who has received copies. Check to make sure no inquiries have been made about loans or leases by someone else
5. Mark or highlight items that may not be accurately reported.
6. If the account contains incorrect information, contact both the creditor and the Credit Bureau. Follow up with a letter. Report the problem quickly and in writing.

How to get a credit score

The information on your credit report translates into a three digit number – your **credit score** – which measures your creditworthiness. There are hundreds of different types of credit scores. FICO® credit scores range from 300-850 and the majority of people fall between 600 and 800.

- To Purchase your FICO® Credit Score: www.myfico.com
- To Estimate your Credit Score www.bankrate.com under "calculators"
- Free "Educational" Credit Scores*: www.creditkarma.com
www.credit.com

** Samples provided for information only and are not an endorsement. These sample scores are likely not the same scores a lender will use to grant credit.*

Reading a Sample Credit Report

This sample report shows what kind of information might appear on your own credit report, also called a consumer disclosure statement, from the 3 major Credit Reporting Agencies (CRA). Your real credit reports will all look a little different. The information in this sample is made up.

SAMPLE CREDIT REPORT Report Date: 5/10/2024		Report Number: 123456
PERSONAL CONSUMER INFORMATION		
SSN #: XXX-XX-6789 (Your SSN has been masked for your protection)		
DOB: 01/01/1994		
Names Reported: John Doe John Q. Doe	Telephone Numbers Reported: 555-555-5555 555-123-4567	
Addresses Reported: 123 Oak St. Anytown, WI. 11111 111 Miller St. Hometown, WI. 33333 333 1st St. Townville, MN. 22222	Date Reported: 08/02/2019 06/06/2016 03/15/2013	
EMPLOYMENT RECORDS		
Employer Name: Dairyland Company Date Reported: 09/2018	Location: Anytown, WI Hire Date: 07/2018	
PUBLIC RECORDS INFORMATION		
This information was collected from public records sources by Sample Credit Report or a company we hired.		
REGIONAL FEDERAL COURT Docket # XYZ789 111 Court Street, Capital City, WI 55555		
Account Number: ***9514 Type: Chapter 7 Bankruptcy Status: Filed Date Reported: 04/2019 Closing Date: 07/2019	Filed as: Individual Account Liability: \$35,000 Exempt Amount: \$5,000 Asset Amount: \$10,000 Paid: \$2,000	
Estimated month and year that this item will be removed: 04/2029		

The **PERSONAL CONSUMER INFORMATION** includes identification, as well as current and past addresses. This data comes from the information given to creditors.

TIP: Make sure this information is correct. A wrong address or phone number could be a mistake – or a sign of identity theft.

PUBLIC RECORDS INFORMATION is data collected from court records and is viewed negatively by lenders. This section includes bankruptcies. Other public records for civil judgments and tax liens have recently been removed from credit reports, but could appear in other types of reports.

NOTE: A bankruptcy can stay on a credit report for 7-10 years from the date of filing depending on the type of bankruptcy.

- Chapter 7 bankruptcy is reported for 10 years since all debt is discharged.
- Chapter 10 bankruptcy is reported for 7 years since some of the debt is paid back.

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: 07/01/2022 **Balance:** \$0
Responsibility: Individual Account **Date Paid:** 11/14/2022
Type: COLLECTION AGENCY/ATTORNEY **Pay Status:** >Account paid in full; was a
Original Amount: \$302 **Collection:**
Original Creditor: REGIONAL HOSPITAL OP **Date Updated:** 02/01/2023
(Medical/Health Care)

Remarks: >Paid Collection<
Estimated month and year that this item will be removed: 1/2029

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

Date Placed for Collection: 02/15/2019 **Balance:** \$0
Responsibility: Individual Account **Date Paid:** 06/2019
Type: COLLECTION AGENCY/ATTORNEY **Pay Status:** >Account included in
Original Amount: \$8023 **Bankruptcy; was a Collection:**
Original Creditor: EMERGENCY HOSPITAL **Date Updated:** 08/01/2019
(Medical/Health Care)

Remarks: >Account included in Bankruptcy<
Estimated month and year that this item will be removed: 1/2026

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

Date Placed for Collection: 03/30/2019 **Balance:** \$0
Responsibility: Individual Account **Date Paid:** 06/2019
Type: COLLECTION AGENCY/ATTORNEY **Pay Status:** >Account included in
Original Amount: \$1500 **Bankruptcy; was a Collection:**
Original Creditor: KWIK KASH LOANS **Date Updated:** 07/15/2019

Remarks: >Account included in Bankruptcy<
Estimated month and year that this item will be removed: 2/2026

ADVERSE ACCOUNTS show lines of credit that have not been paid, have missed or late payments, were sent to a collection agency, or were “charged off” meaning that the company reported the debt as lost income and may have sold the debt to a collection agency. A history of late payments lowers your credit score, especially if it’s more recent. Many lenders will not offer credit until overdue debts have been paid.

TIP: Negative items can legally be removed from a credit report if it’s been more than 7 years from the date the debt first became overdue. If old items are listed, contact the credit bureau and ask these accounts to be taken off.

NOTE: Even if debt does not show up on a credit report after 7 years, a person may still owe the debt and be taken to court, depending on the State and type of debt.

NOTE: Even if debt does not appear on a credit report, the Consumer Reporting Agencies (CRA's) keep your older debt on file and can release the information when you apply for the following:

- Credit of \$150,000 or more, such as a mortgage.
- Life insurance with a face value of \$150,000 or more.
- A job with an annual salary of \$75,000 or more.

SATISFACTORY ACCOUNTS													Code	OK=paid as agreed	X=not reported	30/60/90= days late	Blank=no data available																																																																																				
Automobile Finance Inc. Acct#: 70705606 456 Drivers Lane, Big City, IL 66666 (555) 555-9876																																																																																																					
Date Opened: 03/22/2022 Balance: \$6,580 Responsibility: Individual Account Last Payment Made: 05/01/2024 Account Type: Installment Account Payment Received: \$240 Type: Automobile High Balance: \$12,400 Pay Status: Current; Paying as Agreed Terms: \$240 per month; paid Monthly for 60 months																																																																																																					
Remark: Open; one 30-day late payment																																																																																																					
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Convenient Credit Card Acct #: XXXXX3333 PO Box 2233, Great Prairie, ND 77777 1-800-555-2233																																																																																																					
Date Opened: 11/02/2021 Balance: \$387 Responsibility: Joint Account Last Payment Made: 05/02/2024 Account Type: Revolving Account Payment Received: \$48 Type: CHARGE ACCOUNT High Balance: \$723 Pay Status: Current; Paying as Agreed Credit Limit: \$1,000 Remark: Open; never late Terms: Paid Monthly																																																																																																					
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The **SATISFACTORY ACCOUNTS** section shows credit accounts that are current or have been paid as agreed. The accounts listed are from information reported by lenders. Creditors choose whether to report account information to none, one, two, or all three of the major Credit Reporting Agencies and how often to report. Having satisfactory accounts that you pay the balance on regularly is good for your credit score.

The 'Account Type' lists the kind of credit account.

- **Installment Accounts** – like car or student loans where you borrow a set amount and then make monthly payments.
- **Revolving Accounts** – usually credit cards that have a credit limit.

TIP: The 'Credit Utilization Ratio' (CUR) is how much of the balance is currently reported as being used in all your revolving accounts combined.

In this sample report, there's only one revolving account. The credit card account above has a \$387 balance divided by \$1000 limit = 38% CUR.

To raise your credit score, keep your CUR under 25%. Some credit scoring models say to keep this ratio under 5% for a better credit score.

SATISFACTORY ACCOUNTS												
	Code	OK=paid as agreed	X=not reported	30/60/90= days late	Blank=no data available							
Student Loan Services Acct #: XXXXX-6299 PO Box 67890, Centreville, MD 88888 1-800-555-2999												
Date Opened: 08/22/2015 Balance: \$2,765 Responsibility: Individual Account Last Payment Made: 05/01/2024 Account Type: Installment Account Payment Received: \$115 Type: STUDENT LOAN High Balance: \$10,000 Pay Status: Current; Paying as Agreed Terms: \$115 per month; paid Monthly for 120 months												
Remark: Open; never late												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2024	OK	OK	OK	OK	OK							
2023	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
2022	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
2021	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
2020	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: 06/01/2016 Balance: \$0 Responsibility: Individual Account Last Payment Made: 07/01/2019 Account Type: Open Account Payment Received: \$85 Type: UTILITY COMPANY High Balance: \$155 Pay Status: Closed; Paid as Agreed Terms: Paid Monthly Date Closed: 07/01/2019												
Remark: Account closed at consumer's request												
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2019	OK	OK	OK	OK	OK	OK	OK					
2018	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
2017	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK
2016						X	OK	OK	OK	OK	OK	OK

In the **SATISFACTORY ACCOUNTS** section, future creditors, insurance companies, landlords, and some employers look for a history of on-time payments as a sign that a person is responsible and trustworthy. Positive information is usually listed for 10 years after an account is closed or paid off. If there is a history of late payments, creditors and insurers may still work with a person, but will charge higher rates.

TIP: Make sure accounts listed belong to you and that the information is correct. When you order your report, Credit Reporting Agencies (CRA's) are required to provide information about how to dispute an item or correct an error in your report. Keep a copy of any letters or emails you send and customer service representatives you speak with. The CRA usually has 30 days to fix the error or show why it's correct.

TIP: Applying for credit could lower your credit score a few points each time you contact a lender. If you're shopping for the best interest rate on a car loan, get a few quotes for loans within 14 days of each other. When shopping for a mortgage, get quotes within 30 days of each other. Most credit scores will only count these inquiries as one item, instead of many requests.

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: 11/18/2023
Inquiry Type: Individual

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

Requested on: 10/01/2023
Inquiry Type: Individual

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

Requested on: 03/22/2022
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: 03/01/2024

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

Requested on: 12/01/2023

Sample Credit Report Company
Annual free consumer report provided

Requested on: 10/10/2023

PERSONAL CONSUMER STATEMENT

I had a bad accident in 2019 and couldn't work. I filed for bankruptcy in 2019 because of medical bills.

The **CREDIT INQUIRIES** section includes information about when a credit report has been requested. There are two types of inquiries:

REGULAR INQUIRIES are also known as **HARD** inquiries. When you apply for credit or buy insurance, for example, the lender reviews your credit report for a positive history and credit worthiness. These inquiries stay on a report for 2 years and can be seen by all creditors who look up your report. Hard inquiries can drop a credit score by 5-20 points for many months.

ACCOUNT REVIEW inquiries are also called **SOFT** or **Promotional** inquiries. Companies ask for certain parts of your credit information to see if you qualify for their services. These items are only seen by you and do not affect your credit score.

NOTE: You have the right to add a short statement to your credit report to dispute a credit item or explain a situation. The statement does not affect your credit score and many lenders may never even read it.

Office contact information

Credit Scores

"If winning isn't everything, why do they keep score?" – Vince Lombardi



Source: Fair Isaac Corporation, www.myfico.com, retrieved 2018.

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.

Factors used to make up a FICO credit score:

1) **35% - Payment History:** 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

↑ Score:

- 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.

2) **30% - Amounts Owed:** 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. **The closer a credit card is to the credit limit, the lower the score.**
- 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.

↑ **Score:**

- 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.

3) **15% - 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.

↑ **Score:**

- 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 **IF** 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 **only** if the creditor reports to a Credit Reporting Bureau.

The First 3 Factors = 80% of your Credit Score

4) **10% - New Credit:** 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.

↑ Score:

- 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.)

5) **10% - Types of Credit Used:** 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.

↑ Score:

- 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.

How do these factors affect my credit score?

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.

Credit Karma Credit Simulator Score Chart							
Credit Event	Jane	Change	Points	John	Change	Points	
Add a New Credit Card with a Credit Limit of \$15,000	793	791	-2	576	557	-19	
Increase Credit Limit of Credit Cards by \$10,000	793	793	0	576	612	+36	
Closing Oldest Account	793	793	0	576	558	-18	
Increase Credit Card Debt by \$10,000	793	769	-24	576	556	-20	
Paying Off All Credit Card Debt	793	793	0	576	615	+39	
Allow 1 Monthly Account to Become 30 Days Past Due	793	759	-34	576	558	-18	
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
- To **purchase** your credit score*: www.myfico.com
- To **estimate** your FICO score*: www.bankrate.com – under calculators
- For a **free educational score***: www.creditkarma.com
www.credit.com

- **UW-Extension** “Free credit report reminder” website: 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, 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

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, such as the car payment or groceries. 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 money.
- **Contact a credit counseling agency** if you need help working with your creditors. Be aware that these agencies charge a fee and a debt repayment program may affect your credit rating. Find a credit counselor near you at 1-800-388-2227 or www.debtadvice.org
- **Consider seeking 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.
- **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 only creates bigger problems.

WHAT ABOUT YOUR CREDIT RATING? Nonpayment of bills is reported on your credit report which can make it harder and more costly to get credit. A future employer or landlord may ask to see your credit report. If you contact all creditors immediately and pay something on each debt as agreed, creditors are less likely to report problems to credit bureaus.

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 expenses and pay creditors, 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. Your reduced income may qualify you for FoodShare food assistance or BadgerCare medical assistance. Check out 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 may make the car payment the next priority after housing, food, and utilities. Your creditor can repossess your car without going to court first. If you keep the car, stay current on insurance to avoid fees, legal problems, or even more expenses 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 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 serious problems, including prison
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. 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 between 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 costs a few thousand dollars. 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.

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

Collectors are contacting to you, typically by phone, to recover money that is owed.

- Collectors can charge a late fee, report to credit bureaus, call you, send you a letter, sue you, and repossess items you borrowed on.

A judgment is a court decision mandating payment of debt or requiring surrender of property.

- A creditor must have it to legally garnish or repossess (except for vehicles in many states, including Wisconsin where no judgment is needed to repossess vehicles).

A garnishment is when a court judgment takes money belonging to you from a pay check or bank account.

- Creditor files a request for garnishment with the court.
- A notice is issued to the employer and/or bank.
- No more than 20% of your earnings may be garnished.
- Your earnings may be exempt if your income is below the federal poverty level, you receive public benefits, or at least 25% of your earnings are for child support payments.

A repossession happens when you fall behind on payments, such as a car loan or a rent-to-own purchase, and the creditor repossesses the assets.

- Before a repossession a “Notice of Right to Cure Default” is sent to you listing the amount due.
- You have 15 days to pay the debt or a legal action may begin.
- In most states, repossession of a vehicle does not require a court judgment unless you object within 15 days.
- You may still owe any remaining loan balance after the creditor sells the vehicle.

Legal Help

If you are having trouble with debt collectors, utility shut-offs, payday or car title loans, mortgage foreclosure or are thinking about bankruptcy – help is available.

- 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 at www.legalaction.org. Check out the “consumer library” for information on legal issues at: 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

How to Handle Debt Collectors

Debt Collection Basics

Debt collection can occur on any legitimate debt in default. Default means not paying or paying less than the contract requires. For example, if your contract calls for a payment of \$150 each month, that's what you must pay, or else you are breaking the contract. Once your account goes into default, a creditor or collector can demand any amount up to full payment of the debt.

Only the creditor, not a third-party collection agency, has the authority to decide whether legal action should be taken. A collection agency cannot initiate legal action on its own, but can recommend legal action to the creditor. The statute of limitations for debt collection is different state-by-state and depends on the type of credit contract. The time limitation starts from the date of the last payment.

What should I do if a collector calls me?

The most important thing to do is to remain calm; arguments do not solve anything. In responding to complaints that collectors were abusive, it's often discovered it was the consumer who was abusive.

If you are contacted by a creditor or collection agency:

- Find out the name, address, and phone number of the company calling you.
- Find out the name of the business you owe money to, if different from the caller.
- Get the exact amount they claim you owe.
- Don't admit to owing the debt while you're on the phone.

How do I dispute a debt?

1. If a collection agency is involved, write them within 30 days of receiving the initial notice and inform them you are disputing the debt. You must write within 30 days after receiving notice about a debt or else you lose your option to dispute the debt.
2. Ask the collector to "verify" the debt. This requires the bill collector to get confirmation from the original creditor that you owe the debt and how much is owed.
3. The collection agency must then stop collection activity until a copy of the "verification" is sent to you. After the agency verifies the debt, they can then resume collection efforts.
4. If the debt cannot be verified, the collection agency must stop activity on your account.
5. During this time you are disputing the debt, the collector may not disclose any information about the debt, without also stating that it is being disputed.

If it turns out that the debt belongs to you, there may be several reasons why you didn't recognize the debt. The amount owed may be a lot higher because of all the penalty fees and interest charges added on the balance. Or the debt may have been sold or resold so you don't recognize the name of the company trying to collect.

What is considered harassment?

Harassment is hard to describe in exact terms, but it usually means that a collector used obscene or threatening language with you. This includes calling you names, insulting you, or questioning the decisions that lead to your account being placed with a collection agency. It's also considered harassment to contact you at unusual hours (usually defined as before 8:00 a.m. or after 9:00 p.m.), or to call so often that it becomes harassing. Remember, it's not against the law for the collector to be rude, and there is a difference between rudeness and harassment.

Other rules under the Fair Debt Collection Practices Act are that collection agents cannot:

- Misrepresent themselves, for example by telling you they are calling with a survey to try to get information from you.
- Contact you at work if your employer prohibits it.
- Claim you owe more than you do.
- Claim that you or a family member will be arrested, imprisoned, or lose your driver's license.
- Contact third parties about your debt. To locate you, collectors can contact your spouse, your attorney, and your parents if you're a minor. A collector can also contact a third party only to determine if you live at the location listed on the account. If you've moved, they can also ask for the new address, phone number, and where you are employed. Any further discussion between a third party and a collector is prohibited in Wisconsin.

Is a collection agency allowed to contact my employer?

The collector can contact your employer only for the following reasons – to verify employment or the amount of your earnings, or to communicate with an employer who has an established debt counseling service or procedure. Collectors can also contact an employer after a final court judgment has been made on the debt.

What happens if I just ignore the debt?

If you are sued by the collection agency, show up in court and explain why you can't pay or why you think that you don't owe the debt. Sometimes you can negotiate a smaller payoff amount. *If you don't show up in court and continue to ignore the debt, you will automatically lose.* Once a judgment is filed against you, your wages can be garnished or property can be seized if it was used to secure the debt. If you don't have any wages or savings to garnish, the unpaid judgment could stay on your credit report for 10-20 years.

What can I do if I have concerns about a collection agency?

Even if debt collectors aren't breaking the law, you can stop them from contacting you. Send a certified letter insisting that they stop. (It's called a cease and desist letter). Keep a copy for your records. Collectors may only contact you one last time to notify you about what their next step will be, like telling you they plan to sue, for example.

Report Harassment by a Collector

If you feel you're being harassed by a collection agency, keep a record with the time and date of the calls you receive, and any harassing threats. You may want to file a complaint against the debt collector.

To file a complaint about a debt collector or loan, you can call or write to the Consumer Financial Protection Bureau (CFPB): www.consumerfinance.gov/complaint/ or call (855) 411-2372. The CFPB will forward your complaint to the company and work to get a response from them.

You can also file a complaint with the Federal Trade Commission (FTC) at ftc.gov/complaint or call 877-FTC-HELP (382-4357). The FTC does not resolve individual complaints, but your complaint helps law enforcement detect patterns of wrong-doing and may lead to an investigation.

Adapted from UW-Extension Family Living Programs Family Financial Management, September 2012.

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)

(Include 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 repay – the debt.



Extension

UNIVERSITY OF WISCONSIN-MADISON

Credit Repair Options

When you're ready to tackle repairing your credit, there are a range of options for getting caught up on current debt and starting to pay back past debt. While doing nothing is always an option, there are consequences to not acting to repair your credit. And the sooner you start to address debt, the faster your credit rating will start to go back up.

Start by looking at your monthly spending plan to help find the best solution for your specific situation. If you find yourself burdened by debt, however, and you want to get back on track towards healthy credit, you have several options to address the situation:

1. ***Talk with your creditor.*** You always have the option to contact your creditors and negotiate with them directly. Depending on your financial situation, you could request a lower monthly payment amount, a reduction in interest rate or late fees, or the option to skip a few months of payments without being reported as late to the credit bureaus. Not all creditors will be willing to work with you, but if you've been a good customer and call before you miss a payment, you'll be in a better position to bargain.

Pitfalls and Traps

Talk to the right person: When you call your creditor about your bill, you usually speak with a customer service representative who may be more interested in getting your monthly payment than in problem-solving with you. Ask to speak with supervisor or "loss mitigation" specialist who has the authority to adjust your account.

Get it in writing: Before you send in your new agreed upon payment amount, ask your creditor to send you the agreement in writing. You'll then have a written record in case there's any question about the arrangement in the future.

Don't give up: It could take an hour or longer on hold and you might get "no's" from several creditors before you find one who's willing to work with you. But if you don't even ask, the answer is already "no."

2. ***Transferring balances.*** Transferring balances from one credit card to a lower interest credit card can save money on interest or lower the monthly minimum payment due, but be careful.

Pitfalls and Traps

Recycling debt. When people who are having trouble managing their money consolidate their debt, they often recycle their debt by continuing to create new debt. That's because they haven't changed any spending behaviors. People may intend to change, but once the pressure and stress of the debt is reduced through the consolidation, the motivation to change is gone.

Increase risk or cost of credit. Often people want to use equity on their home to repay debt. They do this because they have no other collateral for a consolidation loan. They have increased their risk of losing their home by converting unsecured debt (credit card debt not secured by any property) into a secured debt. They also have increased the amount of interest they will pay and perhaps the length of time it will take to pay off debt.

3. **Consolidation loans.** These loans take several debts and roll them into one loan. Ideally, a consolidation loan offers a lower interest rate, but this isn't always the case. An acceptable loan can lower your monthly payment and often reduce the overall amount of interest you are paying. A consolidation loan can be a good idea for people who already can pay their monthly bills and just want to be more efficient with debt repayment. However, you need to have good credit and collateral in order to get a consolidation loan without paying excessive interest.

Pitfalls and Traps

Cost to transfer debt: Some creditors are charging balance transfers at the same high rate as cash advances.

Read the fine print: Read the contract. It often is the case that if you slip up, such as being one day late on a payment, the interest rate goes way up and you're back where you started.

Fees: Be aware of the cost of extra charges on "low interest" credit cards: late fees, over limit fees, cash advance fees, yearly fees.

More interest: If you switch balances, you may be stretching out the time it will take to pay off your debt and end up paying more in interest in the long run.

4. **Use a credit counselor to negotiate debt.** A non-profit consumer credit counseling agency may be able to negotiate a debt management plan (**DMP**) with your creditors. **DMPs** are voluntary agreements between borrower and lenders that are designed to help organize debts. This often includes reduced interest rates, lower monthly payments, and consolidates them into one monthly payment. Costs are usually based on your ability to pay.

Pitfalls and Traps

Type of Debt: While DMPs might be a good fit for some consumers, this type of plan may or may not be right for you. A DMP is most helpful if your debt is unsecured and you have money to put towards debt repayment every month.

Timeline: If a repayment plan cannot be finished within three to five years, usually this is not an option.

Credit Report: Debt repayment plans that decrease interest or monthly payments will show up on credit reports as late or reduced payments.

Total Cost: It can be expensive, especially if you have several creditors and the fee is based on the number of accounts in your debt management plan.

Check out the agency: There are dishonest companies claiming to do credit counseling, so be careful. Some overcharge for their services, and others may take your money and not pay your creditors, or they may not even have called your creditors. Many states, including Wisconsin, require licensure of credit counseling agencies that do business in the state. Resource: www.debtadvice.org

5. **Discharge debt (file bankruptcy).** Bankruptcy is a specialized branch of the law. It is not your responsibility to understand bankruptcy and all the laws that apply to it. It is your responsibility to become an informed consumer and know the consequences of filing bankruptcy and the long-term effect it will have on your credit.

Pitfalls and Traps

Consequences of filing bankruptcy: It can be difficult to rent or obtain employment if a credit check is required. It can be difficult to borrow money from a financial institution. Loans that are approved will have a higher rate of interest.

Recycling: Behavior must change or debt will reoccur. Sometimes people file bankruptcy and then turn around and start to incur more debt.

Determining if it's the best option: A bankruptcy attorney will almost always recommend bankruptcy if a person is eligible without determining if this is the best option for a client. They also don't address spending issues that might put them at risk after the debt is discharged.

Embarrassment: Often people who file bankruptcy feel ashamed and it is kept a secret. This can be a heavy burden to carry.

Cost: Bankruptcy attorney and court fees along with mandated financial counseling can cost several thousand dollars. Attorneys may require all or at least half of these fees up front.



Credit repair option to approach with caution

Debt Settlement: Debt settlement agencies are different than debt management plans. Usually debt settlement agencies collect your payments for many months instead of paying off creditors each month. When the agency has saved up a sizeable amount from your payments, then they will attempt to negotiate a lump sum settlement with your creditor for less than the full amount owed.

Pitfalls and Traps

No legal protection: Debt settlement agencies typically take a percentage of what you save for their fee. While the agency saves up your monthly payments, your creditors can continue to come after you for payments and could pursue legal action.

Scams: Any debt elimination or debt termination company that claims to be able to wipe out all your debt is most likely a scam. Some companies use fake documents that claim your debt is invalid or challenge your creditors to arbitration over legitimate debt.

Sources: Building Bucks "Credit Management, Credit Counseling, and Bankruptcy," UW-Extension, 7/09; Wisconsin Homeownership Preservation Education (WHPE) Credit Management and Counseling, UW-Extension, 1/10

How to rebuild your credit

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.

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

☎ 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



Consumer Financial
Protection Bureau

Learn more at consumerfinance.gov

2 of 2

Building credit from scratch

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.

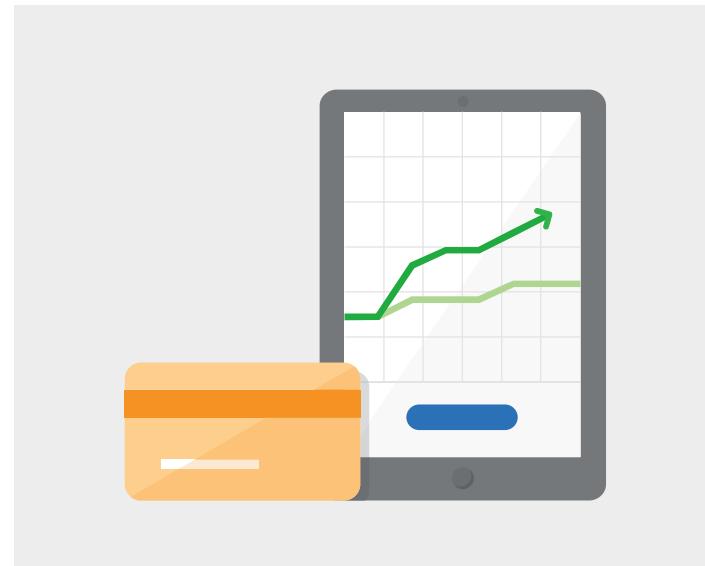
Finding the right products

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.

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

 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

 Ask CFPB
consumerfinance.gov/askcfpb



Avoiding medical debt

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.

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.

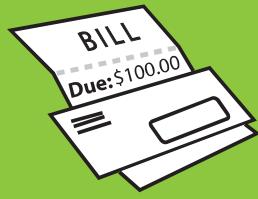
DON'T PAY FOR MEDICAL BILLS ON CREDIT CARDS UNLESS YOU CAN PAY THE BALANCE

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?

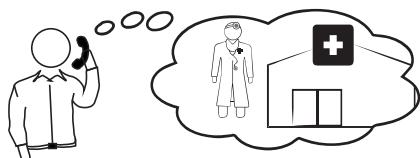
I Can't Pay my Medical Bill



⚠ 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.

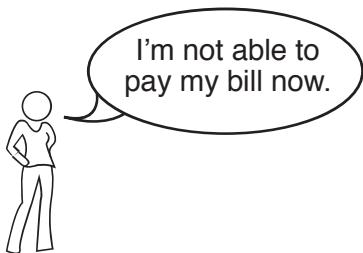


2. Ask to talk to a financial counselor.

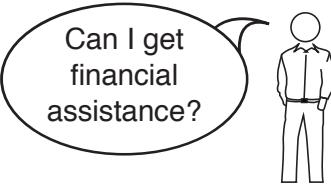


Can I speak to a financial counselor?

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.

Was I billed the right amount?



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

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

National Council on Aging:
571-527-3900

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.

Federal Student Loan Programs

Will you need a loan to attend college?

If you need a loan to help cover the cost of a college or career school education, think federal student aid first. Both federal and private student loans are borrowed funds that you must repay with interest, but federal student loans usually offer lower interest rates and have more flexible repayment terms and options than private student loans.

1. What is a federal student loan?

A federal student loan is made through a loan program administered by the federal government.

2. What is a private student loan?

A private student loan is a nonfederal loan made by a private lender, such as a bank or credit union. The terms and conditions of private student loans are set by the lender, not the federal government. If you're not sure whether you're being offered a private loan or a federal loan, check with the financial aid office at your school.

3. Why are federal student loans usually a better option for paying for a college or career school education?

Federal student loans offer many benefits that don't typically accompany private loans. These include fixed interest rates, income-based repayment plans, loan cancellation for certain types of employment, deferment (postponement) options, and interest rate reduction based on repayment method. Also, private loans usually require a credit check, while most federal loans for students do not. For these reasons, students and parents should always exhaust federal student loan options first before considering a private loan.

4. How much should I borrow?

You can determine whether you need a loan and how much you need to borrow by adding up the total cost of your education (tuition, fees, room and board, etc.) and subtracting the amount of scholarships, grants, and savings you have to contribute to those costs. You should borrow only what you need, and consider the earnings potential in your chosen profession to determine how easily you'll be able to repay your debt. You can find salary estimates for a variety of occupations in the U.S. Department of Labor's Occupational Outlook Handbook at bls.gov/ooh. Your student loan payments should be only a small percentage of your salary after you graduate.

Have questions? Contact or visit the following:

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

What kinds of federal student loans are available?

The interest rates shown are fixed rates for the life of the loan.

Federal Loan Program	Program Details (subject to change)	Maximum Annual Award (subject to change)
Direct Subsidized Loan	<ul style="list-style-type: none">For undergraduate students who have financial needFor loans first disbursed on or after July 1, 2018, and before July 1, 2019, interest rate is 5.05%You're not usually charged interest on the loan during certain periods, such as when you're in school at least half-timeThe U.S. Department of Education (ED) is the lender; payment is owed to ED	<p>Up to \$5,500 depending on grade level and dependency status*</p> <p>For total lifetime limit, go to StudentAid.gov/sub-unsub</p>
Direct Unsubsidized Loan	<ul style="list-style-type: none">For undergraduate, graduate, and professional degree students; financial need is not requiredFor loans first disbursed on or after July 1, 2018, and before July 1, 2019:<ul style="list-style-type: none">5.04% interest rate for loans made to undergraduate students, and6.6% interest rate for loans made to graduate and professional degree studentsYou're responsible for interest during all periodsED is the lender; payment is owed to ED	<p>Up to \$20,500 (less any subsidized amounts received for same period) depending on grade level and dependency status*</p> <p>For total lifetime limit, go to StudentAid.gov/sub-unsub</p>
Direct PLUS Loan	<ul style="list-style-type: none">For parents who are borrowing money to pay for their dependent undergraduate child's education, and for graduate or professional degree students; financial need is not requiredFor loans first disbursed on or after July 1, 2018, and before July 1, 2019, interest rate is 7.6%Borrower must not have adverse credit**ED is the lender; payment is owed to ED	<p>Maximum amount is cost of attendance minus any other financial aid student receives</p>

*Learn about dependency status at StudentAid.gov/dependency.

**Learn about PLUS loans and adverse credit at StudentAid.gov/plus.

Note: Find interest rates on loans disbursed before July 1, 2018, at StudentAid.gov/interest.

For more information on loans, visit StudentAid.gov/loans. Find this fact sheet at StudentAid.gov/resources#loan-programs.

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)
Federal Pell Grant	<ul style="list-style-type: none">• 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• 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• Pell Grant lifetime eligibility is limited to 12 semesters or the equivalent	Up to \$6,195 for the 2019–20 award year
Federal Supplemental Educational Opportunity Grant (FSEOG)	<ul style="list-style-type: none">• Awarded to undergraduate students who have exceptional financial need and who have not earned a bachelor's or graduate degree• Federal Pell Grant recipients receive priority• Not all schools participate in the FSEOG program• Funds depend on availability at the school; applications must be received by the school's deadline	Up to \$4,000 a year
Teacher Education Assistance for College and Higher Education (TEACH) Grant	<ul style="list-style-type: none">• 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• 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• Must attend a participating school and meet certain academic achievement requirements• Failure to complete the teaching service commitment will result in the grant being converted to a Direct Unsubsidized Loan that must be repaid	Up to \$3,752 for grants first disbursed on or after Oct. 1, 2018, and before Oct. 1, 2019
Iraq and Afghanistan Service Grant	<ul style="list-style-type: none">• 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• Must be ineligible for a Federal Pell Grant due to having less financial need than is required to receive Federal Pell Grant funds• 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	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 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. Find this fact sheet at StudentAid.gov/resources#grant-programs.

Have questions? Contact or visit the following:

- StudentAid.gov
- a school's financial aid office
- 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

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 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

If you are a victim of identity theft:

1. Contact the Federal Trade Commission: 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 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.

Federal Student Aid and Identity Theft

Before you apply for federal student aid, learn how to prevent identity theft.

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 studentaid@ed.gov or 1-800-4-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 [StudentLoans.gov](https://studentloans.gov)) 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 oighotline.ed.gov (for cases in which ED funds are involved)
- Federal Trade Commission at [IdentityTheft.gov](https://www.identitytheft.gov)
- Social Security Administration at [ssa.gov/pubs/10064.html](https://www.ssa.gov/pubs/10064.html)
- Consumer Financial Protection Bureau at consumerfinance.gov/askcfpb/1243/what-identity-theft.html



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	www.experian.com/freeze	www.freeze.equifax.com	www.transunion.com/credit-freeze
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 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

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.



How to handle identity theft

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 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

Experian Security Freeze

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



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 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). 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



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



Extension
UNIVERSITY OF WISCONSIN-MADISON

**Trouble
making ends
meet each**

**Offer budget
worksheet to
compare income
to expenses**

Appears to be enough
money to cover bills

Track Spending

Come up with a system to pay bills
and organize paperwork

Work with credit counselor or protective
payee to pay bills/balance budget

Does not appear to be
enough money to cover bills

Increase Income

Prioritize bills to pay most
important bills first

Track income and expenses for
places to save

Review eligibility for benefits

Refer to job training and educational
assistance programs

Discuss personal and community resources

Financial Problem Solving Guide

Trouble paying for rent, utilities, or other bills

Financial Problem Solving Guide

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

Does not appear to be
enough money to cover bills

Track Spending

Check credit report

Encourage client to contact
creditor to discuss problem

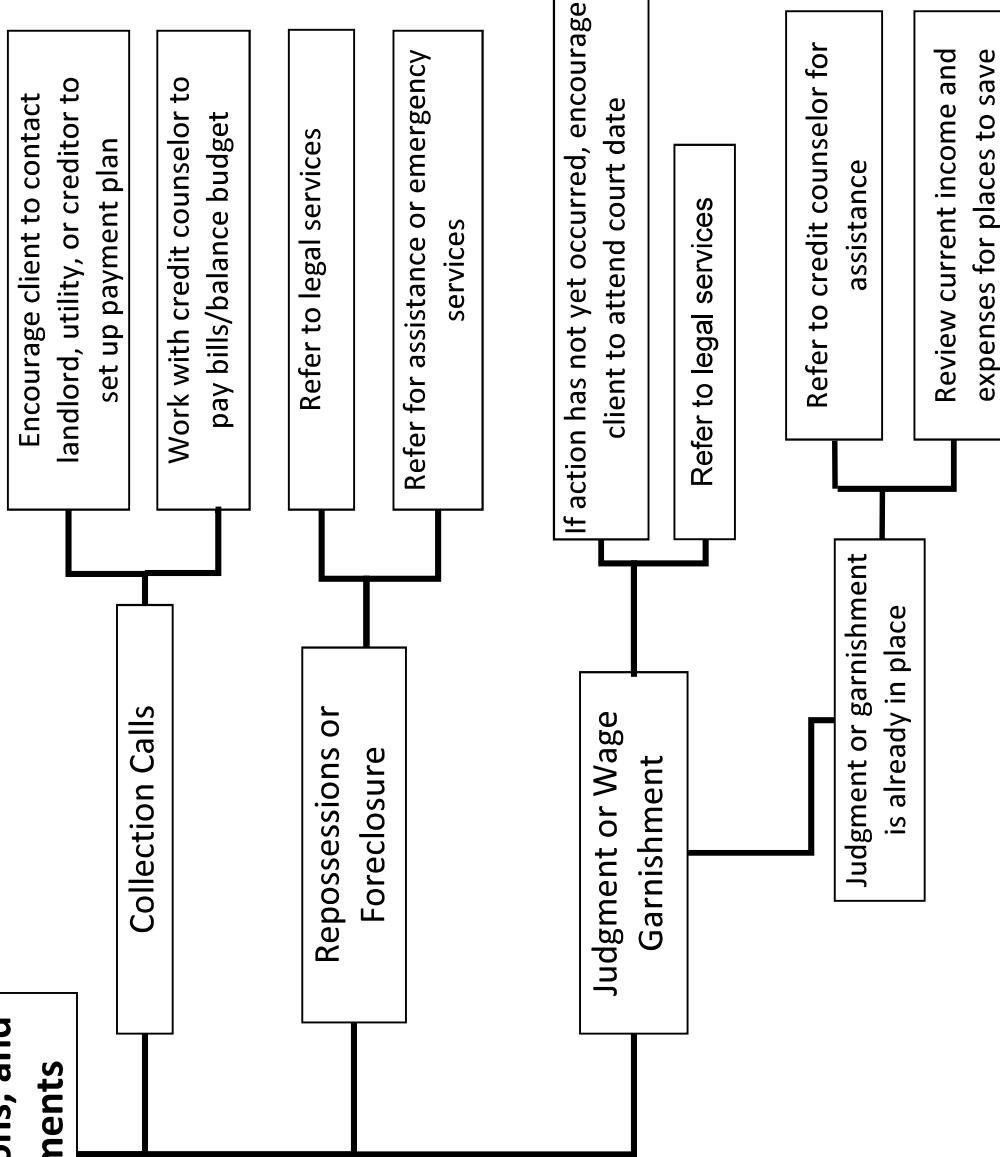
Review current income and
expenses for places to save

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

Review eligibility for benefits
Review non-profit
housing/emergency assistance

Credit problems, collections, and judgments

Financial Problem Solving Guide



Bills Overdue

What does it mean for your client?

- 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.

Steps to address the issue

- 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 15th and the bill is due the 10th.
 - Assistance through financial counseling or debt management program.
- Order and review credit report to check for late payments, collections, or legal action.

Prevention

- 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.

Relevant Terms

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 1st - April 15th.

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.

Resources

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

Behind on Rent

What does it mean for your client?

- It's a common myth that Wisconsin has an eviction moratorium from November 1st to April 15th. 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.

Steps to address the issue

- 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 3rd and rent is due the 1st; 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.

Prevention

- 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.

Relevant Terms

Eviction Action – Legal action filed by landlord to evict tenant. Tenant than 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.

Resources

- Find a local accredited budget or credit counselor: www.debtadvice.org
- Free legal assistance for low-income households: Legal Action of Wisconsin - www.legalaction.org (southern WI) or Judicare - www.judicare.org (northern WI)
- For local resource and referral information: Dial "2-1-1" or www.211.org
- Tenant Resource Center: 1-877-238-RENT or e-mail: asktrc@tenantresourcecenter.org
- To order your free annual credit report: www.annualcreditreport.com

Notice of Utility Cutoff

What does it mean for your client?

- 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.

Special Provisions

- 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.

Steps to address the issue

- 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 15th and the bill is due on the 10th.
 - 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.

Prevention

- 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.

Relevant Terms

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. 1st-April 15th.

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

Resources

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

Repossession

What does it mean for your client?

- 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.

Steps to address the issue

- 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.

Prevention

- 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.

Relevant Terms

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

Resources

- Federal Trade Commission (FTC) guide to repossession rights:
www.ftc.gov/bcp/conline/pubs/autos/carrepo.htm
- Find a local accredited budget or credit counselor: www.debtadvice.org
- Free legal assistance for low-income households: Legal Action of Wisconsin -
www.legalaction.org (southern WI) or Judicare - www.judicare.org (northern WI)
- For local resource and referral information: Dial “2-1-1” or 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

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 (southern WI) or Judicare - www.judicare.org (northern WI)
- For local resource and referral information: Dial "2-1-1" or www.211.org
- Wage garnishment law explanation: FairDebtCollection.com; www.fair-debt-collection.com/garnishment-law.html