

TAKE CONTROL OF YOUR MONEY

IMPROVE YOUR LIFE

Financial Planning Association® of
Philadelphia Tri State Area
Pro Bono Program



WHAT IS FINANCIAL PLANNING?

- Establish Goals & Objectives
- Gather Financial Information
- Analyze Information
- Develop a Plan
- Implement the Plan to Attain Goals
- Monitor the Plan – Make Sure You Are On The Right Path

THE BASICS

- **Set Goals**
- **Track Daily Spending**
- **Make a Spending Plan**
- **Get Credit Reports**
- **Get Out of Debt**
- **Identity Theft**
- **Take Responsibility for Your Financial Future**

SETTING GOALS

- **Short Term (get into housing, pay down debt)**
- **Intermediate (get out of debt, go to school, get a job)**
- **Long Term (college for children, retirement)**
- **Without goals, why bother planning?**

CONTROLLING YOUR MONEY

- **KNOW WHAT YOU SPEND**

- **KEEP A SPENDING RECORD**

- **DAILY**

- **TO THE PENNY!**

- **TOTAL IT MONTHLY**

- **DON'T LIE TO YOURSELF**

DECIDE WHAT YOU SPEND

- **MAKE A SPENDING PLAN**

- SURVIVAL

- LIVABLE

- COMFORTABLE

ALWAYS PAY YOURSELF FIRST

SPENDING PLAN

SURVIVAL
Mortgage/rent
Electric/Gas/Heat
Phone basic)
Food (basic)
Transportation
Medicine, co pays
Child Care
Insurance (health, homeowners, auto)
Personal Care Prod (basic)
Household Prod (basic)
Minimum Credit Card Payments
Minimum Loan Payments
Savings
Total

SPENDING PLAN

LIVABLE
Additional Credit Card Payment
Additional Loan Payments
Education
Insurance (disability, life, renters)
Clothes (basic)
Beauty (hair, nails)
Dry cleaning
Cable TV (basic)
Eating Out (limited)
Entertainment (limited)
Baby Sitting

SPENDING PLAN

COMFORTABLE
Insurance (long term care)
Home Furnishings
Vacations
Clothes (extras, fun, designer)
Hobbies
More Savings

LET'S DISCUSS CREDIT REPORTS

- Who uses your credit report?
- How do you get a copy?
- What information is on my profile?
- How is the information used?
- How does my use of credit impact my financial situation?

Who Uses YOUR Credit Report

- **Your Prospective Employer**
- **Your Mortgage Bank**
- **Your Insurance Company**
- **Your Car Rental Company**
- **Your Co-op Board**
- **Your Landlord**
- **The Student Loan Organization**
- **The List Keeps Growing**

FREE CREDIT REPORTS

- **Internet** – www.annualcreditreport.com
- **Phone** - 877-322-8228
- **Mail** - Annual Credit Report Request Service
P.O. Box 105281,
Atlanta, GA 30348-5281

Contacting Credit Bureaus

Internet, Mail or Telephone

- **Experian Internet – Experian.com**

Phone 1-888-397-3742

Mail P.O. Box 2104

Allen, TX 75013

- **Equifax Internet - Equifax.com**

- **Phone 800-685-1111**

Mail P O Box 740241

Atlanta, GA 30374

Contacting Credit Bureaus

Trans Union Internet – TransUnion.com

Phone – 1- 800-916-8800

**Mail – TransUnion LLC
Consumer Disclosure Center
PO Box 1000
Chester, PA 19022**

- **ALL THREE CREDIT REPORTS WITH SCORES**
– **www.myfico.com \$47.85**

LETTER TO CORRECT MISTAKES ON YOUR REPORT

Date

Equifax Credit Information Services, Inc.
P.O. Box 740241
Atlanta, GA 30374

TransUnion LLC
Consumer Disclosure Center
P.O. Box 1000
Chester, PA 19022

Experian
National Consumer Assistance Center
P.O. Box 2002
Allen, TX 75013

Re: Credit report error

Dear Sir or Madam:

I have discovered inaccurate information on my credit report maintained by **credit agency name**. The report is in my name -- **enter your full name here** -- and my Social Security number is **enter your Social Security number here**.

Enclosed, please find a copy of my credit report containing the mistaken data. I have highlighted the errors. Specifically, the following information is in wrong:

The Fair Credit Reporting Act following defines the following as billing errors that must be corrected. Pick those that apply to your situation and detail for the credit bureau what you believe is the mistake. Be sure to list the creditor's name and account number for which the incorrect data appears:

- A purchase made by someone other than the account's authorized user or something that you did not buy.
- A disagreement between the purchase price and the price shown on the bill.
- A charge for a product or service that was not delivered according to agreement.
- Mathematical errors.
- Questionable items or any entries for which you need more information.

Please investigate this matter with the creditor in question and you should find there is an error. When that is confirmed, please remove this error from my credit report.

In addition, please make this letter a permanent part of my credit record.

If you have any questions about my request or the credit information in question, please do not hesitate to call me at **work or home phone number, depending upon when you would prefer to discuss the matter**.

Thank you for your prompt attention to my request.

Your Signature
Your Name
Your Address
City, State and Zip Code

Enclosure: credit report

ITEMS TO REVIEW ON YOUR CREDIT PROFILE

- **How many open/active lines of credit do you have.**
- **The total amount of credit you have available to you.**
- **Total Current Outstanding Balances**
- **Your Highest Credit Balance - The maximum amount of credit you used on EACH card.**
- **Total monthly payments - minimum payments**
- **Mix of Credit - Mortgages, Overdraft, Credit Cards, Loans.**
- **Delinquencies - How many times have you been late.**
- **Do you have any court judgments against you.**
- **Felony(s)**

WHAT IS A CREDIT SCORE?

- **MYFICO.COM - \$44.85 for all three reports with scores**
- **Credit score or FICO score is your profile's information summarized as a Number on a scale of 300 to 900.**
- **A good score is mid-700s.**
- **Why know your score - Experts say you can use your score to improve your creditworthiness and negotiate for the best possible terms and rate.**

HOW YOUR SCORE IMPACTS YOUR CREDITWORTHINESS

- As you improve your FICO scores, you pay less to borrow.
- For example, on a \$150,000 30-year, fixed-rate mortgage:

Your FICO® score	Your interest rate	Your monthly payment
720-850	5.91%	\$ 891
700-719	6.04%	\$ 903
675-699	6.57%	\$ 955
620-674	7.72%	\$1,072
560-619	8.53	\$1,157
500-559	9.29%	\$1,238

WHAT DO CREDITORS THINK?

- For a Mortgage (Freddie Mac Standards)
 - Greater than 660= Acceptable - Basic Review of Credit History
 - 660 to 620= Uncertain - Full Review of Credit History
 - Below 620 = High Risk - Makes financing Difficult
- Credit Cards - Also look at detail on your profile related to past use of credit cards.

WHAT DOES A CELL PHONE PROVIDER THINK?

- IF YOU HAVE AN OUTSTANDING BILL WITH THAT CARRIER, I.E. CINGULAR, VERIZON – YOU MUST PAY THE BILL IN FULL TO GET A PHONE
- IF YOU HAVE A BILL SENT TO A COLLECTION AGENCY FOR NON PAYMENT – YOU WILL NEED A DEPOSIT OF \$125 TO \$1,000 TO GET A PHONE.

WHAT DOES YOUR LOCAL LAND LINE CARRIER THINK?

- **IF YOU HAVE AN OUTSTANDING BILL, IT MUST BE PAID IN FULL TO GET SERVICE.**
- **IF YOUR SCORE IS BELOW 600 YOU WILL ONLY BE ALLOWED TO MAKE LONG DISTANCE CALLS UP TO \$200 PER MONTH.**
- **YOUR PAYMENT HISTORY MUST BE GOOD FOR 13 MONTHS TO HAVE THE CAP LIFTED.**

FACTORS THAT IMPACT YOUR CREDIT SCORE

- Past delinquencies – 35%
- How credit has been used - Do you max out your credit limits? – 30%
- Age of the credit profile – 10%
- Number of times a person applies for credit, new credit – 10%
- Mix of Credit - Types of credit you have – 10%

HOW TO IMPROVE YOUR SCORE

- Pay down your credit card balances
- Use inactive credit cards – but only if you can pay them in full
- Improve your “mix”, change your home equity line into fixed monthly payments
- Open more credit card accounts!! ??
- Get rid of “bad” items on your report

FAIR CREDIT REPORTING LAWS

- Most information will remain on a profile for 7 years from the date of the last activity on the account, i.e., Late Payment History.
- Liens and Judgement remain on file for 7 years from the filing date of the public Record item.
- Chapter 7 Bankruptcy - 10 years from filing
- Chapter 13 Bankruptcy (Wage Earner Plan) - 10 years from filing

PENNSYLVANIA RESIDENTS **ONLY**

- Satisfied (Paid) Judgments - 7 years from the date filed.
- PAID Collection or Charge Off - 7 Years
- Delinquencies - 7 years from the date of the last payment to the last creditor (collection agency).

EXAMPLE OF THE 6 YEAR RULE

- You have a debt on your profile that was referred to a collection agency in January of 2000.
- Both accounts now show on your profile - The original account and the collection account.
- You pay the debt off in full this year in August of 2006.
- According to the NYS 6 year rule the item is scheduled to come off your profile September **2012.**

RE-BUILDING OR BUILDING YOUR CREDIT HISTORY

- Step 1 is to Pay Off your current debts.
- Make payment arrangements that fit into your spending plan.
- Do not totally sacrifice your quality of life to repay your debt. No one wants to work just to pay bills. Leave something you enjoy in your spending plan.

DEBT REPAYMENT PLANS

- LIST EACH DEBT YOU OWE
- LIST THE TOTAL AMOUNTS PER DEBT
- LIST THE MINIMUM PAYMENTS
- LIST THE INTEREST RATE PER CREDITOR

PAY PROPORTUNATELY

OR

HIGHEST INTEREST FIRST

DEBT REPAYMENT PLAN

TOTAL OUTSTANDING DEBT						
<u>Creditor</u>	<u>Total Debt</u>	<u>Finance Rate %</u>	<u>Minimum Monthly Payment</u>			
Macy's	250.00	22.30%	15.00			
Master Card	1,500.00	29.95%	65.00			
Home Depot	500.00	22.00%	20.00			
AMEX Blue	1,000.00	19.80%	55.00			
Credit Union	1,000.00	9.70%	51.00			
Visa	1,500.00	18.70%	35.00			
Barns & Noble	<u>250.00</u>	10.90%	<u>10.00</u>			
Total	6,000.00		251.00			

PAY PROPORTUNATELY

Paying off Debts											
Based on											
% of Total Debt											
Creditor	Total Owed to Creditor	/	Total Debt	=	%	*	Amount of Spending Plan used to Payoff Debt	=	Payments as a percent of debt	Minimum Payment	New Payments
Wachovia	\$9,500	/	\$48,750	=	19%	*	\$691	=	\$135	100	\$138
Chase M/C	\$500	/	\$48,750	=	1%	*	\$691	=	\$7	20	\$20
Victoria Secrets	\$1,000	/	\$48,750	=	2%	*	\$691	=	\$14	25	\$25
Amex Blue	\$250	/	\$48,750	=	1%	*	\$691	=	\$4	10	\$10
Macy's	\$1,000	/	\$48,750	=	2%	*	\$691	=	\$14	25	\$25
Car Loan	\$1,500	/	\$48,750	=	3%	*	\$691	=	\$21	35	\$35
Muni Credit Union	\$35,000	/	\$48,750	=	72%	*	\$691	=	\$496	300	\$438
										515	

DEBT REPAYMENT PLANS

- LIST EACH DEBT YOU OWE
- LIST THE TOTAL AMOUNTS PER DEBT
- LIST THE MINIMUM PAYMENTS
- LIST THE INTEREST RATE PER DEBTOR
- RE-WRITE THE LIST WITH THE

HIGHEST INTEREST RATE **FIRST**

DEBT REPAYMENT PLAN 2A

TOTAL OUTSTANDING DEBT				
<u>Creditor</u>	<u>Total Debt</u>	<u>Finance Rate %</u>		<u>Minimum Monthly Payment</u>
Master Card	1,500.00	29.95%		65.00
Macy's	250.00	22.30%		15.00
Home Depot	500.00	22.00%		20.00
AMEX Blue	1,000.00	19.80%		55.00
Visa	1,500.00	18.70%		35.00
Barns & Noble	250.00	10.90%		10.00
Credit Union	1,000.00	9.70%		51.00
Total	6,000.00			251.00
Amount Available for Debt Repayment				650.00
Amount Available for Highest Finance Rate Creditor				399.00
Minimum Monthly Payments from the amount Available for Debt Repayment. Add that amount to the Minimum Monthly Payment of the Creditor with the highest Finance Rate.				

DEBT REPAYMENT PLAN 2B

TOTAL OUTSTANDING DEBT						
<u>Creditor</u>	<u>Total Debt</u>	<u>Finance Rate %</u>	<u>Minimum Monthly Payment</u>	<u>Suggested Monthly Payment</u>		
Master Card	1,500.00	29.95%	65.00	464.00		
Macy's	250.00	22.30%	15.00	15.00		
Home Depot	500.00	22.00%	20.00	20.00		
AMEX Blue	1,000.00	19.80%	55.00	55.00		
Visa	1,500.00	18.70%	35.00	35.00		
Barns & Noble	250.00	10.90%	10.00	10.00		
Credit Union	<u>1,000.00</u>	9.70%	<u>51.00</u>	<u>51.00</u>		
Total	6,000.00		251.00	650.00		
Amount Available for Debt Repayment			<u>650.00</u>			
It will take 4 months to pay off Master Card. Then the process should be repeated with the next highest Finance Rate Creditor.						

DON'T FILE BANKRUPTCY, NEGOTIATE WITH YOUR CREDITORS

- Call them, ask them to lower your interest rate. Speak with a manager or supervisor
- Get the name of the person you speak with
- Explain that you don't want to file bankruptcy or use a debt consolidator
- Send a letter with a copy of a simple budget (spending plan) and the monthly payment you can afford
- If they cash your check, they accept your plan.
- www.newyorkbankruptcylaw.com

LETTER TO SEND TO CREDITORS

DATE

Credit Card Company
Address
City, State, Zip Code

RE: Your Credit Card Number

To Whom It May Concern:
(Unless you have someone's name then it should say, "Dear Mr./Ms.)

Attached is a copy of my spending plan showing my income and expenses.
As you can see, I am doing my best to pay all of my obligations.

I want to avoid filing for bankruptcy and to do this on my own so I don't
have to pay the fees of a debt consolidation company.

I can afford to pay you \$_____ per month. As my financial situation
improves, I will increase my monthly payments to you to fully pay the
balance that I owe you.

It would help me pay you more quickly if you would freeze by balance of
\$_____ and discontinue by finances charges.

Thank you for your understanding.

Very Truly Yours,

Your Name
Address
City, State, Zip Code

Financial Plannin

Secured Credit Cards

- A secured card requires that you give a cash deposit (collateral) to open the account.
- The cash becomes the total credit limit that you will be allowed to use.
- Banks and Credit Unions issue Secured Cards.
- Secured Credit Card information: bankrate.com – Secured Credit Card Issuers.

Questions to ask – Secured Cards

- **What kinds of charges will there be?**
 - **Try to avoid cards with application fees**
 - **Annual Fees and high finance charges standard**
 - **How is the annual fee charged, monthly, annually or upfront.**
 - **Make sure you have an understanding of the total fees you will be charged to open the account.**
- **How much money do I have to deposit?**
- **Do you report to the three credit bureaus and will the information indicate that this is a secured card?**
- **How long will it take before my secured credit card becomes a traditional unsecured card.**
- **What type of account will my deposit be held in and what is interest rate will I earn?**

Other Ways to Build Credit

- Make sure you pay your utility bills and rent on time.
- Many banks and local home ownership programs will use alternate forms of credit if you do not have a credit history.
 - Utility Bills, such as: cable, gas, electric,, and/or rent receipts, telephone or cell hone bills.
- These programs are offered through a bank's community development or community leading departments

Protect Yourself From Identity Theft

- **Destroy all personal documents before throwing them out.**
- **Place all personal documents in a secure place.**
- **Be careful who you share your personal information with via e-mail, telephone or regular mail. Always confirm before you respond to a request for personal information. Most companies or the IRS will not ask you to confirm your personal information by phone or e-mail.**
- **Be careful where you use your debit and/or credit and/or ATM cards .**

WHAT TO DO IF YOU ARE A VICTIM OF IDENTITY THEFT

- File a report at your local police station - get a copy of it.
- Contact one of three major credit bureaus:
 - **Equifax 1-800-525-6285**
 - **Experian 1-888-397-3742**
 - **TransUnion 1-800-680-7289**
- Contact the Federal Trade Commission at 1-877-438-4338 or ftc.gov get an Affidavit of Identity Theft
- Contact your Bank, Brokerage Firm and credit card companies.

STAY IN GOOD FINANCIAL SHAPE

- Never Spend More Than You Earn
- Keep Track of Your Spending
- Know How Much Your Bills Are
- Make a Spending Plan
- Pay Yourself First – Save From EVERY Paycheck

FOR MORE INFORMATION

- Contact:

YOUR CHAPTER INFORMATION HERE

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THANKS!

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