

# Springboard Nonprofit Consumer Credit Management



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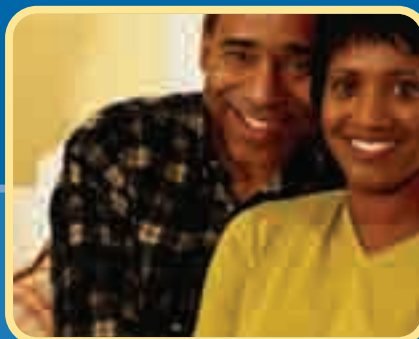
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**1-800-449-9818**

# Making Cents of Financial Literacy

## Celebrating Financial Literacy Month



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## April is Financial Literacy Month

**W**e all start out not knowing anything about money. However, we each have our own story that explains how we learned what a dollar is really worth – whether it was a stint with a lemonade stand or babysitting.

Personal financial literacy is important to ensure that individuals are prepared to manage money, credit, and debt. It also is essential for individuals to become responsible workers, heads of households, investors, entrepreneurs, business leaders and citizens.

With the goal of increasing public awareness about the importance of financial education in the United States and the serious consequences that may result due to a lack of understanding personal finances, Congress officially designated April as Financial Literacy Month.

Being financially literate means knowing how to manage money, use credit effectively, build wealth and make sound financial decisions. It has nothing to do with the amount of your income. It means knowing what to do with your paycheck once you've earned it.

Financial literacy can mean economic security and overall well-being for consumers that are well-educated and well-informed. You can potentially make better decisions for yourself and your families and also contribute more to your communities and encourage economic development. Being financially literate also means having the knowledge to make informed choices for you, your family and your community.

I am committed to providing you with financial education and resources to improve our nation's financial literacy.

Sincerely,



**Todd Emerson, President and Chief Executive Officer**



# QUIZ

## How financially literate are you?

Test your knowledge and ability to make sound financial decisions by answering these five questions.

- 1. If you find yourself in a financial bind, which of the following bills should you pay first?**
  - a. Credit card bills
  - b. Car loans
  - c. Housing-related expenses
- 2. What is included in your credit report?**
  - a. Your height and weight.
  - b. Your annual income.
  - c. Information on where you live, how you pay your bills and whether you have ever been sued, arrested or filed for bankruptcy.
- 3. True or False: Your interest rate will stay the same whether your credit card payment is late or not.**
  - a. True
  - b. False
- 4. What should you do if you think your identity has been stolen?**
  - a. Track down who may have stolen it.
  - b. Call and cancel all accounts that you think have been tampered with.
  - c. Forget about it, it will eventually turn up somewhere.
- 5. When purchasing a car, how should you pay for it?**
  - a. You should make a down payment of 20-50% of the cost of the vehicle.
  - b. Making a down payment is not important.
  - c. You should make a down payment of less than 20% of the cost of the vehicle.

Answers: 1) c, 2) c, 3) b, 4) b, 5) a

If you got one or more of these incorrect, you might want to consider enrolling in a local financial literacy course. If you're not sure how much money you should have saved or the best way to pay for a vacation and other ways you should be managing your money, contact [insert agency name and contact information]

# Increase Your Financial IQ at a Credit Counseling Agency

**Y**ou don't have to do it alone. Whether you're trying to ward off a potential financial crisis or just looking for financial education classes to increase your financial IQ, consider reaching out to a local, accredited non-profit credit counseling agency such as Springboard, a member of the National Foundation for Credit Counseling (NFCC).

There is no shame in reaching out for financial or debt assistance. In fact, each year more than two million people receive credit counseling and financial education services from National Foundation for Credit Counseling (NFCC) member agencies in person, over the phone and through the Internet. These services offer solutions customized to each individual's unique set of circumstances.

Given the recent growth of less than honorable credit counseling organizations that promote only a one-size-fits-all approach, there are steps consumers can take to select a reputable credit counseling agency. Selecting the right credit counseling agency is a vital first step on the road to financial recovery and freedom. This means knowing the difference between reputable credit counseling agencies and those that do not always act in consumers' best interests.

## Benefits of working with an NFCC member agency

One way to know a credit counseling agency is credible is to work with an organization that is a member of the NFCC. All members can be identified by the NFCC member seal – given only to agencies that meet a series of high quality and ethical standards for agency accreditation, counselor certification and policies that ensure free or low-cost confidential services.



## The NFCC Seal Equals Peace of Mind

The NFCC requires all agencies to be:

- 501 (c)(3) nonprofit organizations
- Individually accredited by the Council on Accreditation for Family and Children Services (COA)
- Compliant with the NFCC's stringent quality credit counseling standards
- Audited every year by an independent certified public accountant (CPA)
- Governed by an independent and community-based board of directors

As the nation's oldest and largest nonprofit credit counseling organization, the NFCC promotes the national agenda for financially responsible behavior and builds capacity for its members to deliver the highest quality financial education and counseling services. For more

than five decades, the NFCC has played a vital role in providing financial counseling and education to help consumers address important personal financial management problems.

## Services include:

- Financial Education Classes
- One-on-One Financial Counseling
- Homeowner Counseling and Education
- Bankruptcy Counseling and Education

## Certified Counselors

As an NFCC member agency, Springboard employs certified credit counselors that are committed to providing you with the financial education and money management skills needed to make sound financial decisions. The NFCC operates its own highly-regarded Counselor Certification Program. Each counselor must pass a six-part exam within one year of hire to ensure they have both the knowledge and skills to provide quality personal assistance to individuals struggling with financial challenges. Counselors must be recertified every two years.

Looking for credit counseling agencies that are members of the NFCC is one way to ensure that you are selecting the right credit counseling partner and receiving the best financial education you can to increase your IQ. Knowing the difference between reputable credit counseling agencies can make all the difference.

Springboard is headquartered in Riverside, CA with locations throughout California, Arizona, Nevada, New Mexico and Texas and offers face-to-face and nationwide phone counseling services. Call us at 800-449-9818 or find us on the web at [www.credit.org](http://www.credit.org).

# Plan a Financial Future for your Children

**L**isten up! It is our job as parents, community members, business professionals and legislators to prepare our children with knowledge and know-how to make the right financial decisions as early as possible. Waiting until they receive their first paycheck may be too late – so start early.

Our children are the next wave of consumers, and only 17 percent are required to take an economics class in high school.\* It's easier to teach kids when they're young allowing them to take those lessons learned with them throughout their lives.

**Teach children about budgeting.** As soon as your child can count coins, start teaching smart money management skills. Provide a list of small jobs outside of general chores to earn extra money. Talk about plans to save or spend the



money – explain how spending the \$5 on candy will prolong the time it takes to save money for the "must-have" video game.

**Arm children with basic financial tools.** Open a savings account for your child whether your child is a newborn or about to enter high school. Show your children how to add gift money or part-time income to a savings account. Or consider purchasing a savings bond or stock for your child to see first hand how the money can grow and at what speed.

**Where possible, turn every day errands into personal finance lessons.** Let your children see you compare prices, use coupons, or broker a discount on a large purchase. Take the time to explain how and why you make your purchasing decisions. Share smart purchasing tips such as creating a list of needed items or purchasing birthday gifts in bulk.

**Communicate openly with children about personal finances.** Words like reconcile, savings, interest, credit and debt are commonplace for adults but not for children. Take time to sit down with young children and teach them what these terms mean. For older children, start to talk about the importance of college savings accounts (529), IRA and 401(k) retirement accounts, and the difference between risk and return on stocks and bonds.

**Teach children the correct ways to use debt.** With credit card companies aggressively targeting college students and more parents giving teenage children credit cards, now is the time to teach children how to use credit wisely. Explain to children the circumstances under which debt can be used wisely and the importance of paying off the credit card every month – or paying at least double the minimum payment.

**Teach children about loans and bills.** Most children don't necessarily realize their parents don't "own" their house, or realize the products for which people take loans. And with the growing popularity of cell phones, teens often don't realize that airtime and text messages are not free. Teach children about responsible use of loan debt and the importance of paying bills on time.

Remember, it's never too early to teach your children to be money conscious. For more tips and tools you can use to teach your kids about personal finances, contact Springboard at 800-449-9818 or email us at [education@credit.org](mailto:education@credit.org).

\*2007 Senate Resolution Designating April 2007 as 'Financial Literacy Month' (March 27, 2007)

# Your Guide to Credit Reports

**A**ccording to a recent study by the Consumer Federation of America, a consumer with an average credit score of 700 would reduce finance charges by \$76 each year by increasing his score 30 points. Your credit report reflects the history of your borrowing and payment practices for a seven-to-ten-year period. A credit report contains information about your credit and loan history including amounts and payment history and is used extensively by potential lenders to evaluate your creditworthiness. When applying for a loan, lenders examine your credit history to assess the likelihood that you will repay the loan.

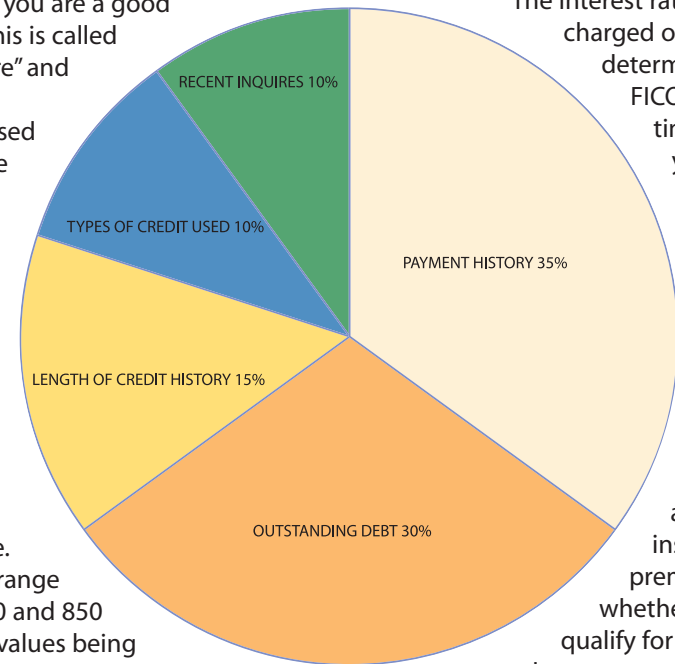
How you handle credit today will affect your access to credit later. In addition to banks and credit card companies that pull your credit reports, certain utility companies and even property management companies also pull your credit reports whether you're opening a credit card, applying for a loan, purchasing a home or a car, renting an apartment or signing up for utilities.

## How to read your credit report

- Identity information – including Social Security Number, address and date of birth. This information is used to ensure the credit report information is accurate and matched with the right person. It also can help detect and prevent identity fraud.
- Employment history – where you've worked and for how long.
- Credit history – account records with creditors.
- Inquiries – a list of potential lenders that have requested your credit report and when.
- Public financial records – including collections accounts, bankruptcies and late child support payments.

## Your credit score

Most lenders use a mathematical formula to generate a "score" to help them determine if you are a good credit risk. This is called a "credit score" and the most frequently used version is the FICO score created by Fair Isaac and Company. A FICO score is a snapshot of your credit risk at a particular point in time. FICO scores range between 300 and 850 with higher values being preferred because it indicates to lenders you are a lower risk.



your score, especially when there are no other types of credit reported.

The interest rates you are charged on loans may be determined by your FICO score. Often times the higher your score the better chance you have of getting a lower rate. FICO scores also can be used to determine your homeowner and auto insurance premiums and whether or not you qualify for a loan.

Your credit score is determined by five factors: payment history, outstanding debt, length of credit history, recent inquiries and types of credit in use. Each of these factors is weighted differently to determine your score:

- Payment history (35%) – Build up a consistent payment history. Late payments, judgments, bankruptcy and tax liens can lower your score.
- Outstanding debt (30%) – Maxing out your credit cards can lower your score, so keep balances well under your credit limit.
- Length of credit history (15%) – Long relationships with banks or credit unions based on loans have a positive influence on your score.
- Recent inquiries (10%) – Too many inquiries for credit within a short period of time can lower your score because it suggests you are frantic for credit and/or may soon be overexposed.
- Types of credit in use (10%) – Too many open lines of credit (i.e. credit cards, retail accounts, installment loans, mortgage accounts) can lower your score. Loans from finance companies generally lower

## Know your rights

Through the federal Fair Credit Reporting Act (FCRA) every consumer is entitled to a free copy of your credit report once every 12 months from each of the three major credit bureaus. Read each report carefully as there may be discrepancies between the three credit bureaus because creditors do not necessarily report information to all three and they don't always share information.

Order your free credit report at  
[www.annualcreditreport.com](http://www.annualcreditreport.com)

or call 877-322-8228

or send a request to:

**Annual Credit Report Request Service**  
P.O. Box 105281  
Atlanta, GA 30348-5281



# Identity Theft: Don't Let it Happen to You

Identity theft is the nation's fastest growing crime with about 19 people becoming a new victim every minute, according to the Identity Theft Resource Center. Identity theft is when someone uses your personal information (name, Social Security Number, credit card information, etc.) without your consent to commit fraud and/or other crimes. The United States Office of Consumer Affairs most recently reported that it received more than 635,000 consumer fraud and identity theft complaints. Consumers reported losses from fraud of more than \$547 million.

## Don't be fooled

Identity thieves can get sensitive personal information from a variety of ways including:

- Stealing from your mailbox
- Hacking records from business or other institutions with your information
- Dumpster diving
- Phone or email scams also known as "phishing"
- Shoulder surfing while at the ATM
- Skimming your credit or debit card numbers device usually at ATMs using a portable scanning

## Don't be a victim

While no one action can fully prevent identity theft, there are steps you can take to reduce your chances of becoming a victim:

- Create passwords for your online credit card, bank and phone accounts. Avoid using easily available information like your birth date, phone number and mother's maiden name.
- Sign your credit and debit cards as soon as they arrive.
- Carry your cards in a safe place separate from your wallet.
- Do not carry your Social Security Card; keep it in a secure place.
- Keep a record of your account numbers, their expiration dates, and the phone number and address of each company in a secure place.
- Never give out personal or account information in response to an email or phone query unless it is part of a transaction that you initiated.
- Save receipts to compare with billing statements.

- Open bills promptly and reconcile accounts monthly.
- Tear or shred outdated copies of credit card charge receipts, copies of credit applications, bank statements and other documents with your personal information.
- Use caution when storing personal information on a personal computer.
- Update virus protection software regularly.
- Consider purchasing a service that alerts you to any request for your credit information or unusual activity on your account.

## What to do if you think your identity has been stolen

- If your credit and debit cards are lost or stolen, immediately contact the issuers of the cards.
- Contact the fraud departments of any one of the three major credit bureaus to place a fraud alert on your credit file – the other two credit bureaus automatically will receive the fraud alert. The fraud alert asks creditors to contact you before opening any new accounts or making changes to your existing accounts. Credit reports from all three bureaus will be sent to you free of charge.
- Close the accounts that you know or believe to have been tampered with or opened fraudulently.
- File a police report. Get a copy of the report to submit to your creditors and others who may require proof of the crime.
- File a complaint with the Federal Trade Commission (FTC) which maintains a database of identity theft cases.
- If creditors and/or credit bureaus are not cooperative in removing fraudulent entries from your credit report, consult an attorney to determine legal action.
- Contact the local Office of the United States Trustee if a bankruptcy case has been filed fraudulently in your name.

### Contact the following if you think your identity has been stolen

Equifax 1-800-685-1111 • [www.equifax.com](http://www.equifax.com)

Experian 1-800-397-3742 • [www.experian.com](http://www.experian.com)

TransUnion 1-800-888-4213 • [www.transunion.com](http://www.transunion.com)

FTC 1-877-438-4338 • [www.consumer.gov/idtheft](http://www.consumer.gov/idtheft)

For more Information about the threat of Identity Theft and tips to avoid it, visit [www.ProtectYourIDNow.org](http://www.ProtectYourIDNow.org), a special consumer education Web site established by the National Foundation for Credit Counseling.

## Warning Signs of Debt Troubles

**Y**ou or someone you know may be in some financial trouble. You're not alone. The first step to digging yourself out of debt is to recognize the warning signs.

**You are only able to make the minimum credit card payment.** A lot of cards come with high interest rates and only paying the minimum payment will cause you to pay more in interest, which can put you in big financial trouble. If you are unable to pay more than the minimum payment, then there could be a problem.

**You are hiding purchases or financial information from family members.** Not being honest about the purchases you make cannot only lead to financial trouble, but also can strain your personal relationships. Because your financial situation could affect others – and often does – honesty is the best policy.

**Because your credit card is maxed out, you apply for new ones.** When your cards are taken to the limit, it is time to pay off the balance and adjust your spending habits – not apply for more cards. Requesting a higher limit or waiting until the end of a grace period potentially causes more harm than good. These situations only mask financial problems and potentially make it worse.

**Writing checks when there is no money.** If you are paying bills and have no money left until your next paycheck, you may be headed for trouble. It also is not a good idea to use your credit card to pay for the necessities because you don't have the cash. As a general rule you should not be spending more than 20 percent of your take-home income on credit card bills.

It's never too late to get some help. Contact Springboard at 800-449-9818 or visit us online at [www.credit.org](http://www.credit.org).

# Keys to Homeownership



**F**or many, owning their own home is the American dream. It also is one of the largest purchases you will make in your lifetime. If homeownership is your dream, it can become a reality with realistic goals, sound advice, careful planning and a clear understanding of the costs involved. Did you know the average net worth for a homeowner is in excess of \$100,000 and the average net worth for a renter is \$5,000?

## Springboard provides homeowner counseling and education services to help you:

- Understand the home-buying process
- Decide how much you can realistically afford
- Review your credit and help you prepare your credit for homeownership
- Develop a savings plan for your down payment
- Decide what kind of mortgage is right for you

## Determining needs

Prior to house shopping, a prepared homebuyer will determine needs and use a checklist during an open house to compare properties. When creating the checklist, consider the following: how much space your family needs; the style and layout you prefer; a specific part of the city more convenient for your lifestyle; and what amenities are “must-haves” such as a garage, large backyard, appliances, etc..

## Obtaining a Mortgage

Most homebuyers rely on their borrowing power to buy a house. Mortgages are available from a number of sources including:

- Savings and loan associations
- Commercial banks
- Mortgage companies
- Federal credit unions
- Financial companies

It is recommended that you first start your search for a mortgage with a financial institution with which you already have a financial relationship, such as a checking or savings account. Your friends, family or co-workers may provide recommendations. A real estate agent also may know which lenders in your area offer the best terms and don't forget to check your local newspaper's real estate section as a good source of information. Some prefer to use a mortgage broker who will shop your loan application to various lenders around the country. This process can save you time but make sure the fees paid are equal to the services provided and that the broker is paid up front.

For your first meeting with the lender, being prepared will save you time. Gather the following items in advance of your meeting:

- Purchase contract for the house
- Bank information (account number, branch address, latest bank statement)
- Pay stubs, W2 forms for the past two years, or other proof of employment and salary
- Self employed? Bring balance sheets, tax returns for past two years, and a year-to-date profit and loss statement
- Information about debts, including loan and credit card numbers and creditor contact information
- Evidence of mortgage or rental payments such as canceled checks or money order receipts

Owning a home is within your reach! There are special federal, state and local programs that can assist first-time homebuyers with providing incentive and tax programs for eligible applicants. Look for programs in your community that will assist with entry costs. We can help refer you to such programs. Log onto [www.credit.org](http://www.credit.org) or call us at 800-449-9818 for more information.



# Money Smarts for Life's Big Decisions



## Before Saying "I Do"

Today men and women dutifully manage household and personal finances. Since money is one of the primary reasons couples divorce, talk about money before you walk down the aisle.

**Define financial goals.** Discuss short- and long-term living arrangements, vacation, and acceptable standards of living. Make sure you understand the other person's expectations.

**Develop a plan to reduce personal debts.** Start by fully disclosing all debts and review each other's credit reports. Begin paying off credit card and car loans first. Find ways to double up on payments to reduce debt before you get married.

**Cut costs on wedding plans.** It's easier to scale back when you have long-term goals identified and in mind while planning. High schools and colleges offer an enormous resource for inexpensive, top-quality services for the nuptials and celebration such as quartets, photographers, graphic designers and interior decorators.

**Know when to merge bank accounts.** If your spouse (or fiancé) has bad credit, maintain separate accounts. However, it's perfectly acceptable to begin a joint savings account. Doing so could serve as a great financial education tool and incentive to improve personal finances. If your spouse (or fiancé) has good credit, you may consider opening a joint account to pay bills but maintaining separate accounts for personal savings, etc.

## Preparing for a New Baby

Whether you're first-time parents or this is your third baby, here are some simple tips as your family gets ready to welcome that bundle of joy. You can never be too prepared.

**Single parents: Discuss child support in advance.** Open dialogue early is essential to your baby's care and welfare.

**Test self-employment or reducing income before diving in headfirst!** Completely live off of one income for a few months during, or ideally before, pregnancy. Save the other income. The manageability of this will help you determine if your family can maintain a lifestyle that's desired and necessary.

**Bargain shop and buy second hand.** For a number of non-medical and non-consumable items, generic and off-brands are as good as, and even better, than popular and name brand items. Check consignment shops because babies grow out of it before they wear it out.

**Clip coupons.** Even if you don't think you'll need the product, you can never tell what may arise. Sign up for coupons from formula and diaper companies.

**Stockpile.** With less than two months time before the baby arrives, begin saving diapers, pampers, wipes, shampoo, lotions, scented garbage bags, etc.

## Buying a Car

Whether you're a first-time buyer or a seasoned pro, car manufacturer deals change all the time. Consider the following before you sign on the dotted line.

**Check the seller's reputation.** Whether you're buying new or used, know who you're buying from. Ask your friends and family where they bought their cars.

**Compare the asking price.** Check out other dealers and the average retail price listed in Edmunds ([www.edmunds.com](http://www.edmunds.com)) or Kelley Blue Book ([www.kbb.com](http://www.kbb.com)), which are available free online as well as at bookstores, supermarkets and libraries.

**Verify car's history.** If you're buying a used car, check the vehicle's title history to verify the odometer reading and see if it has been salvaged after a wreck. Histories are available online from several companies for a fee. You must have the vehicle information number (VIN), a 17-character identifier that usually can be found on the dash near the windshield and on the driver's side door frame.

**Finance the right way.** Even if you have bad credit, check around for the lowest interest rate. The National Consumer Law Center says many people don't realize

they qualify for conventional financing. Places that appeal to buyers "regardless of credit" will often saddle you with a vehicle a more reputable dealer would have scrapped.

**Read all the fine print.** Carefully read the sales contract and make sure you can afford the payments. Know your interest rate, length of loan and what late fees will be assessed for past-due payments.

**Negotiate based on the price of the vehicle not the monthly payment.** Many dealers entice you to purchase a more expensive vehicle than you can afford by stretching out loan payments over a longer time period. As a general rule, you shouldn't sign up for a car loan longer than four to five years. Don't talk monthly payments – do your research before you go to know what the payment will be for certain prices.

## Retirement

Many people are working after the normal retirement age of 65 and it is estimated that a majority of workers believe they are behind on their retirement savings. Consider the following to help you prepare for retirement:

**Start now!** The sooner you start saving the more time your money has to grow. Make retirement savings a high priority by devising a plan, sticking to it and setting goals for yourself.

**Know how much you need to retire.** Retirement is expensive. Experts estimate you'll need at least 70 percent of your pre-retirement income to maintain your standard of living when you stop working.

**Contribute to a tax-sheltered savings plan.** Sign up for your employer's 401(k) and contribute all you can. Your taxes will be lower and your company may contribute more.

**Put money into an Individual Retirement Account (IRA).** You can put up to \$4,000 a year into an IRA and gain tax advantages, whether it's a tradition or Roth IRA.

**Don't touch your savings.** You may lose principal and interest as well as tax benefits. Roll over your savings if you change jobs into an IRA or 401(k).

These life-changing events are supposed to be happy times, not stressful ones. It doesn't have to be difficult. We can help. Springboard can assist you by identifying other ways in which you can make smart financial decisions and keep more money in your pocket for such occasions.