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YOUR MONEY, YOUR GOALS

A financial empowerment toolkit



Consumer Financial
Protection Bureau

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Introduction

Welcome to the Consumer Financial Protection Bureau's Your Money, Your Goals: A financial empowerment toolkit!

At a glance

This introduction includes two tools to help you start using the Your Money, Your Goals toolkit.



Financial empowerment self-assessment

Use this tool to develop an understanding of your own financial knowledge, skills, and confidence level.



My money picture

Use this tool to help you assess each person's goals and financial situation, so you can determine which specific modules and tools will help them the most.

About the toolkit

This toolkit is designed for anyone who serves people living with low incomes through non-profit, community-based, or private sector organizations or works in a government agency dedicated to helping the public.

Many of the people you meet with may feel overwhelmed by their financial situations, and they often don't know where to go for help. You're in a unique position to provide that help. The people your organization works with already know and trust you. In many cases, they're already sharing financial and other personal information with you as well.

This toolkit gives you the tools and information you need to help people set and achieve goals; build skills in managing money, credit, and debt; and choose financial products that are right for them. Each person has different circumstances and things they can benefit from, so you can select the tools that best meet their needs and just work with those topics.

The power of financial empowerment

You may have heard the term “financial literacy” before. This concept describes the process of helping someone learn about financial topics.

While financial empowerment includes the concept of financial literacy, it goes beyond just acquiring knowledge. The main focus of financial empowerment is to build the skills you need to manage money and learn to choose the financial products and services that work for you.

When you’re financially empowered you’re both informed and skilled. You know where to get help with your financial challenges and can access and choose financial products and services that meet your needs. This sense of empowerment builds confidence, helping you effectively use your financial knowledge, skills, and resources to reach your goals.

If you feel knowledgeable about financial topics and comfortable in your own approach to money management, credit, debt, and financial products, you can better help others face money issues that may be complicating their lives.

The modules of this toolkit teach you about important financial topics and provide tools so you can put this information into practice with the people you help every day.

Incorporating the toolkit into your work

The Your Money, Your Goals toolkit is comprehensive and brings together information, tools, and links to other resources you can use to help people build skills in managing money, credit, debt, and financial products. Having all these resources in one place can make it easier for you to bring financial empowerment concepts into conversations you may already be having. This can help the people you work with increase the financial stability in their lives.

Sharing information and tools may feel like a completely different job from your current one— another thing you’re being asked to add to your workload. But once you’re familiar with the resources in this toolkit, it can become natural to integrate its contents into the work you do every day.

This toolkit provides the tools and information you need to help the people you serve take steps toward financial empowerment. It can help them:

- Set goals and calculate how much money they need to save to reach these goals
- Plan for large purchases and life events
- Learn to effectively save money
- Establish an emergency savings fund
- Get tax refunds and put the funds toward achieving their goals
- Track the specific ways they are using their money
- Bring their cash flow budgets into balance
- Make a simple plan to pay down debt
- Get, review, and fix errors on their credit reports
- Evaluate financial products and services
- Learn how to protect themselves from identity theft and fraud

The toolkit helps you identify and share the information and tools that can best help someone get started on solving specific financial challenges and reaching their goals. And when they want or need additional help, the aim is to help you refer them to the appropriate resource in your community.

This toolkit is different from a financial education curriculum. While a curriculum generally follows a specific order and has a concrete set of goals, this toolkit can be used in whatever order best suits each person's needs. Their goals and obstacles are what dictate which tools and information from this toolkit should be used.

Each person's needs are unique and often complex. Even when there are multiple issues to address, you shouldn't try to cover all the information and tools with everyone you serve.

Covering all the tools at once, or even a few tools at one time, would be overwhelming for most people. **Only review one or two tools at a time**, beginning with a key topic and the tools that make the most sense for their situation.

Financial decisions are about more than money

Financial decisions, no matter how well intended, are never made in a vacuum. Many things influence both our short- and long-term financial decisions.

Your values, culture, and traditions may play a part in how you spend, save, and make financial choices. For example, you may have to choose between using your tax refund to build an emergency fund, using it to pay down your debts, or spending it to pay off your mother's medical bills. Your values and culture influence your financial decisions.

LISTEN FOR THE EMOTIONS BEHIND FINANCIAL DECISIONS

When people talk about money, it's not just about the numbers. They're also discussing what money means to them. Attitudes and behaviors around money are wrapped up in feelings around security, failure, family, love, and status. It's important to listen carefully to try to help people understand their emotional reactions to money. Then you can bring in their emotions and feelings into your discussions about the tools.

Instead of just asking someone to give you the basic numbers, try including questions about how they feel when you're discussing their finances. You could try questions like:

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

Helping people become aware that financial decisions can be influenced by emotions and past experiences can help them understand what drives some of their financial choices now. It can also help you better understand their unique strengths and challenges when dealing with money issues or problems.

UNDERSTANDING VALUES AROUND MONEY

Decisions, including financial ones, are made within the very powerful contexts of culture, including family, ethnicity, region, community, socio-economic status, generation, and religion. Each of these factors can influence beliefs, values, and experiences about money and the way financial decisions are handled.

Our unique values shape how we prioritize what we do with our time, energy, and money. In just a single day, we make many choices about "what is more important" in terms of how we spend our money.

These choices are guided by our values, for example:

- The enjoyment of eating out at a restaurant versus saving money and eating at home
- Giving a loved one an expensive gift versus spending less and saving the difference
- Paying for financial obligations, such as child support or student loans, before spending money for “wants”

When you spot what might be someone’s core value, name the value and ask follow-up questions to help define the value:

- It sounds like being a source of support to your siblings is really important to you. Would you agree with that?
- What makes helping your siblings important to you?

NAVIGATING DIFFERENCES IN MONEY VALUES

Differences in cultural values can affect financial behavior. For example, Western culture is often considered to value individuality and personal well-being, which means it’s generally considered appropriate for each person to support themselves financially. In some other cultures, family or community members support each other financially throughout their lives. If someone chooses to spend their extra income on their extended family or neighbors instead of saving it in an emergency fund, this doesn’t mean that they have bad financial habits. They may just be making financial choices in a cultural context that is different from your own.

It’s important to understand cultural influences without being judgmental. This can help you discuss financial decision-making in a way that makes the people you serve feel understood and respected. They might agree to a financial plan that makes rational sense at the time, but this is often not enough to override their feelings or cultural context in the moment when decisions are actually made. This can make it much more difficult to stick to a plan that doesn’t align with their values or cultural norms. Remember, priorities that may be surprising to you may make perfect sense for someone else given each person's background, values, and culture.

CONFLICTS AROUND CULTURE AND VALUES

Sometimes you may find that people are caught in the middle of cultural conflicts around money. Their family culture may value saving and avoiding debt. But their broader community may value material things like new cars or expensive clothes, which could lead to taking on debt to purchase. Or the culture in which a person

was raised might value caring financially for parents as they age, while another person, based on their family circumstances and traditions, might not be expected to take on that same responsibility.

Conflicts can also take place within a family. One parent may want to save the family's tax refund; the other thinks the money should go toward things the family needs, like clothes for school. These kinds of conflicts can be stressful and confusing. They can lead to decisions that are based more on emotions or outside pressures, rather than on what's in their financial plan.

ASKING QUESTIONS TO UNDERSTAND WHAT'S BEHIND DECISIONS

When discussing people's financial behavior, try to uncover the motivation behind their answers. Take time to ask questions that can help you discover their underlying attitudes, needs, goals, and challenges.

Ask questions like:

- Who handles the finances in your family?
- How did your family handle finances when you were growing up? Did you discuss money openly?
- How do your friends view money? How do you think this may influence you?
- What do you want your children to learn about money? What do you think they are learning from you now?

It's often difficult for people to open up about money, but taking the time to help a person talk about and understand their values and attitudes about money can provide both you and the people you serve with new insights. These insights can help them make lasting and productive changes that help them reach their goals.

Once you understand the values and cultural factors that guide someone's behavior, you can help them identify ways their financial choices align with their true values, desires, and their goals.

KEEPING YOUR PERSONAL VALUES IN CHECK

As you talk with the people you serve, it's important to remember that you have your own attitudes and feelings toward money.

Your own values about money and financial issues may affect the way you approach financial empowerment with the people you serve. Your attitudes and feelings may be different than theirs, and that may mean your ideas about what's "best" can be

different from theirs. Be sure that you aren't offering advice based solely on your own preferences and values.

It can sometimes be tempting to "set someone's priorities straight," or tell them what you would do in their situation. Ultimately, this isn't a successful strategy.

Information, advice, and other support will only help when it's aligned with a person's own deeply rooted beliefs and values.

In fact, imposing your own values on someone else can be counterproductive. The person might feel judged and stop talking with you about money and financial decisions.

Rather than telling someone which is the "better" course of action, ask questions that help identify the risks and rewards of each choice:

- If you continue on this path, what is the short-term gain or the long-term impact?
- Does this financial choice help you and your family get to where you want to go?
- Who in your life will be affected by this course of action and how?

Then, stop and listen. Let the person tell you what is important to them and ask follow-up questions. People can often be led to the best choices by just talking through the "risks and rewards" of their options.

BALANCING VALUES AND GOALS

Keeping your personal values in check doesn't mean that you shouldn't help people understand the consequences of their choices. While you should work to understand and respect a person's perspectives and values, you should also make sure that they understand the potential long-term consequences of their decisions. Choices made today might support or limit options tomorrow for helping a family member in need, starting a family business, or saving for a car or home.

Once someone understands their core values and how they influence financial choices, you can help them understand how a new or different financial behavior is in line with their existing values. This can help them take ownership of their plan or goal, rather than just trying to do what they think they're "supposed to do."

Financial empowerment self-assessment

Take this self-assessment to better understand your own financial knowledge, skills, and overall confidence.

As someone who helps your organization serve individuals and families, it's important for you to understand your own level of financial empowerment. The questions asked in this assessment are directly related to the module topics contained within the Your Money, Your Goals toolkit. This tool has three parts:

- **Part 1: What you know** helps you benchmark your knowledge, so you know where to build upon and fill in the missing gaps
- **Part 2: How you feel** helps you identify how you feel about your own financial life
- **Part 3: Your experiences** helps you understand which financial products and services you're familiar with and which are new to you

What to do

- **Answer the questions in Part 1 and compare your responses with the answer key.** If you didn't answer an item correctly, review the toolkit module listed next to the answer for more information.
- **Answer the questions in Part 2.** There are no right or wrong answers here because it's about your own financial knowledge, feelings, and situation.
- **Answer the questions in Part 3.** There are no right or wrong answers here because you're identifying your experiences. This is important because the people you're working with may have experienced situations or used products and services you haven't.

A step further

If parts 1 or 3 of this tool reveal topics you're not familiar with, take a look at the relevant modules. This information can help you build knowledge and confidence.



Part 1: What you know

Decide if each of the following statements is true or false.

STATEMENT	TRUE	FALSE
1. Only income and expenses matter when you're making a budget.		
2. To have enough money for an emergency, you must save at least 3 to 6 months' worth of living expenses.		
3. If you make and stick to a monthly budget, you'll be able to pay your bills on time.		
4. If you can't pay all of your bills and debt collectors are calling, just pay the one who calls the most.		
5. The only way to receive employment income is a paycheck.		
6. Credit is when you owe someone money.		
7. Your total monthly debt payments may affect your ability to borrow more money.		
8. A poor credit history can keep you from getting an apartment, and in some states, insurance or even a job.		
9. The only cost of having a checking account is the monthly service fee.		
10. As a consumer, you have almost no rights when it comes to financial products.		



SELF-ASSESSMENT

Part 2: How you feel

Use check marks to show how you feel today about each statement. Then tally up the total number of check marks in each column at the bottom.

STATEMENT	AGREE	DISAGREE	NOT SURE/ DOESN'T APPLY
1. I have enough money set aside for emergencies and goals.			
2. I am not worried about how much money I owe.			
3. I am confident about how to make sure the information on my credit reports is correct.			
4. I don't worry about being able to pay my bills and expenses.			
5. I understand how credit works.			
6. I feel confident about helping people begin to manage financial challenges.			
7. I know where to get help if I have an issue with a financial product or service.			
8. I know where people in my community can get financial counseling and free tax filing assistance.			
TOTAL			



SELF-ASSESSMENT

Part 3: Your experiences

Use check marks to show your level of experience with the concept described in each statement.

STATEMENT	YES	NO	I DON'T KNOW
1. I have a savings or checking account at a bank or credit union, and I use it regularly.			
2. I have applied for, received, and used a credit card.			
3. I have used a loan to help me purchase a car or a home.			
4. I have taken out a payday loan or an auto title loan.			
5. I have requested my own credit report and reviewed it.			
6. I make and stick to a budget.			
7. I have used a check cashing business.			
8. I have been contacted by debt collectors.			
9. I understand my rights and know what to do if I believe a financial services provider has tried to take advantage of me.			
10. I receive income via a method other than a paycheck (payroll card, direct deposit, or cash, for example).			

Answer key for Part 1: What you know

Check your answers for “Part 1: What you know.” If there are any you're unsure of or that you answered incorrectly, review the module listed for more information. Reading through the module can help you build your financial knowledge and confidence.

STATEMENT	TRUE	FALSE	MODULE
1. Only income and expenses matter when you're making a budget.		✓	1 Setting Goals
2. To have enough money for an emergency, you must save at least 3 to 6 months' worth of living expenses.		✓	2 Saving
3. If you make and stick to a monthly budget, you'll be able to pay your bills on time.		✓	5 Getting through the Month
4. If you can't pay all of your bills and debt collectors are calling, just pay the one who calls the most.		✓	4 Paying Bills
5. The only way to receive employment income is a paycheck.		✓	3 Tracking Income and Benefits
6. Credit is when you owe someone money.		✓	7 Understanding Credit Reports and Scores
7. Your total monthly debt payments may affect your ability to borrow more money.	✓		6 Dealing with Debt
8. A poor credit history can keep you from getting an apartment, and in some states, insurance or even a job.	✓		7 Understanding Credit Reports and Scores
9. The only cost of having a checking account is the monthly service fee.		✓	8 Choosing Financial Products and Services
10. As a consumer, you have almost no rights when it comes to financial products.		✓	9 Protecting your Money

NUMBER CORRECT	TOPICS TO LEARN MORE ABOUT
_____ out of 10	

✓ Answer key for Part 2: How you feel

There are no right or wrong answers for "Part 2: How you feel." The answers are your opinions about your own financial knowledge, feelings, and situation. Take a look at the total number of statements with which you agreed and disagreed, at the bottom of the assessment page.

😊 If the **total of Agree is greater** than the total of Disagree, you feel good about many aspects of your financial life.

😐 If the **total of Disagree is greater** than the total of Agree, you may be feeling stress about many aspects of your financial life.

There are modules in the toolkit you can review that may help you feel more in control of your financial situation. Take a look at the modules or information that correspond with any statement with which you disagreed.

STATEMENT	IF YOU DISAGREE, CHECK OUT THESE MODULES
1. I have enough money set aside for emergencies and goals.	➊ Setting Goals ➋ Saving
2. I am not worried about how much money I owe.	➎ Dealing with Debt ➏ Understanding Credit Reports and Scores
3. I am confident about how to make sure the information on my credit reports is correct.	➏ Understanding Credit Reports and Scores
4. I don't worry about being able to pay my bills and expenses.	➌ Paying Bills ➍ Getting through the Month
5. I understand how credit works.	➏ Understanding Credit Reports and Scores
6. I feel confident about helping people begin to manage financial challenges.	Consider reviewing some or all of the content modules.
7. I know where to get help if I have an issue with a financial product or service.	➑ Protecting your Money

STATEMENT	IF YOU DISAGREE, CHECK OUT THESE MODULES
8. I know where people in my community can get financial counseling and free tax filing assistance.	See the information in the Your Money, Your Goals Implementation Guide about creating a strong referral network at consumerfinance.gov/practitioner-resources/your-money-your-goals/training-implementation. Our online resources could also be helpful: consumerfinance.gov/practitioner-resources/your-money-your-goals/online-resources.

Answer key for Part 3: Your experiences

There are no right or wrong answers for "Part 3: Your experiences." It helps you identify the financial products, services, and situations you have had experience with. This is important because the people you're working with may have experienced situations or used products and services you haven't. If you're not familiar with some of these topics and want to learn more, you can use the modules listed in the right column. You may also find it helpful to review those modules even if you have experience with these situations, products, services, and providers.

STATEMENT	MODULES OF INTEREST
1. I have a savings or checking account at a bank or credit union, and I use it regularly.	8 Choosing Financial Products and Services
2. I have applied for, received, and used a credit card.	6 Dealing with Debt 7 Understanding Credit Reports and Scores
3. I have used a loan to help me to purchase a car or a home.	6 Dealing with Debt 7 Understanding Credit Reports and Scores 8 Choosing Financial Products and Services
4. I have taken out a payday loan or a vehicle title loan.	6 Dealing with Debt 8 Choosing Financial Products and Services
5. I have requested my own credit report and reviewed it.	7 Understanding Credit Reports and Scores
6. I make and stick to a budget.	3 Tracking Income and Benefits
7. I have used a check cashing business.	3 Tracking Income and Benefits 8 Choosing Financial Products and Services
8. I have been contacted by debt collectors.	6 Dealing with Debt
9. I understand my rights and know what to do if I believe a financial services provider has tried to take advantage of me.	9 Protecting your Money
10. I receive income via a method other than a paycheck (payroll card, direct deposit, or cash, for example).	3 Tracking Income and Benefits 8 Choosing Financial Products and Services

My money picture

This tool gives you a picture of where someone is and where they want to go financially. This can help you choose a good place to start within the toolkit.

When you feel the time is right, you can ask someone to complete the tool on their own or review it together. Reading the questions together may be useful if you're working with someone who has limited literacy levels, is an English language learner, or when a dialogue would be more productive.

What to do

- **Have the person you're working with answer the questions** based on their current situation and attitudes. There are no right or wrong answers.
- **Review their answers with them and match their answers to the modules** in the toolkit. This can help you determine which module will be the most useful right now.

A step further

If you keep a copy of this tool, be sure you have a system for keeping the information completely confidential. Be ready to describe your system for keeping this information secure. As you proceed, follow your organization's policies when it comes to storing and handling people's personal information.



Use **My money picture** to find a place to start your conversation

If you could change one thing about your financial situation, what would it be?

QUESTION	YES	NO
1. Do you have dreams for you or your children that require money to make them happen?		
2. Are you behind on rent, car payments, or other bills?		
3. Do you usually have about the same amount of income every week?		
4. When unexpected expenses or emergencies happen, do you have some money set aside to cover them?		
5. Can you cover all of your bills and living expenses each month with the money, benefits, and other resources you have?		
6. Are you having trouble paying student loans or other debts?		
7. Has your credit history made it hard to get a car, insurance, a phone, or a job?		
8. Do you have an account at a bank or credit union?		
9. Do you feel like you're spending too much on things like fees and interest to access and use your money?		
10. Have you had issues with a financial product or service like a bank account, loan, mortgage, debt collector, or credit report that you haven't been able to resolve?		

Answer key for My money picture

Use the chart to help you determine where to start financial empowerment work.

QUESTION	YES	NO	MODULE
1. Do you have dreams for you or your children that require money to make them happen?	✓	✓	1 Setting Goals
2. Are you behind on rent, car payments, or other bills?	✓		4 Paying Bills
3. Do you usually have about the same amount of income every week?		✓	3 Tracking Income and Benefits
4. When unexpected expenses or emergencies happen, do you have some money set aside to cover them?		✓	2 Saving 4 Paying Bills
5. Can you cover all of your bills and living expenses each month with the money, benefits, and other resources you have?		✓	4 Paying Bills 5 Getting through the Month
6. Are you having trouble paying student loans or other debts?	✓		6 Dealing with Debt 4 Paying Bills
7. Has your credit history made it hard to get a car, insurance, a phone, or a job?	✓		7 Understanding Credit Reports and Scores
8. Do you have an account at a bank or credit union?		✓	8 Choosing Financial Products and Services
9. Do you feel like you're spending too much on things like fees and interest to access and use your money?	✓		8 Choosing Financial Products and Services
10. Have you had issues with a financial product or service like a bank account, loan, mortgage, debt collector, or credit report that you haven't been able to resolve?	✓		9 Protecting your Money

MODULE 1

Setting Goals

Turn your hopes, wants, and dreams into reality by setting and achieving goals.

At a glance

This module can help you create a plan to fulfill your dreams by learning how to set, adjust, and reach your short-term and long-term goals.

-  **Setting SMART goals**
-  **Putting goals into action**
-  **Planning for life events and large purchases**
-  **Revising your goals**

Introduction

Everyone has a different idea of the future they want to build. What do you want to accomplish in the near future? What do you want for yourself and your family in the long term? These ideas of your future are your hopes, wants, and dreams.

But they don't just happen on their own. Accomplishing your dreams means thinking about the money you need to help make them come true.

It's also important to think about your values, the things that are meaningful to you and your family. Your values help shape how you prioritize what you do with your

Having a problem with a financial product or service?

You can submit a complaint and we'll forward it to the company and work to get you a response. Submit online at consumerfinance.gov/complaint or by calling (855) 411-2372.

time, energy, and even money. If your goals support your values, you'll be more likely to prioritize them, which gives you a greater chance of accomplishing them.

Setting goals along the way is a good strategy to help you achieve your dreams. Some goals may take a few weeks or months to reach, like saving money to buy gifts for the holidays or buying a new mattress. These are short-term goals. Others may take many months or even years to reach, like sending your child to college or paying off a large debt. These are long-term goals.

Hopes and dreams can be turned into goals

While hopes and dreams can motivate us, they're often open-ended or vague. That makes it hard to build a plan to reach them. For example, most people say they want to make a better life for their children. But you have to think about the specifics of what "a better life" means for you, in order to build a plan to get there.

That plan can be made up of one or many smaller goals. When you set goals, you can:

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

Creating effective goals

It's great to set goals. It's even better to set SMART goals. Using the SMART goal method brings structure to your goal setting. This makes it much more likely that you'll be able to achieve your goals.

All SMART goals have five characteristics: they are (S)pecific, (M)easurable, (A)chievable, (R)elevant, and (T)ime bound. Each part contributes to why this method is effective in goal setting.

SPECIFIC

A specific goal has a much greater chance of being met than a general one because it provides something defined to reach for. For instance, it's much easier to plan a trip to Boston than it is to plan a trip "to the east coast."

MEASURABLE

You should be able to track your progress toward meeting the goal. Otherwise, it will be difficult to determine if you are going to achieve it. For instance, “Save \$5 a week” is measurable. “Save more money” is not.

ACHIEVABLE

You might want to get out of credit card debt tomorrow or become a millionaire within a year, but for most of us, those are unrealistic goals. That doesn’t mean that your goals should be easy. Your goal may be a stretch for you, but it should not be extreme or impossible. If the goal feels like too much of a stretch, try breaking it down into smaller, more achievable goals.

RELEVANT

Set goals that matter to you and are a priority in your life. This makes it more likely you will prioritize the time and effort it takes to achieve them.

TIME BOUND

Goals should have a clearly defined time frame, including a target or deadline date. This helps ensure they are measurable and that steps are taken to reach the goal by the target date.

Setting goals for life events and large purchases

People often put off planning for large purchases or significant life events because they’re struggling just to make ends meet today. Or don’t think they have enough money to save.

But if you don’t plan ahead for how you’re going to meet these goals, you won’t have the money to achieve them. This can add even more stress and uncertainty at times when a large purchase is necessary or life takes an unexpected turn.

Planning in advance for large purchases not only helps you better achieve your goals, but helps remove anxiety around the purchase.

Large purchases may include things like:

- Training or educational expenses
- Tools or equipment you need for your job
- A car or home

There are also goals around things that happen in your life. Some of these life events are planned, while others happen without much warning. Creating goals around these events in advance helps you better achieve what you want and reduces stress when difficult life events do occur. Since many of these events happen later in life, it can give you more time to plan for them. This also means you can save smaller amounts over a longer period of time.

Here are just a few examples of the types of life events people experience that may require saving for in advance:

- Moving in with a partner, getting married, getting separated, getting divorced, or becoming widowed
- Birth or adoption of a child
- Illness or short- or long-term disability
- Loss of a job (covering the gap unemployment benefits don't cover)
- Celebrating a landmark birthday or anniversary, accomplishment, or rite of passage
- Death of a family member
- Retirement
- Your own final expenses

If you're being pressured to make a big-ticket purchase on-the-spot or salespeople are telling you conflicting things, that's a sign that something's not quite right with the deal.

Learn more about warning signs for scams in Module 9: Protecting your Money.

What's inside

This module has three tools and a handout to help you create a plan for reaching your short-term and long-term goals. It also teaches you how to readjust your goals and reevaluate the plan to achieve them as needed.

Here are suggestions for how to make the most of the time you have.

If you have...

10 MINUTES

- Use "**Setting SMART goals**" to identify goals that will help you plan for and attain the things that matter most to you

30 MINUTES

- Complete "**Setting SMART goals**"
- Use "**Putting goals into action**" to create a plan to achieve your goals

MULTIPLE SESSIONS

- Use "**Planning for life events and large purchases**" to help you develop a plan to pay for things like a big celebration, a car, or your child's college tuition
- Follow up to see if progress is being made toward your goals
- Use the "**Revising goals**" handout to update or revise goals as needed

Setting SMART goals

Setting goals is the first step toward achieving your dreams. This tool teaches you how to effectively set goals that are SMART—meaning they are **(S)**pecific, **(M)**easurable, **(A)**chievable, **(R)**elevant, and **(T)**ime bound

SMART goals provide an easy-to-follow structure for creating goals. This helps you really break down what you want into a format that makes it simpler to plan for, track, and ultimately achieve your goals.

To create your goals, first think about your values. When your goals match up with the values that are important to you and your family, you're more likely to prioritize achieving them.

If you're not sure what your goals are, think about what you want to change in your life. See if there's a goal you can create that would help bring about that change.

It's likely there are many things you want to achieve. But if you can focus on one or two priorities that align with your values, you'll have a better chance of reaching that goal.

What to do

- **List your values** to help you think about what is important to you and your family.
- **Brainstorm a list of dreams and goals.** Remember, dreams are aspirational and usually vague. Goals are specific things you can achieve to help you reach your dreams.
- **Create a SMART goal** from one or two items on your list of goals. Write down what makes this goal specific, measurable, achievable, relevant, and time bound.

A step further

After you've written down your SMART goals, take a look at the "Putting goals into action" tool to create an easy-to-follow plan for achieving your goals.



Setting SMART goals based on your values motivates you to achieve them

1. Think about your values and choose which ones are most important to you.
2. List some things you'd like to change about your life and dreams you have.
3. Pick one or two items from your list of brainstormed ideas and create a SMART goal.
Make copies of the next page if you want to set more than one goal.

Which values are most important to you?

Family/friends

Reputation

Status

Freedom

Self-respect

Other: _____

Happiness

Spirituality

Other: _____

Health

Stability

Other: _____

What are your hopes, wants, and dreams?

Thinking about your values, write a list of things you'd like to change and dreams you have. They can be short term (less than six months to achieve) or long term (more than six months to achieve).

Things I'd like to change	Dreams I have for myself and my family

Use your list of dreams to create a SMART goal.

Remember that SMART goals are **S**pecific, **M**easurable, **A**chievable, **R**elevant, and **T**ime bound.

My SMART goal is...

To make sure your goal is SMART, write in what makes your goal specific, measurable, achievable, relevant, and time bound.

SMART characteristic	Questions to ask yourself	Your answers
Specific	What will I achieve? Who will benefit from the goal? What specific thing will I accomplish?	
Measurable	How much? How many? How will I know when it's done?	
Achievable	Is this goal something that I can actually reach? Do I have the tools and support I need to accomplish this?	
Relevant	Is this something that I really want? Is now the right time to do this? Why is this goal important?	
Time bound	When will I reach this goal? Is the time frame reasonable?	

Putting goals into action

Before you can accomplish a goal, you need a plan for how to achieve it. This tool helps you turn your SMART goals into an easy-to-follow action plan.

All goals take time and commitment to achieve. One of the most effective ways to accomplish your goals is to create an action plan outlining the steps you'll take.

Many goals also require external resources to achieve. These resources could include needing information, tools, transportation, or even a professional financial coach or counselor to help you. These kinds of resources should be added to your action plan.

Research shows that people who write down specific goals are much more likely to reach their goals than if they don't write them down.¹ Sharing those goals with a friend and checking in with them regularly about your progress also increases the chances that you'll reach your goals.

What to do

- **Break up your goal into small, actionable steps.** Write each step in a separate box.
- **Consider what resources you will need** to take each step and write them next to that step.
- **Set a deadline** for each step's completion.
- **Think about sharing your progress** with a friend or family member. Add their name next to the step and how often you will check in with them. This can help keep you motivated.

A step further

Now that you have an action plan for accomplishing your goals, take a look at Module 2: Saving to learn more about how to save money to achieve your goals.

¹ Based on research performed by Dr. Gail Matthews, Dominican University of California.



Make a plan for **Putting goals into action**

1. Pick a SMART goal that you want to achieve and break it up into steps.
2. Write down each step, the resources you'll need to achieve it, and the due date for completing it.
3. Pick a friend or family member to tell about your goal and check in with them on a regular basis. This will help you keep yourself accountable.

Select a SMART goal you want to achieve.

My SMART goal is...

--

Make an action plan for your SMART goal.

Steps List one specific step in each box for achieving your goal	Resources I need This can be things like tools, information, transportation, assistance, or money	Date to complete step	Who will I check in with? And how often will I check in?
1.			
2.			
3.			
4.			

Planning for life events and large purchases

Planning makes it easier to achieve long-term goals, like buying a car or having a wedding. This tool helps you think about what you want to achieve and how you can get there.

Think about the life events you are likely to experience and the large purchases you might need to make. For most people, saving and starting early can make it easier. If you, like some people, end up borrowing money to make a big purchase, you can save in interest and fees if you have savings to cover some of the costs. You can also think about creative ways to save money.

What to do:

- **Brainstorm a list of expenses** using the categories at the top of the tool as a guide. Consider when you are likely to experience various life events (like a graduation party or having a child) or when you expect to make large purchases.
- **Research and estimate the actual costs.** Add in any associated expenses (like the interest you might pay on a car loan). If the life event or purchase is likely to happen more than five years from now, remember that the cost of almost everything increases over time, so add some extra money to the cost to cover this.
- **Identify how much you might borrow versus how much you'll need to save.** Many large purchases require a combination of borrowing and paying a portion up front.
- **Identify ways to keep the costs as low as possible.** For example, for a large party, you could save by asking family and friends to help you prepare food rather than hiring a catering company. You can also research when items are most likely to go on sale or ask for discounts. It may only be 5% or 10% off, but these can add up!

A step further

After you've thought about your plan, see Module 2: Saving to create a savings plan so you know how much to save each week or month to achieve your goal.



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

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

Common life events and large purchases to help you brainstorm:



Buying a car



Birth or adoption



Marriage



Tools for work



Birthday or rite of passage



Buying a house



College or training

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



Revising goals

Goals aren't something you can "set and forget." You need to revise them as the situation changes or you may find yourself off track.

Here are some common reasons you may need to adjust your goals and some tips for how to revise them.

MY CIRCUMSTANCES HAVE CHANGED

When your circumstances change due to life events (such as losing or getting a job, earning more money, having a child, having a health emergency, etc.), review your new situation with your goals.

? Ask yourself:

- Do these goals still match up to my current circumstances?
- Are these goals still attainable with this new circumstance?
- Could my circumstance help me reach these goals faster?
- Could my circumstance make me reach these goals more slowly?

→ Take action

As circumstances change, your priorities may also shift. For example, if you lose your job, you might change your goal of saving for a nicer car to a goal of making sure that the car you have continues to run well.

If it's a critical goal that can't be adjusted, you can look at adjusting other goals to ensure you

have enough money to fund the more critical one.

If your circumstances change for the better and you have extra money to put toward a goal, like from a tax refund or an inheritance, think about putting some of the lump sum toward one of your savings goals. This can help you reach that goal faster.

I CAN'T MEET MY WEEKLY SAVINGS GOAL

If you come up short of your savings goal each week, that doesn't mean you should stop saving. You may just need to adjust your goal.

? Ask yourself:

- Can I change the total amount I'm trying to save?
- Can I change the length of time I have to save for my goal?

→ Take action

Let's say your goal is to buy a new \$600 TV three months from now. One month into saving, you have some unexpected medical bills and can no longer afford to save as much each week. You can choose to buy a less expensive TV two months from now, meaning you need to save less money overall. Or you could choose to wait six months to buy the \$600 TV, meaning you have longer to save.

Either way you adjust your goal, the amount of money you need to save each week is reduced. And you can still save enough to buy the TV.

I'VE USED UP MY EMERGENCY SAVINGS

If you've used your emergency savings, then they've served their purpose. But now it's time to replenish them.

? Ask yourself:

- Should I change how much I save each week for my emergency fund?
- Should I revise any other goals?

→ Take action

Determine how much you want in your emergency savings and by when. Calculate the amount you need to save weekly or monthly to meet that goal and start saving. See **Module 2: Saving** for more information on this topic.

You may need to adjust other goals in order to save enough each week. Think about where your priorities are and how you may be able to adjust the total amount or length of other saving goals.

MY GOAL DOESN'T FEEL IMPORTANT ANYMORE

Sometimes circumstances change and a goal no longer feels important. And that's OK. If the goal you set before no longer feels right for you, set it aside and make a new goal that does feel right.

? Ask yourself:

- Does this goal still support my values?
- What's important to me now?

→ Take action

Create a new goal that is important to you now. You can always add existing savings from the old goal to something new.

Remember, setting goals and working toward them is a process that never really ends. If one of your goals has been achieved, it's time to start the process again and set a new goal. Think about what you want for yourself and your family and keep working to achieve your goals.

MODULE 2

Saving

Saving on a regular basis can help you make progress toward achieving your goals and better handle unexpected expenses when they come up.

At a glance

This module can help you create a savings plan with weekly targets to help you reach your goals.

-  **Savings plan**
-  **Saving and asset limits**
-  **Finding a place for savings**
-  **Saving at tax time**

Introduction

Savings is money you set aside today to use in the future. It could be for something you need in the next few months or even years from now.

People save for many reasons:

- Unexpected expenses and emergencies
- A bill they know will be due every few months, like car insurance
- Annual expenses like children's school supplies

Having a problem with your savings account at your bank or credit union?

You can submit a complaint and we'll forward it to the company and work to get you a response. Submit online at consumerfinance.gov/complaint or by calling (855) 411-2372.

- To pay for their own goals, like a new TV, appliances, a car, a home, their children's education, or retirement

Reasons to save

Everyone has their own reasons to save, but there are common categories that most people think about when setting their savings goals.

SAVING FOR EMERGENCIES

Everyone has unexpected expenses and emergencies—a car repair, the need to travel to help a sick family member, paying the bills when you've had a cutback in hours or even lost your job.

When you save in advance for unexpected expenses and emergencies, you're better prepared to handle them without having to skip paying your other bills or borrowing money.

If you have to skip paying other bills to pay for an emergency, there can be negative consequences like having to pay late fees or having services turned off. If services like your electricity or other utilities do get shut off, then you have to come up with even more money to turn them back on.

If you borrow money for unexpected expenses, you will likely have to pay fees and interest on what you borrow. And on top of that, you'll probably have to use some of your future income to pay back the money you borrow. **So saving money now for unexpected expenses and emergencies can save you money later.**

Consider starting an emergency fund with \$500 as your goal.² This is enough to cover a lot of common emergencies like a new tire for your car, a plane ticket to care for a sick family member, or minor medical costs. Once you reach \$500, consider increasing your goal to \$1,000. This may be enough to help cover your rent if you lose your job, take care of an insurance deductible for major car repairs, or pay for many household repairs.

Having this kind of emergency savings fund is the foundation for setting other savings goals. Once you have this set up, it's easier to focus on saving for other things without worrying about how you would handle an emergency expense.

² While the target amount for an emergency fund will vary from person to person based on their needs, \$500 to \$1,000 has been suggested as a starting point. See americasaves.org.

SAVING FOR PERIODIC EXPENSES AND GOALS

Once you have some money set aside for unexpected expenses you can start planning for upcoming expenses and goals.

Many people have goals they want to accomplish that require saving money. Some goals can take several months to achieve, like saving for a new TV. Others can take many years, like paying for a child's education. **If you decide to save money for a goal, make sure the money you're saving is separate from your emergency fund.** That way, if an unexpected expense comes up, using your emergency fund won't come at the cost of achieving your goal.

It's also important to save for periodic expenses (those that come only once or a few times a year) like renters insurance, income taxes, car insurance, or children's school supplies. While they're not unexpected, these expenses can be difficult to pay for all at once if you haven't been setting money aside for them.

SAVING FOR LEAN TIMES

Saving money is particularly important if your income fluctuates or varies from week to week. This could be because your income changes depending on how many hours you are scheduled to work each week. It could also be because you work seasonally, rather than year-round. In both situations, setting aside money in weeks or months with higher income can help you pay your bills on time when your income decreases or stops.

SAVING FOR EDUCATION

Saving for college or technical training for you or your children may be one of your goals. Training and education after high school or completing a General Educational Development (GED) test can be an important investment of both time and money.

Saving for education can reduce the amount of student loans you need and may provide more options for education and training after high school. There are many financial products that can help you save for an education, including savings accounts and certificates of deposit.

There are also investment products designed specifically for this purpose. One option is a 529 savings plan. These tax-advantaged savings plans can help parents, guardians, grandparents, and others save and invest for an education. For more information on saving for education expenses using a 529 plan, visit collegesavings.org.

TO TEACH YOUR CHILDREN ABOUT SAVING

In addition to leading by example with your own savings, one of the best ways to teach your children about the importance of saving is to start a savings account for them.

There are many benefits of opening a savings account for a child.

This kind of account can:

- Provide a secure place for a child to put money they earn or receive as gifts
- Introduce a child to saving and using financial services
- Help to establish healthy attitudes about money and saving
- Help a child to learn to plan for the future
- Provide a way to work with your child to achieve a goal together

Check with your bank or credit union to see if they are able to open an account in your child's name or a joint account in the name of both you and your child. Each financial institution has its own policies, so research local and online bank and credit union options.

Taking the first step to saving

Saving is hard on a tight budget. After you've made a decision to save you have to find the money to do it. There are only two ways to find money to save: spend less or earn more.

You can decrease spending and put the money "not spent" into savings. In some cases, the easiest way to find money to save is to cut one major expense. This may mean dropping a service or membership you're paying for but don't use very often. Or it could mean cutting back on the level of service, like going from premium cable to basic.

If there are no "major costs" you can cut, you may choose to cut back a little bit in several different categories of spending in order to save. For example, you might cut back on eating out and combine errands to spend less on gasoline. The savings from making small changes like this can add up.

In addition to cutting expenses, there's also the challenge of where to actually store your savings so you aren't tempted to spend it. If you don't have a place to set savings aside, it can be easy to spend the money on something else. If you have cash, you could move the money you save into a savings jar or envelope in your home. Then in order to keep it secure as it grows, you could deposit the cash into

a savings account at a bank or credit union. Some people choose to load it onto a prepaid card.

Some prepaid cards have a set-aside feature, sometimes called a “purse” or “wallet.” This feature lets you set aside some of your funds on the card. But if you need to use the funds for an unexpected expense you can easily transfer it back to the spending portion of the card. When you pick a prepaid card be sure to ask or read about all of the card’s fees so that you’ll know what it costs to have and use the card. If you choose to use a savings account, you can usually transfer part of that money to a checking account at the same bank or credit union easily when you need it.

You can learn more about the benefits and risks of various places to keep your savings in the “Finding a place for savings” tool.

You can also increase your income as a way to increase savings. For example, if you don’t already, you could work a second job part-time and save some of that extra income.

Sometimes you experience an unexpected increase in income. For example, you may get unanticipated overtime, extra hours at work, a bonus, or a tax refund. Consider setting aside some of this “extra” income into your savings account.

If you get paid bi-weekly, there are two months each year when you get three paychecks instead of two. You can take advantage of this “extra” paycheck to save for unexpected expenses later in the year. These are great opportunities to put some money away into your emergency savings fund. That way, you have a cushion to rely on when times are leaner.

If you receive a tax refund, you could save part of it for emergencies or unexpected expenses, set it aside for predictable annual expenses, or put it toward meeting one of your goals. The “Saving at tax time” handout can help you think through some options for how to make saving a priority when you get a tax refund.

If you want to use these strategies to build your savings, be sure that some of that new income gets moved into the place you have decided to save it.

If you get a notice from the IRS that someone used your Social Security number to file taxes and you didn’t file them, you may be the victim of identity theft.

Learn more about ways to prevent identity theft and how to report it in Module 9: Protecting your Money.

Making savings automatic

People who save successfully generally choose an automatic system of saving for their goals. They make the decision about where to save, set up the system, and then save money from every paycheck without having to think about it.

If you have a bank account and direct deposit, you can arrange to automatically deposit some of your paycheck into a savings account every time you are paid. For example, if your weekly paycheck of \$245 is directly deposited into your checking account, you can have \$10 automatically deposited into a savings account. Once you set this system up, you may even “forget” about that \$10 because you don’t see it in your checking account. This can make it easier to adjust your spending to offset having \$10 less per week. If you don’t use the money in the savings account, you’ll have over \$500 by the end of the year.

Check with your employer to learn more about direct deposit and other options for automatically saving some of your paycheck.

You can save while receiving public benefits

If you receive public benefits and want to start saving for emergencies and goals, you may want to know about asset limits. **Assets are things that you own.** Assets can include money in a savings or checking account, and things like your car, home, land, and business inventory.

Asset limits are rules about how much you can have or save before your benefits are reduced or taken away. Since assets help people achieve financial security, some assets won’t count against allowable limits. Generally, the assets that may count against allowable limits are “liquid,” which means they are similar to cash. Some examples of liquid assets are money in a checking account, savings account, or investment accounts. While things like a home or car that you own are also considered assets, they’re not liquid assets, so some program rules don’t count them against the allowable limit.

Different benefits have different limits and all states have their own asset limit policies. Knowing each program’s asset limits may help you avoid unexpectedly losing your benefits as you’re saving to reach your goals. Use the “Saving and asset limits” tool to figure out the asset limits for your benefits.

What's inside

This module has three tools and a handout to help you take steps to build savings and think about a place to keep the money you've set aside. It also discusses asset limits and how you can turn your tax refund into an opportunity to kick-start your savings.

Here are suggestions for how to make the most of the time you have.

If you have...

10 MINUTES

- Use "**Savings plan**" to build a weekly savings target that will help you accomplish your goals

30 MINUTES

- Complete "**Savings plan**"
- Use "**Find a place for savings**" to pick a place that's right for you to keep your savings

MULTIPLE SESSIONS

- Review the "**Saving at tax time**" handout for tips on how to prioritize saving when you get your tax refund
- Use "**Saving and asset limits**" to get a clear picture of how much you can save while still maintaining your public benefits

Savings plan

Making a weekly savings target helps make saving easier by breaking it up into manageable pieces. This can help you reach your goals and deal with unexpected expenses.

There are many benefits to having a savings plan.

- Your plan builds your own personal safety net one week at a time. As you build savings, you can have peace of mind knowing you have a little money set aside for the unexpected—and that means you'll spend less on late fees for missed bill payments and the costs that come with borrowing money to cover expenses.
- As you watch small amounts add up, you'll build confidence and move closer to reaching your goals.

What to do

- **Pick a reason for saving.** Consider starting an emergency fund or use the tools in Module 1: Setting Goals to come up with a SMART goal.
- **Figure out how much money you'll need to save for that goal and how many weeks you have to save.**
- **Divide the amount of money you want to save by the number of weeks you have to save it.** That's your weekly savings target.
- **Brainstorm some ways to decrease spending or increase income** to meet your weekly savings target.

A step further

Use the "Find a place for savings" tool to identify the best place to keep your savings.



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

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

Create a savings target.

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

Brainstorm strategies for saving.

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

Saving and asset limits

If you receive public benefits there can be limits on how much you can have in assets before the benefit is cut off. It's important to understand these limits to make sure your savings goals don't affect the benefits you receive or are applying for.

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

Each program has different rules about what counts as an asset and the total value of your assets allowed to qualify for assistance. For some programs, these rules are the same regardless of where you live. For others, each state determines its own rules.

In general, your liquid assets (like cash or money in savings or checking accounts) are counted as assets. In some states, if the value of your car exceeds a certain amount, anything over that amount may be counted as an asset as well.

What to do

- **Identify which public benefits the person you're working with currently receives** or may be applying for in the near future.
- Use the websites provided to **figure out their state's specific asset limit for each program** and write it on the tool.
- If you regularly work with people who receive public benefits, **consider completing this tool in advance**. Make copies and review it with the people you serve.

A step further

Asset limit rules change regularly, so check the rules every year to make sure you have the most up-to-date information.



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

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

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

PROGRAM TYPE	PROGRAM	YOUR STATE'S ASSET LIMIT
 Medical	Family Medicaid medicaid.gov/medicaid/by-state/by-state.html	No limit
	Medicare Part D Extra Help (Low-Income Subsidy) shiptacenter.org	\$
	Medicare Savings Programs shiptacenter.org	\$
	State Child Health Insurance Program (SCHIP) medicaid.gov/medicaid/by-state/by-state.html	\$

Finding a place for savings

Once you've decided to save you should decide where to keep your saved money.

It's one thing to start saving money. It's another to figure out where to actually store that money for safekeeping. There are many places you could keep your savings, each offering specific risks and benefits. Some things to think about are how secure it is, whether there are costs associated with keeping it there, and how accessible it is.

For example, keeping savings in a secret place in your home is easily accessible and is free, but may be less secure in the case of theft or a fire.

On the other hand, a bank or credit union could be less convenient, but is very secure. The Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) guarantee that the money people deposit will be there when they want to withdraw it. So, if you have less than \$250,000 deposited in a checking or savings account at an insured bank or credit union, you'll get all your money back if the bank or credit union fails.

Weighing the benefits and risks of each place can help you decide what works best for your savings.

What to do

- **Carefully review the benefits and risks** of each place to keep your savings.
- **Write down what questions you have** about options that may be right for you.



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

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

	✓ BENEFITS	! RISKS	? QUESTIONS I HAVE
 Account at bank or credit union (savings, checking, or share draft)	▪ Money is protected if the institution is federally insured, up to \$250,000 per depositor ▪ Money can't be lost, stolen, or destroyed in a fire or other disaster ▪ You can generally get it back if someone steals it by using electronic means or a debit card	▪ May be charged fees if you don't follow the rules for the account, such as having to keep a minimum balance or overdraft fees ▪ May be difficult to open an account based on previous banking history	
 Family member or friend	▪ No costs to maintain it	▪ Can be lost, stolen, or destroyed in a fire or natural disaster ▪ Might put your friend or family member at risk of a home invasion ▪ May put your money at risk if your friend or family member betrays your trust	

	✓ BENEFITS	! RISKS	? QUESTIONS I HAVE
 Home	▪ No costs to maintain it ▪ Easy to access ▪ Convenient	▪ Can be lost, stolen, or destroyed in a fire or natural disaster ▪ Might put you at risk of a home invasion	
 Prepaid card	▪ Easy to access ▪ Convenient ▪ No bank or credit union account needed	▪ May have fees for activation, loading funds, using the card, etc. ▪ May not have the same protections as a bank account if your card or account information is lost or stolen Note: Check the card agreement to make sure you understand the fees and review the "Knowing your prepaid card rights" handout in Module 8.	
 U.S. savings bonds	▪ The money can't be lost or destroyed in a fire or other disaster. If you have a paper bond, the funds can still be recovered	▪ You lose some of the interest if you cash the bond before it matures ▪ More difficult to access if you need the money right away	



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

MODULE 3

Tracking Income and Benefits

You have to know what's coming in before you can plan for what's being spent. Tracking the money and benefits you receive is the first step in creating a budget that works for you.

At a glance

This module can help you track the income you're earning and any public benefits you're receiving to better budget your money. It also helps you understand things like deductions and garnishment, which affect how much money you bring home.

-  **Income and benefits tracker**
-  **Choosing how to get paid**
-  **Increasing income and benefits**

Introduction

Income is the money you receive from part-time or full-time work, self-employment, and investments. You use income to pay for the things you need and want or can save it to spend toward one of your goals. Money can also come from things like tax refunds, gifts, and inheritances, which can also be spent or saved like income.

Having a problem with a payroll card, bank account, or other financial product or service?

You can submit a complaint and we'll forward it to the company and work to get you a response. Submit online at consumerfinance.gov/complaint or by calling (855) 411-2372.

Public benefits are payments you may receive from the government to help pay for necessities. Most benefit payments have restrictions about how they can be spent. So while these payments help increase your spending power, they aren't as flexible as income earned from a job.

Income

Income can be regular, coming into your household on a set schedule in an amount that you can count on. Or **it can be irregular**, where you can't accurately predict when you'll receive it or how much you'll receive. The ups and downs of irregular income can make it hard to be sure you'll have enough money to pay your bills and expenses, like food and transportation.

Sometimes income is seasonal, meaning you may receive it only some months during the year. For example, if you live in a state with cold weather and work in the construction industry, you may be very busy with work from March through November, but have no work at all from December through February.

Finally, **some income may be a one-time occurrence**. Your tax refund is an example of a one-time source of income within a year.

Managing income can be very challenging if it's irregular, seasonal, or one-time-only because you may not know how much money is coming in or when you'll receive it. Your bills and expenses, however, continue on schedule. Covering your expenses can be stressful if you don't know when your next paycheck will be or how much you'll be paid.

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

You can use the "Income and benefits tracker" to track any type of income and benefit payments coming into your household. It's the first step in planning how you can better manage your income throughout the year to cover spending in months you may not have any income. This is also an important step in creating a cash flow budget, which is explained in Module 5: Getting through the Month.

INCREASING INCOME

There are several ways to increase your income to help offset any variations in irregular, seasonal, or one-time pay you receive.

Increasing income through workforce development programs

One way to potentially increase income for the long term is to get training through a local workforce development program. Workforce development programs provide skills training that can prepare you for a new job, either where you work now or for another company or organization. They may be offered through career-technical schools, community colleges, universities, unions, apprenticeships, or other programs.

To find a workforce development program in your community, start with the U.S. Department of Labor services locator at dol.gov/general/location. If you enter your ZIP code, you'll get a list of programs in your area.

You can also visit an American Job Center to explore careers, find out about education and training required for different careers, get advice on applying for jobs and interviews, and more. To find a center near you, visit careeronestop.org/localhelp/service-locator.aspx.

Your state probably has a state career or workforce development website where you can find online assessments for your interests and skills, as well as links to in-person and online training. Many community colleges also provide these types of assessments and services. You can find your local community college at careeronestop.org/LocalHelp/CommunityServices/find-community-colleges.aspx.

Increasing income by deciding when to claim Social Security

If you're getting close to retirement age, you may be thinking about claiming Social Security retirement benefits to add to your income. Choosing when to begin collecting Social Security is an important financial decision. Once you've decided to start collecting, you can't change your mind. Social Security often becomes a primary source of income later in life, and that's when medical and health costs may be at their highest. Claiming as soon as you're first eligible can mean less money in total throughout your retirement.

If you wait to claim Social Security retirement benefits until you're 70 (instead of when you become eligible at 62), your benefit increases by as much as 75 percent. The CFPB's "Planning for Retirement" tool at consumerfinance.gov/consumer-tools/retirement/before-you-claim can help you see how your Social Security payments will grow each year that you delay claiming. When to claim is a very personal choice, where you take into account your health, other sources of income, and your expectation about how long you may live.

Public benefits

Public benefits are payments you may receive from local, state, tribal, or federal government agencies. They are often designed to help individuals and families that don't have the resources to cover their basic living expenses.

You can get benefits only if you apply and qualify to receive them. For most benefits programs, eligibility is based on:

- Income
- Assets, like savings, a vehicle, or money in investments
- Circumstances, like whether you have dependents or have a disability

Benefits are important financial resources that may cover some essential living expenses. That's why it's important to track benefits the same way you'd keep track of your income. But benefits aren't as flexible as income, because they usually can only be spent on specific things. For example, if you qualify for the Supplemental Nutrition Assistance Program (SNAP), you can only use those benefits to purchase certain groceries. If you qualify for Medicaid, you can only use those benefits to cover qualified health expenses.

Having benefits frees up cash to pay for other living expenses that aren't generally covered by benefits, such as gas, car repairs, cell phone service, or debt repayment.

Getting income and benefits

There are different ways to receive income and benefits:

- Cash
- Paper check
- Direct deposit (to a checking account, savings account, or prepaid card)
- Payroll card (prepaid card arranged by an employer)
- Government benefits cards (prepaid card arranged by a government agency)

You don't always get to decide how income and benefits are paid to you. For example, some benefits programs require that funds are deposited directly to either a government benefits card or bank account.

Some employers might pay you only using a traditional paper check. If your employer offers to pay your wages by payroll card, you must be offered at least one other option. That option might be a paper check, or it could be direct deposit to an account of your choosing, such as a checking or savings account, or your own

prepaid card. Some states require employers to offer paper checks, while others permit employers to mandate electronic pay for wages. In those cases, you might have to choose between a payroll card and direct deposit.

Depending on where you live, your state's laws may say what choices your employer has to offer to you, or your state law might require that your employer get your written consent before paying you with a payroll card.

In some states, you might be offered unemployment benefits and other government benefits on a prepaid card.³ This means that instead of getting checks you receive a prepaid card, and each month the benefit amount is loaded onto the card. The federal government also allows you to have certain federal benefits, such as veterans' benefits or Social Security benefits, deposited in one of multiple ways. For example, benefits may be deposited to your checking or savings account, put on a federally insured prepaid card of your choosing, or loaded onto a prepaid card that the government arranges.

The amount you can be charged in fees for using a government benefits card depends on the government agency and the financial institution issuing the card. Be sure to understand how and when fees can be charged and read the cardholder agreement carefully to understand the cheapest ways to access your benefits.

Each way to get income has advantages and disadvantages that may make it easier or harder for you to manage your income and that affect your costs. To better understand the pros and cons of each method, use the "Choosing how to get paid" tool.

Protecting the money on your prepaid card

On the back of a prepaid card, there's a phone number you can call in case something happens to your card. It's also usually in your cardholder agreement. Write down this phone number and your card number, and keep it somewhere safe. If your card is lost or stolen, be sure to call that number or log in to your account online to report it right away. If you can't find the number to report a loss or theft of a government benefits card, call the agency that provides your benefit. If someone else uses the card and your PIN number, there's a chance these benefits won't be replaced.

3 Some states also distribute child support on prepaid cards.

You have protections in case of an error or an unauthorized transaction if you have a prepaid card that you have successfully registered. For example, you generally can't be held responsible for unauthorized charges or other errors on these cards, if you report them immediately. In addition, the card provider is generally required by federal law to credit the disputed amount to your account while investigating the problem if the investigation will take longer than 10 business days.

These protections also apply if you receive government benefits (other than needs-tested benefits⁴) through a government-arranged card.

Don't forget to register your card! Registration will provide you with more protections if your card is lost or stolen.

Learn more about prepaid cards and your rights in Module 8: Choosing Financial Products and Services.

You should call your card provider as soon as you notice your card is missing or see any charges you don't recognize. The card provider may not be required to return as much (or any) of your funds if you don't notify them promptly of a lost or stolen card or any unauthorized transactions or other errors occurring on your account.

4 Needs-tested benefits in a program established under state or local law or administered by a state or local agency, such as SNAP, TANF, or WIC, are not subject to these protections. However, needs-tested programs administered directly by the federal government, such as SSI, are protected.

Deductions from your pay

A payroll deduction is the money your employer takes out of your pay to cover things like taxes and health insurance. Deductions can either be mandatory or voluntary. All deductions will lower the total amount of money you get to take home.

Mandatory deductions, which are required to be taken out, include:

- Federal income tax
- Social Security, which is part of FICA (Federal Insurance Contributions Act)—6.2 percent of your pay is for Social Security, with your employer contributing another 6.2 percent on your behalf⁵
- Medicare, which is also a part of FICA—1.45 percent of your pay is for Medicare, with your employer contributing another 1.45 percent on your behalf
- State income tax (in most states)
- Local taxes (in some communities)
- Wage garnishments (in certain cases)

Voluntary deductions, which you can decide to contribute, may include:

- Your share of costs for health, dental, or vision insurance (known as premiums)
- Your contributions to a health savings account (HSA) or flexible spending arrangement (FSA) to help cover costs for healthcare or childcare
- Your contributions to an employer-sponsored retirement account (401k or 403b plans)
- Union dues
- Your contributions for life insurance premiums

Gross income is how much you earn before any mandatory or voluntary deductions are taken from your pay. Net income is the pay you actually receive after all deductions have been taken out. It's usually easier to track net income because that's the money you actually take home and have available to pay for your expenses.

⁵ FICA and Medicare contributions are accurate as of February 2020.

WAGE GARNISHMENTS

If a creditor sues you for unpaid debts and wins, they might collect the debt by garnishing your wages. This means that the creditor gets a court order and sends it to your employer, who must then take part of your paycheck and send it directly to the creditor. Garnishments can also come directly from your bank account.

Your wages can also be withheld or garnished to pay back child support, defaulted federal student loans, back taxes, or other debts to a government agency, such as unpaid court costs.

Garnishments continue until the debt is repaid or other arrangements are made to pay off the debt. The law protects certain types of income from garnishment, and also limits how much of your income can be taken.

If you don't remember being sued for a debt and you don't know why your wages are being garnished, ask your employer for a copy of the wage garnishment order. The order should include contact information for the creditor and some information about the type of debt.

Limits on wage garnishments

Generally, federal law limits wage garnishment so that you can take home enough income to live on, even if your wages are being garnished. Some state laws provide additional protections that allow you to keep more of your wages than the federal limits.

Federal and state laws may protect the money you receive from certain sources from garnishment. This may include money you receive from a pension or retirement plan, federal student loans, child support, or spousal support payments. Other laws in your state may also protect a part of your money and assets.

To learn about these state law protections, you may want to consult a lawyer in your state.

If the debt you owe to the government is for child support, there may be different rules. For example, the state child support enforcement agency may not need to get a court order and may establish the amount due by an administrative proceeding. The amount that can be taken from your wages may also be different. This kind of garnishment can be complicated too, so you may want to consult a lawyer.

Limits to garnishment amounts

The amount that can be garnished from wages under federal law is usually limited to the smaller of these two amounts:

- 25 percent of your disposable income
- The difference between your weekly income and 30 times the federal minimum wage of \$7.25 ($\$7.25 \times 30 = \217.50)

For the purposes of wage garnishment, your disposable income is what you earn after mandatory deductions, such as social security, federal, state, and local taxes, have been taken out of your pay.

For example, if you earn \$300 a week (after mandatory deductions), the limit on garnishments would be the smaller of these two amounts:

25 percent of your disposable income

EXAMPLE

Weekly earnings	\$300
	x 25%
Total garnishment	= \$75

Difference between your income and 30 times the federal minimum wage

EXAMPLE

Federal minimum wage	\$7.25
	x 30
Subtotal	= \$217.50

Weekly earnings	\$300.00
	- \$217.50
Total garnishment	= \$82.50

Federal law would limit your garnishment to \$75, because it's less than \$82.50.

Garnishment of federal benefits and support payments

Most federal benefits that you may receive are exempt from garnishment. But some—like Social Security and Social Security Disability Insurance (SSDI)—can be garnished to pay certain government debts like back child or spousal support, back taxes, or federal student loans. Other benefits, such as Supplemental Security Income (SSI), are protected from garnishment, even to pay a government debt or child or spousal support.

If federal benefits, such as veterans' benefits, Social Security, SSI, and others, are directly deposited into your bank account, there are additional protections under federal law for some of the funds in your account. A list of federal benefits generally exempt from garnishment can be found at consumerfinance.gov/askcfpb/1157. If you worked for the federal government, retirement and pensions are also protected.

Offsets of federal tax refunds

Your tax refund can be reduced to pay off certain types of debt. The IRS calls these types of reductions of your tax refund “offsets.” Certain debts owed to a federal or state agency could be subject to offset and could reduce or fully eliminate the tax refund amount the IRS would send you. Money owed to a private creditor or collector cannot be garnished from your federal refund. But if you deposit the refund in a bank or credit union account, then it may then be subject to garnishment by a private creditor or collector. For more information on tax refund garnishments or offsets go to [IRS.gov](https://www.irs.gov).

Garnishments of a bank account

If someone you owe money to tries to garnish money from your bank account, your bank or credit union must check your account history for any Social Security or veterans' benefits directly deposited into your account within the last two months.

The bank must protect two months' worth of benefits from garnishment and let you access that money, even if the bank freezes other funds. If your account has more than two months' worth of benefits, the bank may have to freeze the remainder of that money.

If you receive Social Security or veterans' benefits by check and then deposit the check into your bank account, the bank doesn't have to automatically protect two months' worth of benefits in the account. This means that your entire account balance could be frozen. If this happens, you'll need to go to court to prove that the income comes from protected federal benefits and should not be garnished.

To take advantage of the automatic protections for directly deposited Social Security and veterans' benefits, you should sign up to have these benefits directly deposited into your bank account or loaded onto a prepaid card.

Under certain circumstances, like if you have an overdue loan payment or an overdraft fee with the bank or credit union where your account is, the bank may attempt to collect that amount from your account directly. Whether or not this "set-off" is allowed depends on the type of account and institution, your depositor agreement, and federal and state law.

If your account contains money protected or exempt from garnishment due to federal or state law, there may be a question about whether those funds can legally be taken from your account. Some states protect certain benefits (like Social Security or unemployment compensation) from set-off.

Check with your bank or credit union for information about their policies. If your account is set off and you're unable to resolve the issue, you can seek help from a lawyer.

Bank freezes related to a garnishment

If your bank freezes any money in your account, it must send you a notice of garnishment. These procedures are controlled by state laws, which vary greatly. You'll need to respond to the notice of garnishment to claim any other exemption provided by your state law or under federal law. You can then ask a judge to decide whether your money should be protected from garnishment based on things like the source of your income and any state or federal exemption.

It's very important for the judge to know that your money comes from a protected source, such as Social Security or veterans' benefits, before they decide whether your money should be turned over to the creditor.

Legal assistance if your account or wages are garnished

If you're facing garnishment of your income or benefits, consider consulting a lawyer. This can help you understand your legal rights and responsibilities and they can help you take steps to protect your rights if that becomes necessary.

You may qualify for free legal services through legal aid, depending on your income and where you live. To find a legal aid lawyer in your state visit consumerfinance.gov/askcfpb/1549.

Servicemembers can get legal assistance through their Judge Advocate General's (JAG) office. You can find your local JAG office at legalassistance.law.af.mil/.

You can also contact a lawyer referral service in your area and ask for a lawyer with experience in garnishment and debt collection. Some lawyers may offer free services or charge a reduced fee.

What's inside

This module has three tools to help you better track and possibly increase how much money you bring home from income and benefits.

Here are suggestions for how to make the most of the time you have.

If you have...

10 MINUTES

- Review "**Choosing how to get paid**" to see the pros and cons of different payment methods and pick what works best for you

30 MINUTES

- Complete the "**Income and benefits tracker**" to see how much money you're bringing home each month

MULTIPLE SESSIONS

- Use "**Increasing income and benefits**" to think about ways you can boost the amount of money you're making

Income and benefits tracker

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

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

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

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

What to do

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

A step further

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

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



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

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

Term to know: net income

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

Income for month of _____

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

Total weekly income

--	--	--	--	--

Total income for this month

--

Choosing how to get paid

Pick the option for receiving income and benefits that works best for you.

There are many ways you can get paid or receive benefits. Each way has different benefits and risks, which can make it easier or harder for you to manage your money.

Sometimes, you don't have a choice about how you get paid or receive benefits. For example, some benefits programs require that funds be loaded onto a government benefits card. Some employers might pay you only using a traditional paper paycheck.

Not all employers or government agencies offer all methods of payment.

If your employer pays wages by payroll card, you must be offered at least one other option. That option might be a paper check, or it could be direct deposit to a checking or savings account or your own prepaid card.

It's important to understand your options and make a decision that's right for you.

What to do

- **Carefully review the benefits and risks** of each way to receive income or benefits.
- **Write down what questions you have** about options that may be right for you.

A step further

If you're considering receiving income or benefits on a payroll card, government benefits card, or Electronic Benefits Transfer (EBT) card, review the "Knowing your prepaid card rights" handout in Module 8.



Choosing how to get paid helps you manage your income and benefits

1. Evaluate the benefits and risks of each payment method.
2. Write down any questions you have, and choose a method that's best for you.

METHOD	✓ BENEFITS	! RISKS	? QUESTIONS
Cash Paper or coin money minted by the U.S. government	▪ Can spend it almost anywhere ▪ Easy to access	▪ Could be lost or stolen, especially if you carry large amounts with you or leave it in your home ▪ Some people find it tempting to spend on a whim, making budgeting and saving more difficult ▪ Can be more difficult to track spending for personal budgeting and tax purposes ▪ Not all bill payments can be made in cash	
Paper check A physical check given (in person or by mail) to pay you the indicated amount; has to be deposited or cashed to access the money	▪ Can be deposited into a checking or savings account, or may be able to load onto a prepaid card directly ▪ If lost or stolen, usually can be canceled and reissued to you ▪ Sometimes no fee to cash "on us" checks, which are written from accounts held with the bank or credit union where you're cashing it	▪ Have to wait until it arrives in the mail or can be picked up, possibly delaying when you receive the money ▪ Requires you to take an action of depositing or cashing the check before you can use the money ▪ May need a bank or credit union account to cash a check without paying a fee ▪ May not be able to access all the funds immediately after depositing (waiting period for check to clear)	

METHOD**BENEFITS****RISKS****QUESTIONS****Direct deposit**

Money is electronically sent to your bank account, credit union account, or your own prepaid card

- Reduces your risk of loss or theft if funds are sent directly to a bank or credit union account because they are protected from unauthorized transfers and other errors once deposited
 - Usually available to you immediately (often on payday)
 - No check-cashing or other fees to deposit money
 - Many banks and credit unions waive fees for checking or savings accounts when you set up direct deposit
 - Funds can usually be accessed in a variety of ways, such as by using a debit card at merchants or at ATMs, at the bank or credit union's branches, through an online bill pay service, or by personal checks
 - May be able to split the deposit between checking and savings accounts, which can help you build savings
- Direct deposits made to a prepaid card may not have protections for unauthorized transfers or other errors, unlike checking and savings accounts
 - Can be charged fees if you write checks, use your debit card, or make other transfers without sufficient funds in your account
 - Have to go to an ATM (could pay a fee) or get cash back at a merchant to receive cash, if there are no convenient branch locations

METHOD	✓ BENEFITS	! RISKS	? QUESTIONS
Payroll card Employer loads your salary or wages onto a prearranged prepaid card where you can access the funds	▪ More secure than cash or checks ▪ Has full federal protections in case of unauthorized transfers or other errors (the same as checking and savings accounts) ▪ Funds can usually be accessed in a variety of ways, such using the card at merchants or at ATMs, at the card provider's branches, through an online bill pay service, and sometimes by check	▪ Potential service or inactivity fees, meaning you might have to pay to access your wages in certain ways (ask your employer about these) ▪ Have to go to an ATM (could pay a fee) or get cash back at a merchant to receive cash, if there are no convenient branch locations, ▪ Some cards limit how many times you can access an ATM in 24 hours	
Government benefits card A government agency loads your benefits onto a prearranged prepaid card where you can access the funds	▪ More secure than cash or checks ▪ Has full federal consumer protections in case of unauthorized transfers or other errors (includes needs-tested programs administered by the federal government, like SSI) ▪ Funds can usually be accessed in a variety of ways, such as by using the card at merchants or at ATMs, and possibly through an online bill pay service	▪ Potential service or inactivity fees, meaning you might have to pay to access your benefits in certain ways (read the cardholder agreement to check for these) ▪ If cash access is permitted, have to go to an ATM (could pay a fee) or get cash back at a merchant to receive cash	

METHOD	✓ BENEFITS	! RISKS	? QUESTIONS
Electronic benefits transfer (EBT) cards A certain type of government benefits card (replacing paper-based benefits) used for needs-based programs such as Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and other programs (availability, fees, and other terms vary by state and program)	▪ More secure than cash or check ▪ For some EBT cards, funds can usually be accessed in a variety of ways, such using the card at merchants or at ATMs, and possibly through an online bill pay service	▪ There may be limits on where you can use the card or what you can purchase with it ▪ May not have protections for returning funds taken through unauthorized transactions or other errors ▪ If cash access is permitted, have to go to an ATM (could pay a fee) or get cash back at a merchant to receive cash ▪ Some benefits can expire if they aren't used within a certain amount of time (ask if this applies to your benefit and keep track of your balance to avoid losing benefits); ask to have cash benefits sent to your bank account or your own prepaid card instead to avoid this	

Increasing income and benefits

Identify ways you can increase the money you bring home each month.

There are two ways to bring home more money. **You can bring in more income through a one-time activity** like selling items in a garage sale or online, or learn if there are additional tax credits you can claim to increase your refund.

Or you can bring in more income or benefits on a regular basis. For example, you could get a part-time job, apply for public benefits you qualify for, or start a small business.

There are lots of ideas for ways to earn from a one-time activity or on a regular basis. Not all options will work for everyone, so focus on the ones that seem realistic for you and your family.

What to do

- **Review the strategies** for increasing income and benefits and check the ones that seem possible for you.
- **Write down any specific ideas** you have for accomplishing the strategies you checked.

A step further

Another way to think about increasing income is to decrease spending, meaning you have more money to keep. Use the “Cutting expenses” tool (in Module 4) to learn some ways you can reduce spending.



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

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

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

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

MODULE 4

Paying Bills

Learn to organize, track, and prioritize your bills and expenses.

At a glance

This module can help you better understand where your money is going and learn how to reduce expenses and pay bills more efficiently.

-  Spending tracker
-  Bill calendar
-  Choosing how to pay bills
-  Cutting expenses
-  Prioritizing bills

Introduction

“To stay financially healthy, you should spend less than you earn.” This simple rule may work for many people, but it isn’t very helpful if you can’t afford to pay all of your bills and living expenses.

For some, balancing personal priorities and family expectations can sometimes be a challenge. And if your work is seasonal or irregular, you may be able to cover everything when you’re working, but struggle to cover expenses in the months or weeks when you’re not.

Having a problem with the bill payment service through your bank or credit union?

You can submit a complaint and we’ll forward it to the company and work to get you a response. Submit online at consumerfinance.gov/complaint or by calling (855) 411-2372.

Planning for bills

The more you can prepare for the bills you know are coming, the better you can save for them. Having a plan and system in place for paying bills can make them easier to pay and help reduce stress. Before you can make a plan you have to first know how much income is coming in, how much spending is going out, and what bills are due when.

It's impossible to know if you're going to be able to afford all your bills unless you're familiar with how much you're expected to pay each month. Make sure you know what bills are due, how much they usually are, and what time of the month they're due.

Tracking your spending is another good way to plan for bills. When you categorize and write down how you're spending your money, it makes it easier to know where you might be able to cut back. It also helps you think about how much of your spending is on needs versus wants.

For example, before you make a purchase you can stop and ask yourself if it's something you need or want. You can also think about if making that purchase is going to make it harder for you to pay all your bills this month.

Wants versus needs

Separating needs, obligations, and wants can empower you to set priorities and understand more clearly where you can make changes if you decide your spending isn't matching your priorities.

Needs are the things you must have to live. These include shelter and utilities, food, medication, clothing, and transportation. Even with needs, deciding what you can afford, maintain, and are able to pay for can be a challenge.

Obligations include debts you owe and payments you've been ordered to make, such as child support, spousal support, and other judgments.

Wants are the things you would like to have but can survive without. For example, a reliable car to get to work is a need. A new car might be more of a want. But it's not always so clear-cut. One person may view something as a want, and another person may see it as a need.

Making paying bills easier

If there's just not enough money to pay all your bills every month, you can try to cut expenses by making changes in your life. You might bring your lunch to work instead of buying at the cafeteria or use coupons when shopping at the grocery store. Even small changes can make a difference on being able to pay all your bills.

Another thing you can do to make paying bills more manageable is look at when you have income coming in versus when bill payments are due. If you get paid at the end of the month but most of your bills are due at the beginning, it could make it hard to pay them on time. Many financial institutions will work with you to change the due date to make it easier for you to make those payments.

You can also think about what methods you want to use to pay your bills. Each method has its own advantages and disadvantages. It's important to understand what options are available, so you can decide what works best for you.

Protecting your information on digital money apps

It's becoming more popular to use mobile apps to keep track of your bills and other spending or a digital wallet to make payments. While they can be convenient, there are some things to keep in mind about protecting your money and information when using these types of digital tools.

First, find out if there's a fee to use them. Some apps that appear to be free may have fees when you try to use them to send money or take a percentage of money that's sent to you.

It's also important to safeguard your personal information. Some financial apps require you to enter the information that you want the app to use, like billing address or credit card information. Others pull information automatically from your financial accounts, but only after you give permission for the app to do that.

- Don't conduct financial transactions on public Wi-Fi.
- Password-protect your mobile device and any financial accounts you have access to. Don't save your passwords to financial accounts on your mobile device.
- Make your password longer and stronger to make your information more secure. Don't repeat passwords, don't save them in web browsers, and don't use common words or phrases that can be guessed.
- Use two-factor authentication to help protect your accounts. This is a two-step process in which you have to enter your password and then a code sent to you via text or email. Many banks and other financial service providers now offer this extra layer of protection. Take advantage of it.

- Most devices have a remote access feature. You can lock your device, delete sensitive information, or activate the alarm if it's lost or stolen. Make sure you activate this feature on your device.
- If your device is lost or stolen, you may need the make, model number, and serial number. Go to your phone settings and look for the "About" or "About phone" feature, which will display all of this information. Take a screenshot and email it to yourself, so you'll have it if you need it later.

If your device is lost or stolen, contact your wireless carrier immediately. If you use a digital wallet, contact the financial institutions that issued those cards. Also contact any financial institution for which you had a username or password saved on your phone.

If your regular bills or account statements aren't arriving on time, you could be the victim of identity theft.

Learn more about ways to prevent identity theft and how to report it in Module 9: Protecting your Money.

What's inside

This module has five tools to help you gain a better understanding of how you spend money, when bills are due, and how to cut expenses if you need to.

Here are suggestions for how to make the most of the time you have.

If you have...

10 MINUTES

- Use the "**Spending tracker**" to get a clear picture of where you're using your money and financial resources

30 MINUTES

- Use "**Choosing how to pay bills**" to learn about all of the payment options you have for paying your bills
- Use "**Cutting expenses**" to brainstorm ideas for cutting expenses from your budget
- Use "**Prioritizing bills**" to make decisions about which bills to pay when you can't make ends meet

MULTIPLE SESSIONS

- Use the "**Bill calendar**" to visually organize all of your bills in a monthly calendar

Spending tracker

Before deciding on changes to your spending, it's a good idea to understand how you use your money now.

Keeping track of what you earn and everything you spend money on for a month, rather than just a week or two, lets you see all of your income and expenses in one place. Many people who track their spending for a month discover that they're spending money in small ways that add up and sometimes don't match their priorities. Once they track their spending, many people can find money to save for emergencies, unexpected expenses, and goals. Others are able to balance their budgets.

What to do

- **Get a small container or envelope.** Every time you spend money, get a receipt and put it into the case or envelope. If the receipt doesn't list what you purchased, take a few seconds and write it on the receipt. If you don't get a receipt, write down the amount and what you purchased on a piece of paper and add it to the stack. If you use a mobile device to keep track of your spending, make sure you read the "Protecting your information on digital money apps" tips in Module 4.
- **Analyze your spending.** Go through your receipts and enter the total you spent in each category for each week. Add the weekly amounts per category. Write these down in the "Category totals" column. Once you have these totals, add them together to get your total spending for the month. If tracking your spending for a whole month seems too difficult, try it for just one or two weeks.
- **Notice trends.** Circle items that are the same every month (like rent, car, or cell phone payments). These are often your needs and obligations. This will make creating your budget easier. Identify any areas you can eliminate or cut back on—these will generally be wants.

A step further

Once you've tracked your spending, be sure to add it into your budget or cash flow budget. Learn more about cash flow budgets in Module 5: Getting through the Month.

CATEGORIES USED IN THE SPENDING TRACKER

	Cell phone	Any costs related to having and using your cell phone
	Debt payment	Credit card payments, payday loan payments, pawn loan payments, auto title loan payments, other loan payments
	Eating out	Any meals or beverages purchased outside of the home
	Education + childcare	Childcare costs, school supplies, school materials fees, field trips, other activity fees
	Entertainment + personal care	Movies or concerts, sports equipment/fees, sporting events, lottery tickets, alcohol, books/CDs, subscriptions, streaming services, haircuts, hygiene items, dry cleaning
	Groceries + other supplies	Food and beverages brought into the home, household supplies (diapers, paper towels, etc.)
	Health expenses	Co-payments, medication, eye care, dental care, health insurance premiums
	Helping others	Donations to religious organizations or other charities, gifts
	Housing + utilities	Rent, mortgage, insurance, property taxes, electricity, gas, water and sewage, landline, television, Internet service
	Pets	Food, vet bills, and other costs associated with caring for your pets
	Transport	Gas, car payment, insurance, repairs, transit fares, ride services, cabs
	Other	▪ Court-ordered expenses (child support, restitution) ▪ Household items (things for your home like cleaning supplies, kitchen appliances, furniture, other equipment) ▪ Savings (saving for emergencies, goals, back-to-school expenses, holiday purchases, children's education, retirement) ▪ Tools or other job-related expenses (equipment, special clothing, job-related books, machinery, working animals or livestock, union dues)



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

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

Spending for the month of: _____

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

Total spending this month:

Bill calendar

You may be able to avoid late fees and other consequences of missed or late payments if you set up a bill calendar so you can see when payments are due.

Most people have recurring bills and expenses like rent, utilities, car payments, and insurance. Most of these bills have a fixed due date. If you are late, even by a few days, you will likely pay an extra fee. You may also risk a negative entry in your credit record.

Figuring out which bills to expect helps you plan to have enough money on hand. Some people find that thinking ahead helps reduce the stress when bills arrive.

What to do

- **Gather all the bills you pay in one month** or use the information from your spending tracker. Remember to include any bills that are paid automatically.
- **Write the date when you must send the payment** or when the money must be taken out of your account, in advance of the due date. If you're paying by mail, mark the due date at least seven days before it is due. For in-person or online bill payment, mark two or three days before the due date to ensure you are not late.
- **Write down the name of the company or person you owe the money to and the amount that's due** on the date the bill must be sent to arrive on time.
- **Put this calendar where you will see it every day.**

A step further

Once you have finished adding your bills, add your sources of income as well. Write in the dates and amounts you get paid or when you receive other income. Use the "Bill calendar" to compare your weekly bill totals to your weekly income totals. If you have more bills than income in a given week, consider asking to change the due dates of some of your bills. See the cash flow tools in Module 5: Getting through the Month for more information on balancing your income with your bills and expenses.



Creating a **Bill calendar** helps you see how income and bills line up each month

1. Select which month you're planning for and label the calendar for that month.
2. Make a list of all your bills.
3. For each bill, **mark the payment date**: 7 days before the due date for mail, 3 days before the due date for online.
4. Enter the dates you'll receive income and the amounts you expect.

Bills:

_____	_____
_____	_____
_____	_____
_____	_____

Month of: _____

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday

Choosing how to pay bills

Your choice of bill payment methods may help you save time, save money, avoid additional or unnecessary fees, and create a reliable track record of bill payments.

In general, you can pay your bills using:

- Cash
- Checks
- Credit or debit cards
- Money orders
- Online or mobile bill payments
- Prepaid cards

Picking a method that helps you consistently pay your bills on time can help you build a payment record that may improve your ability to access credit.

There are benefits and drawbacks to each method. For example, if you prefer to pay bills in-person using cash, you have to get to a payment location, which costs you time and gas money or transit fare. If you use automatic bill payment from a checking account, you'll save time, but you'll need to make sure you have enough money in the account to cover the payment. Otherwise, you may risk a rejected payment or an overdraft fee. If you pay by credit card and can't pay off the balance in full each month, you'll have to pay interest, which will add to what you owe.

What to do

- **Read through the bill payment methods.**
- **Consider the features of each.** Some features can be either advantages or disadvantages, depending on what is important to you.
- **Decide which method to pay your bills is the right choice for you.** Remember that you don't have to pick just one payment method for all your bills. For example, you might put your rent or mortgage on automatic payment but pay your other bills one by one with cash.



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

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

	✓ BENEFITS	! RISKS	? QUESTIONS I HAVE
Cash	▪ Easy to use and understand ▪ There are often no fees, unlike getting a money order or a prepaid card	▪ Requires bills be paid in person ▪ Difficult to prove payment unless you have a receipt ▪ May be stolen	
Check	▪ Convenient once checking account is set up ▪ Can be mailed ▪ Easy to prove payment if there's a dispute ▪ Funds in the checking account are secure	▪ Likely requires a checking account, which may not be possible if you have a negative banking history ▪ If you don't have enough money in your account to cover your check, you may be charged nonsufficient fund or overdraft fees ▪ Can get lost in the mail	

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

Credit card	▪ Can pay bills by phone or online ▪ Can make one-time payments or set up recurring (automatic) payments, which reduce the chance of paying a bill late ▪ Easy to prove payment if there's a dispute ▪ Protected from paying for unauthorized charges	▪ Creates debt—you are borrowing money when you use a credit card ▪ Costs more if you can't pay the full balance and have to pay interest ▪ Creates another bill to pay once the credit card bill is due	
Debit card	▪ Convenient and saves time ▪ Can make one-time payments or set up recurring (automatic) payments, which reduce the chance of paying a bill late ▪ Easy to prove payment if there's a dispute	▪ If there isn't enough money in the account when the automatic debit happens, you may have to pay additional fees ▪ If you have to replace the card, you will have to remember to update the information with the billers that are being paid with automatic debit	
Money order	▪ Easy to understand ▪ Can be mailed ▪ Can be more secure than a check in some cases, as no personal banking information is on the money order	▪ May be inconvenient because you have to buy the money order ▪ Cost per money order ▪ May be hard to prove payment unless you have the money order receipt and receive the receipt for payment ▪ Hard to recover if lost	

	✓ BENEFITS	! RISKS	? QUESTIONS I HAVE
Online or mobile bill payment	▪ Convenient and saves time ▪ Can be set up with a bank, credit union, or prepaid card account (through the account provider's online website or mobile app), or through the biller's website ▪ Can make one-time payments or set up recurring (automatic) payments, which reduce the chance of paying a bill late ▪ If set up through your bank, credit union, or prepaid card account, you may be able to receive warnings or alerts if your account balance goes below a certain amount ▪ You can often use a mobile app for bill payment	▪ Takes time to set up and learn ▪ Possible risks of overdraft and fees or a rejected payment if there isn't enough money in the account when the payment occurs ▪ Data may be collected and shared in ways that you don't want ▪ Mobile device can be lost or stolen, allowing potential access to your financial information ▪ Financial information may be vulnerable to theft if mobile app is used on public Wi-Fi ▪ Some checking account and prepaid card providers don't let you set up recurring bill payments through their websites. But you can likely still do so through the biller's website	
Prepaid card	▪ Convenient ▪ Can pay bills over the phone, online, or through a mobile app ▪ Easier to prove payment if there is a dispute	▪ Possible fees for using the card to pay a bill, which would be listed in the card agreement	

Cutting expenses

Finding ways to reduce your expenses can help you better afford the necessities you can't live without. It can also give you more money every month to save for your goals.

You may still find yourself short on money to pay your bills even after tracking your expenses and cutting back. This is even more likely to happen if your hours at work get cut or you're temporarily out of work.

Here are some tips and suggestions that can help you try to match what's going out with what's coming in. They focus on ways to decrease spending or uses of income and other financial resources. Not all of these may apply to you.

What to do

- **Read through the list of expenses and the strategies for how to reduce them.**
- **Check the ideas that may be possible for you.** Use this as a plan for getting more information or resources.
- **Share options you've identified with others** in your household and start implementing the strategies as soon as possible.



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

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

EXPENSE	STRATEGY
 Car expenses	I will renew my license and registration on time to avoid late fees. I will get regular oil changes and keep my tires inflated to reduce car repair expenses.
 Eating out	I will bring lunch to work instead of buying it. I will avoid buying fountain drinks. I will find out if local restaurants have cost-saving specials like “kids eat free” nights and will check what’s included.
 Financial service fees	I will research if my accounts charge maintenance fees, ATM or overdraft fees, or fees to cash checks. I will look into switching to lower-fee or no-fee accounts. I will switch to a different credit card with no, or a lower, annual fee.
 Furniture and clothing	I will buy clothing and furniture second-hand or wait for sales.
 Groceries and supplies	I will use coupons. I will join with other family or friends to buy groceries and supplies in bulk (if the cost per serving saves money).

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

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

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

I will unplug appliances when not using them.

**Insurance**

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

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

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

**Late fees**

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

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

**Memberships**

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

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

**Phone**

I will check to see if I qualify for a "Lifeline" phone rate. (visit lifelinesupport.org/do-i-qualify).

I will consider prepaid or fixed-rate plans.

**TV, Internet, streaming services**

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

I will discontinue my cable or streaming services.

**Other:**

Prioritizing bills

Making a short-term plan can help you identify the consequences of failing to pay certain bills. This can help you prioritize your expenses if you just can't pay everything.

You're responsible for paying all of your expenses on time. If you miss payments now, you'll have to make them up in the future. But when you don't have enough money to cover your needs and obligations, you may have to make a short-term plan to get through the month.

Sometimes your plan may involve paying some bills late or missing a bill. When bill collectors are calling or you're trying to decide which of your obligations to pay first, it can sometimes just seem easiest to pay the "squeakiest wheel"—but this might not be the best approach. Sometimes you may need to ignore the squeaky wheel for a short time while you pay for necessities and build a plan for repayment.

What to do

- **Read through the list of expenses.** Identify what you need to pay to protect your housing and income, keep your insurance, and meet any court-ordered obligations.
- **Prioritize your bills.**

A step further

Don't ignore bills you can't pay. If you must miss a payment, call the person or company you owe the money to and explain that you will miss a payment and the reason for it. You may wish to contact a certified housing counselor or credit counselor for specialized assistance in building a plan to pay your debts and pay your monthly bills and expenses. Module 6: Dealing with Debt describes your rights in debt collection and includes tips for responding to debt collectors. For additional information on what debt collectors can and cannot do, visit consumerfinance.gov/consumer-tools/debt-collection/.



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

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

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

		AMOUNT	PRIORITIZE YOUR BILLS	CONSIDER...
 THINGS I NEED FOR HOUSING	Rent, mortgage, or property taxes			If you're late with rent, you may have to pay a late fee, risk possible eviction, and strain your relationship with your landlord.
	Gas, electric			
	Water, garbage, sewer			If you don't pay your utility bills, they may get cut off. Utility companies may charge fees to get reconnected.
 OBLIGATIONS I HAVE TO PAY	Credit cards			If you're late with your credit card payment, you may have to pay a late fee. You also risk a negative entry on your credit record, lowered credit scores, and higher interest rates.
	Loans (student, payday)			
	Child support			
	Court-ordered fines and fees			If you don't pay court-ordered obligations, like child support, you may face legal consequences. Visit consumerfinance.gov/askcfpb/1433 to find a lawyer in your area.

MODULE 5

Getting through the Month

Tracking when your money comes in and goes out can help you understand if you'll have enough each week or month.

At a glance

This module helps you understand your cash flow by looking at how money flows into and out of your household. It also provides suggestions for how to improve your cash flow if you're having trouble making ends meet.

 **Creating a cash flow budget**

 **Improving cash flow**

 **Adjusting your cash flow**

Introduction

When it comes to money, timing matters. If the timing of your income doesn't match the timing of your expenses, you may come up short without planning in advance. That's why monthly budgets sometimes don't work out from week to week.

Having a problem with a financial product or service?

You can submit a complaint and we'll forward it to the company and work to get you a response. Submit online at consumerfinance.gov/complaint or by calling (855) 411-2372.

Making a cash flow budget

A cash flow budget projects what money you expect to come in and how much you think you'll spend each week and when you expect the expenses to occur. It's different from a regular budget because it breaks your monthly budget down week by week. It accounts for when money and other financial resources are expected and when they must be used on needs, wants, and obligations.

The first step in making a cash flow budget is tracking your income and expenses. Ideally, you should do this for an entire month. You can use the "Income and benefits tracker" in Module 3 and the "Spending tracker" in Module 4 to get started.

Once you've completed these two tools, you can use the "Creating a cash flow budget" tool to help you bring your income and spending information together and show you how they interact with one another from week to week.

Analyzing your cash flow

A cash flow budget can help you identify where you're falling short each week. It can help you figure out if you have the financial resources on hand to cover the most important expenses—so you don't fall short covering the rent, for example. A cash flow budget can also help you target areas where you can cut back or postpone expenses.

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

Take a look at your total income and benefits and your total expenses for each week. Do you have enough to cover all of your expenses each week? Are there things you can adjust or postpone so you have enough to cover your needs each week?

You can use the "Improving cash flow" tool to brainstorm some strategies for how to keep your cash flow positive each week. That may mean cutting expenses or changing the timing for when some of your expenses happen.

If you find you want to cut back in some other areas, put these new target levels of spending on the calendar in the "Adjusting your cash flow" tool. For example, if you spend \$350 per month on groceries, you may decide to buy some foods in bulk, decreasing the amount you spend on groceries to \$325.

There are expenses, such as rent and your car payment, which you cannot easily reduce. These are commonly called fixed expenses. Cutting back on these

expenses requires major changes, such as moving or selling your car. Sometimes you can work with your landlord or lender to adjust when these expenses are due, which can improve your cash flow. For instance, can you pay your rent on the fifth of the month or even split the payment into two smaller ones, due on the first and fifteenth of the month?

Your cash flow budget is about setting targets for how and when you will spend your income going forward. It's important to be realistic when you set targets and focus on the things you have control to change.

What's inside

This module has three tools to help you understand and improve your cash flow.

Here are suggestions for how to make the most of the time you have.

If you have...

10 MINUTES

- Use "**Improving cash flow**" to learn about strategies and habits you can change to help your cash flow

30 MINUTES

- Use "**Adjusting your cash flow**" to find expenses that you can move or reduce to make sure your weekly cash flow is positive

MULTIPLE SESSIONS

- Complete "**Creating a cash flow budget**" to see how your income and expenses line up

Creating a cash flow budget

A cash flow budget is all about tracking the timing of your income and expenses to make sure you have enough from week to week.

Before you can build a cash flow budget, you will need to track your income, resources, and expenses for at least one month. Use the "Income and benefits tracker" in Module 3 and the "Spending tracker" in Module 4 to help you get started. You'll need the information from both of these tools to create your cash flow budget.

What to do

- **Enter your beginning balance for the week.**
- **Add all of the income and benefits you receive that week. Subtract all of your expenses for that week.** Include the money you spend on everyday expenses, bills, and savings. Also include benefits you use to pay for things that would otherwise be paid for with cash, such as SNAP and TANF. Remember that some benefits may only be used for specific expenses. For example, like SNAP benefits can be used for food, but not household items, like paper towels. If you receive a housing subsidy, include the full value of the subsidy under income and resources and the full market rate of your rent under expenses.
- **What's left is your ending balance.** If it's positive, you have enough income and benefits to make it through the week. If it's negative, you're falling short.
- **Copy your ending balance for the week to the beginning balance of the next week.** Repeat these steps for the rest of the weeks that month.

A step further

If it looks like there are weeks where your expenses are more than your income and benefits, you can use the "Improving cash flow" tool to brainstorm some strategies for getting back on track.



Consider expense and income timing by **Creating a cash flow budget**

1. Enter your starting balance for the month under Week 1. This is the total amount of money available to you from cash on-hand, prepaid cards, and checking and saving accounts.
2. Write down the amounts you receive during Week 1 from the categories listed. If you have income from other categories, add them together and write them under "Other."
3. Add up all your income for Week 1 and enter under "Total income."
4. Write down the amounts you spend during Week 1. If you have expenses from other categories, add them together and write them under "Other."
5. Subtract all the expenses for Week 1 from the "Total income" for Week 1. Write this amount in "Ending weekly balance."
6. Copy the amount from "Ending weekly balance" from Week 1 into the "Starting balance" for Week 2. Repeat steps 2 through 5 for the remaining weeks in the month.

		WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5
BEGINNING WEEKLY BALANCE	1	Starting balance \$250	\$400	\$	\$	\$
+	2	+ 300				
ADD MONEY YOU RECEIVE EACH WEEK		+ 100				
		+				
Total income	3	= 650	=	=	=	=
-	4	- 200				
SUBTRACT YOUR WEEKLY EXPENSES		- 35				
		- 15				
ENDING WEEKLY BALANCE	5	= 400	6 =	=	=	=

		WEEK 1	WEEK 2	WEEK 3	WEEK 4	WEEK 5
BEGINNING WEEKLY BALANCE	Your starting balance is a total of your cash, prepaid card, and account balances.	Starting balance \$	Wk. 1 ending balance \$	Wk. 2 ending balance \$	Wk. 3 ending balance \$	Wk. 4 ending balance \$
 ADD MONEY YOU RECEIVE EACH WEEK	Job 1	+				
	Job 2	+				
	Housing subsidy	+				
	SNAP	+				
	TANF	+				
	Other	+				
	Total income	=	=	=	=	=
 SUBTRACT YOUR WEEKLY EXPENSES	Cell phone	-				
	Debt payment	-				
	Eating out	-				
	Education and childcare	-				
	Entertainment	-				
	Groceries and other supplies	-				
	Health expenses	-				
	Helping others	-				
	Housing and utilities	-				
	Pets	-				
	Savings for emergency fund	-				
	Savings for goals like education or retirement	-				
	Transport	-				
	Other	-				
ENDING WEEKLY BALANCE		=	=	=	=	=

Improving cash flow

There are several strategies you can use to improve your cash flow.

You can make sure you have the income and benefits at the right time by avoiding large periodic payments. Instead, make smaller payments throughout the month or year.

You can also try to change the timing of when you pay your expenses. For example, you may be able to change the due dates of some of your bills or loan payments, so that they better match the times of the month when you receive income.

What to do

- **Read through the strategies** for improving your cash flow.
- **Write down any questions you have or next steps you can take.**
- **Commit to implementing one or two strategies** for the coming month and see if your cash flow improves.

A step further

Use the “Adjusting your cash flow” tool to see where you can change the timing or amount of some of your expenses using the strategies learned here.



Strategies for Improving cash flow

1. Read the different strategies for improving your cash flow.
2. Check the box of one that you can commit to trying now. Write down any questions you may have about how you can accomplish this.
3. After you've completed that strategy, try another to keep improving your cash flow.

STRATEGY	THINGS TO CONSIDER	QUESTIONS I HAVE
I'll negotiate a new due date for my bills with the company so they're due after I receive income.	First contact companies where you have a good payment history and long-standing relationship. They are more likely to be open to adjustments.	
I'll negotiate splitting a large monthly payment into two smaller ones due at different times.	For example, if you can cover your \$700 rent with a \$350 payment on the first and fifteenth of the month, it might free up more money at the beginning of the month to cover other bills.	
I'll change large lump-sum payments into smaller monthly payments on things like car insurance.	There may be a small fee to pay monthly, but it can still make handling these payment more manageable by breaking them into smaller chunks.	

I'll check to see if I qualify for an energy assistance program in my area.

There are local and national programs that can help low-income families pay for part of their energy costs. Get information on how and where to apply for energy assistance at liheapch.acf.hhs.gov/help.

I'll explore level payment plans for utility bills.

This averages your annual use over a 12-month period, so that you pay the same each month and avoid seasonal spikes in cost. This is especially helpful for budgeting in extreme climates where you have high bills in the summer and winter months. Check with your utility providers to see if you qualify.

I'll automatically deposit a monthly amount into a savings account or savings wallet feature of a prepaid card, so when a large lump-sum payment is due the money is already saved.

This helps reduce stress when large, periodic payments (like car insurance or school tuition) are due. To do this, you'll need regular income, an account at a bank or credit union, or a prepaid card. See "Evaluating your prepaid or payroll card" in Module 8 if you're considering a prepaid card.

I'll look to make sure that I'm withholding enough tax from my paycheck.

Generally, selecting more allowances (also called exemptions) means fewer taxes are withheld from your paycheck. But if you have more allowances, you could end up owing more when you file your taxes. Learn more at irs.gov/individuals/irs-withholding-calculator.

I'll explore options to consolidate my debt.

You can usually consolidate debt with a bank or credit union if you have good credit. This can improve your cash flow because the monthly payment may be smaller and you'll have fewer debt payments to make each month. But the tradeoff is it could take you longer to pay off the debts or cost more over the length of the loan.

If you consolidate your debts into your mortgage, falling behind on those payments could put your home at risk. Be sure you understand the terms of the consolidation and aren't paying more interest with the new loan.

Consider talking through your options with a certified credit counselor. You can find one in your area by visiting consumerfinance.gov/askcfpb/1451.

I'll refinance my home for a lower interest rate or talk with my lender about a loan modification.

Refinancing doesn't always save money after factoring in fees, so do the math to ensure the new rate saves you money. Learn more about choosing a home loan at consumerfinance.gov/owning-a-home.

I'll consider selling my car and buying a less expensive one.

Reducing your auto loan payments can help free up money for other things, but keep in mind that older cars may require more costly maintenance. So think about whether your cost of ownership, which includes insurance, fuel, and maintenance, will also go down with a less expensive car.

STRATEGY**THINGS TO CONSIDER****QUESTIONS I HAVE**

I'll explore options for refinancing my auto loan to something with a lower interest rate.

Reducing your interest rate can lower your monthly payments. Make sure you understand all the loan terms, so you don't end up paying more in the long run. To help prepare you to shop for and compare auto loans, visit consumerfinance.gov/consumer-tools/auto-loans.

I'll check to see what repayment options I have to reduce my student loan payment.

You may qualify for an income-based repayment plan, which will lower your student loan payment based on your income and family size. Learn more with the "Repaying student loans" tool (in Module 6).

Adjusting your cash flow

See how you can improve your cash flow by adjusting your expenses on this calendar.

Learning about strategies for improving your cash flow is one thing, but actually putting them into action is another. Laying out your income and expenses on a calendar can help you visualize your cash flow, making it easier to make adjustments.

What to do

- **Fill in the calendar with the dates for that month.**
- **Use your cash flow budget to enter your income (including benefits) and expenses.** It's helpful to use a pencil to make it easier to move things around.
- **Try moving expenses around to better align with when you have income** in places where you're coming up short.
- **Take action to make the changes a reality.** You can do this by adjusting your spending habits, calling your creditors about changing the due dates of your bills, or splitting large periodic bills into smaller more frequent ones to make them more manageable to pay.



Better align expenses with income by **Adjusting your cash flow**

1. Write in next month's name and dates on the calendar.
2. Enter your income sources (jobs, benefits, etc.) and amounts on the day you receive them with a plus (+) sign.
3. Enter your expenses and amounts on the day you pay them with a minus (-) sign.
4. Use ideas from the "Improving cash flow" tool to adjust the timing of your expenses. For instance, draw an arrow from an expense you can move to a date that's after you get paid.
5. Make copies of this calendar and repeat in a few months to see how you're doing.

Month: _____

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Example	Groceries - \$85	Gas bill - \$79		Paycheck Job 1+\$750			
Week 1							
Week 2							
Week 3							
Week 4							
Week 5							

MODULE 6

Dealing with Debt

Learn about ways to tackle your debt to help you feel less overwhelmed. The more you know about how debt works, the easier it will be to make choices that are right for you.

At a glance

This module will help you get a picture of what you owe, get a handle on your payments, and cut down on stress from growing debt.

-  Debt log
-  Debt-to-income calculator
-  Debt action plan
-  Comparing auto loans
-  Repaying student loans
-  When debt collectors call
-  Avoiding medical debt

Introduction

What is debt? Debt is money you owe to another person or business. Whether you took out a loan, used a credit card, or got behind on a bill payment, that's debt.

Having a problem with a debt-related product or service?

You can submit a complaint and we'll forward it to the company and work to get you a response. Submit online at consumerfinance.gov/complaint or by calling (855) 411-2372.

Debt can be hard to face when it feels like a barrier to your goals, but it's important to remember that there are resources you can use to help you take control of your debt. Even small steps toward paying down debt can make a big difference in making it feel more manageable.

Making sense of debt

Debt can be complicated. There are many terms and concepts related to debt that are important to understand to help you better tackle your own debt.

GOOD DEBT, BAD DEBT?

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

But it's not always that simple. You need to look at things like whether the benefit of that debt's outcome (like a degree or training certificate) will outweigh the cost of the actual debt. But those beneficial outcomes aren't guaranteed.

For example, **borrowing to further your education** may be a good use of debt because earning a certification or degree could lead to a better paying job and more job security. But if you take on the debt and either don't earn a certificate or degree or aren't able to find a better job, this student debt has set you back instead of helping you reach your goals.

Taking out a loan to buy a reliable car to get to and from your job can improve your job security, which helps you pay your bills and save for goals. However, if you take out a car loan that's longer than the remaining life of the car, you could owe money on the old car when you need to borrow for another one. Or if you buy a more expensive car than you need, you'll have less money for other bills each month. While it may get you to work, it might keep you from reaching your other financial goals.

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

Some people consider loans such as credit card debt, short-term loans, and pawn loans "bad" debt. They may carry fees and interest, and if they're used for things you consume (like meals out, gifts, or a vacation), they don't help build assets. But these sources of debt can help cover a gap in your cash flow if you have a way to

repay them that fits within your budget and doesn't require borrowing again to pay for that original debt.

So there is no one type of debt that is "good" or "bad" for everyone. That's why it's important to first understand your goal or your need before you borrow. Then you can shop for the best way to pay for what you need, especially for large purchases like a car or a home, before you make the final decision on your purchase.

SECURED AND UNSECURED DEBT

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

Secured debt has an asset attached to it. The asset is given as collateral for the loan. When debt is secured, a lender can take that asset if you get too behind on payments.

Here are some examples of secured debt:

- A **home mortgage loan** is secured with the home you are buying. If you don't pay your loan, the lender can foreclose on your home, sell it, and use the money from the sale to cover some or all of your loan. In some states, the lender can ask you to pay the balance if the sale doesn't pay off the loan.
- An **auto loan** is secured with your car. If you don't pay your loan, the lender can repossess (repo) your car and sell it to cover some or all of the loan. In some states, they can also ask you to pay the balance if the sale doesn't pay off the loan.
- A **pawn loan** is secured with the item you have pawned. The lender physically holds the item during the loan. If you don't make the payment when it's due, the pawned item is eventually sold.
- An **item purchased under a rent-to-own agreement**, like a couch or television, must be returned or it will be picked up by the store if you don't make the payment.
- Debt from a **secured credit card** is secured by funds you deposit at a bank or credit union when you open the card. Your credit limit will generally equal your deposit. For example, if you deposit \$300, your credit limit will be \$300. If you don't pay back the credit card, the bank can pay itself from your deposit. You can use a secured credit card to build up your credit history. This can help you qualify for an unsecured credit card in the future.

Unsecured debt doesn't have an asset attached to it. If you don't pay these loans, they often go directly to collections, since there are no assets associated with the loan to repossess.

Examples of unsecured debt include:

- Credit card debt (most credit cards are unsecured)
- Department store charge card debt
- Medical debt
- Student loans

Co-signers: Agree to repay the loan

If you're considering co-signing a loan, you should first understand what you're agreeing to. A co-signer is a co-borrower and has the same obligation to pay a debt as the primary borrower. You owe the money that you co-sign for even if you don't receive any of it. Lenders sometimes ask for a co-signer when they are concerned that a prospective borrower won't be able to repay a loan. The co-signer helps decrease a lender's concern about repayment.

Co-signing a loan is not simply serving as a character reference for someone else. If you're the co-signer, you have to pay back the loan if the borrower doesn't pay it. In most cases a lender or creditor doesn't even have to first try to seek repayment of a debt from the borrower before seeking repayment from you as a co-signer. Your credit scores may also be affected if the borrower is late with or fails to make one or more payments.

Co-signing a loan may also affect your ability to obtain a future loan because a creditor may take into account the increased amount of debt that you have as a result of co-signing for a loan.

If you decide to co-sign for a loan, you should read the terms of the loan and consider carefully before taking on the risk of co-signing.

A **joint account holder** for a credit card has the same responsibility to pay as a co-signer on a loan. Any past due balances of the other joint account holder will also add to your debt and affect your credit scores.

However, if someone is added to a credit card account as an **authorized user**, they aren't generally responsible for paying past due balances. But they are still able to use the credit card. Be careful when adding authorized users to your account, because they can create added debt that you will then have to pay.

Types of debt

Different types of debt have different rules about borrowing and repayment. It's important to know these details so you can best prepare for how to better handle your debt.

In this module, we will talk about:

- Student loan debt
- Medical debt
- Payday loans
- Auto title loans
- Rent-to-own arrangements

Student loan debt

Many people take out student loans to help pay for their education. There are two general types of student loans: federal student loans and private student loans. Be sure to read your loan documents carefully to understand what kind of student loan you have and how long you have to repay it. With both federal and private student loans, late payments will affect your credit history and may result in collections.

FEDERAL STUDENT LOANS

These loans are made or guaranteed by the federal government. They usually have names like Direct Loan, Stafford, PLUS, or Perkins.

Federal student loans usually offer **more flexible repayment options** than private student loans. The interest rate on federal student loans is set by the government and is fixed, which means it will stay the same for the length of the loan. Also, with certain types of federal student loans (called subsidized loans), the government will pay the interest on your loan while you're in school at least half-time.

REPAYING FEDERAL STUDENT LOANS

There are many options for repaying federal student loans to help make them more affordable to pay. Paying your loans on time and being in good standing are important to help you qualify for these repayment plans. So **don't ignore student loan payment notifications**. Missing payments on your federal student loans can hurt your ability to qualify for an alternative repayment plan that could lower your monthly payments.

You may not be eligible for an alternative repayment plan, based on the type of the loan you have and your financial circumstances. If you do apply for a different repayment option, it's important to continue making your loan payments under your current payment schedule until you receive written notification that you have been approved. This ensures your loan will continue to be in good standing.

Finally, you may also apply for loan forgiveness, cancellation, or discharge. If your loan is forgiven, cancelled, or discharged, you are no longer expected to repay the loan. This can only happen in certain situations, including:

- Your school closes permanently or shuts down before you complete your program
- Teacher loan forgiveness if you're a teacher working full-time in certain educational settings for five complete and consecutive academic years
- Public Service Loan Forgiveness (qualify while working in the public service sector, for a government agency or non-profit organization, making 120 loan payments on a Direct Loan under a qualifying repayment plan)
- Total and permanent disability
- Death (someone would apply on your behalf after death)

Except in these circumstances, it's very difficult to eliminate federal student loan debt, even in bankruptcy. If you're thinking about filing for bankruptcy, you may want to talk with a bankruptcy lawyer or legal aid organization.

PRIVATE STUDENT LOANS

Private student loans are made by a lender such as a bank, credit union, state agency, or a school. They may have names like "alternative" or "institutional" loans. Most private student loans have variable interest rates, which means that your interest rate could increase or decrease over the life of the loan.

Private student loans don't generally offer the flexible repayment terms or borrower protections featured in federal student loans. You might also need a co-signer to qualify for some private student loans.

REPAYING PRIVATE STUDENT LOANS

Private student loan repayment options are generally more limited than federal student loans. **If you're having difficulty paying back a private loan then it's important to communicate with your loan servicer.**

Private lenders may offer forbearance options that allow you to delay some payments on the loan. They may also offer alternative repayment plans, including plans where payments start low and gradually increase over the loan term (known as "graduated payment plans"). Some private lenders may also modify loans based on a borrower's financial circumstances, on a case-by-case basis. Finally, some lenders will cancel or forgive debt upon the death or disability of a borrower. To learn more about these options, contact your private student loan servicer.

UNPAID STUDENT LOANS

It's important to note that unpaid federal student loans can be collected in special ways, while private student loans are collected using regular debt collection practices. For instance, the Department of Education can garnish some federal benefits, such as Social Security and certain Veterans' Assistance benefits without a court order if you owe back-payments on your federal student loan. They can also take unpaid federal student loan debt payments out of your tax refund.

If you're afraid that your federal benefits could be garnished to pay off missed payments on unpaid federal student loans, consider talking to a lawyer. For more information on wage garnishment, see Module 3: Tracking Income and Benefits.

Debt collectors or private student loan collectors can't garnish your exempt federal benefits. On both federal and private student loans, a loan servicer or debt collector can report the bad debt to a credit reporting company and can sue you in court to try to collect the remaining debt.

The CFPB has a section on its website dedicated entirely to helping you plan for ways to pay for education and training after high school. Whether you are preparing for college, attending school, or already repaying your student loans, we have tools and resources to help you make the best decisions for you. Tools at consumerfinance.gov/paying-for-college can help you:

- Choose a loan
- Compare financial aid packages and college costs across more than one school
- Manage your money while in college
- Repay your student loans

Medical debt

For many people, a large portion of the money they owe is medical debt. Thirty-seven percent of working age adults in America reported having trouble paying medical bills or having medical debt in 2016.⁶

Medical debt has increasingly been a major factor in the decline of credit scores for some people. As of September 2017, the three major credit reporting companies—Equifax, Experian, and TransUnion—must wait six months before they include past due medical debts on your credit reports. This gives you time to help address any

6 S.R. Collins, M.Z. Gunja, M.M. Doty, and S. Beutel, How the Affordable Care Act Has Improved Americans' Ability to Buy Health Insurance on Their Own, page 15, The Commonwealth Fund, February 2017. See: commonwealthfund.org/publications/issue-briefs/2017/feb/how-affordable-care-act-has-improved-americans-ability-buy

delays or disputes that may arise with your insurance provider and settle the debts before the medical debt affects your credit scores.

Learn about some simple steps you can take to keep medical debt in check in the “Avoiding medical debt” handout.

If there are mistakes on the explanation of benefits from your health insurance company or you’re billed for medical services you never received, the biller may have made a mistake or you may be the victim of identity theft. Contact the biller right away.

Learn more about ways to prevent identity theft and how to report it in Module 9: Protecting your Money.

Payday loans

A payday loan or a “cash advance” is a short-term loan, generally for \$500 or less. The lender might give you the money as cash, load the funds onto a prepaid card, or electronically deposit the money into your checking account.

Payday loans are generally due on your next payday. You must either give the lender access to your checking account by electronic debit or write a post-dated check for the full balance in advance, so the lender can deposit your check when the loan comes due. Lenders sometimes require a borrower to provide a paystub or benefits receipt or provide the amount of their income.

Depending on state law and individual lender practices, other loan features can vary. For example, payday loans are often structured to be paid off in one lump-sum payment, but interest-only payments (“renewals” or “rollovers”) are possible in some states. In some cases, payday loans may be structured so that they’re repayable in payments over a longer period of time, called “payday installment loans.”

The cost of the loan may range from \$10 to \$30 or more for every \$100 you borrow. So a typical two-week payday loan with a \$15 fee per \$100 borrowed equals an annual percentage rate (APR) of almost 400 percent.⁷

You may also have to pay additional fees to your bank or credit union if there isn’t enough money to cover the loan payment when the payday lender tries to take the

⁷ See consumerfinance.gov/askcfpb/1589

money you owe out of your account or cash the postdated check. This is on top of fees you're already paying the lender.

State laws and other factors can influence how much you can borrow and the fees you're charged. Some state laws restrict or prohibit payday lending.

HOW DO PAYDAY LOANS WORK?

Here is an example of how a 14-day payday loan may work. Note: 14 days is used for example purposes only. Repayment may fall on the next payday or another period as specified by state law or loan agreement.

A borrower visits a storefront payday lender or an online payday lender website and completes an application. There's generally no traditional credit check. Usually the borrower only needs a bank or credit union account. The borrower writes a post-dated check or provides electronic access to the account.

The borrower gets the loan (the average loan amount is \$350) and pays \$10-\$30 per \$100 borrowed (\$15 per \$100 is the average fee for storefront payday loans; fees for online payday loans may be higher).

The borrower provides the lender with a 14-day post-dated check for the amount of the loan plus the fee ($\$350 + \$52.50 = \$402.50$). The lender may also seek the borrower's authorization to take the money out of their bank or credit union account.

In 14 days, the loan is due. If the borrower does not have \$402.50 to make the payment, he could renew or rollover the loan. Then he will pay the \$52.50 fee again.

Every 14 days, the borrower must pay the full amount or renew the debt by paying another fee of \$52.50. The average borrower takes out five loans in a row before repaying the full original loan amount (and not borrowing again shortly thereafter).

In this loan example, that would mean the borrower will have paid a total fee of \$262.50 to borrow the original \$350.

Auto title loans

An auto title or "vehicle title" loan is another type of short-term loan. You're typically required to own your car free and clear (without an auto loan or lease) and must give the lender your car title in order to borrow money. If you're unable to repay the loan, the lender can seize or repossess your car and sell it if you don't repay the loan, even if your car is worth more than the loan amount.

Auto title loans are often for amounts that are equal to 25 to 50 percent of the car's total value. A typical auto title loan is about \$700. These types of loans tend to have an annual percentage rate of about 300 percent for a 30-day single payment loan. Auto title loans can be repaid in a single payment or in regular installment payments. If the state you live in permits these loans, you may be able to choose between repayment options or you may be limited to just one or the other. The majority of borrowers (about 80 percent) aren't able to repay a single payment auto title loan without re-borrowing. More than half of auto title borrowers take out more than three consecutive loans before they can repay the original amount.

If you can't repay the loan in full either in a single payment or after taking out repeated loans, your car can be repossessed. If that happens, state laws determine what repossession fees may be added and how long you have to pay off the balance due in order to get your car back. If your car is repossessed and you can't afford to pay back your loan plus the repossession fees, your car may be sold at auction. In some states, if the sale price of the car doesn't cover what you owe, you may still have to pay the difference.

Rent-to-own arrangements

Some people use a rent-to-own arrangement to get consumer goods, like furniture, electronics, and appliances. This is where you rent the items and typically have the option to purchase the items in one of two ways: by continuing to make payments for a specific period of time or by paying off the balance during the term of the contract.

Items rented or purchased this way tend to be more expensive in the end than if you'd bought them outright. If you miss a payment the rent-to-own company can take the item back.

You also have the option to return the item at any time. If you return the item or the rent-to-own company takes it back, you don't get a refund of any money that you already paid.

Avoiding problems with debt

Sometimes people don't have the money to repay a loan and the finance charges when they are due. This can happen with short-term loans that have to be paid back in just one or a couple of payments. In this situation, some people take out another loan to pay off the first one.

It can be difficult to escape the cycle of borrowing to cover the loan payment and still be able to pay for other expenses like food, rent, and transportation. If you're considering a short-term loan product to meet an immediate need, it's important to think about how you'll pay off the loan before you borrow.

The kinds of loans that often lead to frequent re-borrowing have many things in common:

- **Small dollar** loans, generally under \$500
- Must be **repaid quickly** (14 days is a typical payday loan term, for example)
- Require you to provide **your bank account information** to your lender, so that the lender can automatically take payments from your account. If you don't have sufficient funds in your account at the time of the automatic payment, you may have to pay fees to your bank or credit union for non-sufficient funds in the account

Make sure you know how you'll repay your loan and how much the loan could ultimately cost you before agreeing to use any form of credit. If you find that you can't make your loan payment and cover your other expenses without taking out a new loan, ask the provider for a repayment plan that gives you more time to pay off the loan. Some lenders may not offer you any options.

ALTERNATIVES TO SHORT-TERM LOANS

If you're short on cash, consider some alternatives to borrowing small amounts of money for a short period of time.

- Negotiate for more time to pay if the loan is to pay a bill that's due.
- Think about what you're borrowing the money for. Is it a need, an obligation, or a want? If it's a want, consider whether it's possible to spend less money for it, not purchase it, or wait until you have the money for it.
- Use a credit card if you have one that is not maxed out— while it will increase your monthly card payment, it could be cheaper in the long run depending on interest rates and fees.
- Use lower-cost short-term loan alternatives from a credit union or bank. If you don't qualify for this type of loan, consider using the "Getting and keeping a good credit history" tool in Module 7.
- Use your own emergency savings. See the "Savings plan" tool in Module 2 for tips on how to build an emergency savings fund.
- Discuss the situation with a credit counselor or financial coach. You can find a credit counselor at consumerfinance.gov/askcfpb/1451.
- Borrow from a friend or family member. A community-based lending circle can formalize this sort of borrowing with a group of friends and neighbors.

Consider this scenario using different options for taking care of an emergency expense. It looks at the costs of paying for an unexpected car repair with emergency savings, a credit card, or a payday loan.

COST OF UNEXPECTED CAR REPAIR = \$350

COST INFORMATION	EMERGENCY SAVINGS	CREDIT CARD	PAYDAY LOAN
Amount needed	\$350	\$350	\$350
Annual Percentage Rate (APR)	None	15.99 percent APR	\$15 for every \$100 borrowed for 14 days—equals a 391 percent APR
Repayment terms	You can decide when you rebuild your savings	Must pay at least a certain amount each month—for this example, we're using a fixed monthly payment of \$25	Must pay back loan amount (\$350) plus fee (\$52.50) within 14 days
Time to repay	None	16 months ⁸	14 days
Total interest and fees	\$0	\$40 over 16 months	52.50 for every 14-day loan
Total cost of car repair	\$350	\$390	\$402.50 if repaid on time

⁸ Most credit card companies allow customers to pay a percentage of the amount owed, which makes the minimum payment vary from month to month. To pay off this credit card balance in full, the individual will have to make \$25 payments for 15 months, and then pay just over \$15 in the sixteenth month.

The total cost of a payday loan depends on how long it takes you to save up to pay back the entire loan. In the example above, if you renew or roll over this loan four times, you would be in debt for a total of 10 weeks and could pay up to \$262.50 in fees plus the \$350 you borrowed, for a total of \$612.50.

SPECIAL PROTECTION FOR ACTIVE DUTY SERVICEMEMBERS

Most types of consumer loans that are offered to active duty servicemembers and their dependents have to comply with the Military Lending Act (MLA).

These credit products now include, but aren't limited to:

- Payday loans, deposit advance products, and auto title loans
- Overdraft lines of credit (but not traditional overdraft services)
- Installment loans (with the exceptions noted below)
- Credit cards opened on or after October 3, 2017

If you're a servicemember on active duty and decide to take out one of these loans, you have rights under the MLA, including a limit on the interest rate the creditor can charge of 36 percent.

There are some loans the MLA doesn't cover—namely, credit that is secured by property being purchased and certain other secure loans.

Loans not covered by the MLA generally include:

- Residential mortgages (financing to buy or build a home that is secured by the home), mortgage refinances, home equity loans or lines of credit, or reverse mortgages
- A loan to buy personal property when the credit is secured by the property you're buying, like a car or home appliance

DEBT SETTLEMENT SERVICES

Debt settlement companies say they can renegotiate, settle, or in some way change the terms of your unsecured debt to a creditor or a debt collector. That may include reducing the balance, interest rates, or fees you owe. It's possible for you to try to do this yourself by contacting your creditors.

Debt settlement companies charge fees, but it's generally illegal for them to charge up-front fees. Some debt settlement companies advertise that they will help consumers, but they ask you to stop paying your debts while you save up money to settle the debts. Not paying on your debts can create problems for you.

You should avoid doing business with any company that promises to settle the debt if the company:

- Charges any fees before it settles your debts
- Promotes a “new government program” to bail out personal credit card debt
- Guarantees to you that it can make the debt go away
- Tells you to stop communicating with the creditors
- Tells you it can stop all debt collection calls and lawsuits
- Guarantees that the unsecured debts can be paid off for pennies on the dollar

If you receive calls from debt collectors about debts that don’t belong to you, you may be the victim of identity theft.

Learn more about ways to prevent identity theft and how to report it in Module 9: Protecting your Money.

What's inside

This module has six tools and one handout to help you better understand different kinds of debt and how they work. It also helps you evaluate the role that debt plays in your own budget and steps you can take to reduce debt.

Here are suggestions for how to make the most of the time you have.

If you have...

10 MINUTES

- Review "**When debt collectors call**" if you're having a problem with debt collection to prepare yourself the next time a debt collector contacts you
- Review the "**Avoiding medical debt**" handout if you're dealing with high medical bills to learn about ways to handle medical debt

30 MINUTES

- Complete the "**Debt log**" to gain an understanding of all the debt you owe
- Use the "**Debt-to-income calculator**" to discover how much stress debt is putting on your budget

MULTIPLE SESSIONS

- Fill out the "**Debt action plan**" to find a strategy for paying down your debt that works for you
- Bring "**Comparing auto loans**" with you when you shop for an auto loan to help find the best deal
- Use "**Repaying student loans**" to understand what repayment plans are available to you

Debt log

Before you can make a plan for paying your debt, you first have to know what you owe.

A debt is money you owe. For things like rent-to-own arrangements, credit cards, payday loans, student loans, and mortgages, the total amount you borrowed is your debt. So your total monthly payment (including interest or fees) is part of your debt payment.

There are other kinds of debt besides loans. For instance, your monthly electric bill isn't a debt, but if you're past due on your bill, that amount and any fees become debt. That past due amount should be counted in this tool as part of your monthly debt.

The first step in managing and reducing your debt is to make a list of **who you owe money to and how much you owe them**. Be sure to include debts owed to friends and family, credit card companies, banks, department stores, and payday lenders. Also include any money you owe for past due court-ordered child support payments, past due rent, and past due payments to local, state, or federal government for things like property taxes and back income taxes. You can gather this information from your free credit report, bills, and loan statements.

What to do

- **Gather all of your bills and loan statements** to help you figure out what you owe.
- **Get a copy of your credit report.** Use the "Requesting your free credit reports" tool (in Module 7) if you don't have a recent copy. This can help you find any debt you may have forgotten about or has been sent to collections.

A step further

If you're worried about debt or thinking about adding to your debt, it helps to first understand your total level of debt. Use the "Debt-to-income calculator" to measure exactly how much debt you have compared to your income. You can also use the "Debt action plan" to help prioritize payments.

Documents that can help you complete the "Debt log"

If you don't have all the information you need to complete the "Debt log," these documents can help you fill in the blanks. Here's the type of information you can find on each.

CREDIT REPORT

- Your monthly payment amounts
- The balance (the amount you still owe)
- Whether you are up to date or more than 30 days late on payments
- Your status as owner, co-signer, or authorized user (if you're an authorized user on someone else's account, the debt showing on your credit report may be money they've spent that you aren't responsible to pay; only include that amount in this tool if it's money you're responsible for)

CREDIT CARD STATEMENT

- Payment date
- Minimum payment amount
- Interest rate
- Payoff date if you continue to make minimum payments

LOAN OR MORTGAGE AGREEMENT

- Interest rate
- Payment date
- Fees
- Payoff date

COURT ORDERS

- Payment amount
- Due date
- Any other terms

BILLING STATEMENTS

- Past-due amounts
- Late fees



Track your debts and how much you owe with this **Debt log**

1. List all the debts you have, including who you owe them to. Fill out the table to see your total monthly debt payment.
2. Repeat this exercise every few months to track if your debt is growing or shrinking.

Remember, a bill isn't always debt.

For instance, your phone bill isn't debt, but any past due amount for that bill is. If you're repaying a loan (like a credit card or mortgage), the entire amount is considered debt and should be included here.

Common debt types to help you brainstorm:



Auto
loan



Back child
support



Credit card
debt



Friends
and
family



Medical
debt



Mortgage
or past-
due rent



Past-due
fees and
fines



Payday
loan



Student
loan

Debt	Payment due this month	Payment is up to date?	Total amount left to pay	Interest rate (if any)	Payoff date or goal
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
Total monthly debt payment	\$				

Debt-to-income calculator

Figure out your debt-to-income ratio to see how much of your income goes toward paying debt each month.

Determining your debt-to-income ratio is one way to check the overall health of your finances. It measures how much pressure debt is putting on your budget, which helps you decide if you can handle more debt.

For example, if you have a debt-to-income ratio of 36 percent, then 36 cents of every dollar earned is going to pay for debt, leaving you 64 cents to pay for everything else.

A high debt-to-income ratio could affect your ability to get additional credit because creditors may be concerned that you won't be able to handle their debt on top of what you already owe.

You can also use the debt-to-income ratio as a benchmark for reducing your debt—as your debt decreases, so will your debt-to-income ratio. This means money is being freed up to use on other things like saving, expenses, and emergencies.

What to do

- **Complete the "Debt log"** to figure out your total monthly debt payment. If you have court-ordered fixed payments, such as child support, count these as debt for this purpose.
- **Figure out your gross monthly income** (before taxes or insurance). This includes money earned from a job or child support payments you may receive. If your income varies from month to month, estimate your income on a typical month (it's better to estimate lower for the purposes of this tool).

A step further

If your debt-to-income ratio is above the guidelines, use the "Debt action plan" to help reduce your debt and lower your debt-to-income ratio.



The **Debt-to-income calculator** gives you a benchmark for planning

1. Enter your total monthly debt payment on the first line of the equation. You can copy it from the "Debt log."
2. Enter your gross monthly income on the second line. If your income varies from month to month, estimate what you receive in a typical month.
3. Calculate your debt-to-income ratio and review the recommended ratios to see how yours compares.

Lenders use your debt-to-income ratio when considering your loan application.

CALCULATE YOUR DEBT-TO-INCOME RATIO

Your total monthly debt payment includes credit card, student, auto, and other loan payments, as well as court-ordered fixed payments, like child support	
Divide by your gross monthly income which is all of your income before taxes and insurance	÷
Multiply by 100 to calculate your current debt-to-income ratio	%

Here are some guidelines to think about:

HOMEOWNERS



Consider maintaining a debt-to-income ratio for all debts of 36 percent or less. Some lenders will go up to 43 percent or higher. Your home mortgage is included in this ratio.

RENTERS



Consider maintaining a debt-to-income ratio for all debts of 15-20 percent or less. Your rent is not included in this ratio.

If your debt-to-income ratio is higher than the guideline (as either a homeowner or renter), you may want to think about ways to lower debt to put less pressure on your budget. Use the "Debt action plan" for help.

Mortgage lenders look at your debt-to-income ratios for both total debt and mortgage debt when considering your loan application. If you're a homeowner, you can also calculate your mortgage debt-to-income ratio.

CALCULATE YOUR MORTGAGE DEBT-TO-INCOME RATIO

Your total monthly mortgage debt payment includes only the principal and interest on your mortgage. Your property taxes, insurance, and condo or homeowner association fees may or may not be included in your monthly mortgage payment	
Divide by your monthly gross income which is all of your income before taxes and insurance	÷
Multiply by 100 to calculate your current mortgage debt-to-income ratio	%

Here are some guidelines to think about:

MORTGAGE DEBT FOR HOMEOWNERS



Consider maintaining a mortgage debt-to-income ratio of 28 to 35 percent.

If your ratio is higher than the guidelines, and you want help, consider contacting a certified HUD housing counselor. Find a certified counselor by visiting consumerfinance.gov/find-a-housing-counselor.

Debt action plan

Picking a strategy to repay your debt can help you start reducing it and make progress toward achieving your goals.

It can be difficult to make a dent in your debt if you only pay the minimum balance every month. If you have money left over in your budget to pay more than the minimum, there are two basic strategies on how to best apply it.

You can either pay your debts from smallest to largest or focus on repaying the ones with the highest interest rate first. One strategy isn't better than the other—they each have pluses and minuses to consider.

Choose the strategy that helps motivate you the most, so you feel encouraged to keep paying down the debt.

What to do

- **Pick a repayment method** that works best for you.
- **List your debts in order** based on the interest rate or the overall size of the debt.



Start reducing your debt by making a **Debt action plan**

1. Review the pros and cons of each strategy for paying down debt.
2. List your top three debts, sorted based on the strategy you chose—either by smallest total dollar amount or highest interest rate.

	PAY SMALLEST DEBT FIRST 	PAY HIGHEST INTEREST RATE FIRST 																
Description	After you've made all your minimum payments, increase your payment on the smallest debt. After it's paid off, add that extra amount to your minimum payment on the next smallest debt.	After you've made all your minimum payments, increase your payment on the debt that has the highest interest rate. After it's paid off, add that extra amount to your minimum payment on the next highest-rate debt.																
Pro	If you have many small debts, you might see progress quickly by reducing the number of debts you owe.	By paying off the debts that charge you the highest interest and fees first, you save money overall.																
Con	If the interest rate and fees are high on your larger debts and you pay the smaller ones first, you might pay more in total over the length of the debt.	You might not feel like you're making progress very quickly, especially if the first debt is large.																
	I'll pay down the smallest debt first, in this order: <table><tr><th>DEBT</th><th>AMOUNT</th></tr><tr><td>1.</td><td>\$</td></tr><tr><td>2.</td><td>\$</td></tr><tr><td>3.</td><td>\$</td></tr></table>	DEBT	AMOUNT	1.	\$	2.	\$	3.	\$	I'll pay down the debt with the highest interest rate first, in this order: <table><tr><th>DEBT</th><th>INTEREST RATE</th></tr><tr><td>1.</td><td>%</td></tr><tr><td>2.</td><td>%</td></tr><tr><td>3.</td><td>%</td></tr></table>	DEBT	INTEREST RATE	1.	%	2.	%	3.	%
DEBT	AMOUNT																	
1.	\$																	
2.	\$																	
3.	\$																	
DEBT	INTEREST RATE																	
1.	%																	
2.	%																	
3.	%																	

Comparing auto loans

Learn how to shop for an auto loan and evaluate the total cost to help you negotiate a deal you can afford.

KNOW WHAT YOU CAN NEGOTIATE

Shopping for an auto loan and negotiating the terms can save you hundreds or even thousands of dollars over the life of your loan. Learn more about what is negotiable at consumerfinance.gov/consumer-tools/getting-an-auto-loan/know-what-is-negotiable.

CHECK YOUR CREDIT SCORE

A higher score will help you get a lower interest rate and reduce the total loan cost. Learn how to raise your score in Module 7: Understanding Credit Reports and Scores.

REVIEW YOUR LOAN CONTRACT BEFORE SIGNING

Lenders are required to give you documents that explain the loan. Before you sign, check that the annual percentage rate (APR), amount financed, finance charges, and total of all payments are correct. Make sure you and the lender have copies of the signed paperwork.

If you don't understand something, ask them to explain it again until it makes sense. Consider bringing someone with you to help review the papers before you sign. Review the "Spotting red flags" handout in Module 9 to learn what to watch out for in the sales process.

What to do

- **Bring this tool with you** to each lender or car dealership and record each loan offer.
- **Compare the offers** using interest rate and length of the loan.

A step further

Consider more than just the monthly payment. A low payment over a longer term may mean you pay more interest and it could put you at risk of owing more on the car than it's worth.



Comparing auto loans helps you get the best deal

1. Bring this with you when you shop for an auto loan.
2. Fill in each row to help find the best deal.

⬆️⬆️ = things you can negotiate

Figure out your upfront costs

	EXAMPLE	CHOICE 1	CHOICE 2
A. Price of the car ⬆️⬆️	\$20,000		
B. Additional features, services, or add-ons ⬆️⬆️ Optional items like extended warranties, upgraded packages, or service plans	+ \$300	+	+
C. Taxes, title, and non-negotiable fees State and local taxes, title fees	+ \$1,400	+	+
D. Negotiable fees ⬆️⬆️ Delivery charges, origination fees, document fees, and preparation fees	+ \$100	+	+
E. Cost of the car before interest (add rows A, B, C, and D)	= \$21,800	=	=

Calculate how much you need to borrow

F. Down payment ⬆️⬆️ A larger down payment will lower the total cost of your loan	- \$3,000	-	-
G. Trade-in value ⬆️⬆️ (if you already have a car) A higher trade-in value will lower the total cost of your loan	- \$100	-	-
H. Total amount to finance (row E minus rows F and G)	= \$18,700	=	=

Determine how much money you'll pay over the life of the loan

Before deciding on the length of the loan and payment options, calculate the total amount you'll make in loan payments. You might write down several possible loan option scenarios for the same car to see what works best for you.

I. Interest rate ⬆️⬆️ Negotiating a lower interest rate will lower your total cost	3.5%	%	%	%	%
J. Length of loan ⬆️⬆️ A longer loan term will increase the total cost	48 months (4 years)	___ months (___ years)	___ months (___ years)	___ months (___ years)	___ months (___ years)
K. Monthly payment Use a loan calculator or ask your lender or dealer	× \$418.00	×	×	×	×
L. Total amount paid on the loan (multiply months in row J by amount in row K)	= \$20,067	=	=	=	=

Find the total cost of your purchase

Choose your two best offers from row L and compare your total cost.

M. Add in down payment and trade-in value (add rows F and G)	+ \$3,100	+	+
N. Total cost of your purchase (add rows L and M) Total cost of the car, including all of the interest over the life of the loan	= \$23,167	=	=
O. Total cost of car before interest (copy row E from the prior page)	- \$21,800	-	-
P. Total interest paid over life of the loan (subtract row O from N)	= \$1,367	=	=

Repaying student loans

Evaluate different repayment plans for your student loans to find one that best fits your needs, making it easier to repay.

There are generally two types of student loans: federal and private.

Federal student loans are loans made or guaranteed by the Department of Education. They usually have names like Direct Loan, Stafford, PLUS, or Perkins. They're the most common type of student loans.

Private student loans are any other type of student loans. They can be made by a bank, a credit union, a state agency, or a college or university. They may have names like "alternative" or "institutional" loans.

If you're not sure whether your loan is federal or private, you can check the National Student Loan Data System, or NSLDS, at nslds.ed.gov. It provides a list of all your federal student loans, including which servicer is handling your account(s). If your loan is not listed in the NSLDS, it's most likely a private loan.

The loan servicer is the company that actually handles your loan—it's the company you get your billing statement from. Both federal and private student loans are serviced by many different companies, so it's not always accurate to assume what type of loan you have based on where you get your statements from.

What to do

- **Figure out if you have a federal or private student loan.**
- **Identify your loan repayment status** (for example, if your payments are on time, if you're late on payments, or if you're in default).
- **Review the repayment options and select one that's best for you.**
- **Apply for that repayment option** and keep following up until you get a confirmation from your loan servicer about your payment plan.



You may have options for **Repaying student loans** if you're struggling

1. Check the box that best describes where you are with your monthly student loan payments.
2. Review what options you may be eligible for based on what you checked and the type of student loan you have.
3. Learn more about your repayment plan options on the next pages.

With my student loan payment...	If you have a federal student loan...	If you have a private student loan...
I'm struggling to keep up. I've missed three or more payments. I've temporarily postponed my payments and am in deferment or forbearance.	Consider changing your repayment plan to decrease your monthly payments. There's never a fee to change your plan. With income-driven repayment plans, your monthly payments are based on your family size and household income. You don't need to have a job or income to qualify, and payment can be as low as \$0.	Contact your student loan servicer to find out if you're eligible for an alternative payment program that lowers your monthly payments for a limited time. (Your servicer is the company that sends your student loan bill each month, and their contact information is on the bill.)
I've missed my payments for over 270 days and have been contacted by a debt collector.	Get your loan back on track by contacting your debt collector and asking for a loan rehabilitation plan. They can set up affordable payments based on your family size and household income.	If your loan is in default, work with your debt collector to create a repayment plan that you can afford.
I don't know my loan repayment status.	Reach out to your student loan servicer (the company that sends your bill each month) and ask them about your repayment status. Then use this tool to review your options.	

If you have federal student loans, you may have options when it comes to how and when you repay them.

The government offers different repayment options for federal student loans. Some have longer repayment periods (meaning your monthly payments are lower), while others base your payment on your income and family size. Keep in mind that switching to a plan with a lower monthly payment often means paying more over the life of your loan.

There’s never a fee to change your repayment plan. Learn more at studentaid.ed.gov/repay-loans.

Term to know: discretionary income

Some repayment plans are based on discretionary income. For most income-driven repayment plans, discretionary income is defined as the difference between your adjusted gross income and 150 percent of the Federal Poverty Guidelines. You can find this year's guidelines here: aspe.hhs.gov/poverty-guidelines

Standard repayment plans

Plan name	Payments	Loan period	Terms	Forgiveness	Availability
Standard Most borrowers start with this plan	Payments of at least \$50 a month that stay the same each year	Up to 10 years (up to 30 years for consolidated loans)	Payment is fixed Pay less over time than other repayment plans	None	All borrowers with federal student loans
Graduated Payment starts low and increases over time	Lowest in the first year and gradually increases every two years	Up to 10 years (up to 30 years for consolidated loans)	Payments based on your remaining loan balance Pay more over time than with Standard 10-year repayment plan	None	All borrowers with federal student loans
Extended A longer loan period with smaller monthly payments	Lower than standard or graduated repayment plans	Up to 25 years	Payment can be fixed or graduated	None	You must have more than \$30,000 in outstanding federal loans to qualify

Income driven repayment plans

Plan name	Payments	Loan period	Terms	Forgiveness	Availability
Revised Pay As You Earn (REPAYE) Payment based on 10 percent of your discretionary income	10 percent of discretionary income, recalculated each year based on updated income and family size Your payment may be as little as \$0	Up to 20 or 25 years, depending on if the loan was for undergraduate or graduate studies	Payments could be higher than Standard repayment plan	If you haven't repaid loan in full after 20 or 25 years, remaining amount is forgiven You may have to pay income tax on forgiven amount	For borrowers with federal Direct Loans No income requirement
Pay As You Earn (PAYE) Payment based on 10 percent of your discretionary income	Up to 10 percent of discretionary income, recalculated each year based on updated income and family size Your payment may be as little as \$0	Up to 20 years	Payments won't ever be higher than Standard repayment plan Pay more over time than with Standard 10-year repayment plan	If you haven't repaid loan in full after 20 years, remaining amount is forgiven You may have to pay income tax on forgiven amount	For borrowers with federal Direct Loans Must show partial financial hardship Must be a new borrower on or after Oct. 1, 2007 and must have received a payout of a Direct Loan on or after Oct. 1, 2011

Plan name	Payments	Loan period	Terms	Forgiveness	Availability
Income-based repayment (IBR) Payment based on up to 10 or 15 percent of your income	If you're a new Direct Loan borrower on or after July 1, 2014: Up to 10 percent of discretionary income Borrowers with any outstanding federal loan issued before July 1, 2014: Up to 15 percent of discretionary income Recalculated each year based on updated income and family size	If you're a new Direct Loan borrower on or after July 1, 2014: Up to 20 years Borrowers with any outstanding federal loan issued before July 1, 2014: Up to 25 years	Payments won't ever be higher than Standard repayment plan Pay more over time than with Standard 10-year repayment plan	If you haven't repaid loan in full after 20 or 25 years, remaining amount is forgiven You may have to pay income tax on forgiven amount	All borrowers with federal student loans are eligible (except Parent Plus loans) Must show partial financial hardship

Other temporary repayment options

In certain circumstances, you can work with your loan servicer to apply for deferment or forbearance on your student loans. This allows you to temporarily stop making payments or temporarily reduce the amount of your payment. But make sure you're still making payments on your loan until deferment or forbearance is set up. If you have federal student loans, both deferment and forbearance are options you can consider. Forbearance is also offered by many private student loan lenders.

DEFERMENT

In deferment, payment of both the principal loan amount and interest is delayed. If you have a subsidized federal loan, the government pays your interest during the deferment. If you have an unsubsidized loan, you must pay the accruing interest during the deferment or it will build up.

When interest builds up on deferred student loans and isn't paid, it can be capitalized, which means it becomes part of the original principal loan amount that you owe. This means you will end up paying interest on the interest and ultimately owing even more.

Deferments are only granted for specific circumstances including:

- At least half-time enrollment in college, trade school, a graduate fellowship, or a rehabilitation program for individuals with disabilities
- Unemployment
- Certain periods of military service
- Times of economic hardship
- Peace Corps service

FORBEARANCE

Forbearance means that you stop paying your loan or pay a lesser amount on your loan for up to 12 months.⁹ Like deferment, interest continues to build up during forbearance, even on subsidized federal loans. So if you don't pay the interest part during forbearance, it will be added to the loan principal and you'll pay interest on the interest.

Your loan servicer determines whether you qualify for forbearance. It can be granted if you're temporarily unable to make your loan payments because of:

- Financial difficulties
- Medical expenses
- Change in employment or loss of job
- Other reasons set by your loan servicer

LOAN FORGIVENESS

Certain federal student loans can be forgiven, which means you don't have to repay that amount. You may qualify for forgiveness due to a disability, the closure of your school, or due to your job. For instance, if you work as a public school teacher or for a qualified public service employer, you may be eligible for loan forgiveness. Find out if you might qualify for forgiveness at studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#when.

⁹ See studentaid.ed.gov/sa/repay-loans/deferment-forbearance#what-is-deferment.

TEACHER LOAN FORGIVENESS PROGRAM

You may qualify for loan forgiveness if you've taught full-time for five complete and consecutive academic years in a low-income school or educational service agency. Other factors may also affect your eligibility, such as when you took out the loan and when you started teaching. Under this program, teachers who qualify can be eligible for forgiveness of up to \$17,500 of their Direct Loans or Stafford Loans (it also applies to Direct Consolidation Loans and Federal Consolidation Loans in certain cases).

PUBLIC SERVICE LOAN FORGIVENESS PROGRAM

In order to qualify for this program, you must work full-time at a qualifying employer, regardless of the job you have there. If you work for a government organization or specific type of non-profit, you might be eligible to have the remaining balance of your Direct Loans forgiven. You must also make 120 qualifying monthly payments on your loan under a qualifying repayment plan in order to be eligible. If you want to try to qualify for this program now or in the future, you need to complete and submit an Employment Certification form—waiting to submit this could affect your ability to qualify. Find the form at studentaid.ed.gov/sa/sites/default/files/public-service-employment-certification-form.pdf.

When debt collectors call

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

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

A debt collector can't:

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

You may want to discuss your debt issue with a lawyer. Visit consumerfinance.gov/askcfpb/1433 to find a lawyer in your area.

What to do

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

A step further

Find other letter templates for contacting debt collectors at consumerfinance.gov/consumer-tools/debt-collection.



You can be prepared to ask questions When debt collectors call

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

Be cautious and keep records.

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

WHAT TO SAY TO A DEBT COLLECTOR

NOTES

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

Resolve issues with debt collectors

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

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

If the claim is legitimate, don't despair.

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

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

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

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

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

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

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

Thank you for your cooperation. Sincerely,

Name

About the debt you're trying to collect

Today's date

Debt collector's name and address

Name and return address

Account number for the debt

You contacted me on this date

Any other information given to me

You contacted me by

Phone

Mail

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

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

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

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

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

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

THE AMOUNT AND AGE OF THE DEBT, INCLUDING:

A copy of the last billing statement sent to me by the original creditor.

State the amount of the debt when you obtained it, and when that was.

If there have been any additional interest, fees or charges added since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each added amount. In addition, explain how the added interest, fees or other charges are expressly authorized by the agreement creating the debt or are permitted by law.

If there have been any payments or other reductions since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each of them.

If there have been any other changes or adjustments since the last billing statement from the original creditor, please provide full verification and documentation of the amount you are trying to collect. Explain how that amount was calculated. In addition, explain how the other changes or adjustments are expressly authorized by the agreement creating the debt or permitted by law.

Tell me when the creditor claims this debt became due and when it became delinquent.

Identify the date of the last payment made on this account.

Have you made a determination that this debt is within the statute of limitations applicable to it? Tell me when you think the statute of limitations expires for this debt, and how you determined that.

DETAILS ABOUT YOUR AUTHORITY TO COLLECT THIS DEBT.

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

If you are contacting me from a place outside my state, does your firm have a debt collection license from that place? If so, provide the date of the license, the name on the license, the license number, and the name, address and telephone number of the state agency issuing the license.

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

If you have good reason to believe that I am responsible for this debt, mail me the documents that make you believe that. Stop all other communication with me and with this address, and record that I dispute having any obligation for this debt. If you stop your collection of this debt, and forward or return it to another company, please indicate to them that it is disputed. If you report it to a credit bureau (or have already done so), also report that the debt is disputed.

Thank you for your cooperation. Sincerely,

Name

About the debt you're trying to collect

Today's date

Debt collector's name and address

Name and return address

Account number for the debt

You contacted me on this date

Any other information given to me

You contacted me by

Phone

Mail



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.

9 Paying medical bills

GET FINANCIAL ASSISTANCE OR SUPPORT

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

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

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

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

MODULE 7

Understanding Credit Reports and Scores

Building a positive credit history (which is measured through credit reports and scores) can help you when getting a job or approval for housing or a loan.

At a glance

This module explains the importance of credit reports and scores and reviews ways to improve and maintain your credit history.

-  **Requesting your free credit reports**
-  **Reviewing your credit reports**
-  **Disputing errors on your credit reports**
-  **Getting and keeping a good credit history**

Introduction

The concept of “credit” can be complicated. People sometimes confuse the words debt and credit because they both have to do with borrowing money.

A simplified way to tell them apart is to think of credit as the ability to borrow money and repay it later, while debt is the money that you have to repay when you’ve used credit. You can have credit available to use without having debt. For example, you may have a credit card that is paid off—meaning you have credit available to use but don’t owe any debt.

Having a problem with credit reporting?

You can submit a complaint and we’ll forward it to the company and work to get you a response. Submit online at consumerfinance.gov/complaint or by calling (855) 411-2372.

When you take out a credit card or other loan, you create (or add to) your credit history. Sometimes when people talk about their financial situation, they say they have “good credit” or “bad credit.” This usually refers to their credit history.

Credit reporting companies gather information from your credit history into a credit report. A credit report may show some of your bill payment history, along with some public record information and a record of how often you have applied for credit.

A credit report may also show how much available credit you have, how much of your available credit you’re using, whether you have made your payments on time, and whether debt collectors have reported that they’re attempting to collect debt that you owe.

The information in your credit report is used to create credit scores. Many lenders use credit scores to decide how much money they can lend you and how much interest to charge. In general, the higher your credit score, the better the loan terms may be.

Why do credit reports and scores matter?

Some people say credit reports and scores don’t matter to them because they don’t plan to get a loan. But the information in your credit reports is also used to make other kinds of decisions about you.

A poor credit history can make it difficult for you to:

- Get a job
- Get and keep a security clearance for a job, including a military position
- Get an apartment
- Get insurance coverage
- Pay lower deposits on utilities and get better terms on cell phone plans
- Get a credit card
- Improve your credit score (because the information used to calculate your scores comes from your credit history)

Having a poor credit history or low credit scores can create obstacles for you, such as costing you more money in terms of the price you will pay for loans, credit cards, and other services.

One reason it’s important to pay bills on time is to create a positive credit history and boost your credit scores. You also need to pay attention to what’s in your

credit reports. Since credit scores are calculated based on the information in the reports, take the time at least once a year to make sure the information in your reports is accurate. You can do this for free. Use the “Requesting your free credit reports” tool in this module to get started.

Credit reports

WHAT’S IN A CREDIT REPORT?

Credit reporting companies collect information about you from many sources, including “furnishers.” Furnishers are people or companies that provide information about your credit, banking, payment history, and other behavior.

Each of the three nationwide credit reporting companies—Equifax, Experian, and TransUnion—collects information about you to make their own credit report. So if you have credit, you will likely have more than one credit report.

It’s important to make sure that the information listed about you is accurate with all three companies. Sometimes information about you isn’t reported to every credit reporting company, causing differences among your reports.

HOW IS MY CREDIT REPORT USED?

Lenders use credit reports to help them decide whether to loan you money and what interest rates they’ll offer you. They also use your credit reports to determine whether you still meet the terms of an existing credit account.

Other businesses might use your credit reports to determine whether to offer you insurance; approve you to rent a house or apartment; or provide you with cable TV, Internet, utility service, or a cell phone plan. If you agree to let an employer look at your credit report, it could also be used to make employment decisions about you.

Remove your name from mailed pre-screened credit offers by opting out at (888) 567-8688 or online at optoutprescreen.com.

Choose the “5-year” removal option to prevent pre-screened offers from falling into other people’s hands for five years – or make a request by mail if you want to opt out permanently.

Negative information on your credit report

Negative information, like a history of late payments or bankruptcy, can affect your ability to get credit and affect the terms of the loan offers you get. Usually this kind of negative information can appear on your credit report only for a specified period of time—seven years for most items.

A bankruptcy can stay on your credit report for up to 10 years. For civil suits and judgments, such as back child support payments, the information can appear on your credit report for seven years or until the statute of limitations has expired, whichever is longer.

Positive information, like a history of on-time payments, can stay on your credit report forever.

While there are usually time limits on how long negative information can appear on your credit report, most consumer reporting companies are allowed to keep negative information about you in their files forever. They do this because there is no time limit on information (positive or negative) that a consumer reporting company may include in your credit report when you are applying for:

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

EXAMPLE CREDIT REPORT

Each of the three nationwide credit reporting companies presents information in a slightly different way. This is an example of a credit report that highlights the key sections you’ll find in all three companies’ credit reports. It’s an example credit report and isn’t based on the format of any one specific credit reporting company. Each company’s format varies in layout, look, and level of detail reported.

Header/Identifying information

File number: 12345678 Date issued: 9/30/2017	
Personal information	
Name: Miguel Smith	SSN: XXX-XX-1234
Other names: Miguel S Smith Miguel Simon Smith	Date of birth: 12-1-1980
	Telephone number: 555-555-1000
Addresses reported: 457 First Street, Littletown, MI 09876 13476 Avenue A, Big City, WI 43526	
Employment data reported	
Employer name: Riviera Restaurants Position: Manager Date reported: 3/2013 Hired: 11/2010	Employer: Freer Chiropractic College Date reported: 6/2008 Position: Food services Hired: 3/2008

INCLUDES:

- Name
- Current address
- Social Security number
- Date and place of birth
- Employment history (this may not include all past jobs, but what's listed should be accurate)

DOESN'T INCLUDE:

- Information such as race or ethnicity

Public record information

Public records	
Big City Wisconsin Court Docket# 200900001467 515 C St, NE, Big City, WI 43528	
Date filed: 8/3/2019	Amount: \$11,987
Type: Chapter 7 Bankruptcy	Responsibility: Individual
Big City Municipal Court Docket #200700056712 4326 Fourth Street, SW, Big City, WI 43530	
Date filed: 4/14/2017	Amount: \$4,763
Type: Civil Judgment	Responsibility: Individual
Plaintiff: Bank of Big City	Plaintiff attorney: Lisa Perry
Collections	
Reliable collections (Y76381): Account #3629	
Original creditor: ABC Megastore	Amount placed: \$2,500
Opened: 7/2/2018	Account type: Open
Balance: \$1,000	Responsibility: Individual

INCLUDES:

- Financial public records such as consumer bankruptcies, judgments, state and federal tax liens

DOESN'T INCLUDE:

- Records of arrests or convictions (specialty consumer reports, such as employment background screenings, often include arrests and convictions)
- Marriage records or adoptions
- Civil suits that haven't resulted in judgments

TERMS IN THIS SECTION:

- Chapter 7 bankruptcy
- Chapter 13 bankruptcy
- Discharge

NOTE

The three nationwide credit reporting companies are required to ensure that new and existing public record information that they use comes from sources that include specific information about you. This includes your name, address, and either your Social Security number or date of birth. This is to help keep the information accurate. The credit reporting companies update this every 90 days.

Collection agency account information

Public records	
Big City Wisconsin Court Docket# 200900001467 515 C St, NE, Big City, WI 43528	
Date filed: 8/3/2019	Amount: \$11,987
Type: Chapter 7 Bankruptcy	Responsibility: Individual
Big City Municipal Court Docket #200700056712 4326 Fourth Street, SW, Big City, WI 43530	
Date filed: 4/14/2017	Amount: \$4,763
Type: Civil Judgment	Responsibility: Individual
Plaintiff: Bank of Big City	Plaintiff attorney: Lisa Perry
Collections	
Reliable collections (Y76381): Account #3629	
Original creditor: ABC Megastore	Amount placed: \$2,500
Opened: 7/2/2018	Account type: Open
Balance: \$1,000	Responsibility: Individual

INCLUDES:

- Any accounts with a collection agency
- The status of those accounts (both past and present)

TERMS IN THIS SECTION:

- Charge off
- Default
- Delinquent
- Payment status

Account information

Account information						
Littletown Bank (B62391), Account #2010004637						
Balance: \$14,285	Pay status: 30 days past due					
Date updated: 8/31/2019	Account type: Automobile					
High balance: \$16,500	Responsibility: Individual					
Past due: \$395	Date opened: 2/5/2019					
Terms: \$395/month 48 months	Payment received: \$349					
Account type: Automobile	Last payment made: 7/5/2019					
	8/5/19	7/5/19	6/5/19	5/5/19	4/5/19	3/5/19
Balance	\$14,285	\$14,680	\$14,988	\$15,294	\$15,598	\$15,901
Scheduled payment	\$395	\$395	\$395	\$395	\$395	\$395
Amount Paid	\$0	\$395	\$395	\$395	\$395	\$395
Past Due	\$395	\$0	\$0	\$0	\$0	\$0
Rating	30	OK	OK	OK	OK	OK

INCLUDES:

- Open accounts you currently have and closed accounts you had before
- Company name and account number
- Date opened
- Last activity
- Type of account and status
- Whether you're a co-signer, authorized user, or guarantor
- Date closed, if the account is no longer open
- Credit limit
- The date information was reported to the credit reporting companies

- Amount currently owed and, if you're late with payments, the balance due (known as "items as of date")
- Whether you owe a past due amount and the number of payments 30, 60, and 90 days late
- Whether the account was charged off or deemed so delinquent that the creditor thinks it's unlikely they'll be able to collect the debt

TERMS IN THIS SECTION:

- Charge off
- Default
- Delinquent
- Payment status

Account information

Bank of Wisconsin (B42394), Account #543298760192XXXX51

Balance: \$4,252

Pay status: Paid or paying as agreed

Date updated: 8/31/2019

Account type: Revolving: credit card

High balance: \$9,869

Responsibility: Individual

Credit limit: \$10,000

Past due: \$0

Date opened: 6/1/2008

	8/2019	7/2019	6/2019	5/2019	4/2019	3/2019	2/2019
Balance	\$4,252	\$4,295	\$4,338	\$4,382	\$4,426	\$4,471	\$4,647
Scheduled payment	\$122	\$123	\$124	\$125	\$127	\$289	\$130
Amount Paid	\$122	\$123	\$124	\$125	\$127	\$289	\$0
Past Due	\$0	\$0	\$0	\$0	\$0	\$0	\$130
Rating	OK	OK	OK	OK	OK	OK	30

	1/2019	12/2018	11/2018	10/2018	9/2018	8/2018	7/2018
Balance	\$4,563	\$4,609	\$4,656	\$4,703	\$4,751	\$4,799	\$4,847
Scheduled payment	\$130	\$132	\$133	\$135	\$136	\$137	\$139
Amount Paid	\$130	\$132	\$133	\$135	\$136	\$137	\$139
Past Due	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rating	OK	OK	OK	OK	OK	OK	OK

This example is fictional. The credit card payment schedule is based on a credit card with a 22% percent APR. In this example, the individual is paying down a balance of \$4,252, paying the minimum payment each month calculated at the greater of \$25 or the sum of 1% of the principal balance, finance charges, and fees. He is not using the card to make additional purchases. While credit card companies use

a variety of methods to determine finance charges, a simple interest calculation was used for the purposes of this example. Amounts were rounded to the nearest dollar. Making the minimum payment, it will take the consumer 17 years and 9 months to pay off this credit card debt. He will also pay \$6,731 in interest assuming no late fees.

Inquiries made to your account

INQUIRIES MADE TO YOUR ACCOUNT

Inquiries that display to others

The following companies have received your credit report.

Auto Loan Store	Requested on: 6/2019
90 President Lane, Big City, WI 43529	
Super Store	Requested on: 12/2018
100 First Street, Anytown, IA 78691	

Promotional inquiries

The following companies received your name, address and other limited information about you so they could make a firm offer of credit or insurance. They did not receive your full credit report. These are not displayed to others and do not affect your credit scores.

Dress for Success Fashion House	Requested on: 7/2019
31 Fashion Lane, Big City, WI 43530	
EZ Loan Store	Requested on: 4/2018
220 4th Avenue, Littletown, MI 09876	

Account review inquiries

The companies listed below obtained information from your consumer report for the purpose of an account review of business transaction. These are not displayed to others and do not affect your credit scores.

Bank of Wisconsin	Requested on: 6/2019
457 State Street, Big City, WI 43532	

INCLUDES:

- **Hard inquiries** are made by lenders after you apply for credit. These inquiries may affect your credit score. This is because most credit scoring models look at how recently and frequently you apply for credit.
- **Soft inquiries** are reviews of your credit file when you have not sought to establish a new credit account. They include reviews of existing accounts by lenders, prescreening inquiries by prospective lenders, and your requests for your annual credit report. These won't affect your credit score.

DEFINITIONS OF TERMS CREDIT REPORTING COMPANIES USE

Authorized user	A person permitted to use a credit card account, but who is not responsible for making payment on the account. The payment status of the account (positive or negative) can be shown on the credit report of both the authorized user and the account's owner.
Chapter 7 bankruptcy	A legal process in which the consumer's assets are used to pay off creditors. Any eligible debts not paid through the assets are discharged. This will be in the public records section of the credit report.
Chapter 13 bankruptcy	A legal process in which a consumer enters into a payment plan to pay off creditors using future income. These are arranged by the courts. Once the payment plan is complete, remaining eligible debts are discharged. This will be in the public records section of the credit report.
Charge off	When a business decides an account is uncollectible. However, the consumer is still responsible for the debt, and collections will likely continue on this debt. A debt may be charged off after the lender has tried to collect it for some time. This doesn't mean that the debt itself is erased—the consumer still legally owes the debt, and it can be collected. In many cases the right to collect the debt is taken over by a collection agency.
Closed date	The date an account is closed. An account can be closed by the business or the consumer. If there is still a balance when the account is closed, the consumer is still responsible for paying it.
Default	The consumer is not meeting the requirements agreed to when taking out the loan. An account that has been delinquent (late) for several 30-day billing cycles is generally considered to be in default.
Delinquent	An account that hasn't been paid on time and is late. Generally delinquencies are expressed as being 30, 60, 90, or 120 days or more delinquent.
Discharge	When the court releases a consumer of responsibility for a debt as part of the bankruptcy process.
Dispute	Consumers have a right to challenge and require investigation of information they believe is incorrect on their credit reports. Consumers must start the dispute process.
End user	The business or individual that receives a credit report.

DEFINITIONS OF TERMS CREDIT REPORTING COMPANIES USE

Information provider or furnisher	A business or individual that reports information to a credit reporting company.
Payment status	The history of the account including on-time payments as well as delinquencies and other negative items.

You can get a free credit report from each of the three nationwide credit reporting companies once every 12 months. Order your free credit reports at AnnualCreditReport.com. Use the "Requesting your free credit reports" tool to get started.

Through December 31, 2026, all U.S. consumers can get six free credit reports every 12 months from Equifax by establishing a "myEquifax" account at equifax.com/personal/credit-report-services/free-credit-reports or by calling 866-349-5191. That's in addition to the one free Equifax report (plus your Experian and TransUnion reports) you can get at AnnualCreditReport.com.

Some websites that offer free credit reports may be trying to sell you something.

Some companies offer free credit reports, but you may have to buy another product or service to get them. Go to AnnualCreditReport.com to get your free annual credit report.

You can get additional free credit reports during a year if:

- You're unemployed and plan to look for a job in the next 60 days
- You receive public assistance
- You believe that your credit file is inaccurate due to fraud
- Your report has recently been changed due to a disputed error
- You had a consumer reporting company place an initial fraud alert on your credit file
- You had a consumer reporting company place an extended fraud alert on your credit file
- You've been denied things like credit, employment, or insurance because of information in your credit report—in this case, you have 60 days to request your report from when you get the notice

In a few states, state law also gives you a second free annual report. By law, a credit reporting company can't charge more than \$12.50 for an additional credit report (as of 2018).

CREDIT REPORTS FOR MINORS

If you're under 18, you won't have a credit report unless you:

- Are an authorized user or joint owner on an account
- Are an emancipated minor
- Live in a state that allows you to enter contracts below the age of 18 and you've done so
- Have student loans

If none of these apply to you and you have a credit report earlier than age 18, you may have been the victim of identity theft or credit or financial fraud. Federal law provides protections related to credit records and identity theft for minors under the age of 16, or "protected consumers." Persons with authority to act for these protected consumers can request a security freeze. If the nationwide credit reporting company does not have a file on the protected consumer at the time the security freeze is requested, the company will create a record in order to freeze the record for the protected consumer. This record of the protected consumer may only be used to freeze the record to protect against identity theft and may not be used for credit purposes.

Equifax allows the parent or legal guardian to order a minor's credit report by calling (877) 784-2528.

Experian allows minors age 14 and older (or their guardians) to obtain their own credit report by mail or by calling (800) 311-4769. Parents or guardians of minors 13 years or under may request a minor's credit report by mailing or electronically uploading a request form and supporting documents to Experian. Forms and instructions are available at experian.com.

TransUnion allows a parent or legal guardian to order a minor's credit report. A report is only available if the minor has a legitimate credit history (they are the joint owner or an authorized user on an account). You can send an email to childidtheft@transunion.com to see if a credit file exists. Or you can go to transunion.com and complete the Child Identity Theft Inquiry Form.

Read more about credit reports for minors at consumerfinance.gov/askcfpb/1271.

If you work with youth in foster care, there are special rules set up for how to get their credit reports. Learn more at consumerfinance.gov/askcfpb/1871.

WHAT TO DO ABOUT ERRORS ON YOUR CREDIT REPORTS

If you find something wrong on your credit report, you should dispute it. **You can contact either the credit reporting company** (most often Equifax, Experian, or TransUnion) directly **or the company that provided the incorrect information** (the information furnisher or creditor). It can be a good idea to contact both.

Here's how it works:

- File your dispute with the information furnisher or the credit reporting company.
- They generally have 30 days to investigate your dispute.
- If you submit additional information after filing your original dispute, they get another 15 days to investigate.
- They must send you written notice of the result within five business days of completing the investigation.
- If the dispute results in a business changing the information it furnished or reported to a credit reporting company about you, they must notify the credit reporting companies of the change.
- If you filed your dispute with a credit reporting company and they find information to be inaccurate or incomplete, or that it can't be verified, the credit reporting company must delete the item or correct the information in your file and notify the furnisher of the error.

You also have a right to an additional free annual credit report to ensure the errors have been fixed.

If the dispute isn't handled or an error isn't fixed in a timely manner, you can also submit a complaint to the CFPB at consumerfinance.gov/complaint or by calling (855) 411-2372.

Use the "Disputing errors on your credit reports" tool to help you get started with the dispute process.

Credit scores

WHAT ARE CREDIT SCORES?

Credit scores are calculated using the information in credit reports. A higher score makes it easier to qualify for a loan or lower interest rates.

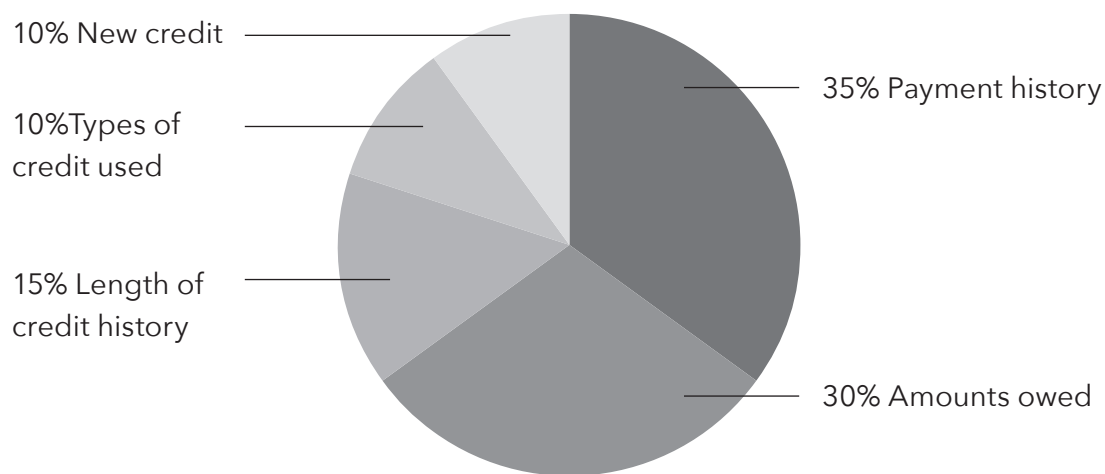
Credit scores vary because different companies may look at different information about you and use different formulas for calculating your scores. Scoring companies may also create different credit scores that are used when you apply for different types of credit.

As a result, **you have more than one credit score**. Banks, credit card companies, and lenders may use different credit scores to make decisions about offering you credit.

HOW ARE CREDIT SCORES CALCULATED?

Scoring companies have different mathematical formulas to calculate credit scores, all typically starting with the information from your credit report. Two of the most commonly used credit scores are FICO (calculated using formulas from Fair Isaac Corporation) and VantageScore (calculated using formulas from VantageScore Solutions). Each of these companies produces multiple versions of their scores for different purposes. These scores usually range from 300 to 850. A FICO score above 700 is considered good by most businesses, and scores of 750 and higher are considered the best.

FICO shares this information with the public about what goes into its scores:¹⁰



Payment history tracks whether you're paying your bills on time. This is the biggest factor in your FICO scores. Paying bills late, not paying bills at all, and having bills that go to collections will likely cause your scores to drop. Paying your bills on time may help increase your scores.

Amounts owed tracks what you owe, including debts that you are paying down over time. It also includes your credit utilization rate, which is how much of your available credit you're using. When the credit that's available to you decreases because you've used a portion of it and now owe money, your scores may drop.

Length of credit history tracks how long you've had credit accounts—the longer the history, the more positive affect on your scores. A long credit history provides strong evidence of how you use credit and patterns of your payment behavior.

¹⁰ Pie chart values are from FICO. See myfico.com.

New credit is tracked by measuring credit inquiries about you made by creditors and others. If there are too many inquiries, it may signal that you have a high demand for credit. Because this may be an indicator of risk, your scores may drop. **Your scores are not affected at all when you check your credit reports yourself.**

Types of credit used are also considered. For example, your FICO scores may increase if you have both revolving credit (such as credit cards) and other types of credit, such as a mortgage or an auto loan that you repay in installments, in good standing. Generally, it's considered a good thing to have a mix of credit, such as a mortgage, an auto loan, and not too many credit cards.

VantageScore shares this information with the public about how its scores are calculated.¹¹

Factors that influence VantageScore credit scores

	Payment history Extremely influential
	Age and type of credit Highly influential
	Percent of credit limit used Highly influential
	Total balances/debt Moderately influential
	Available credit Less influential
	Recent credit behavior and inquiries Less influential

¹¹ "Age of credit" refers to the length of time accounts have been open.

GETTING YOUR CREDIT SCORES

Usually, you have to pay for a credit score. Some lenders, such as credit card companies, may provide you a credit score for free on your account statement or when you log onto your account online or through a mobile app.¹²

There are certain instances where you're entitled to a free credit score. For example, if you're denied a loan on the basis of your credit score, the lender must send you a notice telling you this and include your score.

Since there are many credit scores you can purchase in the marketplace, the one you purchase will most likely differ from the credit score used by a bank, lender, or other third party to assess your creditworthiness. There's no way to know how much these scores will vary so the scores you purchase can't give you an exact guide for how creditors will view your credit quality. **Knowing what's in your credit report and fixing errors is more important when building your credit than paying to find out a credit score. A credit score may be a good initial indication of your credit standing, but it can't tell you all you need to know before you apply for a loan.**

Using credit

CREDIT UTILIZATION

The amount of credit you're using compared to the limit on your credit accounts is your "credit utilization rate."

Many experts advise keeping your use of credit to no more than 30 percent of your total credit limit on your revolving credit accounts (for example, the total limit on all your credit cards combined). For example, if your total available credit is \$10,000, you should have a balance of \$3,000 or less. Experts advise to keep a lower credit utilization rate because credit scoring formulas penalize you for using too much of the credit available to you. High usage may lower your credit score.

¹² See consumerfinance.gov/about-us/blog/millions-of-consumers-will-now-have-access-to-credit-scores-and-reports-through-nonprofit-counselors/

Here's how you can figure out your credit utilization rate:

If you only have one credit card with a \$5,000 credit limit, and you have charged \$3,500 on this card, your credit utilization rate is

$\$3,500$ (amount charged to credit card) divided by $\$5,000$ (credit limit) = 0.7 or 70 percent

If you set a goal of lowering your credit utilization rate to 25 percent or less, your credit card balance should be no more than \$1,250, or \$5,000 (the credit limit) multiplied by .25 (25 percent).

You don't know when a credit card company will report your balance to credit reporting companies. If at any time during the month your credit utilization rate is higher than the rate the scoring model thinks is appropriate, you run the risk of lowering your credit scores. This means that the amount you have charged on a credit card can affect your credit scores even if you pay that amount down at the end of the month.

EXPANDING ACCESS TO CREDIT

CFPB research shows that roughly 45 million consumers may be denied access to credit because they do not have credit records that can be scored. Sometimes known as "credit invisibles," these consumers potentially face higher costs for borrowing money and barriers to housing and employment. You might want credit to start a business or buy a house or car, or you might just want credit that comes with better terms, including a lower interest rate. A limited credit history can make it very difficult for a lender to use a credit scoring model to calculate a score for you.

Some consumers are considered "unscorable" because they have a thin credit file (an insufficient credit history) or a stale credit file (no recent credit history). Consumers without a credit history are "invisible" to the nationwide credit reporting companies because they have no records for them to create a credit report or credit scores.

If you don't have a credit history and want to build one, use the "Getting and keeping a good credit history" tool to take your first steps.

You can learn more about people who are "credit invisible" at consumerfinance.gov/practitioner-resources/economically-vulnerable/expanding-credit-access/

What's inside

This module has three tools and one handout to help you understand the importance of credit reports and scores.

Here are suggestions for how to make the most of the time you have.

If you have...

10 MINUTES

- Complete **“Requesting your free credit reports”** to plan when you’re going to order your free annual credit reports

30 MINUTES

- Complete **“Reviewing your credit reports”** to make sure all the information in them is correct and up to date
- Review the **“Disputing errors on your credit reports”** handout to learn how you can dispute mistakes on your reports

MULTIPLE SESSIONS

- Complete **all three items described above** to make sure the information on your credit reports is correct
- Use **“Getting and keeping a good credit history”** to pick strategies you can implement to improve your credit scores

Requesting your free credit reports

Make a plan for requesting your free credit reports once every 12 months.

Your credit report can be used for more than just a loan approval. That's why it's important to look at your reports each year to make sure your information is correct.

You should request your credit report from all three nationwide credit reporting companies—Equifax, Experian, and TransUnion—since each report can have different information in it. Learn more about requesting credit reports for minors at consumerfinance.gov/askcfpb/1271. If you work with youth in foster care, visit consumerfinance.gov/askcfpb/1871.

What to do

- **Pick a method to order your credit reports.** You can get them online, by phone, or by mail. If you get your reports online, be sure you're accessing them from a safe and secure device and location. Be very cautious doing this on public computers, since you're accessing sensitive personal information and you want to keep it safe.
- **Be ready to answer some security questions if you request your report online or by phone.** You'll be asked questions that are meant to be hard for anyone but you. If you can't answer, you'll have to request the report by mail. Questions might be:
 - How much is your monthly mortgage or car payment?
 - Which bank is your auto loan from?
- **Decide when you'll order each report.** Consider getting a report from a different credit reporting company every four months, as a way to monitor your credit for free.

A step further

Review your credit reports carefully. They'll probably be similar, but there may be differences between them, and that's okay. The most important thing is to make sure that the information listed about you is accurate. Use the "Reviewing your credit reports" tool to check your credit reports for any mistakes.



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

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

Strategies for requesting your credit reports

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

How to request your free reports

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

Visit AnnualCreditReport.com

Call (877) 322-8228

Request by mail. Download and complete the form at annualcreditreport.com/manualRequestForm.action.

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

Reviewing your credit reports

Look through your credit reports carefully to make sure all the information is correct.

Errors on your credit reports can negatively affect your credit scores and ability to get a loan. Reviewing your reports on a regular basis can also help you monitor for things like identity theft and fraud.

Sometimes your information isn't reported to all three nationwide credit reporting companies. As a result, some things may not be listed on all three reports, especially information about older accounts, accounts you've closed, or some of your older jobs or addresses.

This can cause inconsistencies among your credit reports. It's most important to make sure that the information that is listed on each report is correct.

What to do

- **Start by getting free copies of your credit reports.** Use the "Requesting your free credit reports" tool to find out how.
- **Read through each credit report carefully,** using the checklist as a guide for what errors to look for.

A step further

If you find any mistakes on your credit reports, you should dispute them. Use the "Disputing errors on your credit reports" tool to get started.

If you're worried about fraud or identity theft and want to monitor your credit, you can get six free credit reports every 12 months from Equifax through December 31, 2026 by establishing a "myEquifax" account at equifax.com/personal/credit-report-services/free-credit-reports/ or by calling 866-349-5191. That's in addition to the one free Equifax report (plus your Experian and TransUnion reports) you can get at AnnualCreditReport.com.



Monitor and find errors by **Reviewing your credit reports** regularly

1. Make a copy of this tool, one for each of the three nationwide credit reporting companies.
2. Use the checklist to review the five sections of each of your credit reports.
3. Write down any questions you have or incorrect information you need to dispute.

Name of credit reporting company: _____

SECTION	IS THIS INFORMATION CORRECT?	QUESTIONS OR ERRORS
 Header and identifying information	My name (including spelling)	
	My Social Security number	
	My current telephone number	
	My current address	
	My previous addresses	
	My employment history	
 Public record information	My financial public record information, like bankruptcies, judgments, or tax liens	
 Collection agency account information	My accounts, if any, in collections	
	The status of each of my accounts	

SECTION	IS THIS INFORMATION CORRECT?	QUESTIONS OR ERRORS
 Credit account information	All of the accounts are mine	
	The status of each of my accounts, such as whether they are open or closed; and whether I paid on time, missed payments, or paid less than the amount due.	
	I'm accurately listed as an authorized user, co-signer, or joint owner	
	All accounts I've closed are listed as "closed by the consumer"	
 Inquiries made to your account	I recognize all "hard inquiries" or times when I've applied for credit and a lender reviewed my credit report. To learn more about inquiries, visit consumerfinance.gov/ask-cfpb/whats-a-credit-inquiry-en-1317	



Disputing errors on your credit reports

If you find mistakes on your credit reports, you should dispute them. Here's how you can dispute errors you find.

Errors can appear on one or more of your credit reports due to an error in the information provided about you or as the result of fraud or identity theft.

If you find errors on your credit reports, you should dispute them with the credit reporting company (most often Equifax, Experian, or TransUnion) and the furnisher of the information.

GETTING READY TO DISPUTE

Review the mistakes you identified in the "Reviewing your credit reports" tool. Then gather any documents you have that support your dispute.

This can include things like:

- Your credit report with the mistake circled or highlighted
- Copies of anything that proves there is an error—for example, if your report incorrectly shows that you're late paying a credit card, make copies of bills or cleared checks (or money order stubs) that show you've paid on time
- Copies of your Social Security card, birth certificate, or other personal identity information, if you're disputing a mistake related to that information

If you suspect that the error on your report is a result of identity theft, visit [identitytheft.gov](https://www.identitytheft.gov).

See Module 9: Protecting your Money for more information about identity theft and steps to take if you are a victim, including filing a fraud alert or security freeze.

SUBMITTING THE DISPUTE

You can submit a dispute to the credit reporting company by phone, by mail, or online. **Explain the error and what you want changed.** Clearly identify each mistake separately, state the facts, explain why you are disputing the information, and request that it be removed or corrected.

Some of the credit reporting companies provide a dispute form you can use. You'll also want to send a letter explaining the mistake(s)—there's a letter template you can use on the next page.

Make sure you also include copies of all of your supporting documentation. Keep your originals.

You can also choose to send a copy of the dispute to the business or individual that provided the incorrect information (furnisher). You can usually find that address on your credit report.

If you're mailing the dispute information, it's a good idea to use certified mail with a return receipt requested, if that's available to you. That way, the post office will send a postcard telling you when your dispute letter was delivered.

WAITING FOR MISTAKES TO GET FIXED

The credit reporting company generally has 30 calendar days (45 days in some cases) to investigate your dispute. They have five business days to notify you of the results once the investigation is complete.

If the error is fixed, you'll receive a copy of your updated credit report, which doesn't count as your free annual report.

If, as a result of your dispute, a furnisher determines they sent the wrong information to a credit reporting company, they must send the correction to various credit reporting companies to which they had provided the incorrect information.

IF YOU DISAGREE WITH THE RESULTS

You can send the credit reporting company a letter stating you don't agree with the outcome. The credit reporting company has to clearly note that the information has been disputed and provide your explanation on any future reports.

You can also submit a complaint with the CFPB at consumerfinance.gov/complaint. We'll forward it to the company and work to get you a response. See Module 9: Protecting your Money for more information on how to submit a complaint.

You may also want to seek assistance from a lawyer. Learn more at consumerfinance.gov/askcfpb/1549.

Ways to contact the credit reporting companies

	EQUIFAX	EXPERIAN	TRANSUNION
Online	equifax.com/personal/disputes	experian.com/disputes	transunion.com/credit-freeze/
Mail	Mail letter explaining mistakes and completed dispute form	Mail letter explaining mistakes	Mail letter explaining mistakes and completed dispute form
	Dispute form: equifax.com/cp/MailInDislclosureRequest.pdf	Dispute form: None needed	Dispute form: transunion.com/docs/rev/personal/InvestigationRequest.pdf
	Mail to: Equifax Information Services LLC P.O. Box 740256 Atlanta, GA 30348	Mail to: Experian P.O. Box 4500 Allen, TX 75013	Mail to: TransUnion Consumer Solutions P.O. Box 2000 Chester, PA 19016
Phone	(800) 864-2978	(888) 397-3742	(800) 916-8800

I am writing to dispute information that appears on my consumer report.

I am disputing the items on the following page. Please investigate the items I have described below, make necessary corrections and notify me when complete.

Thank you for your assistance. Sincerely,

Name

My information

Name and return address

Today's date

Credit reporting company name and address

Phone number

- -

Date of birth (any format)

Report confirmation number, if available

I am disputing the following:

My report includes accounts with a reported name that is different than mine.

I don't recognize the accounts in question.

The report shows I owed money to the company that I have already repaid.

The current status of my account is not correct. The report shows that I am delinquent but I have made all of my payments on time.

I'm the victim of identity theft and I don't recognize one or more of the accounts on my report.

Other, see additional information.

Additional information about the disputed item

Description including account numbers, dates, source of disputed information (like a company or bank), previous addresses related to the dispute

I have attached a copy of my report with the issues in question circled.

GETTING STARTED

Getting and keeping a good credit history

Whether you've already established a credit history or are just starting out, there are things you can do to improve and maintain your credit history.

There's no one secret formula for building a strong credit history. But there are some healthy habits you can adopt that may help you improve your credit history and keep it in good standing.

Your strategy might be different depending on if you're building a new credit history or trying to improve your existing credit history.

These strategies don't affect your credit scores right away. It takes time, so keep working on them.

What to do

- **Identify a strategy for improving and maintaining your credit history** that works for you.
- **Implement that strategy** and monitor how your credit score improves.
- Once you're done with your first strategy, **pick a new one** and keep practicing good habits to maintain a strong credit history.

A step further

Building and maintaining a good credit history is an ongoing activity. Make a habit of reviewing your credit reports each year. Pick a date you'll remember, like your birthday or a holiday. Use the "Requesting your free credit reports," "Reviewing your credit reports," and "Disputing errors on your credit reports" tools to make it easier to get your reports, review them for errors, and make corrections if needed.



Build habits for **Getting and keeping a good credit history**

1. Read the different strategies for improving and maintaining your credit history.
2. Check the box of one that you can commit to trying now.
3. Once that one is complete, try one or two more to keep improving your score.

HABIT

TIPS FOR IMPROVING YOUR CREDIT

I'll pay my loan and utility bills on time, every time.

Missing bill payments may hurt your credit scores because it may establish a poor payment history and can lead to debt collection. Help make sure your payments are on time by setting up automatic payments or electronic reminders. If you've missed payments, get current and stay current. You can use the "Bill calendar" (in Module 4) to help track when your bills are due and decide when you'll pay them.

I'll spend under my credit limit and won't get anywhere close to "maxing out" my credit cards.

Credit scoring models look at how close you are to being "maxed out," so try to keep your balances low compared to your total credit limit. Experts advise keeping your use of credit (credit utilization) at no more than 30 percent of your total credit limit.

If you close some of your credit card accounts and put most or all of the balances onto a single card, your total credit limit may be lower than before. If doing this means that you're using a higher percentage of your total limit than you were before, it may hurt your credit scores because it's increasing your credit utilization. In some cases, it's better to leave credit cards open even if you don't use them, to increase your total credit limit. But it depends on how many cards you have and if you can avoid using all of them.

I'll pay off my credit card balance on time each month.

If you use credit cards, try to pay your balances off each month. Paying off the balance each month may help you get better scores. You'll build a credit history by paying it off on time and keeping your balance low. Think about setting up text alert reminders for when your bill is due, to help you pay on time.

I'll only apply for credit that I need.

Credit scoring formulas look at your recent credit activity as a signal of your need for credit. If you apply for a lot of credit over a short period of time, it may appear to lenders that your economic circumstances have changed for the worse.

I'll make sure that negative information on my credit reports (like judgments, bankruptcies, or evictions) is accurate.

If it's not accurate or if it's listed multiple times, submit a dispute with the credit reporting company and the company that provided the information (the furnisher). You can use the "Disputing errors on your credit reports" tool to get started.

I'll use credit building products to establish a credit history if I'm new to using credit.

Secured credit cards can be a way to build a positive credit history if you're just starting out. You typically need to provide the deposit upfront, so you'll need to have enough money saved for the deposit before you open one. Because credit limits tend to be low with these cards, be sure to watch your credit utilization rate and avoid getting too close to using the full limit.

Credit builder loans help you avoid taking on debt while you build a positive payment record. With some loans, you make monthly payments first, and receive the loan amount when it's paid off.

These loans can be very effective in creating new history and can have a positive affect on your credit reports and scores.

Some non-profit organizations provide access to secured credit cards or credit builder loans. Be sure to ask about the terms, just like you would ask a bank or credit union for details about its products.

MODULE 8

Choosing Financial Products and Services

Learning about financial products and services and how they work can help you better manage your money, improve your credit scores, and save for your goals.

At a glance

This module helps you understand the different kinds of financial products and services available, how they might meet your needs, and how you can make the most of them. It also explains some of your rights and responsibilities when dealing with certain types of financial products and services.

-  Finding financial products and services
-  Comparing financial service providers
-  Opening a checking or savings account
-  Avoiding checking account fees
-  Evaluating your prepaid or payroll card
-  Knowing your prepaid card rights
-  Sending money abroad

Having a problem with a credit card, checking account, or other financial product or service?

You can submit a complaint and we'll forward it to the company and work to get you a response. Submit online at consumerfinance.gov/complaint or by calling (855) 411-2372.

Introduction

Financial products and services are the tools you use to store and access money, make payments and purchases, send money to other people or businesses, and pay for purchases over time. They include things like checking and savings accounts; prepaid cards; payroll cards; government benefits and EBT cards; credit cards; money transfers; bill payment services; and loans.

Finding and choosing financial products and services

One important key to finding the right financial product or service is first thinking about the reason you need one. You may want a secure place to put the money you're saving for your goals, unexpected expenses, or emergencies. You may want a convenient way to pay your bills or to use your mobile phone to access your financial accounts. You may be looking for a loan to buy a car. Or you may want to repair or build your credit history to improve your credit scores.

Once you've identified your specific goals or needs, you're ready to choose products or services that can help you meet them. There may be several options to choose from that meet your needs, so you can weigh the benefits of different products and services to decide what's best for you.

There are many places that offer financial products and services, such as banks and credit unions. Selecting where to get these products and services can be hard because there are so many choices. When comparing companies, it's helpful to ask detailed questions about the product or service you're considering. You can also take into account other things, like customer service.

Opening a checking or savings account

Checking and savings accounts are common products that can meet a lot of needs you may have.¹³ If you decide that a checking or savings account is the right product for you, opening an account at a bank or credit union isn't hard to do.

First, you may want to ask trusted friends or family members which banks or credit unions they use.

When choosing a bank, first find out about:

- The services it offers
- The fees it charges

¹³ Some credit unions use a different name for their checking accounts ("share draft account"). These products work the same way as checking accounts.

- The interest it pays for savings accounts
- The number of ATMs and branches near your work or home
- Its hours of operation

Most banks and credit unions require proof of identity, proof of address, and a minimum deposit to open an account.

Be sure to find out how much you must keep in the account to avoid fees. This is called the “minimum balance requirement.” This may not be the same amount of money you need to open the account, so it’s important to understand both. You may also be able to avoid fees by signing up to directly deposit your paycheck or government benefits into the account.

If no one can explain what certain fees are or why they're so high when you're learning about a financial product or service, be wary.

Learn more about ways to make sure you’re getting all the facts in Module 9: Protecting your Money.

Savings accounts generally pay interest, which is considered income. If you earn interest, you may have to pay taxes on it. In order to open an account that pays interest, you must have a Social Security number or an Individual Taxpayer Identification Number (ITIN).¹⁴

Some banks and credit unions have developed no-interest savings accounts that may fit your needs if you don’t have a Social Security number or ITIN or if your beliefs don’t allow you to receive interest.

BARRIERS TO OPENING AN ACCOUNT

If you don’t have the proper identification, you may have trouble opening an account. A driver’s license is a popular form of ID. If you don’t have one, consider getting a state-issued identification card. Some banks and credit unions also accept foreign passports and Consular IDs. The Matricula Consular card is an official Mexican government identification document that is available through its consulates in the United States. You may also be able to get a similar ID from other countries, such as Guatemala and Argentina, through their consulates in the United States.

¹⁴ See Internal Revenue Service, General ITIN Information, [irs.gov/individuals/general-itin-information](https://www.irs.gov/individuals/general-itin-information)

Another potential barrier is negative information from checking account reporting companies such as ChexSystems, Early Warning, and TeleCheck. These companies collect information from merchants, banks, and credit unions about how consumers manage checking and savings accounts. Banks and credit unions use reports developed by these companies to decide if someone can open a new account.

If you've tried opening a checking or savings account and the bank or credit union denied your application, it may be because a checking account reporting company has negative information in its files about your checking or savings account history.

You may have negative information in your file if you had a checking or savings account before and you:

- Have an unpaid negative balance on that account, such as from an overdraft, which you have not repaid, and the account was closed by the bank or credit union. This is called an "involuntary closure"
- Were suspected of fraud related to a checking or savings account
- Had a joint account with someone else who had these types of problems

Each bank or credit union has its own policies about approving the opening of an account based on your banking history report. Under federal law, checking account reporting companies must, among other things, take steps to assure that the information they provide to banks is as accurate as possible. They can't include most negative information that's more than seven years old. In practice, some checking account reporting companies disregard information once it's five years old. For example, involuntary closures stay on your ChexSystems report for five years and on your Early Warning report for seven.

Some banks and credit unions require you to pay these old charges and fees before you're allowed to open a new checking or savings account, even if those fees are from another institution. Many banks and credit unions offer checking accounts and prepaid cards that are designed to reduce risks, for both you and the financial institution, by preventing overdrafts and overdraft fees. Because these products are considered less risky, many banks and credit unions may choose to rely less on banking history reports when deciding whether to offer you an account. You may be able to qualify for one of these products even if you were denied for another product recently.

You can order copies of your ChexSystems, Early Warning, and TeleCheck reports.

COMPANY	BY PHONE	BY MAIL	ONLINE
ChexSystems	(800) 428-9623	ChexSystems, Inc. 7805 Hudson Road, Ste. 100 Woodbury, MN 55125	chexsystems.com
Early Warning	(800) 325-7775	Early Warning Attn: Consumer Services Department 16552 N. 90th Street Scottsdale, AZ 85260	earlywarning.com
TeleCheck Services	(800) 366-2425	TeleCheck Services, Inc. Attn: Resolutions Department - FA P.O. Box 4514 Houston, TX 77210	getassistance.telecheck.com

If you find mistakes on your reports, you can dispute them by sending a letter describing the mistakes and copies of any supporting documents. You can download a sample dispute letter at consumerfinance.gov/askcfpb/2029. You may want to consider using certified mail to send a dispute letter.

MANAGING A CHECKING OR SAVINGS ACCOUNT

Before you open a bank or credit union account, ask to get a copy of the terms and fees related to that account. Review that carefully to understand any minimum balance requirement and how much you could be charged in fees. Each bank and credit union has its own rules and fees, so it's a good idea to shop around first. Use the "Comparing financial service providers" tool to help you get a clear picture of what you're being offered.

Some common fees to learn about are monthly maintenance fees, non-sufficient funds (NSF) fees, and overdraft fees. Find out what a bank or credit union charges for these before opening an account.

OVERDRAFT FEES

Banks and credit unions often offer several types of overdraft services. These services usually have fees associated with them. An overdraft occurs when you don't have enough money in your account to cover a transaction, but the bank pays the transaction anyway. You can overdraw your account through checks, ATM transactions, debit card purchases, automatic bill payments, or electronic or in-person withdrawals. If you overdraw your account, you have to pay back those funds.

There are generally two types of services related to overdrafts. The first (sometimes called overdraft protection) is when you and your bank or credit union arrange for any overdrafts to be paid from money in your linked savings account. You pay a fee when the money available in your savings account is used to pay an overdraft in your checking account. The savings account often needs to be at that same bank or credit union. You can check if your bank offers this kind of overdraft protection and how much it costs.

The second type of overdraft service is when a bank or credit union allows you to spend more money than you have in your checking account, but at a cost for each transaction. For debit cards and ATM transactions, you have to opt in to this overdraft service. If you opt in, the bank may allow you to withdraw more money from an ATM or spend more with your debit card than what you have in your account. This results in overdraft fees for each transaction you make without enough money in your account, which can happen several times in one day. These fees vary across banks, but are commonly \$30-\$35 for each transaction. Some banks and credit unions charge you a separate fee every day that your account stays overdrawn.

If you don't opt in, your bank or credit union will generally decline your card (without charging a fee) if you attempt to withdraw cash or make a purchase that costs more than what you have in your account.

The opt in service applies only to one-time debit card and ATM transactions. It doesn't affect overdrafts caused by checks or online bill payments. So even if you don't opt in, you can still be charged an overdraft fee in certain circumstances. For example, if a recurring payment you've set up with your debit card number or via a direct billing arrangement overdraws your account, you can be charged a fee. You can also still be charged overdraft fees for checks or other payments that exceed your balance.

If you've already opted in, you can change your mind and opt out at any time.

Some banks use different names for their overdraft products. Ask questions and be sure you know what you're signing up for.

Using a prepaid card

A prepaid card is a card that you use to access money that's loaded onto the card in advance. There are different types of prepaid cards, but you can use most prepaid cards to make purchases, withdraw cash from an ATM, or get cash back at a store if the store's policy allows for cash back. You may also choose to have your wages directly deposited onto a prepaid card.

TYPES OF PREPAID CARDS

There are different types of prepaid cards, with different features, functions, and fees.

- An **open-loop prepaid card** has a network logo on it, like Visa, MasterCard, American Express, or Discover. These cards can be used at any location that accepts that brand. It might be reloadable (see below) or it might be like a gift card, meant to be used until the balance is spent and then thrown away.
- A **closed-loop prepaid card** can be used only at certain locations. For example, it might be a gift card that's good only at a specific store or group of stores or it might be for use on your public transportation system. Most closed-loop cards don't have a network logo on them.
- A **reloadable prepaid card** can have money added to it multiple times. One common type of open-loop, reloadable prepaid card is called a General Purpose Reloadable Card, or GPR Card. Some cards start out as non-reloadable, but can become reloadable once you complete a registration process. Always register the card as soon as possible if you are offered the choice to do so.
- A **payroll card** is provided by your employer and your paycheck is loaded onto it.
- A **government benefit card** is a prearranged prepaid card used by a government agency to load your benefits.
- An **electronic benefits transfer (EBT) card** is a certain type of government benefits card used for needs-based programs such as Temporary Assistance for Needy Families (TANF), Supplemental Nutrition Assistance Program (SNAP), and other programs.
- Some **college ID cards** are also prepaid cards. Some colleges offer a "closed-loop" card, which you can use to pay only for things on campus. Other schools offer an "open-loop" card, which you can use at any retail location that accepts that network brand.

FEES FOR USING PREPAID CARDS

Read the information about the card carefully to understand all of the fees. Not every card charges each type of fee. Some cards charge a monthly fee but not per-transaction fees. Other cards may skip the monthly fee, but charge you transaction fees each time you use the card. You might be better off under a single monthly fee or with per-transaction fees, depending on how you plan to use the card.

Make sure to check for any details on the card packaging. You can also usually look up information about prepaid cards, including full fee information, online before making your choice. Consider how you plan to use the card and look for one that makes the most sense for your needs.

CHECKING YOUR PREPAID CARD BALANCE

There may be several ways to check your prepaid card account balance—some ways might be free and others could cost you. You should check the terms of your prepaid card to find out what methods are available and whether there's a cost for them.

You can call customer service (the number is usually on the back of your card) to check your balance. **If you get your balance through the automated phone system, you usually won't be charged a fee.** You can also talk to a live customer service agent, but some prepaid card providers will charge you a fee for that.

You can check your balance online or with a mobile app. You may need to set up an online account with the prepaid card provider to check your balance online. Usually this service is free.

Some prepaid card providers will text you your account balance. The card provider doesn't usually charge for this service, but your cell phone carrier may. Check with your carrier to see if they charge a fee for these texts.

Some prepaid cards allow you to check your balance at an ATM, but you may have to pay a fee for this service.

If receiving paper statements is important to you, check the cardholder agreement or the prepaid card provider's website to see if they offer paper statements. You can also call their customer service to see if paper statements are available and whether you would be charged a fee.

SETTING ASIDE MONEY ON A PREPAID CARD

Some prepaid cards offer an additional feature that allows you to separate some of your funds to dedicate to specific goals. This feature is called a virtual set aside

or savings wallet. For example if you move some of the money on your prepaid card to a savings wallet, it wouldn't be available to easily spend or withdraw from an ATM. Once you put money into the savings wallet, you can move it back for spending at the prepaid card provider's website or by using its mobile app.

Alternatives to prepaid cards

A prepaid card may or may not be the right choice for you, depending on how you plan to use the card.

PREPAID CARDS VS. DEBIT CARDS

A prepaid card is different from a bank account debit card. A bank account debit card is linked to your checking account, so the money you spend with the card is taken directly out of your checking account. With a prepaid card, you are spending money that was loaded onto the card in advance.

In most cases, you can't spend more money than what you've already loaded onto your prepaid card. Overspending can occur with a debit card if you've "opted in" to your bank's overdraft program. This means that your bank may cover a debit card purchase or ATM withdrawal that's more than what you have in your account and may charge you a fee for doing so. Your bank will require you to repay the overdraft and any related fees.

PREPAID CARDS VS. CREDIT CARDS

Prepaid cards are very different from credit cards. This can be confusing because both types of cards may have a card network logo on them, like Visa, MasterCard, American Express, or Discover. When you use a credit card, you're borrowing money that you have to pay back, and you'll owe interest if you carry a balance. Generally, when you use a prepaid card, you're spending money you've already had loaded onto the card in advance. You may still pay fees to use or maintain the prepaid card, but there's no interest because you aren't borrowing money—you're using money you already have.

What's inside

This module has five tools and two handouts to help you better understand and evaluate financial products and services to find ones that are right for you.

Here are suggestions for how to make the most of the time you have.

If you have...

10 MINUTES

- Review the **"Knowing your prepaid card rights"** handout before you buy or use a prepaid card so you know about your rights and responsibilities
- Review the **"Sending money abroad"** handout to learn about your rights and responsibilities when sending money to another country

30 MINUTES

- Use **"Finding financial products and services"** to find out about products that may meet your needs and learn about how they work and where to get them
- Complete **"Opening a checking or savings account"** to make sure you have all the documentation and answers you need
- Review **"Avoiding checking account fees"** to choose strategies you can use to lower or eliminate fees

MULTIPLE SESSIONS

- Use **"Comparing financial service providers"** to compare companies that offer the products or services you need and choose the one that's right for you
- Complete **"Evaluating your prepaid or payroll card"** to make sure you understand the details and fees associated with using the card

Finding financial products and services

Before you select a financial product or service, you should first understand what each offers and how it can help you achieve your goals.

The financial products you pick can help you accomplish different goals. They may help you build savings or improve your credit history. Some make it easier to access your paycheck, while others help turn your paycheck into cash.

Thinking about what you want to accomplish can help you narrow down the choices of products that fit your needs.

What to do

- **Think about your financial goal.** Review the products that can best help you achieve that goal.
- **Read about the products and services you're interested in** to learn more about how they work and where you can get them.

A step further

Once you pick a product that's right for you, review the "Comparing financial service providers" tool to learn what kinds of questions to ask as you shop around.



Finding financial products and services that meet your needs

1. Think about why you want or need a financial product or service. Check the boxes of the goal(s) that are most important to you.
2. Read more about the financial products and services that meet those needs and decide which might be the best for you.

GOAL	PRODUCTS TO CONSIDER
I want a secure place to keep my money.	▪ Certificate of deposit (CD) ▪ Checking account ▪ Prepaid card ▪ Savings account
I want to make purchases without having to carry cash or go into debt.	▪ Checking account (with linked debit card) ▪ Prepaid card
I want a low-cost and easy way to pay and manage my bills.	▪ Bill payment service ▪ Checking account ▪ Money order ▪ Prepaid card
I want to pay my bills online or from my mobile device.	▪ Bill payment service ▪ Checking account ▪ Prepaid card
I want access to online or mobile banking (to do things like check my balance online or deposit a check using my phone).	▪ Checking account ▪ Prepaid card
I want my paycheck deposited directly into an account I can access.	▪ Checking account ▪ Payroll card ▪ Prepaid card ▪ Savings account

GOAL	PRODUCTS TO CONSIDER
I want to turn my paycheck into cash.	▪ Check cashing service ▪ Checking account ▪ Payroll card ▪ Prepaid card
I want to build up savings.	▪ Certificate of deposit (CD) ▪ Prepaid card (with savings wallet feature) ▪ Savings account
I want to save for education and training for myself or my child.	▪ 529 Plan
I want to buy a car.	▪ Auto loan
I want to buy a house.	▪ Mortgage
I want to get a small loan quickly.	▪ Auto title loan ▪ Credit card ▪ Pawn loan ▪ Payday loan
I want to build my credit history.	▪ Auto loan ▪ Credit builder loan ▪ Credit card ▪ Mortgage ▪ Secured credit card
I want to send money to someone.	▪ Money or wire transfer service ▪ Peer-to-peer transfer service

Review details of the products and services that you’re considering.
Learn about how each works and where they’re offered.

	Consider this option if you want...	How it works	Where it’s offered
529 Plan	To save for education and training costs for you or your child	- Savings plan that goes into an investment account with special tax benefits - Can be used to pay for qualified educational or training expenses for yourself or dependent children - If used for other purposes, may pay income tax and penalty fees on money	- Financial investment firm - From your state’s program (find your state’s contact information at plans.collegesavings.org/viewstate.aspx)
Auto loan	- To buy a car or truck (see the “Comparing auto loans” tool in Module 6 for more information) - To build a credit history	- Borrow money to buy a new or used car or truck - Repay monthly over set period of time (loan term) - Loan is secured by the car or truck as collateral, so if you default on the loan your car or truck could be repossessed	- Bank or credit union - Car dealer

	Consider this option if you want...	How it works	Where it's offered
Auto title loan	▪ To get small loans quickly	▪ Borrow money for a short term and give up the title to your car or truck until you repay it ▪ Often loan amount is for 25 to 50 percent of the car's total value ▪ Can be repaid in installments or all at once ▪ If you're unable to pay, lender can repossess your car and sell it	▪ Online lender ▪ Title loan company
Bill payment services	▪ A low-cost, easy way to pay and manage bills ▪ To pay bills online or from your mobile device (see Module 4: Paying Bills for more information)	▪ Pay your bill online through a service (from your bank's website, for example) or in person (at a location like a grocery store or large retail store) instead of mailing directly to the company ▪ Offered as a feature of certain financial products to help you pay your bills	▪ Bank or credit union ▪ Check cashing store ▪ Grocery, retail, or other store ▪ Online provider ▪ Prepaid card

	Consider this option if you want...	How it works	Where it's offered
Certificate of deposit (CD)	▪ A secure place to keep money ▪ To build savings	▪ Deposit a fixed amount of money for a specific length of time (for example, \$50 for one year) ▪ Can withdraw that money after the time is up ▪ Pay penalty to withdraw your money early (fee varies and could be more than interest already earned, meaning you could lose money)	▪ Bank or credit union
Check cashing service	▪ To turn your paycheck into cash	▪ Receive cash for your paycheck without first depositing it into an account ▪ Often charged a fee ▪ Don't have to have a checking account	▪ Bank or credit union ▪ Check cashing store ▪ Grocery, retail, or other store

	Consider this option if you want...	How it works	Where it's offered
Checking account	▪ A secure place to keep money ▪ To make purchases without carrying cash or going into debt (with a debit card) ▪ A low-cost, easy way to pay and manage bills ▪ To pay bills online or from your mobile device (see Module 4: Paying Bills for more information) ▪ To bank online or from your mobile device ▪ To have your paycheck directly deposited	▪ Deposit or withdraw money from your account at a branch or at an ATM using your debit card ▪ Pay for things by writing checks or using a debit card ▪ Keep track of your balance to avoid overdraft fees or bounced checks with fees when there isn't enough money to cover payments or withdrawals ▪ Usually includes access to mobile and online banking and bill payment services ▪ Deposits are insured in case your bank fails ▪ You have federal rights if money is lost electronically through error or theft	▪ Bank or credit union
Credit builder loan	▪ To build a credit history	▪ A loan (usually small) that you repay before you get access to the loan amount ▪ Establishes a good payment history that can improve your credit scores	▪ Bank or credit union ▪ Non-profit organization
Credit card	▪ To get small loans quickly ▪ To build a credit history	▪ Borrow money up to an approved credit limit amount ▪ Pay at least the monthly minimum until the balance is repaid ▪ Charged interest if you don't pay your balance in full each month and other fees if your payment is late ▪ May charge an annual fee	▪ Credit card company ▪ Large gas station chain (gas credit card) ▪ Large retail store (store credit card)

	Consider this option if you want...	How it works	Where it's offered
Money order	A low-cost, easy way to pay and manage bills	- Like a check, except you pay for the full amount of the money order (plus any fees) upfront when you get it - No checking account needed - Usually available only in smaller amounts (up to \$1,000) - Used to guarantee a payment to a person or company since it can't bounce like a check might because it's already been "funded" during the initial purchase - Can be cancelled or reissued if it gets lost or stolen - Can be harder to prove payment, since there isn't a bank record that it was cashed (like a check would have)	- Bank or credit union - Check cashing store - U.S. Postal Service
Money or wire transfer service	To send money to someone else	- Use a service to send money to another person or place - Often charged a fee - Depending on which service you use, delivery method can be to the person's bank account, mobile phone, or cash from a participating location - Depending on which service you use, pay for it with cash, credit card, debit card, prepaid card, or from your bank account	- Bank or credit union - Check cashing store - Grocery, retail, or other store - Online provider

	Consider this option if you want...	How it works	Where it's offered
Mortgage	▪ To buy a house	▪ Borrow money to buy or build a house ▪ Repay monthly over set period of time (loan term) ▪ Loan is secured by the house as collateral, so if you default on the loan your house could go into foreclosure	▪ Bank or credit union ▪ Mortgage broker ▪ Online lender
Pawn loan	▪ To get small loans quickly	▪ Paid cash in exchange for an item that the pawn shop keeps (like jewelry or electronics) during the loan ▪ Loan amount is often much less than actual value of item ▪ If loan isn't paid back as agreed, shop can sell the item to cover the debt	▪ Pawn shop
Payday loan	▪ To get small loans quickly	▪ Borrow small amounts of money, generally to be repaid plus fees when you get your paycheck ▪ Lender either cashes a check you give them or electronically debits the payment from your checking account when payment is due (usually two weeks after the loan) ▪ If loan isn't repaid as agreed, you may be able to renew it by paying another fee	▪ Payday loan provider ▪ Some banks or credit unions (usually called a short-term loan rather than a payday loan)

	Consider this option if you want...	How it works	Where it's offered
Payroll card	▪ To have your paycheck directly deposited	▪ Employer loads your salary or wages onto a prearranged prepaid card where you can access the funds ▪ Can use like a prepaid or debit card and accepted at most merchants ▪ May have service fees or inactivity fees ▪ Has full consumer protections in case of electronic error or theft ▪ Employer must provide you at least one other way to receive your salary or wages	▪ Employer, working with a financial institution that provides the card
Peer-to-peer transfer service	▪ To send money to someone	▪ Service allowing you to electronically transfer funds to another person ▪ Send and receive funds using a mobile device or computer ▪ May be charged a fee	▪ Bank or credit union ▪ Online provider

	Consider this option if you want...	How it works	Where it's offered
Prepaid card	▪ A secure place to keep money ▪ To make purchases without carrying cash or going into debt ▪ An easy way to pay and manage bills ▪ To pay bills online or from your mobile device (see Module 4: Paying Bills for more information) ▪ To bank online or from your mobile device ▪ To have your paycheck directly deposited ▪ To set aside funds for specific purposes	▪ Access money you've paid or loaded in advance that's stored on a card ▪ Accepted at most merchants ▪ Some let you take out money from an ATM or reload money onto the card (often charging a monthly maintenance fee or usage fee) ▪ Some provide separate savings wallet feature that allow you to save for your goals ▪ Funds may be insured in case the bank that offers the card fails ▪ You have rights if money is lost electronically through error or theft	▪ Bank or credit union ▪ Check cashing store ▪ Grocery, retail, or other store ▪ Online provider
Savings account	▪ A secure place to keep money ▪ To have your paycheck directly deposited ▪ To build savings	▪ Deposit and withdraw money from your account when you want ▪ Earns interest ▪ Build up money for savings or emergencies ▪ Not intended for frequent transactions ▪ Deposits are insured in case your bank fails ▪ You have federal rights if money is lost or stolen electronically through error or theft	▪ Bank or credit union

	Consider this option if you want...	How it works	Where it's offered
Secured credit card	▪ To build a credit history	▪ Borrow money up to an amount that's backed by a deposit you've already paid ▪ Charged interest if you don't pay your balance in full each month and late fees if you miss a payment ▪ Many charge an annual fee ▪ Accepted at the same merchants as other credit cards	▪ Bank or credit union ▪ Credit card company

Comparing financial service providers

Compare different financial service providers so you can choose the one that works best for you.

The financial marketplace is very competitive. Once you've decided what kind of financial product or service you need, you'll likely have to choose between different companies that provide it. When possible, talk to more than one provider and shop around until you find the one that best meets your needs. This could mean it's the one closest to your home or workplace, the one that offers the lowest fees, or a combination of many different factors.

Getting answers to common questions about things like fees, services, and convenience from several companies can help you choose the best option for you.

What to do

- **Choose at least two companies to evaluate.**
- **Read through the list of questions** and identify the ones most important to you.
- **Make notes** about how each company addresses these questions.
- **Compare the companies** and pick the one that best meets your needs.



What to ask when **Comparing** financial service providers

1. Decide which two companies you'd like to compare, and write their names at the top of the first table.
2. Write down the answers for each company—you may need to talk with someone there or do some research online for some of the questions. Ask only the questions that apply to the product you're considering.
3. Compare the answers to help you decide which company best meets your needs.
4. Make copies if you want to compare more than two companies at once.

Company 1:

Company 2:

For bank accounts with debit cards

	QUESTIONS TO ASK	COMPANY 1	COMPANY 2
Fees and other costs	Are there monthly fees for the account? How much? Can they be waived?		
	Is there a fee for going below a minimum balance in the account?		
	Is there a fee for using checks? How much?		
	Is there a fee for making a deposit? How much?		
	Is there a fee for inactivity on the account? How much?		
	Will I earn interest on the account? What is the interest rate?		

	QUESTIONS TO ASK	COMPANY 1	COMPANY 2
Services offered	Do they offer check cashing, money transfer, or bill payment services? How much does each cost?		
	Do they offer "second chance" or "lower risk" accounts that don't offer overdraft services?		
	Are there convenient, free ATMs located near where I live, work, or shop?		
	Can I pay my bills and check account balances any time of day by phone, online, or with a mobile app? Is there a fee for this? How much?		
	If I get a checking account, will I also get a debit card?		
	Can I link my checking account to my savings account to avoid paying overdraft fees?		
	How often will I receive account statements? Can I choose between paper and electronic statements?		
	Do they offer additional services like notary services or safe deposit boxes? How much do they cost?		

	QUESTIONS TO ASK	COMPANY 1	COMPANY 2
Security	Do I get my money back if someone steals my debit card information and uses it without my permission?		
Other			

For credit cards

	QUESTIONS TO ASK	COMPANY 1	COMPANY 2
Fees and other costs	What are the fees associated with the card (annual fee, late fee, etc.)?		
	What is the APR, or annual percentage rate, on the card? Is it a promotional rate? If so, what will the new APR be after the promotion ends?		
	Are there fees to use the card in another country? How much?		
Services offered	Are there limits on where I can use the card?		
	Can I check my balance any time of day by phone, online, or with a mobile app? Is there a fee for this? How much?		
	Can I choose my own due date for the bill?		

	QUESTIONS TO ASK	COMPANY 1	COMPANY 2
Other			

For loans (including mortgages, personal loans, and other loans)

	QUESTIONS TO ASK	COMPANY 1	COMPANY 2
Fees and other costs	What are the fees associated with getting the loan?		
	What is the interest rate on the loan?		
Services offered	How long will it take before I find out if I'm approved for the loan?		
	Can I choose my own due date for the loan payments?		
	Can I choose the length of the loan? How long do I have to repay the loan?		
	If I make all of the payments on time, will I still owe any money at the end of the loan?		
Other			

For money transfer services

	QUESTIONS TO ASK	COMPANY 1	COMPANY 2
Fees and other costs	How much are fees, taxes, or costs for exchanging currencies?		
	What is the total amount that the person I am sending money to will get?		
	What ways can I pay for the transfer?		
Services offered	How convenient is it for the recipient to receive the funds?		
	How fast will money arrive?		
Other			

For prepaid cards

	QUESTIONS TO ASK	COMPANY 1	COMPANY 2
Fees and other costs	Are there monthly fees for the account? How much? Can they be waived?		
	What are the ways I can add money to the card? Are there fees for each of those ways? How much?		

	QUESTIONS TO ASK	COMPANY 1	COMPANY 2
	Is there a fee for inactivity (or "dormancy") on the account? How much? How often do I need to use my card to avoid the inactivity fee?		
	Are there any per-transaction fees on the account? Would a monthly account fee be cheaper than per-transaction fees?		
Services offered	Are there limits on where I can use the card?		
	Can I use the card at ATMs that are convenient for me? At what ATMs will I be charged a fee?		
	Are there limits on how much I can spend or withdraw in a day, or in one transaction?		
	Can I check my balance any time of day by phone, online, or with a mobile app? Is there a fee for this? How much?		
	Does the prepaid card have a savings wallet feature that would allow me to easily save some of my money for my goals? Is there a fee for this feature? How much?		

	QUESTIONS TO ASK	COMPANY 1	COMPANY 2
Security	Will I get my money back if someone steals my prepaid card information and uses it without my permission?		
Other			

Friendliness, convenience, and access (for all products)

	QUESTIONS TO ASK	COMPANY 1:	COMPANY 2
Friendliness	Do they treat me with respect?		
	Are the people I've dealt with friendly to me?		
Convenience	Do they have locations close to where I live, work, or shop?		
	Is it open at convenient times for me (such as during lunch, after work, or on weekends)?		
Access	Can I get information in my own language or in a form that's accessible to me?		
	Are there people to answer my questions in person, by phone, or via text, email, or online chat when I need them? Is there a fee for this? How much?		

GETTING STARTED

Opening a checking or savings account

Learn what documents you need and what questions to ask before you open an account.

Showing up prepared to the bank or credit union when you're ready to open an account will help you save time and money.

Most banks and credit unions require two forms of identification to open an account. Some will take one form of identification (such as your driver's license or passport) and a bill with your name and address on it. The other part of being prepared is understanding the terms and costs of opening an account. Get answers to common questions before you sign your paperwork.

What to do

- **Gather your documents.** Make sure you have the proper identification and documents to open an account.
- **Bring the required amount of money to open the account.** You'll usually need between \$25 and \$100 to open a checking or savings account at a bank. Some credit unions and banks don't require an opening deposit and some require a deposit as low as \$5 to open an account.
- **Get all the facts.** Call the bank or credit union or do research online to answer the questions in the checklist. Make sure you know how the account works and what fees are involved.

A step further

Make the most of your account and keep your costs low by reviewing the "Avoiding checking account fees" tool.



Gather what you need before **Opening a checking or savings account**

1. Review the items you need to open the account and check them off as you gather them. Write down any questions you have.
2. Get answers to all the questions listed to make sure you're aware of the terms, costs, and limitations of the account.

WHAT I NEED TO OPEN AN ACCOUNT

QUESTIONS I HAVE

A picture ID issued by a state, or the U.S. or foreign government (check which foreign IDs your bank or credit union accepts)	
One of these second forms of identification: ▪ Social Security card ▪ Birth certificate ▪ Bill with your name and address on it	
Your Social Security number or ITIN; if you don't have one, you may be able to open only a no-interest account	
Money to put into the account	

QUESTIONS I WILL ASK THE BANK OR CREDIT UNION

RESPONSES

Is there a monthly fee? If so, how much is it and can it be waived?	
Is direct deposit available?	
Do I have to pay for checks?	
Are there per-check or transaction fees? How much are they?	

QUESTIONS I WILL ASK THE BANK OR CREDIT UNION**RESPONSES**

Are there convenient, free ATMs located near where I live, work, or shop?	
Is there access to online banking? What's the cost to use?	
Is there access to online bill paying services? What's the cost to use?	
What happens if I try to spend or withdraw more money than I have in my account (overdraft)?	
Are there alerts when my balance gets low?	
Will I earn any interest on the money in the account? What is the interest rate?	

Avoiding checking account fees

Save money with strategies to help you reduce checking account fees.

No one likes to see fees chipping away at their checking account balance every month. You may not be able to eliminate all the fees charged by your bank or credit union, but there are some ways to reduce the number or kind of fees you pay.

What to do

- **Identify a strategy for reducing fees** that you want to try.
- **Implement that strategy.**
- Once you're done with the first strategy, **pick a new one** until you've completed them all.



Save money by **Avoiding checking account fees**

1. Read the different strategies for reducing or avoiding checking account fees.
2. Check the box of one strategy that you can commit to trying now.
3. Once that one is complete, try incorporating one or two more.

STRATEGY	TIPS FOR AVOIDING FEES	NEXT STEPS
I'll keep track of my checking account balance and never spend more than I have available.	▪ Track when you write a check, use your debit card, or pay a bill online to avoid spending more than you have ▪ Make sure you don't go under the minimum balance requirement for your account, which can lead to fees ▪ Monitor your account online or from a mobile app at any time ▪ Ask your bank when the funds from your deposits become available and don't spend money you deposit until you know it's available in your account	Determine where you'll track your balance (like a checkbook or spreadsheet) or use your bank's mobile app.
I'll set up a low-balance alert with my bank.	▪ Get a text or email alert when your account balance drops below a certain dollar amount so you know when you're close to spending more than you have ▪ Get alerts if there's a scheduled payment coming up and your account doesn't have enough to cover it	Ask your bank if they offer balance alerts and how much they cost. An alert could save you a fee for a bounced check or a non-sufficient funds fee.

STRATEGY	TIPS FOR AVOIDING FEES	NEXT STEPS
I will see if I can get a low-fee or free checking account.	▪ Get monthly service fees waived by maintaining a minimum balance or signing up for services like direct deposit ▪ Ask about senior accounts, student accounts, and basic checking accounts that often offer a low minimum balance requirement and a limited number of "free" checks and withdrawals each month	Ask your bank if you qualify for a low-fee or free account.
I won't opt in to services that allow ATM withdrawals and debit card purchases to overdraw my account, causing it to dip below \$0.	▪ If you've already opted in to this service, you can opt out ▪ Keep an eye on your checks and online bill payments; you can still be charged fees for overdrafts caused by checks or online bill payments	Check with your bank or credit union to see if you're opted in, and, if you are, ask to opt out.
I'll link my checking account to my savings account.	▪ Link your savings account to your checking account so that money can automatically be transferred if you spend more than you have in checking. You'll sometimes pay a transfer fee, but it's usually much lower than an overdraft fee ▪ Make sure you're asking for the right service. This one is often known as overdraft protection (which is different than opt in services that allow ATM withdrawals and debit card purchases to overdraw your account)	Check with your bank or credit union to see if overdraft protection linked to your savings account is available and how much the transfer fees are. If you don't already have a savings account, you would have to open one.

STRATEGY	TIPS FOR AVOIDING FEES	NEXT STEPS
I'll visit only ATMs in my bank's network.	▪ If you have to use an ATM that charges a fee, reduce fees by taking out money you need for the week, rather than visiting the ATM more often	Use your bank's website or mobile app to find their ATMs near where you live, work, or shop. There's usually no charge for using ATMs within your bank's network.
I'll open and review all of my mail, both electronic and paper, from my bank or credit union.	▪ Review account statements every month to make sure they're correct and you aren't being charged extra fees ▪ Make sure you're up to date with what fees the bank or credit union charges for your account. You have the right to receive written notice if your minimum balance requirement, fees, or certain other account terms change	Set up a system for reviewing your paper statements and email to be sure you haven't missed anything—and report any transactions you didn't authorize or other errors immediately.
I'll make sure I have enough money in my account before I write checks or have automatic payments scheduled.	▪ Avoid overdrawing your account by linking your savings account to your checking account. This can save you from having to pay a non-sufficient funds fee from your bank and bounced check fees from the company you paid by check. You may have to pay a transfer fee	See if you can move your due date for a bill or delay a purchase until you have the money to cover the cost.

Evaluating your prepaid or payroll card

Carefully read the terms and fee descriptions when you get your prepaid or payroll card to learn how much you'll pay each month to have and use your card.

Each prepaid and payroll card has its own set of rules and fees. Before you use your card, it's important to understand the fees you'll pay to maintain your account, make purchases, and withdraw money. After adding up the fees, you can compare cards and also compare the cost of a card to the costs of a bank or credit union account.

Most prepaid cards have their own policies about loss, theft, and errors. Information about these policies can be found in the cardholder agreement.

Most prepaid cards also offer details about terms and fees on their website, so you can look online if you want to compare cards before buying one.

What to do

- **Review the definitions** of common prepaid card fees so you know what they are.
- **Find the terms and fees** for your prepaid or payroll card. These are usually on the back or inside of the card packaging.
- **Get all the facts.** Make sure you have all the answers about how the card works and what fees are involved. Consider researching prepaid cards online, so you can read about all the features before you buy it.

A step further

A prepaid or payroll card can also give you the services that you would get with a debit card linked to a checking account. Review the "Finding financial products and services" tool to learn more. If your employer pays wages by payroll card, you must be offered at least one other option to get paid. Learn more with the "Knowing your prepaid card rights" handout.

DEFINITIONS OF COMMON PREPAID CARD FEES

All fees vary from card to card, so check your cardholder agreement for terms, conditions, and costs. Here are some of the fees you might see.

Additional card	For a second card when adding another person as an authorized user to your account
ATM withdrawal	To use your card to withdraw money from an ATM; usually varies depending on if the ATM is within your card provider's network or not
Balance inquiry	To check your card balance using certain methods, like at an ATM or by calling customer service (there might be a fee for some methods or if you check often)
Bill payment	To pay a bill online through the card provider's website; may be charged a fee for each bill paid
Card cancellation	To cancel a card at any time (there usually isn't a fee); you might pay a fee to get a check for the remaining balance on the card
Card replacement	To replace your card if it's lost, stolen, or damaged
Card-to-card transfer	To transfer money between two prepaid cards (also called a person-to-person transfer fee)
Cash reload	For adding money to your card at a retail location
Decline	If you attempt to use your card for something that costs more than the amount of money you have left on your card
Foreign transaction	When you use your card in a foreign country or to pay in a foreign currency
Inactivity	If you don't use your card for a certain period of time
Monthly	A fixed fee you pay each month, even if you don't use your card, that's automatically deducted from your account balance (often waived if you sign up for direct deposit)
Paper statement	If you request paper statements for your card transactions
Transaction	Charged every time you use the card for certain types of transactions (sometimes called a "per purchase fee")



Learn about fees by **Evaluating your prepaid or payroll card**

1. Look at your cardholder agreement to answer the questions about fees and card protections.
2. Write in the response for each question. If there is no fee, enter \$0.
3. Use these answers to help manage the cost of having and using your card.

Don't forget to register your prepaid card to get all the protections offered.

Adding money and getting cash

Questions to ask before using your card	Notes
What's the fee to withdraw money from an ATM that's in-network? That's out-of-network? Things to consider: You may pay zero or smaller ATM fees by using your prepaid card at in-network ATMs, depending on the terms of your cardholder agreement. Your payroll card may allow you a certain number of free ATM withdrawals each month.	
What's the fee for reloading my prepaid card with cash at a retail location? Can I reload my card at the retail location where I purchased it? Things to consider: Many retail stores don't allow you to reload your card at the store and those that do sometimes charge a fee. Most prepaid cards provide other options for loading money to your card without a fee, such as direct deposit. Payroll cards usually don't allow you to reload with cash.	
What's the fee for spending or withdrawing money in another country? Things to consider: Also called a currency conversion fee, this is usually a percentage of your purchase, withdrawal, or other transaction, rather than a flat fee.	

Checking my balance

Questions to ask before using your card	Notes
What ways can I check my balance and what do they cost? How do I check my balance for free? Things to consider: Most cards offer at least one free way to check your balance, such as online or request by email or text.	
Is there a fee for receiving a paper statement in the mail? Things to consider: You may be able to go online to get a statement, or at least a list of your recent card purchases and other transactions, without a fee.	

Loss and errors

Questions to ask before using your card	Notes
What's the fee for replacing a lost, stolen, or damaged card? Things to consider: Write down your card number and the customer service phone number and keep it in a safe place. Call customer service right away to report a lost or stolen card.	
What protections do I have if my card is lost or stolen? Am I responsible for the charges? Things to consider: Your rights to recover money taken from your card account depend on what type of card it is, whether its been registered, and how quickly you report the loss after you discover it. Call your provider right away if your card or PIN is lost or stolen or if you see unauthorized charges.	
What protections do I have if there are charges I didn't authorize or some other error with my card? Things to consider: If your card is registered (or is a payroll card or a certain type of government benefit card), you may have certain "error resolution" rights that require that you get your money back after an error or theft (as long as you report it promptly).	

Managing my card

Questions to ask before using your card	Notes
What's the monthly fee for having my card? Things to consider: Some prepaid cards that charge a monthly fee may waive the fee under certain circumstances, such as if you arrange to have your pay or benefits directly deposited into your account. Payroll cards usually don't charge a monthly fee.	
Will I be charged a fee if I don't use my card for a certain length of time? If so, what is the fee and how long can I go without using my card before I am charged? Things to consider: If your card charges inactivity fees, try to see what kinds of transactions or activity you can conduct to avoid the fee. Many cards don't charge inactivity fees.	
What's the fee if I get an additional card for an authorized user? Things to consider: That additional card lets someone else spend your money, so think carefully about whether to add an authorized user to your account. Any new authorized users will have to register online or call customer service to verify their identity.	
Is there a fee to cancel my card? What about to receive a check for the remaining unused balance after I cancel? Things to consider: You can spend or withdraw the remaining funds on your card before you cancel the card to avoid a potential fee for sending you any unused funds. Most cards don't charge to cancel the account.	

Using my card

Questions to ask before using your card	Notes
What's the fee for paying bills through my card provider's website? Things to consider: Consider whether there are free ways to pay your bills, such as setting it up for the biller to debit your card account.	
What's the fee to transfer money between two cards? Things to consider: Not all card providers allow you to transfer funds to another person using the same type of card. Compare this cost with other money transfer services.	
Is there a fee if my transaction is declined because there's not enough money on the card? Things to consider: To avoid a decline fee, check your card balance before making a purchase to make sure there's enough money on the card. Many cards offer free ways to check your balance, such as with a mobile app, by text message, or calling a toll-free number.	
Is there a fee for each transaction I make? Do I have a choice between a "pay-as-you-go" plan that charges a fee per transaction and a monthly fee plan? Things to consider: Some cards let you choose between a plan that charges transaction fees and one that charges a single monthly fee. Depending on how much you use your card in a month, one plan could be significantly cheaper than the other.	
Can I set aside funds on the card for a specific purpose? Things to consider: Some prepaid cards offer a savings wallet feature that allows you to save for your goals.	



Knowing your prepaid card rights

You have certain rights under the law and the terms of your cardholder agreement for your prepaid card. It's important to know your rights and how to exercise them.

YOU'LL HAVE THE MOST PROTECTION IF YOU REGISTER YOUR PREPAID CARD

Your use of a prepaid card might be limited until it's registered. Instructions for how to register your card are usually provided on the card packaging. Registration provides you with more protections if your card is lost or stolen. Some prepaid card providers may require you to register your card and verify your identity when you buy or receive the prepaid card, or soon after.

CHOOSING HOW YOU GET PAID

Some employers might pay you only using a traditional paper check. If your employer offers to pay your wages by payroll card, you must be offered at least one other option. That option might be a paper check, or it could be direct deposit to an account of your choosing (such as a checking or savings account or your own prepaid card). Some states require employers to offer paper checks, while others permit employers to mandate electronic pay for wages. In those cases, you might have to choose between a payroll card and direct deposit.

CHOOSING HOW YOU RECEIVE SOME GOVERNMENT BENEFITS

For some types of government benefits, you may have a choice between receiving the benefits on a government-arranged prepaid card and having them directly deposited into your bank account or onto your own prepaid card.

PROTECTIONS FROM FRAUD AND ERRORS

For most prepaid cards, you have protections in case of an unauthorized transaction or other error if you have registered your card (or if it's a payroll card or certain type of government benefit card). These protections are not available for needs-tested government benefits provided on a prepaid card and administered by state or local government, such as SNAP or TANF. Benefits administered by the federal government, such as SSI, are protected.

For example, you generally can't be held responsible for unauthorized charges or other errors if you report them promptly. The card provider may be required by federal law to credit the disputed amount to your account while investigating the problem if the investigation will take longer than 10 business days. **You should call your card provider as soon as you notice your card is missing or notice charges you don't recognize.**



Sending money abroad

You have certain rights and protections when you send money to other countries.

Know what your rights are and eliminate surprises before you send money to family, friends, or others outside of the United States.

CERTAIN FEDERAL PROTECTIONS APPLY IF YOU SEND MONEY ABROAD

Under federal law, many money-transfer companies, banks, credit unions, and other types of financial services companies qualify as “remittance transfer providers.” Before you send money, the provider must generally provide you with information about:

- The amount that will be transferred by the provider
- Fees and taxes you pay them
- The total amount you will pay the provider
- The exchange rate
- Fees charged by the company’s agents abroad and certain other institutions involved in the transfer process
- The amount of money expected to be received (which may not include certain foreign taxes or fees that are charged to the recipient), in the currency in which the money will be received
- If appropriate, a statement that additional foreign taxes and fees may be deducted from the transfer amount

After you send money, the provider must generally provide you with a receipt, which includes all of the information just described, as well as:

- The date on which the money will be available at its destination
- The name (and if you provide it, the telephone number and address) of the recipient
- Instructions on your right to cancel transfers
- What to do in case of an error
- The provider’s name, telephone number(s), and website
- Contact information for the state agency that regulates the provider and the CFPB, in case you have questions or a complaint
- If you scheduled the transfer at least three business days in advance, or are scheduling a series of transfers, the date on which the provider will make the transfer

The provider may choose to combine these disclosures and give them all to you before you send money.

PROBLEMS WITH YOUR TRANSACTION?

You have the right to cancel. You’ll typically have 30 minutes (sometimes more) after paying to cancel the transaction with no charge, unless the transfer has already been picked up or deposited into the recipient’s account. If you scheduled your transfer in advance, to cancel your transaction you must notify the provider at least three business days before the transfer is scheduled.

You have the right to have errors resolved.

Remittance providers must investigate complaints. If you think a mistake was made and promptly contact the company, it generally has 90 days to investigate the complaint and must notify you of the investigation's results. For certain types of errors, such as if the money never arrives, you may be able to get a refund or have the transfer sent again.

Other protections may be available to you, depending on how you send the money and the laws in your state.

WHAT'S COVERED?

The federal protections apply to most transfers (including wire transfers) that are:

- More than \$15
- Made by a consumer in the United States
- Sent to a person or company in a foreign country

The federal protections don't apply to transfers sent by companies that consistently provide 100 or fewer money transfers each year.

MODULE 9

Protecting your Money

Learn about ways you can protect yourself and your money with practical tips and information about your financial rights and responsibilities.

At a glance

This module can help you understand your rights and responsibilities within the financial marketplace, how to protect yourself from identity theft and fraud, and what you can do if you've been affected by identity theft, fraud, or a problem with a financial product or service.

-  **Protecting your identity**
-  **How to handle identity theft**
-  **Spotting red flags**
-  **Submitting a complaint**

Introduction

When you're an empowered consumer, you understand your rights and responsibilities. There are many laws that protect you when it comes to financial products and services. It's the CFPB's job to enforce these laws and handle consumers' complaints about financial products and services.

Having a problem with a financial product or service?

You can submit a complaint and we'll forward it to the company and work to get you a response. Submit online at consumerfinance.gov/complaint or by calling (855) 411-2372.

Knowing what your rights are can help prevent you from being taken advantage of during financial negotiations and transactions. And understanding your obligations can help you avoid late fees or problems with an account.

You are also the first line of defense when it comes to protecting your financial information from fraud or theft. There are things you can do to be proactive about keeping your information safe.

Ask questions

Shopping for financial products and services is no different than shopping for other things. You want to fully understand what you're buying and that it's the right product for your own needs. Just like with any other product, you want to know if there's a hidden "catch."

Here are some tips for taking charge:

- Don't be intimidated. You're the customer. If you don't understand something, ask the bank or other financial services company to explain it again until it makes sense.
- If you want to work with a financial counselor or adviser, interview a few before choosing one. Pick someone who is interested in helping you, not just in selling you something.
- Before you sign anything or give personal or financial information about yourself to an adviser, ask questions:
 - What are your qualifications?
 - How do you get paid?
 - Ask yourself – Will this advisor work in my best interest?
- If your friends or family members give you advice or information, ask them questions like:
 - Where did you get the information?
 - Are you making any money on this?

Avoiding scams

Most of us have seen or heard something like this—offers to receive millions of dollars from a foreign prince or a lottery you didn't enter or jobs that say you can earn \$80/hour while working from home. Unfortunately, if the "opportunity" appears too good to be true, it probably is.

If you run across an amazing-sounding opportunity, job, or product, do your research with a critical eye, especially if you're receiving the "opportunity" from someone you don't know by email, mail, telephone, or in-person.

If you have a debt with the IRS that's more than two years old, you might be getting a letter from the IRS about your account being transferred to a private debt collector.

Here's how you can tell you're dealing with the actual debt collector, not a scammer:

- The private debt collectors working with the IRS will never ask you to pay them directly. Instead, they'll tell you to pay the IRS electronically, or send a check, made out to the US Treasury, directly to the IRS. Anyone who says they're collecting for the IRS and asks you to make a payment over the phone is a scammer. Whether they're asking you to pay by credit or debit card, electronic check, wiring money, or a prepaid or gift card—don't do it.
- These debt collectors will never use robocalls or pre-recorded messages. You'll always speak with a live operator.
- They'll always use the authentication number that was in your letters.

To report identity theft or learn more about how to protect yourself, visit [identitytheft.gov](https://www.identitytheft.gov).

Con artists and scammers use creative and innovative schemes and appeals to get you to part with your money.

Follow these principles to detect con artists and scammers:

- Check the paperwork or electronic documents you are asked to sign carefully. If the promises made to you are not in the paperwork, that is a warning sign that something is wrong with the deal.
- Don't assume a company is legitimate based on the "appearance" of the website. Check reviews on multiple websites to look for patterns of customer satisfaction. Are more people happy or not overall with the service they received?
- Beware of promises to make fast profits and investments that claim to offer high returns with little or no risk.
- Contact state and local consumer agencies or state and federal licensing or regulatory agencies to see if there's a complaint against the company.

You can start by looking up your state's consumer protection office at [usa.gov/state-consumer](https://www.usa.gov/state-consumer).

- Don't invest in anything unless you fully understand the deal. Consider running the opportunity by others that you trust to make sure that they share your understanding and agree it's a good investment.
- Beware of requests for money from people you don't know. Ask around and research the people involved and the nature of the deal or job. If you don't know how to do this, ask someone that you trust to help you or don't get involved in the deal at all.
- Watch out for job offers where you have to put up a lot of money up front for inventory or sales supplies. If the job doesn't work as promised, you probably won't get back the money you spent on inventory or supplies.

You can say no

Scammers and con artists target polite people because they have a harder time saying no. If you feel pressured to make a decision, chances are you are being scammed. It may be hard, especially if it's a friend or relative, but just saying "No, I'm not interested," may save you from a financial loss.

If people are pressuring you on the phone, you don't have to continue the call. This is especially true if they're trying to verbally coerce you into buying, donating to, or investing in something. Tell them to take you off their list and then hang up.

Guard your information

Just as you have to protect your money, you also have to protect your personal information. Never give out personal information (such as account numbers, passwords, or answers to security questions) over the phone, through email, or social media. Banks, credit unions, and other financial institutions will never email you asking you to verify personal information.

Only provide the information if you initiated the call to a number that you know is from the company. For example, if it's printed on your statement or the back of your credit card.

Scammers can use fake email to try to get personal information from you (called "phishing") or that installs a virus on your computer or device to steal sensitive personal data from you.

To avoid phishing:

- Don't open email spam. Don't read it, delete it. And never reply to spam or click on links inside the message.
- Don't open email attachments from people you don't know or attachments that you didn't expect to receive.
- Spammers can make an email appear as if it's coming from someone in your contacts list, so be careful not to respond to strange emails asking for help, even if it appears it's coming from someone you know. You can always start a new email message to that person and ask them if they really need help or alert them that their email address may have been hacked. Don't reply to the email, because then you could be replying to a scammer.

Also be careful about clicking on links inside emails that take you to websites that ask for personal information. Scammers can send you to fake websites to get this information from you.

If you visit a website for a financial institution or site that asks for your personal or financial information, type the website directly into the browser and look for signs that the site is secure.

A secure website has:

- A URL that begins with "https:"—the "s" at the end indicates it's secure
- A lock symbol next to the URL (🔒)
- Security authentications and certificates

Seeing the "s" at the end of "http" and the lock symbol are not guarantees that the site is legitimate. You should still be on guard for phishing or other scams. You can help prevent identity theft by guarding your identifying information carefully and only sharing it with a person you trust because you have a reason to share it.

If you think it may be a scam, you can also search for information online. Consider checking consumer.ftc.gov/scam-alerts to see if anyone else has reported a similar scam. Often scams happen on a large scale and people will be talking about them online to help warn others.

What's inside

This module has four handouts to help you learn ways to protect yourself from identity theft and scams. It also explains how you can submit a complaint to the Consumer Financial Protection Bureau if you have a problem with a financial product or service.

Here are suggestions for how to make the most of the time you have. Each handout should take less than 10 minutes to review.

10 MINUTES EACH

- Read the "**Protecting your identity**" handout for ways to guard yourself against identity theft
- Review the "**How to handle identity theft**" handout to learn what steps to take if your identity has been stolen
- Study the "**Spotting red flags**" handout to see some of the warning signs that a sales deal might be a scam
- Learn how "**Submitting a complaint**" can help you if you've had a problem with a financial services company



Protecting your identity

Help keep your identity safe by practicing online security and limiting access to your personal information.

Identity theft is when someone steals your personal information or identity to commit fraud. This could be things like your name, Social Security number, credit card number, or bank account information. Thieves can use this kind of information to rent apartments, take out loans, open accounts in your name, or put charges on your existing accounts without your permission.

Identity theft, fraud, and data breaches affect tens of millions of people in the U.S. each year. This is why it's important to be cautious with your identifying information—both online and in the real world.

CHECK YOUR CREDIT REPORT

Check your credit report at all three nationwide credit reporting companies (Equifax, Experian, and TransUnion) each year using the free website [AnnualCreditReport.com](https://www.annualcreditreport.com). If you see anything in your report that's incorrect or suspicious, contact the credit reporting company and the company that furnished the information immediately. If you're concerned about past or future identity theft, you can also freeze or put a fraud alert on your credit file. See Module 7: Understanding Credit Reports and Scores for more information.

You can also opt out of receiving offers for credit or insurance, known as prescreened

offers. This can help prevent credit or insurance offers that are meant for you from falling into other people's hands—these offers can then be used to take out fraudulent loans in your name. Remove your name from mailed pre-screened offers by opting out at (888) 567-8688 or online at optoutprescreen.com. Choose the "5-year" removal option to stop prescreened offers for five years—or make a request by mail if you want to opt out permanently. Choose the "forever" removal option. Even if you opt out of these offers, you can still apply for credit when you want it by contacting the lender directly or applying online.

LIMIT ACCESS TO YOUR INFORMATION

Don't carry your Social Security card or number in your wallet or purse. Keep it somewhere safe at home.

Remove your name from many direct mail marketers' lists by registering with the Direct Marketing Association using the online form at dmachoice.thedma.org. This will create fewer opportunities for thieves to steal your information.

Remove yourself permanently from most telemarketers' lists by registering your cell phone or landline number with the Do Not Call Registry at (888) 382-1222 or at donotcall.gov.

Never give your personal information to someone who calls you and asks for it, even if they say they're from your financial institution. If you want to confirm if the call was legitimate, hang up and call that financial institution back using a phone number you trust, like the one

on your bank statement or the back of your credit card.

Use a shredder, scissors, or your hands to tear all papers with identifying information or account numbers into tiny pieces before throwing them out. Also cut up any old or cancelled credit cards or debit cards.

Only give out your Social Security number when it's absolutely necessary. Often when someone asks for it, you are not required to give it to them.

Protect information like your mother's maiden name, which is often used as a way to verify identity with financial institutions. Be cautious of where this might appear online, so don't put it on your social media account.

PRACTICE ONLINE SECURITY

There are many things you can do to safeguard your personal information online.

Commit all passwords to memory. Never write them down (not even on a post-it by your computer!) or carry them with you.

Make sure passwords are long and include upper- and lower-case letters and numbers. Don't include any words that can be found in a dictionary or names and dates that can be associated with you (your children's names or birthdates, for example).

The best practice is to have a different password for each account. If you find it too hard to keep track of so many different passwords, have separate, longer, harder-to-guess passwords for your financial accounts.

Don't give out your financial or personal information over the Internet, unless you have initiated the contact or know for certain with whom you are dealing.

Never share identity information online unless the site is secure with an encryption program, so no one can intercept your information.

If secure, the website address will start with https, not http. There will also be a lock symbol near the web address (🔒). A secure website is not necessarily a legitimate one. Don't let your guard down just because you see the "https" and lock symbol.

Don't use public WiFi when sending financial or personal information. And if you're using a public computer, like at your local library, never give the browser permission to save your password, always log off any website you signed into, and close the browser before you leave the computer.

Passcode protect your phone and tablet. Many people use apps on their mobile devices that save their passwords and log them in automatically, giving thieves easier access to personal information. Using a passcode helps ensure that someone else can't get into sensitive information stored on your device.

Don't reply to emails asking for personal banking information, even if they have a company logo! **Financial institutions will never ask for personal information via email.**



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](https://www.ftc.gov/identitytheft) or (877) 438-4338. You'll answer some questions about what happened and they'll use your information to:

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

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

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

Contact the police to report identity theft if:

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

CONSIDER A CREDIT PROTECTION TOOL

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

SECURITY FREEZE

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

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

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

INITIAL FRAUD ALERT

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

EXTENDED FRAUD ALERT

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

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

CONTACT INFO FOR THE THREE NATIONWIDE CREDIT REPORTING COMPANIES

Equifax Security Freeze

P.O. Box 105788
Atlanta, Georgia 30348
(800) 685-1111
equifax.com/personal/credit-report-services

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

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



Submitting a complaint

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

The CFPB has handled over 2 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 consumerfinance.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

Consumer Financial Protection Bureau

P.O. Box 2900

Clinton, IA 52733-2900

DISCLAIMER

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

The tools may ask you to provide sensitive information. The CFPB does not collect this information and is not responsible for how your information may be used if you provide it to others. The CFPB recommends that you do not include names, account numbers, or other sensitive information and that users follow their organization's policies regarding personal information.

This toolkit includes links or references to third-party resources or content that consumers may find helpful. The CFPB does not control or guarantee the accuracy of this outside information. The inclusion of links or references to third-party sites does not necessarily reflect the CFPB's endorsement of the third-party, the views expressed on the outside site, or products or services offered on the outside site. The CFPB has not vetted these third-parties, their content, or any products or services they may offer. There may be other possible entities or resources that are not listed that may also serve your needs.

