YOUR NEXT MOVE

Life After Bankruptcy

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The choice to file bankruptcy is a difficult one. Certainly, being free of a heavy debt burden will be a relief – but it will have consequences. The credit damage associated with bankruptcy will most likely limit some of your financial options. You can, however, take advantage of this opportunity to make a fresh start in how you handle your personal finances. This course is designed to provide you the necessary tools to get on top – and stay on top – of your finances.

Money Management

Financial success equals being in control of your money. Your income doesn't determine how financially successful you are, your choices and priorities do. By understanding what you want to achieve financially, establishing a realistic spending and savings plan, and considering your future, you can establish personal financial control. Changing life-long financial habits will take some work, but you can make the adjustments you need to make your money work for you.

If you are one of the many people for whom the word "budget" is the same as the word "denial," you may be surprised to learn that the opposite is true. A well-designed budget is the best way for you to reach goals and achieve financial independence – without having to sacrifice all of life's pleasures. Budgeting means analyzing what you have coming in, then developing a reasonable and goal oriented plan for what goes out.

Though everyone's budget is different, there is one consistent rule: expenses should never exceed income. It should be livable – flexible enough to allow for some changes, but not so loose as to be ineffective. Essentially, it means making the most out of your money – eliminating wasteful spending while keeping those expenses that are truly important to you.

Obstacles to Getting Started

Each person has his or her own reasons for delaying the budgeting process. It is easy to put off budgeting if you have a negative association with it in the first place. Keep in mind that budgeting is not about hardship, but about reaching your goals. And the sooner you start, the faster you will reach those goals. Another common internal block is the belief that there will never be enough money to pay for bills, much less save for an expensive goal. Yet many people fritter away countless dollars on unintended purchases simply because they don't budget.

Making lifestyle changes means breaking bad habits and replacing them with good ones. This can be extremely hard for people to do. You may be accustomed to shopping without considering whether you can afford the items (and charging them to the credit cards). Adjusting this behavior may be difficult and can feel like denial. It will take work and commitment to reverse negative habits. But keep in mind that the advantages of doing so far outweigh the disadvantages.

Goal Setting

Goals are important to all budgets. They are the final reward that encourages you to stick to your spending plan. To improve the odds that you will achieve your financial dreams, all of your goals should have the same basic characteristics. They should be:

- Specific
- Measurable
- Reasonable and realistic

Think about what you really want out of your money. Would you like to go on a vacation, buy a new car, or save for a down payment for a home? Each of these goals is specific rather than vague (i.e., the goal of "saving money" or "being able to relax about money"). After you decide what you would like to save for, you must also know how much it will cost you and the time frame of when you want it.

The next step is ensuring the goal is measurable. You should be able to break the price down into amounts that you can regularly deposit so you can monitor growth and track progress. Watching your savings grow as you advance towards your goal date will keep the drive to save strong.

Finally, strive to keep your goals reasonable and realistic. Too modest a goal and you may not have the desire to continue – overly large and you can find yourself too discouraged to keep going. Once you have determined what your goals are, you are ready to distribute them into time-frame categories. A short-term goal will generally take twelve months or less to achieve, an intermediate goal from one to five years, and a long-term goal will take longer than five years to accomplish.

Many people will have more than one goal for each category. If that is the case, there may not be enough money to save for all your goals simultaneously. You will have to prioritize according to demand and desire.

The calculation for short-term goals is simple: the amount of the goal divided by the number of months you have to save. There is no time for interest accumulation that will help build an investment. For goals where you have many years to save, the calculation is more complicated. Estimated investment earnings should be figured into your ultimate goal amount. The power of compound interest will greatly increase your dollar power – you can afford to save less each month because interest will add to the total.

Financial Goals Form

	Target Date	Total Needed	Current Savings	Additional Savings Needed	Pay Periods Until Target Date	Savings Needed Per Pay Period	Savings Needed Per Month
Short Range Goals							
Mid Range Goals							
Long Range Goals							

Saving For Your Goals
A great goal to have, and an important part of any sound financial picture, is an emergency savings account. Having money in a liquid (one that you can tap into without tax or penalty consequences) account will prevent you from turning to your credit cards or friends and family in times of financial crisis. A good rule of thumb is to have three to six times the amount of your essential living expenses readily available.

> *Example: You have determined that your total monthly living expenses cost you $2,400 per month. This includes such nonessential expenses as dining out, gifts, and gym membership. However, your essentials (rent, basic food needs, gas, utilities, etc.) run you $1,500 per month. In this case, an appropriate emergency account amount would be at least $4,500 ($1,500 x 3).*

This savings fund would act as a safety net in the event an emergency, such as illness or job loss. It will allow you to get back on your feet without having to be anxious about how you will pay your bills.

Start Saving Now
So why do today what you can do tomorrow? Because waiting to save money until after all bills are paid almost guarantees that you will put nothing aside. Whatever our income, we usually spend to the last dollar. And if we have the money in our wallet or checking account, the urge to spend it often surpasses the desire to save it. However, by beginning with saving – depositing money into a savings account before or as other bills are paid – you can defeat the urge to postpone this very important task.

When you build your budget, be sure to include a fixed savings amount. Your dreams – your goals – should take on as much importance to your budget as other necessary expenses.

Tracking Your Expenses

The last step to take before setting up your budget is to gain an accurate understanding of where your money goes every month. Ever wonder how the $40 ATM "fast cash" disappeared so quickly – and you can't remember where you spent it? An accurate budget depends on first being highly aware of every purchase you make. There are several good methods you can use to track spending. However, when you begin the process, try to spend as you normally would. You will make adjustments based on your discoveries later.

- Write it down – Carry a small notebook with you and record every purchase you make. Jot down the date, item, and cost.
- Keep receipts – Keep receipts from each purchase you make and tally them up at the end of the day.
- Use checks or debit cards – With a check you have your checkbook register to keep track of your expenses, with debit cards your financial institution provides either a written or online statement at the end of the month.
- Use expense-tracking software – Computer programs can be very useful, as they allow you to have preset categories individualized for your lifestyle.
- Monitor ATM use – While keeping tabs on how much cash you extract from the ATM won't help you with tracking purchases, it will help you become aware of how often you go and how quickly that cash gets spent. Become conscious of how frequently you go, and how much you take out before you have to revisit it.

Weekly Expense Tracking Form

Item	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Total Expenses	Weekly Budget	Over / Under
Groceries										
Restaurants										
Laundry/Dry Cleaning										
Medical/Dental										
Auto/Gas/ Parking										
Other Transportation										
Child Care										
Personal Care										
Clothing										
Bank Fees/ Postage										
Entertainment										
Books/Music/ Video										
Cigarettes/ Alcohol										
Gifts/Cards										
Home/Garden										
Church/Charity Contributions										
Other										
Other										
Other										
Weekly Totals										

Monthly Expense Tracking Form

Item	Week 1	Week 2	Week 3	Week 4	Week 5	Total Expenses	Monthly Budget	Over / Under
Savings								
Groceries								
Restaurants								
Laundry/Dry Cleaning								
Medical/Dental								
Auto/Gas/ Parking								
Other Transportation								
Child Care								
Personal Care								
Clothing								
Bank Fees/ Postage								
Entertainment								
Books/Music/ Video								
Cigarettes/ Alcohol								
Gifts/Cards								
Home/Garden								
Church/Charity Contributions								
Other								
Other								
Other								
Monthly Totals								

Constructing Your Budget

What does a budget look like? Remember that a budget is nothing more than a well thought out spending and savings plan. You can use a pen and paper or go high tech and develop an elaborate spreadsheet. Whatever shape it takes, your personal budget should include your income, expenses, and action items.

Income

Begin with income, as it will determine what you can afford to spend and save each month. Remember the primary rule of budgeting: expenses should ALWAYS fit within earnings!

When reviewing your income for the purposes of tracking your cash flow, be sure to work from your net (take home) figures, not the gross income. While you're reviewing your gross and net income, make sure your tax withholdings are correct. You should neither owe nor receive money at the end of the year.

Many people count on a substantial tax refund to repay debt or buy something they have been longing for, considering it a gift from the government. This is not the best use of your money! A $1,200 tax refund translates into $100 per month. That money could have been going toward necessary expenses or into an interest bearing savings or investment account.

Owing taxes is also counterproductive to sound financial management. Under-withholding can lead to an outstanding tax bill – and a mad scramble to come up with the funds. If you don't have the money to pay when it is due, you will have to pay late or in installments. In either case, interest and possibly penalty fees will be assessed and added to your bill.

Resist the urge to overestimate your income. If you work overtime hours, include the extra income only if you are absolutely sure that it will continue. It is always best to use conservative figures. You may not be able to (or want to) work those hours in the future. Bonuses are also problematic when estimating income for the purposes of a budget – include them only if they are guaranteed.

If you are self-employed, or your income fluctuates because of commissions or seasonal variables, you may have some challenges estimating your income properly. In this case, you can use the previous year's income as a base and estimate whether you think you will be earning more or less. Always work with conservative numbers. Better to have money left over then be caught not being able to meet your financial obligations.

Monthly Income Form

Source	Gross	Net
Job		
Spouse's job		
Part-time job		
Rental/room & board received		
Commissions/bonuses		
Tax refunds		
Investment income		
Government benefits		
Unemployment insurance		
Child support/alimony		
Support from family/friends		
Other		
Total		

Expenses
When reviewing your expenses, you should have two columns to work with – one for what you have been spending your money on (using the tracking work you have already done) and the other for proposed spending.

Evaluate your current cash flow. Total your expenses and subtract the sum from your current income. Are you over or under? If you find there is more going out then is coming in, don't panic. This realization may be the very call to action that you need to make necessary changes.

Make sure you include all of your expenses. Many a well-intentioned plan is tripped up by not accounting for "unexpected" expenses like car repairs or veterinary bills. A workable budget makes room for the financial outlays that arise throughout the year. Of course, there are those truly unexpected expenses that you simply cannot plan for. This is why an emergency account should be part of everybody's budget.

Some essential expenses will be fixed (the same amount every month, such as your rent) while others will be variable (for example, your gas and electric bill may be more or less expensive based on the season). For those bills that fluctuate, determine an average by totaling what it typically costs you for the year, then divide that amount by twelve months.

Discretionary expenses are those that if you had to, you could live without. This is not to say they aren't important – they make life fun and interesting. However, they will probably be your focal point when "budgeting." Reducing some discretionary expenses may be your answer to living within your means, or saving for a more important goal.

The proposed column in your budget is where you actively decide where you want your dollars to go each month. Using the current side as a guide, consider each expense carefully. Keep in mind that budgeting is not necessarily about reducing expenses – it may be about rearranging them.

When you put together your budget, make sure to include the amount you have earmarked for goals. They are now an expense and you will have to "pay yourself" as you would any other important bill.

Monthly Essential Expenses

Household expenses are categorized into essential and discretionary. Since many expenses are variable, such as utilities and groceries, it is important to average these expenses. Other expenses are periodic (such as insurance or vehicle registration). Again, calculate the annual amount and divide by 12.

Category	Expense	Current	Proposed
HOUSING	Rent/Mortgage		
	2nd Mortgage/Equity Line		
	Homeowner's/Renter's Insurance		
	Condo Fees/HOA Dues		
	Home Maintenance		
	Gas/Electric		
	Water/Sewer/Garbage		
	Telephone		
FOOD	Groceries/Household Items		
	At Work/School		
INSURANCE (Exclude payroll deducted amounts)	Health/Dental/Vision		
	Life/Disability		
MEDICAL CARE (Exclude payroll deducted amounts)	Doctor/Chiropractor		
	Optometrist/Lenses		
	Dentist/Orthodontist		
	Prescriptions		
TRANSPORTATION (Exclude payroll deducted amounts)	Car Payment #1		
	Car Payment #2		
	Auto Insurance		
	Registration		
	Gasoline/Oil		
	Maintenance/Repairs		
	Public Transportation/Tolls/Parking		
CHILD CARE (Exclude payroll deducted amounts)	Daycare		
	Child Support/Alimony		
MISCELLANEOUS	Banking Fees		
	Laundry		
	Union Dues		
	Other		
INCOME TAXES	Prior Year		
	Estimated Tax Payments (Self-Employed)		
SAVINGS	Emergency		
	Goals		
TOTALS			

Monthly Discretionary Expense

Category	Expense	Current	Proposed
PERSONAL	Beauty/Barber		
	Clothing/Jewelry		
	Cosmetics/Manicure		
ENTERTAINMENT	Cable/Satellite		
	Movies/Concerts/Theater		
	Books/Magazines		
	CD/Tapes/Videos/DVD		
	Dining Out		
	Sports/Hobbies		
	Vacation/Travel		
MISCELLANEOUS	Internet Service		
	Pet Care		
	Gifts for Holidays/Birthdays		
	Cell Phone/Pager		
	Postage		
	Cigarettes/Alcohol		
	Contributions to Church/Charity		
	Other		
TOTALS			

Action Items
The next step is to take action. If you found that your income is not enough to cover your expenses, consider ways to increase it. Do you have the opportunity to work longer hours or acquire part time work? Now may be the perfect time to ask for a raise or seek out a better paying job. If you have assets you are willing to part with, consider selling them. Their proceeds can be an instant emergency account.

If you choose instead to cut out some spending to make your budget balance and to help you achieve your goals, act now to make that a reality. Call your cable company to change your television package, get cheaper long distance or cancel your cell phone. Substitute dining out for less expensive groceries, or skip gourmet coffee shops and make your own. You made the decisions on what you can cut down – now you have to make it a reality.

One essential action item is to open a savings account if you don't already have one. To help you save effectively, sign up for automatic deposit with your financial institution. Your monthly savings amount can be regularly transferred from your checking account and into a savings account. If your goal is to save for retirement, your employer will deduct the amount from your paycheck for you. It's up to you to make it happen.

Stay Motivated
You can stay motivated to stick to your budget:

- Visualize success – picture yourself where you want to be financially, or tape a photo of your goal on your computer or refrigerator.
- Stay organized – pay your bills on time, set up an area in your home for money management, have your budget on hand and refer to it often.
- Be realistic – recognize that your goals won't be achieved overnight, and that changing habits takes work.
- Monitor progress – enjoy the process of watching your dollars grow. Marvel at your savings account each month – it is a real achievement.
- Expect setbacks – they happen. By knowing that they will eventually occur, you will be prepared and won't be tempted to abandon your dreams.
- Reward yourself along the way – your hard work deserves recognition

Budget Busters

So how do you stay on track with your newly developed budget? Avoid the budget busters that can sabotage the best-laid plans.

Debt
Credit cards are wonderful tools that can be used to your advantage. But if you keep a revolving balance, chances are you are spending beyond your means. Because debt can so easily spiral out of control, limit credit card use to only when you can afford to repay the balances in full.

While much or all of your debt will be eliminated through bankruptcy, chances are good that you'll be using credit again. You will have some credit challenges to deal with over the upcoming years, which may make affordable credit difficult to acquire. This is a good opportunity to get in the habit of a debt-free lifestyle.

Saving for goals and purchases and then using the cash is a sure-fire way to avoid getting caught up in credit problems in the future. As you develop your budget, set aside some dollars for those things you want. When you have the item in hand and no credit card balance looming, you'll enjoy it all the more.
Debit cards or check cards provide much of the consumer protection and convenience of a credit card, without a bill at the end of the month. Of course, you must have the funds in your account at the time of purchase.

Using cash or debit/check cards for purchases you once made with credit cards will help you develop good habits and break any dependence you may have had on credit. As time passes, you will find you have the ability to re-establish credit – most likely at high interest rates. Use care when you decide to take on new accounts. This is an opportunity for a fresh start.

Spending

You make powerful choices everyday. From food to clothes to mortgage payments, it is you who have the power to spend – and the power to save. To help you make the best decisions possible – and to keep you on your newly developed budget – take the Wants and Needs quiz each time you open your wallet. Ask yourself:

- Do I want it or do I need it? – A want is a desire – something that if you had to, you could live without. A need is essential – living without it would cause extreme hardship. Wants can feel like needs – certainly you require a vehicle to get you to and from work and perform the functions of everyday life. But does it really have to be a luxury SUV when an economy car or truck can provide the same transportation duties? Every expenditure should be examined and considered, particularly if you struggle to pay bills

- Do I need it now? – Do you need this item immediately or can you wait for it? A good rule is to never buy without first weighing the consequences. If you have to charge it, and then pay dearly because of high interest rates, is it worth it? If you have determined that you really do need the item but don't have the funds to pay for it today, consider saving for it. You don't have to abandon your needs (and even wants), just delay them until you have the money to pay for them.

- What would happen if I didn't have it? – Simply asking yourself this question can make the difference between bringing home a shopping bag full of impulse items (that used up your food budget for the month) and saving for things that you really do want or need.

We live in a culture of consumption. If the temptation to spend is keeping you from reaching your goals, consider some modifications to your current behavior. There are many tools and techniques to help even the most entrenched spender transform negative habits into positive behavior:

- Avoid the Hot Spots – If you know you can't go into a store or mall without exiting with an armload of unnecessary objects, don't go in.

- Write a shopping list – Nothing ruins splurging like a little forethought. Make a list of what you need before you leave the house. Buy only what's on the list.

- Splurge, but economically and consciously – The pleasure of saying "yes" to the urge to splurge is the same, whether you're at the Salvation Army or Saks Fifth Avenue, and the morning after is a lot less painful.

- Count your money – Know how much you're earning and spending. Each dollar represents a portion of your life – you traded your energy for it. Where is it going? Are you getting fulfillment for each dollar spent? Are you spending your energy (money) in ways that support your values?

- Phone a friend – If you're on the verge of splurging, phoning a friend is a good way to purge the urge.

- Avoid temptation – When you are bored, avoid places that make you want to spend money. Some people think that going to the mall is a nice way to spend a weekend. The average American makes 3.2 trips to the mall each month. And the average amount spent each time: $71.40. That's over $200 a month – much on impulse shopping that could have been saved instead.

- Shop smarter at the grocery store – Beware of common marketing tactics used to encourage you to buy more and spend more:

    - The eye-level trick – A recent survey of supermarkets showed that in almost all of the stores visited, the higher-priced shampoos were at eye level. This is true for other products throughout the supermarket.

    - End-of-aisle displays – These displays don't mean the products are on sale. Check carefully; sometimes these products are near their freshness expiration dates.

    - Kids' cereals – The most expensive children's breakfast cereals are often placed at their eye level (not adults').

    - Shelves change constantly – Marketers will often rearrange shelves, making shoppers search for their regular items and discover new products in the old familiar places.

    - Pre-cut fruit – Produce departments now display mouth-watering fruits that are pre-cut and more expensive.

    - Don't shop hungry – Always shop with a list – after you have eaten. Use coupons. And get out of the store as fast as possible. Studies show that for every minute over 20 spent in the supermarket, the average amount spent per minute is $5. Whenever possible, shop without the kids to avoid impulse buying.

Protecting Your Assets

Unless you are willing to gamble with your family's health and financial well-being, you should buy insurance. It is essential to protecting what you've worked so hard to own. While you can't predict the future, you can take steps now to protect yourself from potential ruin caused by an auto accident, medical emergency, natural disaster, or the death of a family member. The goal when buying insurance is to purchase the correct amount of the correct type, without becoming over-insured.

There are some basic kinds of insurance; you may or may not need them all, but you should understand how to evaluate the kind of coverage you need under differing circumstances.

Health insurance
Everybody needs health insurance. Even a routine appendectomy could cause serious financial difficulty if

you have to pay for it all yourself. Many employers offer health insurance to their workers, and in many cases extend it to their employees' dependents. Even if your employer requires you to pay a portion of the insurance premium, you'll still pay far less than you would if you had to buy a policy on your own. A comprehensive health plan covers doctors' visits, surgery and other treatments and tests, hospitalization, and major (catastrophic) medical expenses from a prolonged illness.

Disability Insurance

Statistics show that one in four workers will be out of work for six months or more due to an injury or illness. Such a prolonged loss of income could result in serious financial trouble. Disability insurance usually replaces between 50 and 70 percent of your income. Benefits do not begin immediately when you get sick or are injured; there is a waiting period that varies from policy to policy. The longer the waiting period before you start receiving checks, the lower the premium.

An important consideration when buying disability insurance is how the policy defines "disability". Some policies consider you disabled if you cannot perform your own job, while others consider you disabled only if you cannot perform the duties of any job for which you are reasonably suited, even if it pays substantially less than your current occupation. Make sure you understand what is offered through your employer. If you feel that the coverage is not sufficient, or if you are self-employed, investigate an individual policy.

Life Insurance

The purpose of life insurance is to provide protection for family members or others who depend on your income and would suffer financial hardship if you were to die prematurely. The amount of coverage needed varies widely from person to person. Whether you have children, and their ages, are important factors to consider when calculating your insurance needs, as are your age, your spouse's employment status, and your housing situation.

When buying life insurance, you have a choice between term insurance or the type of policy that has a savings component built in. Term life provides only death protection over a specified period of time (usually 5, 10, or 20 years). Because term insurance is not an investment, policies are, initially, less expensive than whole, variable, or universal life. Cash-value life (whole, universal and variable) is substantially more expensive in the early years than term because part of your premium goes into a savings account. That cash value grows tax-deferred as you pay your premiums, usually at returns better than savings accounts or CDs, but lower than traditional returns on other investments, such as stocks.

Liability insurance

Liability insurance protects you from financial loss resulting from a lawsuit against you. Homeowner's and auto policies generally include some liability coverage, though many consumers choose to supplement it with a personal liability umbrella policy. Your umbrella policy kicks in when the damages you pay exceed the limits of your other policies.

Auto Insurance

Even if your state law does not require it, it is your responsibility as a driver to be adequately insured. Without proper insurance, an accident could put your physical and financial well-being in jeopardy, as well as that of the passengers in your car and any pedestrians or passengers in other cars involved. There are several components to auto insurance (bodily injury, medical payments, collision, comprehensive, and uninsured motorist), which means you can customize your own policy to meet your needs.

Renter's Insurance

It is surprising how few renters purchase insurance to cover their belongings in case of fire, theft or other loss.

Renter's insurance policies are relatively inexpensive – as low as a few hundred dollars a year – compared with what it would cost you to replace all your clothing, furniture, electronics, and other property if they were stolen or damaged. If you purchase replacement cost coverage, which covers the actual cost to replace your property with a new comparable item, you will pay a higher premium than you would for basic coverage, which only reimburses you the actual value of the property at the time of the loss – but the added coverage is usually worth the extra money.

Homeowner's Insurance
If there is a mortgage on your property, your lender requires you to have homeowner's insurance. Even if you do not owe anything on your home, allowing the insurance to lapse would be a grave mistake. For most of us, our home is our greatest financial asset – a fire or other disaster could wipe us out. Homeowner's insurance generally provides coverage for fire damage, theft and liability (useful when your child hits a baseball through the neighbor's window or a tree in your yard falls and takes down the neighbor's fence). Unfortunately, a basic homeowner's policy does not automatically cover losses resulting from certain natural disasters, such as earthquake and flood. For this type of coverage you need to purchase a special separate policy along with your regular homeowner's insurance.

Using Credit Wisely

Used carefully, credit can be a helpful financial tool. It is often the best way (and sometimes the only way) to buy airline tickets, rent a car, or book a hotel room. Some cards even come with rewards for use, such as cash back or airline miles, and all offer consumer protection against fraud and billing errors. Despite all the advantages and conveniences credit cards can provide though, there are pitfalls associated with credit use. Getting into overwhelming debt can be very easy. If the bill isn't paid in full by the due date, finance charges will be added to what you owe, and if you make a late payment or exceed your credit limit, high penalties will be added in as well. Many cards come with annual fees, even if you never make a purchase. Overextension gets countless consumers into financial trouble every year.

Types of Credit
Credit comes in many forms – each with its own advantages and challenges:

- Retail cards – Many large retailers have their own credit card. Many entice consumers to apply for the cards with offers of discounts on purchases. These accounts usually have high interest rates but may have flexible lending standards.

- Bank cards – Credit cards offered through banks and credit unions all have different interest rates, fees and lending standards. With a bankruptcy on your credit report, you will likely have some difficulty getting a Visa or MasterCard through a financial institution – and if you do, it will likely be at a high interest rate.

- Student loans – Student loans are generally not credit-based. They are generally low-interest with flexible repayment options.

- Mortgages – It only makes sense to borrow money to purchase a home – after all, most of us aren't in the position to save enough to purchase a home outright. A mortgage loan enables us to reach homeownership goals in a reasonable time frame. Mortgage rates vary; as you rebuild credit over the next several years, you may be able to qualify for a loan with a good rate.

- Auto loans – Many of us borrow money from banks, credit unions, or dealer financing companies to purchase our cars. These loans may be relatively low-interest as they are secured by the vehicle. However, a negative credit rating can result in a very expensive car loan. Work on rebuilding a positive credit history first, before getting a new car loan.

- Secured credit cards – A common way to rebuild credit, by making a deposit at a financial institution, you may be able to get a credit line equal to that deposit. If you default on your payments, the financial institution will keep the deposit. These accounts often have higher rates and fees than unsecured credit cards.

- Personal loans – Unsecured personal loans are usually available at reasonable rates to consumers with very good credit histories. Some consumers will seek expensive loans from finance companies if their credit is damaged. This can cost a fortune over time. Payday loans are short-term unsecured loans that aren't credit-based. It is very easy to get caught in a cycle of payday loans that end up costing many times the amount originally borrowed.

Warning Signs of Credit Trouble
There are warning signs that can signal potential credit trouble. As you rebuild your credit, you'll want to be very aware if any of these issues arise:

- Paying only the minimum amount due on your credit cards

- Charging more each month than you make in payments

- Using credit and cash advances for items that used to be purchased with cash, like gas and groceries

- Having a total credit balance that rarely decreases

- Being at or near your credit limit and applying for new cards

- Needing a loan to pay existing debt

- Not knowing the total amount that you owe

- Experiencing feelings of anxiety and stress whenever you use your credit cards

- Draining your savings to pay debts

- Making bill payments late

Your Credit Report

Bankruptcy has a significant negative credit impact. Since credit reports and credit scores are an ever more important aspect of our financial lives, not just impacting the cost of credit we receive, but where we live, insurance rates we pay – even the jobs we can get – taking steps to re-establish a positive credit rating is very important. By understanding the credit reporting and scoring process, your rights and responsibilities as a consumer, and how to recover from inaccuracies, you can in time establish and protect a strong credit history and good credit score.

There are three major credit reporting bureaus in the U.S.: TransUnion, Equifax, and Experian. All collect and provide information about your credit history to any organization with a legitimate business need. Reports may reflect lawsuits, judgments, liens, foreclosures, Chapter 13 bankruptcies, late payments, or any other negative information for seven years from the time it was reported. Judgments, if not paid, can be renewed until they are satisfied. A Chapter 7 bankruptcy will remain on a credit report for ten years from the date of filing. Inquiries, an indication that your credit report has been accessed for a credit, insurance, or employment application, are reflected on your credit report for two years.

These timelines do not apply to positive credit information. Any accounts that have been consistently paid on time, or that were paid in full as agreed may be reported indefinitely. Having this kind of long-term positive information on your report reflects well on you as a credit risk.

Overcoming a Negative Credit Rating
It is possible to improve your credit report through responsible credit use and good payment history.

- Review your credit report – it is your right and responsibility as a consumer to check your credit report annually. Knowing exactly where you stand will help you take the steps to improve the report. Also, checking in annually will help you ensure there are no errors on your report, and that there has been no identity theft.

- Repay old debts – if you have accounts lingering in collection agencies, you can make a difference in your credit rating by taking care of them. Clearing up these debts can be done in a variety of ways. Of course you can pay the debt in full at any time, but if you can't afford to do that, consider making payment arrangements with the creditor or offering a settlements for less than the amount owed.

- Commit to timely payments – even if you have made late payments in the past, by committing to always paying in a timely fashion now and in the future you can make a significant difference in your credit rating over time.

Credit Scoring
Your credit score is one of several factors lenders use when evaluating your application for credit – and frequently the most significant one. It is a number guide representative of the risk determined by your credit history. The most common score used is a FICO score. This is a model developed by Fair, Isaac, and Company based on an analysis of many credit factors and the past history of many consumers. The FICO score ranges from 300 to 850, with a higher score being indicative of less risk. Therefore, in many cases, those with higher scores are more easily granted credit and often have more favorable interest rates made available to them.

Improving Your Score
Think of a credit score as a snapshot of the past. Everything you do today as it pertains to credit creates a new image. You can improve your score by making a few key changes to the way you use credit:

- Pay consistently on time – Make a promise to yourself to never make a late payment again.

- Limit open accounts – keep unsecured accounts to two to four. While having several accounts, even ones with zero balances, can show capacity (a credit positive), having too much available credit can make you appear risky to a lender.

- Keep your balances significantly less than the limit – high balance-to-limit ratios represent greater risk because it gives the impression that you are applying for new credit to take the place of the "maxed out" account.

- Avoid balance transfers – While transferring balances to "teaser rate" cards can be a way to efficiently get out of debt, the accounts will be new, and likely have balances close to the limit in order to maximize the advantage of the low rate – two factors that have a negative impact on scoring. Bear in mind, however, the cost of credit. If your goal is to get out of debt, the lower your interest rate, the better.

- Avoid excess credit applications – each time you apply for credit, your score decreases – minimally, but enough applications can be damaging. Only apply for what you really need.

There are three major credit bureaus. You may contact them directly for a fee-based copy of your credit report:

- Equifax
  P.O. Box 105069, Atlanta, GA 30374
  (800) 685-1111
  www.equifax.com

- Experian
  P.O. Box 2104, Allen, TX 75013-2104
  (888) 524-3606
  www.experian.com

- TransUnion
  P.O. Box 1000, Chester, PA 19022
  (800) 888-4213
  www.transunion.com

You have the right to a free credit report once a year from each of the bureaus. You can access the free reports through the Annual Credit Report Request Service.

- Annual Credit Report Request Service
  P.O. Box 105281, Atlanta, GA 30348-5281
  (877) 322-8228
  www.annualcreditreport.com

Your Consumer Rights

As a consumer, you have certain responsibilities – handling your accounts responsibly, paying as agreed, reviewing your statements for accuracy, etc. You also have rights to protect you in case of errors, fraud, or financial challenges.

The Fair Credit Reporting Act
The Fair Credit Reporting Act (FCRA) ensures that the financial data contained in your credit report is not only correct, but also private. Only those with a need recognized by the FCRA may access your credit report – usually a creditor, insurer, landlord or other business. The FCRA also set the standard for how long information will remain on the credit report (seven years for most negative information, ten years for a Chapter Seven bankruptcy.)

Fair and Accurate Credit Transactions Act
The Fair and Accurate Credit Transactions Act (FACT Act) amends the FCRA with additional protection against identity theft.

- Consumers may receive a free copy of their credit report once a year
- Consumers may receive additional free reports if identity theft is suspected
- Identity theft victims who file police reports may block fraudulent information from appearing on their credit reports
- Active duty military personnel may place special alerts on their files when they are deployed overseas
- Only the last five digits of a credit card number may be listed on receipts

The Fair Credit Billing Act
The Fair Credit Billing Act provides consumers with a legal dispute process to help with errors or fraud committed on open – end credit accounts. It limits your responsibility for unauthorized charges to $50 and stipulates that you won't be charged for goods and services you didn't accept or weren't delivered.
To take advantage of the law's consumer protections:

- Write to the creditor at the address given for billing inquiries and include your name, address, account number and a description of the billing error.
- Send your letter so that it reaches the creditor within 60 days after the first bill containing the error was mailed to you.
- Send your letter by certified mail, return receipt requested. Keep a copy of your dispute letter.

The Fair Debt Collection Practices Act
The FDCPA applies to collection agencies and how they work with consumers. This provides protection from harassment as well as the right to dispute the validity of a collection account. The FDCPA is overseen by the Federal Trade Commission.

The Electronic Fund Transfer Act
The Electronic Fund Transfer Act provides consumer protections for ATM, debit card, and other electronic account transactions, including fund transfers. Report lost or stolen ATM and debit cards immediately to the financial institution, since the amount you can be held responsible for is time sensitive:

- If you report loss or theft within two business days, your liability is limited to $50
- If you report loss or theft after two business days, but within 60 days after a statement showing an unauthorized electronic fund transfer, you can be liable for up to $500
- If you wait more than 60 days, you could lose all the stolen money

You may have additional protection if your ATM/debit card has the VISA or MasterCard logo on it. In most instances your liability for unauthorized use is $50 per card, no matter how much time has elapsed since the discovery of the loss or theft.

If you discover a fraudulent transaction, call your financial institution immediately, then follow up with a letter that explains your dispute. Send it certified mail, return receipt requested, and keep a copy of the letter for your records.

Where to Turn

There are many resources for consumer assistance on a national, state, and local level. The list to follow provides national resources, many with local offices.

- Federal Trade Commission – Provides consumer protection information and news.
  www.ftc.gov
  877-FTC-HELP (382-4357)

- Identity Theft Resource Center – A national nonprofit organization that focuses exclusively on identity theft.
  www.idtheftcenter.org
  858-693-7935

- United Way – The United Way system is made up of thousands of community-based social service organizations
  http://national.unitedway.org
  211 hotline available in most parts of the country.

- Head Start – A national school readiness program providing education, health, nutrition, and parent involvement services to low-income children and their families.
  www.nhsa.org
  703-739-0875

- Better Business Bureau –A system of over 120 independent, local BBBs working with businesses and consumers to resolve complaints and keep the public informed
  www.bbb.org

- Volunteer Income Tax Assistance Program (VITA) – Free tax help to low- to moderate-income people who cannot prepare their own tax returns
  www.irs.gov
  800-829-1040.

- Department of Housing and Urban Development – Resources for homeowners and those who are striving to become homeowners.
  www.hud.gov
  202-708-1112

- American Bar Association – Provides education on legal matters and resources for finding a lawyer or legal aid program
  www.abanet.org

- Social Security Administration – Information on filing for assistance, as well as other resources
  www.socialsecurity.gov
  800-772-1213

- Direct Marketing Association –To remove your name from mail and phone lists:
  Mail Preference Service
  P.O. Box 9008, Farmingdale, NY 11735.
  Telephone Preference Service
  P.O. Box 9014, Farmingdale, NY 11735
  www.the-dma.org/government/donotcalllists.shtml

- Gamblers Anonymous
  www.gamblersanonymous.org
  213-386-8789

- Debtors Anonymous
  www.debtorsanonymous.org
  781-453-2743

- Alcoholics Anonymous
  www.alcoholics-anonymous.org/

- Narcotics Anonymous
  www.na.org
  818-773-9999

Pre-discharge Debtor Education Program Disclosure

Thank you for your interest in Consumer Credit Counseling Service of San Francisco's Pre-discharge Debtor Education Program.

Please review this disclosure. At the time of your telephone assessment, your counselor will ask you if you've read these statements, and whether you understand them and agree to them. If you have any questions about these statements, your counselor will answer them at the time of your session, or you may call us at 800-777-7526 extension 401.

- The fee for the course is $50. The fee includes all materials and a certificate of completion. In cases of financial hardship, this fee may be waived. The course is available without regard to your ability to pay.
- Upon successful completion of the course, you will receive a certificate of course completion.
- Consumer Credit Counseling Service of San Francisco does not pay or receive fees or other consideration for referral of debtor students for this program.
- If you are married, and both you and your spouse are filing bankruptcy, you must complete the program separately in order for each of you to receive certificates of completion.
- The counselors and educators for this program are Certified Consumer Credit Counselors. They have received certification through the National Foundation for Credit Counseling. In addition, each has completed an in-house comprehensive training program on personal financial management.
- You are required to complete this education program on your own behalf.
- You must spend at least the required 90 minutes reviewing the content of this education program to receive certification of completion.