Personal Financial

CHOICES

SETTING A NEW COURSE®

CHAPTER 7
RESOURCE GUIDE

NOTE

Bankruptcy is generally a matter of federal law; however, in some instances state laws may apply.
This booklet is not intended to give legal advice.
All legal questions should be presented to an attorney.

Developed by Visa U.S.A. as a service to the bankruptcy community.

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RESOURCE GUIDE TABLE OF CONTENTS

Developed by Visa, U.S.A. as a service to the bankruptcy community.

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Lesson 1: What You Need To Know About Chapter 7 Bankruptcy

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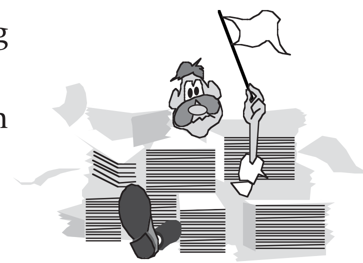
OBJECTIVES

At the conclusion of this lesson you should be able to:

1. Define **bankruptcy**.
2. Identify common **types of bankruptcy**.
3. Identify the **various roles** of the parties in bankruptcy.
4. Describe **characteristics** of the Chapter 7 process.
5. Describe the **duties and responsibilities** of Chapter 7 filers.

INTRODUCTION

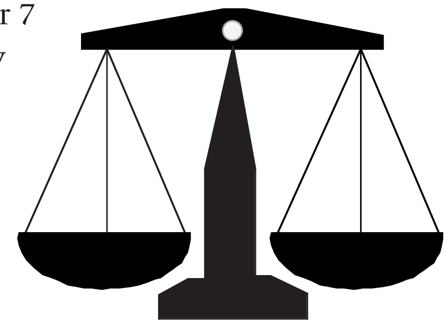


You may be a little overwhelmed at this moment, wondering how you ever got to this point in your life. And you may be wondering, "Where do I go from here? How do I get back on my feet?" The video you viewed, "The Basics of Chapter 7 Bankruptcy," was prepared to help you understand the Chapter 7 Bankruptcy process and to introduce you to the people who will be working with you for the next 4 to 6 months.

The second video we have prepared for this series, "The Basics of Money Management," is designed to help you get back on financial track. It introduces you to useful information and gives you tips on how to manage your money resources so that you will never have to repeat this process.

We are not offering you legal advice. Everyone's situation is different. Only your attorney can give you legal advice.

WHAT IS CHAPTER 7 BANKRUPTCY?



Let's start with a clear understanding of what Chapter 7 Bankruptcy is. When you file a Chapter 7 Bankruptcy petition, you are asking the Court to give you a "discharge" of your debts—you want relief from as much of your debt as possible. If you receive the discharge, many of your debts will be eliminated, but there are certain financial obligations that you will have to continue to pay.

There are many different types of bankruptcy, called different "chapters." Most people file either Chapter 13 or Chapter 7. Those who file Chapter 13 agree to repay some of the debt they owe, and in return they keep most of their property.

Chapter 7 Bankruptcy, which is what you have filed, is known as the "Straight Liquidation Chapter" because in return for eliminating your debts, you agree to turn over your non-exempt property to your Chapter 7 Trustee, who will then collect and sell your non-exempt assets and pay as much as possible to your creditors. In most cases, however, there are no non-exempt assets to sell, so creditors receive nothing.

Let's explain what we mean by "exempt," because that's important. Most state legislatures have historically wanted to make sure that the property that a debtor needs to assure his or her family's future is protected in bankruptcy, such as their house, tools of trade, car, or farm animals. This property cannot be taken away by creditors, which is what "exempt" means. However, if the property is mortgaged and it's worth less than what is owed to the lender, there might not be an "exempt" part.

Exemptions are different in every state, so be sure to ask your attorney about exemptions.

WHO'S WHO

Let's first get acquainted with the people who will be involved in your case. So far, we've referred to your "attorney" and your "Trustee." Here is a little information about who they are and what they do.

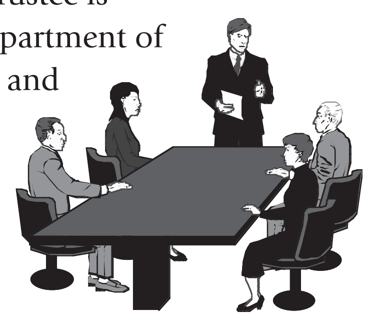
THE ATTORNEY

It is your attorney's job to review your financial situation and answer your legal questions. In a "typical" Chapter 7 Bankruptcy, your attorney will probably:

- Meet with you and advise you of your rights and options in bankruptcy
- Have someone in his or her office complete the forms and file them
- Attend the "First Meeting of Creditors" with you—this is called the "341 Meeting"
- Represent you in the courtroom

Some of you may not have an attorney. You may have had a petition preparer or a paralegal help you file your bankruptcy. If someone other than an attorney helped you, then you are responsible for filing all the papers and providing necessary and correct information about your property and liabilities. If you have questions about your bankruptcy case, you should call an attorney.

THE TRUSTEE

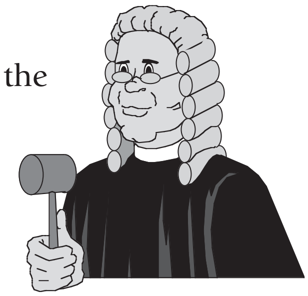


Another person you will meet is the Chapter 7 Trustee. Your Trustee is appointed by a United States Trustee — who works for the Department of Justice. The (Chapter 7) Trustee's job is to make sure that you, and your creditors, are treated according the rules and procedures established in the United States Bankruptcy Code. The Trustee protects the rights of all parties in the case. Here are some of the things that your Trustee will do:

- Review your paperwork for accuracy and completeness
- Ask you questions at the First Meeting of Creditors—which is also known as the "341 Meeting"
- Collect and sell your non-exempt assets and pay as much as possible to your creditors
- Investigate your financial affairs (if needed)
- Object to any claims you make for exemptions that you are not entitled to
- Object to your discharge, if appropriate

Remember that the Trustee administers your case. He or she is not your attorney and cannot give you legal advice.

THE JUDGE



You will read about the "Court" and the "Judge" as we describe the process of Chapter 7 Bankruptcy. The judge will make the final decision about whether your debts are discharged based on the law. But in most cases you will probably not see the judge unless there is a problem.

THE CREDITORS

Your creditors are the people, banks, institutions, and stores to whom you owed money when you filed for Chapter 7 Bankruptcy. Creditors don't usually know you personally, and they don't know your situation. All they know is that you owe them money for the things you bought from them, and it is their goal to collect the money you owe them. It is possible that your creditors have been trying to get you to pay your debts with phone calls and letters, or even by repossessing your property.

WHAT HAPPENS NEXT?

When you file your Chapter 7 Bankruptcy petition, your creditors are sent a Notice informing them that you have filed for Chapter 7 Bankruptcy and that they must stop trying to collect the debts you have listed. You should also get a copy of this Notice which tells you when you must appear for your First Meeting of Creditors and who the Trustee is.

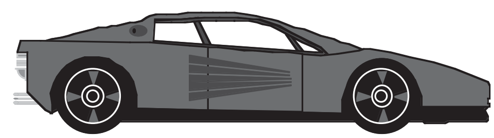
After you file your bankruptcy case, your creditors are not allowed by law to write or call you about the money you owe them. This is called the "Automatic Stay," i.e., they are automatically "stayed" from contacting you. If they do contact you, tell them that you filed for Chapter 7 Bankruptcy and give them your case number. If they continue to call you, tell your attorney and he or she will help you with that situation.

KINDS OF DEBT

There are two different types of debt that you may owe: **Secured** and **Unsecured**. Most of your debt is probably "unsecured." These debts include most credit card bills, most medical bills, and most personal loans.

SECURED DEBT

A secured creditor is one who lends you money after you have agreed that if you don't meet your obligation to repay the loan, some of your property will be taken away from you and used to replay the lender. Most home loans, car loans, and some lines of credit are secured loans. Some stores may have a secured interest in an item you bought on a store credit card, like your refrigerator, television, or expensive jewelry. The important thing to remember is that whenever you pledge property you buy as collateral or security for a loan, you give the lender the right to repossess or take back that property if you do not repay the loan. You must file a "**Statement of Intentions**" along with your Chapter 7 Bankruptcy petition. This document will tell your Trustee and your creditors whether you want to keep or give up the property which secures a debt.



You have several options with respect to "secured debt."

- **Return the property**

  First, you can ***surrender or return the property*** to the secured creditor. If you return the property, your obligation to pay the remaining debt secured by the property will be discharged in your bankruptcy. (Refer to Part III, Lesson 5, "Wise Use of Credit," page 57 for more information about Secured Debt.)

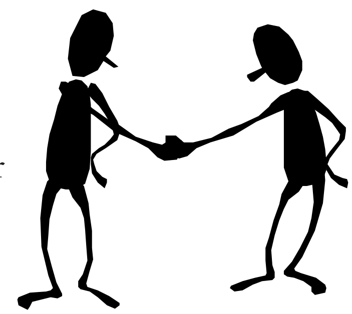
- **Redeeming Property**

  You also have the right to ***redeem*** an item of personal property intended for personal, family, or household use by paying the secured creditor the value of the property. You can negotiate the value with your creditor. If you cannot agree on a value, you can ask the Bankruptcy Court to decide it. Upon payment of the agreed amount, you can keep the property and you will have no further obligation on that debt.

• **Continue to Pay Your Debt**

Finally, if you are current in your payments despite your bankruptcy, in some areas of the country you may be able to keep the property and continue making regular payments to the secured creditor according to your loan agreement without redeeming or reaffirming the debt. You should check with your attorney to see if this option is available in your bankruptcy case.

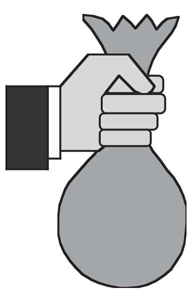
• **Voluntary Repayment**



There are debts that you may want to repay voluntarily. You don't have to sign a Reaffirmation Agreement to repay debt voluntarily (see below), you can just continue to repay it for as long as you can afford to, even though it may have been discharged in bankruptcy. Voluntary repayments, unlike a reaffirmation, are not legal obligations to repay.

For instance, some of your family or friends may have co-signed a loan for you. If you feel an obligation to pay that debt back so that your co-signer is not stuck with the debt, you are free to do so; however, you are under no *legal obligation* to pay back debt that has been co-signed.

REAFFIRMING DEBT



You may be asked to sign a Reaffirmation Agreement. If you are, be sure to get advice from your attorney.

If you want to sign a Reaffirmation Agreement and you do not have an attorney, you must go to court and convince the judge that it is in your best interest to pay the debt, you can afford to pay it, and that the payment of debt will not impose an undue hardship on you or your family. Remember, your debt will be discharged if you do not sign a Reaffirmation Agreement. Also remember that you can reconsider and cancel your decision to reaffirm a debt at any time prior to discharge or within 60 days after the agreement is filed with the Court, whichever is later.

WHAT DEBT CAN BE DISCHARGED?

Non-Dischargeable Debt

Some debts are not discharged by bankruptcy, which means that you will still owe them even after you receive your discharge. Here are the kinds of debts that are not discharged:

- Most taxes
- Alimony
- Child support and property settlements
- Student loans

The goal of your filing bankruptcy is to obtain a discharge of your debts — a "fresh start." Discharge means that the debt is eliminated. In the majority of cases the Court enters an order granting a discharge 60 days after the Meeting of Creditors. A discharge of your debts will automatically be granted unless someone specifically objects to your case. You should receive a copy of your Discharge in the mail. Keep a copy of your Discharge papers in case any of your creditors later try to collect on a debt that has been discharged in bankruptcy.

Complaint to Determine Dischargeability

In addition, some of your other debts may be subject to a "**Complaint to Determine Dischargeability**". A "Complaint to Determine Dischargeability" is a lawsuit filed by a creditor who believes that you have been dishonest, committed fraud, larceny, embezzlement, or willful injury.

For instance, if you misrepresented any of your financial information on a credit application and if the creditor gave you credit based on that information and then discovered that the information you provided was not correct, he may file a complaint in court and serve you and your attorney with a copy.

If the Court grants the creditor's Complaint against you, that debt may not be discharged and you will still have to pay it. You do have the right to contest the Complaint at a hearing before the Bankruptcy Judge, and each Complaint must be determined by the Bankruptcy Judge.

It is important to remember to contact your attorney as soon as you receive a Complaint. We will talk more about "Complaints to Determine Dischargeability" when we discuss important legal documents.

Remember, just because your unsecured debts are probably going to be eliminated, it doesn't mean that you can go off and have a last minute shopping spree before you file for Chapter 7 Bankruptcy! The Court and your creditors will look closely for those kinds of debts that were made 60 days prior to filing. A creditor could file a Complaint and the Court may decide that you have acted "fraudulently" or were intentionally deceitful. If that happens you will be held responsible for those debts or the Court may dismiss your case.

It is very important to always be completely truthful with your attorney, your Trustee, and with the Court. You have to make sure that all the information you give your Trustee and file with the Court is accurate and complete. You must attend your "341 Meeting" (your "First Meeting of Creditors") and you must cooperate in every way possible.

Make sure you let your attorney know about all your debts, no matter how large or small. Debts that are not listed in the Bankruptcy Schedule may not be discharged or eliminated. If you forget to list a creditor but remember the debt later, contact your attorney to determine what should be done, if anything.

IMPORTANT LEGAL DOCUMENTS

There are some very important legal documents that you must watch for, such as the "Notice of Meeting of Creditors" *or* the "Motion to Lift Stay."

Automatic Stay

When you filed your Chapter 7 Bankruptcy, the "Automatic Stay" went into effect. The Automatic Stay stops almost all types of collection action against you. If a creditor feels that he is being treated unfairly, he may decide to file a Motion with the Bankruptcy Court asking for permission to proceed against you anyway.

Motion for Relief from Automatic Stay

If a creditor decides to take such action, he must serve you and your attorney with a "Motion for Relief from Automatic Stay." If you receive a Motion, call your attorney right way. If you ignore it and the Court allows this creditor's Motion, you could lose the property in question, such as your house or car!

Complaint to Determine Dischargeability of Debt

Another important legal document that we have already talked about is "The Complaint to Determine Dischargeability of a Debt." That means that a creditor may believe that you have been dishonest, committed fraud, larceny, embezzlement, or willful injury. If you ignore it or if the Court grants it, you will remain liable for that debt.

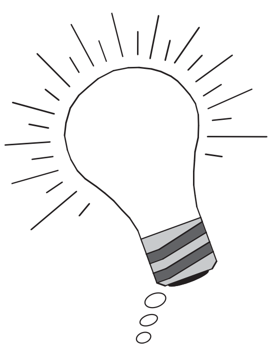
Motion to Dismiss

Another important document is the "Motion to Dismiss." Your case may be dismissed by the judge for many different reasons, including a failure to file correct papers. This means that you may be back where you started before you filed your bankruptcy papers. If you get served with a "Motion to Dismiss," you should immediately contact your attorney.

REVIEW

We've covered a lot of the legal and administrative aspects of your filing Chapter 7 Bankruptcy. Let's just do a quick review.

- We discussed who your attorney, Chapter 7 Trustee, and the judge are. Your attorney represents and advises you, files your paperwork, and will be at the 341 Meeting with you. Your Trustee administers and oversees your case. The judge decides disputes. You will probably only see a judge if someone objects to your case.
- Please remember that the judge and the people in the clerk's office cannot give you legal advice! Nor can the Trustee. Also remember that all important documents must be filed with the Court, not just given to your attorney or Trustee.
- You know the various kinds of creditors with whom you're dealing. Secured Creditors have an interest in your house car or other property. Unsecured Creditors include your credit card debts, personal loans, and hospital bills. Most of your unsecured debts will be eliminated. Non-dischargeable debts will not be eliminated. Non-dischargeable debts include most taxes, alimony, child support payments, and student loans.
- We've mentioned some of the motions and the legal documents that a creditor might file against you. Remember, your attorney can help you with any questions you might have regarding anything we've talked about.



- **Take note**. You've got to keep paying your regular monthly bills like telephone, rent, electricity, and water. If you don't keep paying these you could be evicted or find that your utilities have been cut off. A Chapter 7 Bankruptcy only eliminates the debts that you owed before you filed your paperwork.

QUESTION AND ANSWERS

1. ***What are my responsibilities when filing Chapter 7 Bankruptcy?***

   You have to be completely truthful with your attorney, your Trustee, and the Court. You have to make sure that all the information you give your attorney and file with the Court is accurate and complete. You must show up at your "341 Meeting" (your "First Meeting of Creditors") and you must cooperate.

2. ***Which debts should I continue to pay?***

   You should continue to pay your regular monthly expenses such as rent, utility bills, and any payments for your secured property that you want to keep, like your house or car.

3. ***Can I sell any of my assets while I'm in bankruptcy?***

   If you wish to sell your home or any other asset, contact your attorney first.

4. ***What if I inherit some money?***

   If you inherit money or receive money through a life insurance policy within 6 months of filing for bankruptcy, you've got to report it to your Trustee.

5. ***What if I move?***

   If you move before your case is finished, you must notify your attorney, your Trustee, and the Bankruptcy Court of your new address *in writing*. You can usually find a change of address form at the courthouse.

6. ***What is my life going to be like after Chapter 7 Bankruptcy?***

   Bankruptcy laws were designed to give you a new financial beginning! A fresh start! Chapter 7 Bankruptcy is a way for you and your family to get back on your feet. However, you have to rebuild your financial life so that you will have a future to which to look forward.

CONCLUSION

It doesn't matter if you're single, married, retired, or supporting your children by yourself. You might be the CEO of your own company or unemployed because of downsizing. Chapter 7 Bankruptcy can happen to anyone. It can also give everybody the same opportunity to change. Make a promise to yourself that you'll learn the financial skills that will help you become more successful.

PART 2: THE BASICS OF MONEY MANAGEMENT

Lesson 2: Personal Planning, Values, Goals, and Priorities

LESSON OUTLINE

I. INTRODUCTION
- A. Values
  - 1. Why Values Are Important to a Successful Financial Recovery
  - 2. Achieving Balance Between Values
- B. Wants vs. Needs
- C. The Real Value of Money

II. VALUES, GOALS, AND PRIORITIES
- A. Communication
  - 1. Upbringing
  - 2. Communication Techniques
- B. Relationships and Money
- C. Emotions and Money

III. The Planning Process

IV. Conclusion

OBJECTIVES

At the conclusion of this lesson you should be able to:

1. **Determine your values**, what the most important things are to you.
2. Understand the **steps in the planning process**.
3. Establish **realistic goals** and write them down.
4. **Set priorities for your goals**; i.e., put first things first.

INTRODUCTION

Financial success seldom happens by accident. And it seldom happens overnight. Those who are able to achieve their financial goals in life — even those with relatively little income — usually have identified their specific goals and then have developed a plan that will help them achieve their goals over time.

Even though you may feel overwhelmed at this point, remember that you CAN develop a financial plan for yourself that will help you to achieve your goals. Your financial plan doesn't have to be complicated, sophisticated, or require the help of a professional. You don't have to earn a lot of money to have a financial plan. Your financial plan can be as simple as finding a way to live within your income, pay your bills on time, and maybe save a little bit of money as well.

It is helpful to think of your road to financial recovery as just that — a journey. Your financial success is the destination of your journey, and your financial plan is the road map that will get you to that destination. Before we talk about how to develop your plan, it is helpful to explore some other facets of your life that can either speed up or slow down your journey to financial success. Just as you have many small and large choices that you must make in preparing for a trip, you will also have many choices to make in developing your successful financial plan.

VALUES

Why are values important to a successful financial plan?

We value the things we think are important. In a time of hard financial choices, you have to re-examine the things you really value in life and decide to spend your money only on the things you value most. If you are not careful, you may end up devoting all your time, money, and energy to the immediate crisis and neglecting other things that are really important.

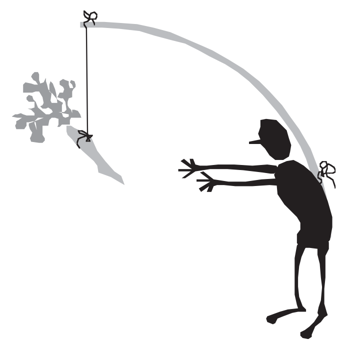
One way to help you decide which of your values is the most important is to set priorities. Completing the activities on the next page will help.

Values Activity #1 — Values Priority Chart

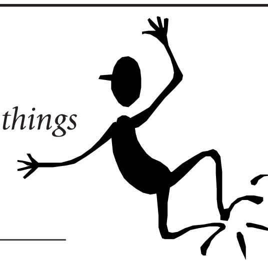
1. List your additional values in the "Values" section on the left.
2. Rank them in their order of importance to you in the "Priority Order" section on the right.

For instance, if both financial health and mental health are important to you, which one would you choose to address first if you had to make a choice?

Values	***Priority Order***
• *Rewarding Career*	________________
• *Financial Health*	________________
• *Mental Health*	________________
• *Spiritual Health*	________________
• *Physical Health*	________________
• *Family Relationships*	________________
• ________________	________________
• ________________	________________
• ________________	________________



Values Activity #2: "I Won the Lottery"

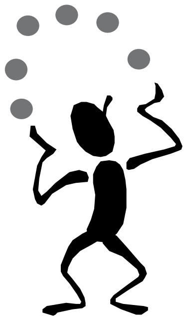


What would you do if you won the lottery? Name the first three things on which you would spend your money if you won the lottery:

1. ____
2. ____
3. ____

Did you find that the items you listed here reflect the values you listed in Activity #1? How much time, money and energy is spent on your first priority? Where are you spending most of your resources?

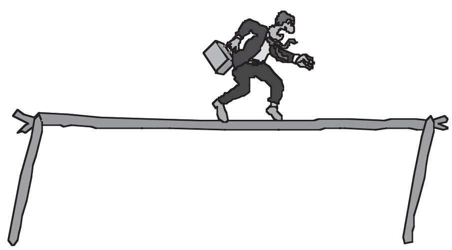
ACHIEVING BALANCE BETWEEN VALUES



You often find that you have to make difficult choices between values when they compete with each other for your time, money, and energy. When values conflict with each other, success in one can cause you to have to compromise another. For instance, if you value your work and your family highly but your job demands that you spend a lot of overtime, a conflict could arise when that overtime at the office takes quality time away from your family.

The trick is to be able to balance your values so that they complement each other. This means that achievement in one promotes achievement in the other. But how do you achieve this balance in the real world? The planning process will help you achieve this balance because you will take all of your most important values into consideration when you develop your financial plan.

The values you have listed will be reflected in the goal(s) that you have set for yourself. You may well find that you have more than one goal that you want to pursue. That can be built into your plan. But just as you have set priorities with your values, you will also need to set priorities with your goals. We will talk more about the planning process later in this lesson on page 23, but keep the importance of planning in mind as you read more about values.



WANTS VS. NEEDS

Values Activity #3: The Difference Between Wants and Needs

Where does most of your money go? Does it go to "wants" or "needs?"

WANTS	*NEEDS*
What food do I like?	*What food do I need to stay healthy?*
What clothes do I want to be in style?	*What clothes do I need for work or recreation?*
What kind of car can I drive to make people think I'm important?	*What transportation do I need to get to work?*
What kind of home will impress people?	*What housing meets my basic needs?*

Examine the lists below. Have you ever thought you really *need* anything on the list of "wants?"

Basic Needs

Food – Clothing – Shelter – Good Health – Love

Basic Needs for Work/Employment

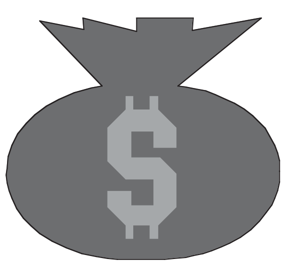
Health care – Work skills – People skills – Transportation – Support from family – Stable home life – Enthusiasm for work – Good credit history

Wants

Car phone – VCR – 4WD Vehicle – Big house – Designer jeans – Boat – Sports car – CD player – Fancy sound systems – Truck – Fitness equipment – Whatever friends have – Vacations – Swimming pool – Credit cards – Whatever is advertised

The basic needs of life are quite simple. What good are the "wants" if we don't enough money for the basics of food, clothing, and shelter?

THE REAL VALUE OF MONEY



HOW MUCH IS MONEY REALLY WORTH?

Money in and of itself is not worth much. The value of money is only a function of how it fulfills your own wants and needs. Some people have sold or given all they had to the poor. Others have spent their entire lives in the pursuit of wealth and power and have become rich. The true value of money to *you* probably lies somewhere in between these two extremes. *The value of money is only a function of how it fulfills your own wants and needs.*

"Money can't buy you …"

Money can't buy you many of the things in life that most people value most highly.

Love — *Many people try to fill this emotional need by buying things.*

Happiness — *If money could take away loneliness, rich people would not be lonely.*

Security — *If money could give real security, no one who is wealthy would ever feel insecure.*

Prestige — *People you recognize as having power or position in your community aren't always those with the most possessions.*

VALUES, GOALS, AND PRIORITIES

WHAT YOU WERE TAUGHT

What you think about money is shaped by the way you were brought up and all the experiences of your life. You probably heard both positive and negative messages about money when you were growing up — sometimes even from the same person. Knowing how these messages affect us today is important to understanding why we make, spend, and save money as we do.

Values Activity #4: Money Message

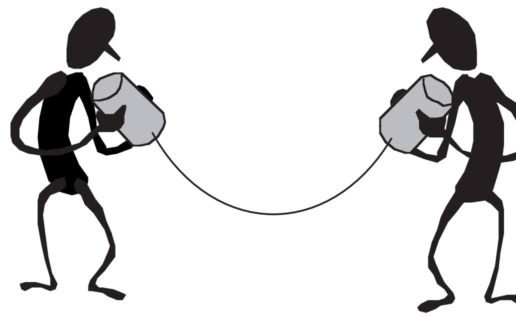
Take a moment and write down the answers to these questions.

- *What messages or "sayings" about money did you hear from your parents, grandparents, aunts, uncles, or other significant persons in your life?*
- *What did they say about money — making money, spending money, saving money, etc.?*
- *What didn't they say about money?*

After we become adults, some messages affect us more than others. What messages did you receive about money as a child which might be affecting your spending decisions today as an adult?

These impressions come from different sources and can affect the way we feel about money. For example, your concepts of money might be influenced by being the oldest or the youngest child, or an only child. What we learn in childhood, including our attitudes about money, becomes firmly set by the time we are adults. The same is true about differences in our personalities and upbringing. All of these factors affect our spending habits and, in turn, impact our relationships.

COMMUNICATING MONEY ISSUES



Communication is important to your money choices because the financial choices you make affect not only you, but also other people. Communicating your feelings about money and your financial objectives with others who are part of your life — your family friends, employers, business associates, and your attorney — is critical to your personal financial success. Just as we learn our attitudes about money as children, we also learn to communicate — particularly about money — in childhood. Did your parents, for instance, "never talk about money in front of the kids?" Did one of your parents hide his or her spending behavior from the other? Did your parents argue about money because they disagreed about how it should be spent?

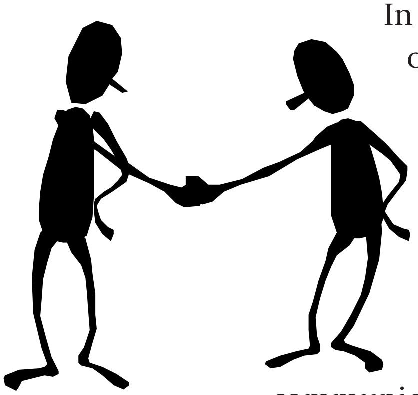
COMMUNICATION TECHNIQUES

In the best of times, communication can very easily become confused; in the worst of times, it can be almost impossible. You may have heard the Abbot & Costello comedy sketch about "Who's on First." This is a funny exchange because the two people are not communicating. A few simple "listening techniques" will help you be better able to communicate your concerns about money, your financial objectives, and your financial plan to others who may be directly or indirectly involved in your financial affairs.

Here are some simple techniques that you can use to improve your communication about money or any other topic of importance in your life.

- Be clear about what you want to say before you attempt to explain something to someone else.
- Identify the issue you want to discuss with the other person and make sure they understand it before you begin your discussion.
- Don't jump to conclusions.
- Stay on the topic.
- Ask the other person if they understand the meaning of what you are saying.
- Tell the other person what *you* think *they* are trying to say to you.
- Don't blame!

RELATIONSHIPS AND MONEY



In relationships, we are often attracted to opposites. We often seek out other people to make us feel more complete. Each person comes to a relationship with his or her strengths and weaknesses. However, these in turn can turn into power struggles. It then becomes hard to determine whose way is the "right way" to handle finances. There may be no "right way" to handle finances, but people who live and work together can find the "best way" to handle their finances by communicating their own feelings about money to each other.

Values Activity #5: Personality Types

Study this list of personality types, which might be said to be "opposites," then fill in the spaces to the right.

Description	***Which One Are You?***	***Which One Describes Your Most Significant Family Member***
Risk Taker or Conservative	________________	____________________
Saver or Spender	________________	____________________
Worrier or Happy-Go-Lucky	________________	____________________
Detail Lover or Big Picture	________________	____________________

There is usually a "gap" in the thinking of individuals who are opposites. The goal of communication is to build a bridge between people, to "bridge" this gap so that they can work together to achieve each of their financial goals.

Defining the "type" of your partner will allow you to discuss financial matters from his or her perspective, not yours. This technique will facilitate productive communication.

EMOTIONS AND MONEY

Do you think that feelings or emotions affect the way you spend money? Ask yourself if you are spending your money on the things that are really important to you, or whether you are spending money for other reasons, such as these:

- Have you ever felt deprived and angry when you didn't have enough of what you really wanted for yourself?
- Have you ever spent money you didn't have on "bargains" thinking that you were saving money?
- Have you ever used your credit cards to buy things because you didn't have enough money to pay cash for them?

Do you control your money or does your money control you? Here are emotions which may have affected your spending at some time in the past.

Anger
Have you ever been angry with someone so you spent money just to "get even?"

Guilt
Have you ever felt guilty about neglecting someone so you bought them a gift to make *you* feel better?

Jealousy
Have you ever bought something just because someone you know had one just like it, not because you really needed that item?

Depression
Have you gone to the mall when you were feeling down, or have you spent money you didn't have because you thought buying yourself something would soothe your feelings?

Joy
Have you decided to celebrate something good that has happened to you by purchasing a wanted but not needed big ticket item?

Loneliness
Have you ever gotten off work and avoided going home because no one was there? Did you then go shopping so you wouldn't have to be alone?

Values Activity #6: Values and Goals Questionnaire

Answer the following questions: If you live with others, think about how they might answer. Ask them to answer these questions, too. You may be surprised at what you will learn about each other.

- *What are your greatest fears about money? What do you think might happen if you don't have enough?*

  Your Response ***Partner Response***

- *What money topic often starts an argument within your family?*

  Your Response ***Partner Response***

- *If you had to cut back on spending, what would you cut? How much could you save?*

  Your Response ***Partner Response***

- *If you suddenly had $10,000, what would you do with it?*

  Your Response ***Partner Response***

- *What was the poorest choice(s) you ever made about money? Why?*

  Your Response ***Partner Response***

- *How has your attitude about money changed from childhood, or in the last three to five years?*

  Your Response ***Partner Response***

- *What kind of things are a pleasure to buy?*

  Your Response ***Partner Response***

- *What kind of things are not a pleasure to buy?*

  Your Response ***Partner Response***

- *Do you think you are too tight with money, too free with money, or about right with your spending habits?*

  Your Response ***Partner Response***

- *If you wanted to save money for somethings that are important, what would they be?*

  Your Response ***Partner Response***

THE PLANNING PROCESS

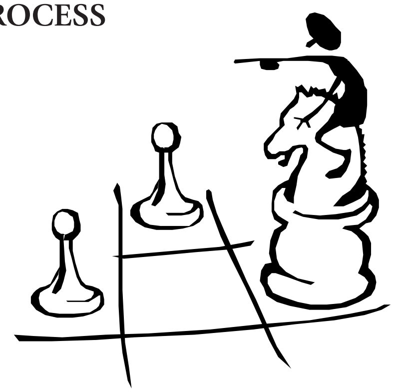
Now that you have a better understanding of how your values affect your priorities, how your priorities affect your spending choices, and how your spending choices are affected by your attitudes and beliefs, you can start to identify your financial goals. When you have a clear understanding of your goals, then you can start to develop your plan to achieve them.

You *can* regain control of your financial life, establish financial security, and achieve your own personal goals and dreams. For instance, imagine yourself debt free, living within your income, and saving money. This is a realistic goal!

We talked about using the planning process as a roadmap that will help you reach your goals. Identifying your wants and needs is like putting up the various traffic signals that will help you get to your destination without having an accident.

FOUR STEPS IN THE PLANNING PROCESS

1. **Assess needs**
2. **Set goals**
3. **Make a plan**
4. **Take action**

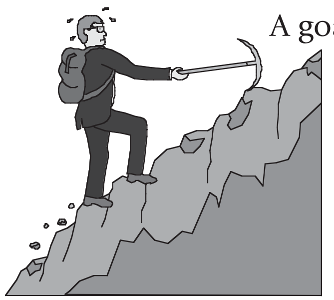


Step #1. Assess Needs

Evaluate your current financial situation. In this step, take a broad look at the way things are now. Ask yourself these questions:

- What are my basic needs?
- What else do I need?
- Do I really NEED it? Is there an alternative to buying it now?
- What else do I want?
- Why do I want it?
- How would life be different if I had it? What would change if I had it?
- Make a list of wants and a list of needs. Go back to Activity 1 on page 15. Do the lists agree with your values and priorities?

Step #2. Set Goals



A goal is a specific result you intend to work toward. A realistic goal is **SMART**:

Specific
Measurable
Attainable
Relevant
Time-related

Specific — Set specific goals which you can clearly name. For example, save money to get a new refrigerator — not just to save money.

Measurable — Measure goals by the time and/or money it will take to attain them.

Attainable — Make sure goals are reasonable and possible. For example, "I know I can save X dollars each week to reach my goal within six months."

Relevant — Make sure your goals fit your needs.

Time-related — Set a definite target date. For example, "I must save enough to purchase a new refrigerator within six months (by ___month, ___day, ___year)."

Now, list the results you are working toward. Examples of goals could be as follows:

- "By _____(date) I will have paid off my ______________________."
- "By _____(date) I will have saved $_____(specific dollars) for a trip to visit _____."
- "By _____(date) I will have ____."
- "By _____(date) I will have ____."
- "By _____(date) I will have ____."
- "By _____(date) I will have ____."
- "By _____(date) I will have ____."
- "By _____(date) I will have ____."

Step #3. Make a Plan

Imagine the actions or steps you need to take to get from where you are now to where you want to be. The more steps you can visualize, leading from where you are to where you want to be, the more likely you will be to reach your goal.

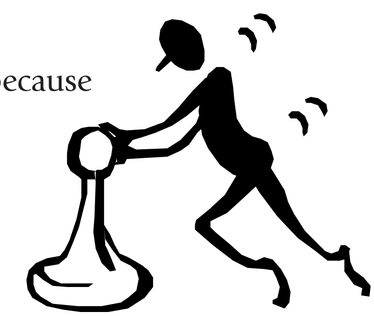
Once you can truly "see" the actions you need to take to get to where you want to be, write down everything needed to accomplish each of these actions. Be sure you think about the money, time, energy, people, and information that will be required.

Action	*Resources Needed*
____________________	____
____________________	____
____________________	____
____________________	____
____________________	____

Next determine the best order for the steps you should take. What do you have to do first, second, third... last? Try to foresee possible roadblocks to reaching your goal, but don't let these roadblocks discourage you. Thinking about them now will give you the opportunity to prepare for them before they happen.

Steps	*Possible Roadblocks*	*Possible Solutions*
1. ____________________	____________________	____________________
2. ____________________	____________________	____________________
3. ____________________	____________________	____________________
4. ____________________	____________________	____________________

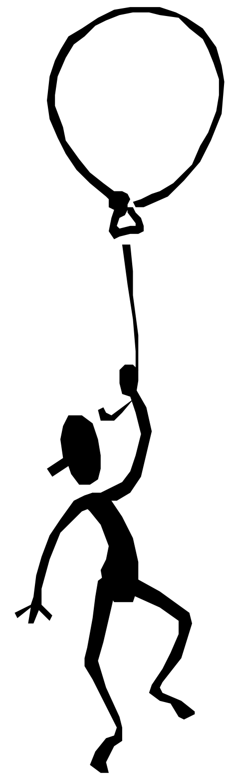
Step #4. Take Action



Take the first step. Many times goals are not reached just because the first step was never taken. Just ***having*** a plan doesn't mean you will reach your goal. You must actually ***take the actions*** listed in your plan.

Keep on keeping on. When you encounter obstacles, persistence wins more often than talent. Place reminders or pictures of your goals where you will see them every day. This will remind you of them as you make financial choices.

CONCLUSION



Financial success is usually a result of consciously deciding what we really want and need and making a realistic plan to achieve these things. In order for us to get what we want or need or help someone else to get what they want or need, we have to have a clear understanding of our values. Our values affect our priorities, and our priorities affect our spending choices. All along the way, our background, training, relationships, emotions, and communication all influence the choices we make about our goals, priorities, and spending.

Whenever you spend money for anything, you are making a decision, even if it is a small one. Before you take out your wallet, remember what you value most in life, what goals you have already decided you want to achieve and when, and the plan you have made to achieve those goals.

You may even forget once in a while and spend money without thinking. If you do, it isn't the end of your plan. But you do need to assess how that thoughtless expenditure has affected your plan. Then, adjust your plan so that you can get back on track right away. We will talk more in the next chapter about just how to spend your money so that your daily spending keeps you on plan.

Lesson 3:
Money: Making It, Tracking It, Saving It, Spending It

OUTLINE

I. Introduction

II. Making Your Money

III. Saving Your Money

IV. Spending Your Money

V. Conclusion

OBJECTIVES

At the conclusion of this lesson you should be able to:

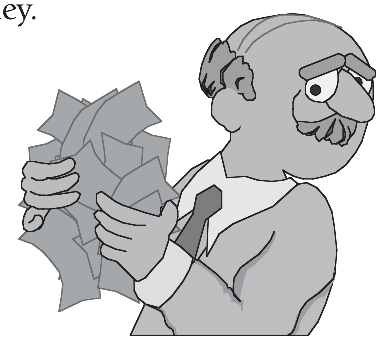
1. Identify your **Personal Spending Habits**.
2. Identify the **Leaks in Your Budget** that add up to trouble.
3. Develop a **Spending Plan** that works for you.

Now that you have determined exactly how you want to spend your money and you've designed your plan for achieving your financial goals, this section will help you identify all your sources of income and find ways to get the most out of the money that you make. It will help you identify past and present spending patterns and find where the "leaks" are in your budget. Then you will develop a workable spending plan. You will find it both interesting and helpful to do some of the exercises which will help you work through this process.

INTRODUCTION

Have you ever noticed how much better you feel when you aren't worried about how you're going to pay your bills? Most people wonder when they look at their bank statement each month exactly where their hard-earned money is going. This lesson will help you develop new habits for managing your money.

First, you will learn how to accurately calculate your average monthly income. Next, you will estimate how much you *think* you spend each month to compare with what you *actually* spend. Finally, you will gather past financial records and track your current spending to get an accurate picture of how much you are actually spending each month.

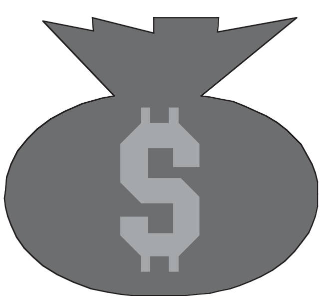


This lesson contains many exercises that will help you develop the daily spending skills you need so you can stick with your financial plan. Using the exercises, you can look at the past to get a better understanding of the way you used to spend your money. Using the tracking methods described later in this lesson, you will get a better understanding of your present (current) spending habits. This will help you answer the question about where your money is going each month. Lastly, you will look at the future by using all of this information to project short-term and long-term financial goals.

MONEY: MAKING YOUR MONEY

WHAT IS A SPENDING PLAN?

Spending money is a process, not just a laundry list of who you owe and when you need to pay. Therefore, you should consider your spending plan to be a living document with a past, a present, and a future — a spending plan that improves as you learn new and better ways to manage your money, and that can change when your circumstances change. For instance, when you have achieved one of your financial goals, you may have more money each month to spend on your next goal.



Let's look at the origin of the word "budget." The word comes from the French word "bougette" which is a small bag with a drawstring. French women adopted this handy bag method of money management from ancient Roman women who used little leather pouches to divide their household coins into different categories of spending.

Today we may not keep our money in small bags, but we still divide our money into categories of expenses. Many people today use envelopes for each item of expense they know they will have to pay at the end of the week, month, or quarter (e.g., food, rent, insurance, child care, etc.). These categories and a spending plan based upon each of these categories make up a budget.

COMPONENTS OF A SPENDING PLAN

AVERAGE MONTHLY INCOME

Any budget discussion must begin with an honest determination of how much money you actually have to work with each month. Do you know what your real average monthly income is?

There are two ways to look at your "monthly income." There is "gross income" and "net income." Your "gross income" is the total you actually earned (for example, $1,000/month). Your "net income" is what is left after your employer takes out deductions for taxes, social security, Medicare, etc. This is also called your "take-home pay." In order to know how much you can actually spend, you must accurately determine your net (take-home) pay.

Exercise #1: Calculate Average Monthly Take-Home Pay

1. Find your gross income or total earnings on a payroll check stub, before any payroll deductions. $__________

2. Subtract deductions for federal, state, and local taxes; social security; insurance premiums; garnishments; child support; any other employee benefits; retirement or savings deductions; charitable deductions; etc. — $__________

3. Subtract any other automatic deductions that you have authorized, like loan payments, savings plan, etc. — $__________

4. If you are paid every week, twice a month or bi-weekly, use one of the following formulas to convert your pay to a monthly amount.

_____ *per week x 4.333* = ___________ *per month*

_____ *bi-weekly x 2.167* = ___________ *per month*

_____ *twice a month x 2* = ___________ *per month*

5. If you have any other sources of income, or if your pay varies seasonally, calculate an average over six months or a year to account for the peaks and valleys. Add this amount to your other regular income. + $__________

This is your: ***Total Average Monthly Income*** $ ___________

MONEY: TRACKING YOUR SPENDING

Exercise #2: Estimate Your Average Monthly Spending

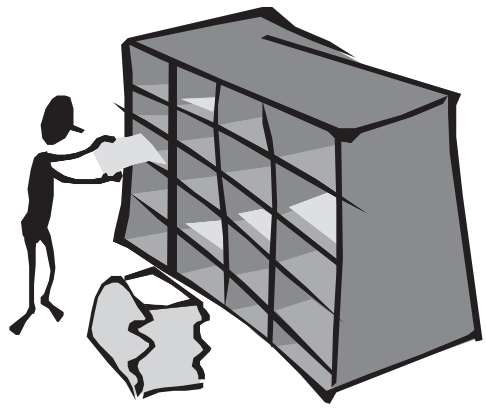
Consider each spending category on the left and write how much you think you spend each month on the right. You will later compare these figures with what you really spend.

Spending Category		**Monthly Average**
	1. Savings	$ ____________
	2. Rent/House payment	$ ____________
	3. Home/household insurance	$ ____________
	4. Utilities (including heat, gas, water)	$ ____________
	5. Home maintenance	$ ____________
	6. Telephone/Mobile/Pager	$ ____________
	7. Cable TV/Satellite	$ ____________
	8. Groceries/Cleaning supplies	$ ____________
	9. Work/school lunches	$ ____________
	10. Meals out	$ ____________
	11. Clothing	$ ____________
	12. Laundry and dry cleaning	$ ____________
	13. Auto payments	$ ____________
	14. Auto insurance	$ ____________
	15. Gasoline/Oil/Tires/Repairs	$ ____________
	16. Bus/Train/Parking	$ ____________
	17. Medical & Dental expense	$ ____________
	18. Medical & Dental insurance	$ ____________
	19. Recreation & Entertainment	$ ____________
	20. Tax payments (IRS, state, property, etc.)	$ ____________
	21. Child care expense	$ ____________
	22. Child support/Support of others	$ ____________
	23. Charitable contributions	$ ____________
	24. Other loan payments	$ ____________
	25. Tuition/Books	$ ____________
	26. School loans	$ ____________
	27. Gifts	$ ____________
	28. Personal grooming	$ ____________
	29. Cigarettes/Tobacco/Alcohol	$ ____________
	30. Bank service charges	$ ____________
	31. Books/Newspapers/Magazines	$ ____________
	32. Hobbies/Club dues	$ ____________
	33. Vacation/Travel	$ ____________
	34. Miscellaneous expenses	$ ____________
	TOTAL	**$** ____________

TRACK YOUR ACTUAL MONTHLY SPENDING

The objective in tracking your actual spending is to get a very clear picture of exactly where you have been spending your money. To do this, you need to gather your records from the past year and organize them into expense categories: fixed expenses, periodic expenses, and variable expenses (see pgs. 32-34 for definitions of these terms). Here are some of the kinds of records and reminders you might collect and examine to help you determine the exact figures for your past spending habits:

- Canceled checks
- Check stubs
- Check registers
- Receipts
- Calendars
- Diaries
- Pocket Notebooks
- Bills
- Invoices
- Statements



After you have collected these records, set up a folder for each of your expense categories. Gather these receipts and statements and put each of them into the appropriate folder, depending on whether they are for fixed, periodic, or variable expenses.

It is a good idea while you are organizing your records to start a financial calendar. This is a calendar that you use only to keep track of when your bills are due, how much is due, and to keep other notes (such as what you may still owe). By keeping a financial calendar in the same place with your other financial records, you will have all of your financial information in one place.

Remember to track cash payments or money orders. If you didn't keep a record of payments you made in cash, spend a few minutes to try to remember them and write this information in the appropriate folder. Don't forget to use your memory!

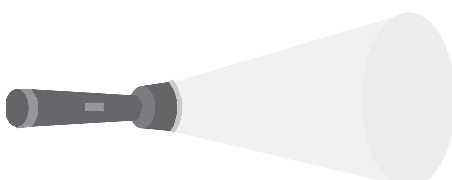
Accurately looking into the past is a way to discover how you've spent your money so you can decide if you need to spend it differently in the future.

FIXED EXPENSES

These are the major, set expenses you must pay every month like rent, mortgage, car or truck payments, child support, etc. These payments are the same each month. Record your fixed expenses on the **MONTHLY MONEY TRACKER WORKSHEET** found on page 37. Fixed expenses such as utilities often vary from month to month depending upon the weather. To get an average, look back at your utility bills for at least one year, add up the total you have spent, and then divide that number by 12 to get the *average amount you spend per month.*

PERIODIC EXPENSES

Periodic expenses are expenses you pay regularly, but not necessarily every month. These include medical expenses, house and car insurance, property and income taxes, car repairs, etc. To determine how much you spend on a specific periodic expense on a monthly basis, gather all of your receipts for that category during the past year and divide the total by 12.



Many people forget to include their periodic expenses when they prepare their budgets because these are usually payments they don't make every month. Remember that they are still "regular" payments because they must be made in certain amounts at certain times. The best way to make sure you stay current on your periodic expenses is to follow these steps:

1. Include them in your spending category.
2. Make a note on your financial calendar of when and how much must be paid in that spending category.
3. Put the monthly portion of the total amount you will have to pay into a savings account so that you will have the total payment available on the due date.

The example on the next page illustrates the impact of periodic expenses.

Example: Monthly Expense for Car Insurance

Dee's car insurance costs $1,200/year. She can't afford to pay the entire premium at once, so she has been making quarterly payments of $300 each. How much should Dee budget each month for her car insurance, even though she doesn't have to pay it each month?

$$\frac{\$1{,}200}{12} = \$100/\text{month}$$

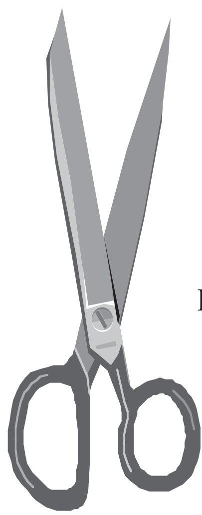
How does Dee make sure she has $300 each time her quarterly payment is due?

She puts $100 each month into her savings account (where it will earn interest), or into her "car insurance" envelope. Every three months Dee will have $300 to send to her insurance company.

You can go through the same exercise for all of your other periodic expenses, and then enter the average amount spent on each of them each month on your **MONTHLY MONEY TRACKER WORKSHEET** (page 37).

VARIABLE EXPENSES

Your variable expenses may or may not be necessary to your basic needs, but they show how much you actually consume. These are usually the best areas to cut back spending. They include clothing, eating out, long distance phone calls, cable, newspapers, entertainment, etc. You will find a list of these kinds of expenses on the **WEEKLY MONEY TRACKER SPENDING WORKSHEET** (page 35). You can use this worksheet to track variable expenses over the next month.



To determine how much you spend in each category, you need to track these expenses day by day, week by week, ***for at least a month***. Make at least four copies of the sheet, and better yet, make extra copies for all family members to use when they spend money on these items or you could underestimate these expenses. Write down every dime, nickel, and penny you spend for the next few weeks.

It may seem silly to you now to write down every penny you (and even the other members of your family) spend on every little thing, especially for four weeks. However, if you think about it, you will probably see that some weeks you tend to spend more than other weeks, and some weeks you will have expenses that you don't have in other weeks.

For instance, you may find that you spend more on eating lunches out during particularly busy weeks when you are too busy to pack a lunch. Even though that particular expense doesn't happen all the time , you do need to pick it up on your tracking worksheet because it still reflects one of your spending habits.

MONEY TRACKER FOR WEEKLY SPENDING

Weekly Expenses	*Day 1*	*Day 2*	*Day 3*	*Day 4*	*Day 5*	*Day 6*	*Day 7*	*Total*
Groceries								
Cleaning supplies								
Work lunches								
School lunches								
Meals out								
Clothing								
Laundry/dry cleaning								
Charitable giving								
Recreation								
Entertainment								
Video rental								
Gifts								
Personal grooming								
Cigarettes/Tobacco								
Alcohol								
Books/Newspaper								
Magazines								
Hobbies								
Vacation								
Travel								
Children's toys								
(Other categories?)								

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MONTHLY MONEY TRACKER WORKSHEET

Monthly Expenses	*Month 1*	*Month 2*	*Month 3*	*Month 4*	*Month 5*	*Month 6*	*Total*	*Average*

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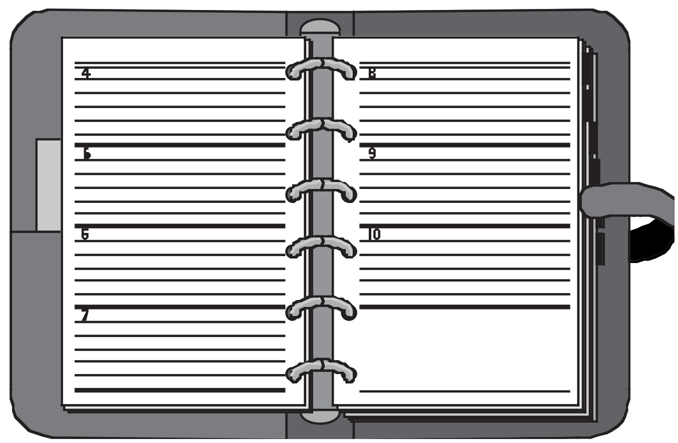
OTHER TOOLS YOU CAN USE TO TRACK YOUR SPENDING

If you can't imagine carrying a sheet of paper with you, then think about using one of these techniques:

- A 3 x 5 card to record what you spend.
- An extra blank check register you get with your checks.
- A small business expense notebook, but record everything, not just business expenses.

You can also record your every expense on your financial calendar. If you record your spending here, you will always be reminded of the fixed and periodic expenses that you have coming up before you spend money unnecessarily on a variable expense.



The important thing is to write down any amount of money you spend. At the end of every day, add up all you spent in each category.

At the end of the week, total each category. After a month, total each week to get a monthly total and record this amount on the **MONTHLY MONEY TRACKER WORKSHEET** (page 37).

After you have recorded your actual daily expenditures on your Weekly Money Tracker Spending Worksheet and you have transferred the total to your Monthly Money Tracker Worksheet, your Monthly worksheet will now have all of the actual dollar amounts you spend plus all of your monthly fixed and average monthly periodic expenses you pay over the course of a year.

Now, compare this chart with the estimates you recorded at the beginning of this lesson (Exercise #2, page 30). How close were the two? Are you surprised? Does the difference between what you *thought* you spend and what you *really* spend now tell you where all the money goes?

MONEY: SAVING YOUR MONEY

Any good financial plan includes two types of savings plans:

- The first type of savings account is the "set-aside" account that we discussed earlier when we described Dee's method for "saving" to make her quarterly car insurance payment (see example, p. 33). A set-aside account serves two purposes:
    1. It provides a safe place to set the money aside that you know you will need for future payments.
    2. It makes that money work for you by earning interest.
- The second type of savings plan is that which you decide to start for the purpose of accumulating the money you need to achieve your financial goals — whether you want to retire, buy a house, buy a car or take a luxury vacation. This type of account is also a "nest egg" account. It provides a certain degree of comfort that money will be available if some unexpected expense should occur in the future.

You may think that you can't possibly save any money, especially now. But any successful financial plan includes a regular savings plan, no matter how small. *Getting into the habit of saving is just as important as how much you save.* You may only be able to save a small amount at first — even if that's the difference between eating lunch out every day or packing your lunch.

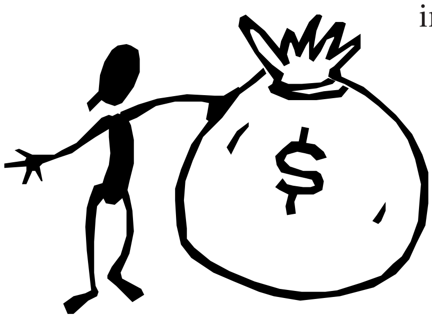
If you develop the habit of finding those small ways to save now and put those savings into a separate account for a "rainy day," you will find that after your financial situation is more stable — and you are able to save a little bit more each week, you will be in the habit of saving. You will already have an account with a savings history. (We will talk more about the importance of "savings history" in Lesson 6.)

Remember, if you can just find a way to save just $20 per week, every week for a year, you will have saved $1,040 after one year!

After five years you will have saved $5,200!

MONEY: SPENDING YOUR MONEY — WISELY

YOUR REAL AVERAGE MONTHLY SPENDING AND YOUR MONTHLY SPENDING PLAN

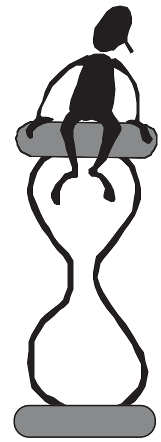


To establish your own custom spending plan, you should have the following information: your initial estimates and records of fixed, periodic, and variable expenses. Remember, your plan should allow for you to save the right amount of money each month in anticipation of those periodic expenses which you know you will have to pay. The average monthly amount of these expenses is the amount which should be put into your set-aside savings plan.

Now that you have an accurate picture of your spending, ask yourself if the amount you spend is greater or less than your average monthly income. If you spend more than you make, you must look at those categories where you can spend less on the same item or eliminate it altogether. If you make more than you spend, *save the extra money* and invest it for your future!

At this point, you are ready to examine your spending record carefully for the holes and leaks. You may be surprised at the amount of money you have put in a "miscellaneous" category. These are expenses which you could not categorize. Since they didn't fit into your fixed or periodic expenses which tend to be those that are most critical, you should examine these miscellaneous expenditures to determine whether they are even necessary. If these are expenses which you anticipate having every month and you can't eliminate them, then you should create a category specifically for these expenses in your "fixed expenses" spending plan. Once your spending plan is established, make it your own. Make it a habit to follow this plan and ***stick with it***.

CONCLUSION



Searching through old financial records, tracking every cent you spend, planning a budget, and working with a budget are not easy to do. If you have worked through these steps and have made a commitment to a life of financial responsibility, you will be rewarded when you achieve your financial goals. It may take a couple of months or years, but if you really put your mind to it, you will find a way to save money and use it for things that are most important to you.

Just hang in there. Worthwhile things take time to achieve.

Lesson 4: Smart Shopping

OUTLINE

I. Introduction
II. Common Advertising Techniques
III. Common Sales Techniques
IV. Buying Fever
V. Smart Shopping
VI. Guarantees
VII. Sales
VIII. Your Responsibility as a Shopper
IX. Conclusion

OBJECTIVES

At the conclusion of this lesson you should be able to:

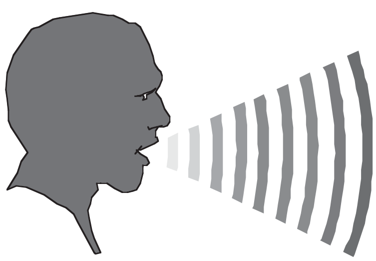
1. Understand and **identify basic advertising techniques** and **appeals**.
2. Understand and identify **deceptive** or **questionable advertising techniques**.
3. Give examples of commonly-seen **misleading advertisements** and identify the deceptive or questionable appeals and techniques used in each.
4. **Discriminate between facts** and **unsupported claims** in print advertisements and in television commercials.
5. Be a smart shopper, a wise consumer, and **avoid impulse shopping**.

Now that you have identified your financial goals and developed your plan to achieve them, you will want to learn the art of smart shopping. You can acquire the skills to become a wise consumer and avoid the impulse shopping that can wreck your financial plan. After you finish this lesson you will be better able to spot misleading advertisements and evaluate the difference between facts and unsupported claims in print advertisements and in television commercials. You will then be a smart shopper!

COMMON ADVERTISING TECHNIQUES

Advertising techniques are designed to attract your interest in a specific product or service. They are designed to appeal to your emotions, wants, or needs, and inspire or motivate you to act on the suggestions you see or hear (by spending your money). Advertising techniques can be purely informational, but more often they can exploit the "information" they present. It is very important for you to tell the difference between facts (information that can be proved) and opinions, beliefs, or even wishful thinking.

SOME SPECIFIC ADVERTISING TECHNIQUES



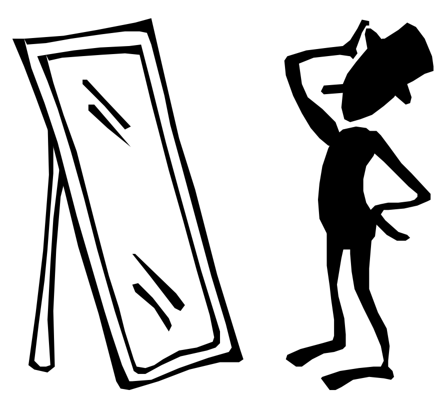
Information
The presentation of simple, direct information.

Status
The product is associated with those who have status and who are successful. This technique entices you to buy more car or house than you can really afford. The product is shown with people who enjoy and understand the "finer things in life." It attempts to appeal to your desire to be like someone else, someone with more money, or greater influence, or power, or social status.

Peer Approval
This ad technique uses friendship and social popularity. Not using the product implies that you will not be popular or influential.

Hero Endorsement
The product is shown with a well-known person. It attempts to convince you that if you just bought this product, you could be like or accepted by someone that everyone else likes, accepts, or admires.

Physical Attraction
The product is supposed to increase your sexual appeal. You are led to believe that you need to have this product to attract romance, find love, or be admired. It is intended to make you feel unattractive the way you are.



Join the Gang
Everyone else uses this product. Everybody accepts it. You should, too.

Entertainment
This technique promotes entertainment or temporary distraction. It masks long-term satisfaction with feelings of temporary enjoyment.

Intelligence
"Smart" people who can't be fooled by gimmicks. This technique implies that if you don't use this product, you are not smart or are somehow being duped.

Independence
Indicates that people who think and act for themselves use this product.

Dangling Comparatives
This is a tricky one. "Works better in poor driving conditions!" Who says it works better — and better than what?

Catch Phrases and Slogans
The emphasis of this advertisement is on a catchy phrase, slogan, or tune which distracts your attention from the true facts.

Activity #1: What Appeals To You?

Collect examples of ads you like and dislike, also paying attention to TV commercials. Pay particular attention to facts versus unsupported claims in ads.

When you've reviewed a number of different ads, write in your answers to these questions:

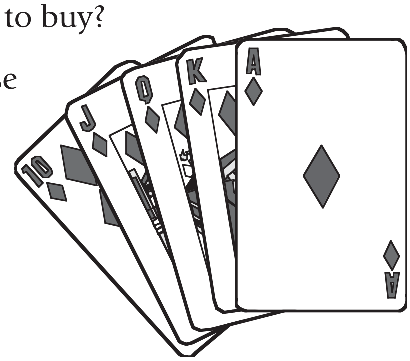
- *What do you like about the print ads? Why?*
- *What do you dislike about the print ads? Why?*
- *What do you like about the TV commercials you've seen? Why?*
- *What do you dislike about the TV commercials you've seen? Why?*

COMMON SALES TECHNIQUES

Advertisers use sales techniques to get you to buy a product or service once you have been tempted by the advertising messages.

COME-ONS

- **Sales** — Are they bargains or are they seconds and left-overs?
- **Coupons** — If you have to buy the coupon books, are they REALLY a bargain?
- **Rebates** — Will you remember to send in the rebate coupon?
- **Package Deals** — Do you need EVERYTHING in the package or are you paying for some items you wouldn't normally buy?
- **Loss-Leaders** — Are you lured into the store by a 15-cent discount and find yourself buying other items that you hadn't intended to buy?
- **Premiums** — Get a free "_______" with every purchase of $50 or more.
- **Contests** — What is your real chance of winning? Is it worth the time it takes you to enter or the cost of entry? Do you really need it? Could you get it for the same price by shopping smart?



PUFFING

- The ad or sales person claims the product is "the best" and ***exaggerates*** the value of the product. The sales person may appear to be excited, but he/she is really just a cheering section for the advertiser — not for you.

HIGH PRESSURE

- **Repetitions** — It's you! It's you! It's really you!
- **Deadlines** — One day only! Once in a lifetime! From 6 a.m. to 9 p.m. only!
- **Limited Offers** — While supplies last!
- **Inside Groups and Clubs** — Only a select few are invited.

PRODUCT ENHANCEMENT

- **Guarantees** — Abundant use of statements such as "lifetime guarantee" and "satisfaction guaranteed or your money back."
- **Beautiful People or Celebrities** — I want to be just like him or her!
- **Having Fun** — You will have fun if you use this product.
- **Editing out the Failures** — 6 out of 10 got better ... what about the other 4?

EMOTIONAL APPEAL

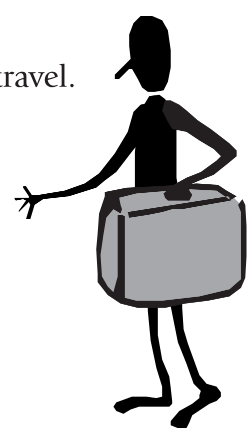
- **Fear** — Are you REALLY safe without it? Are you more protected if you buy it? What is your real risk?
- **Pride** — Yes! That is who I want to be!
- **Guilt** — Your mother would want you to buy this.
- **Grief** — Then you see a plain wooden casket…
- **Sex Appeal** — Everyone will envy the new you.
- **Anger** — Are you tired of being ripped off?
- **Confusion** — Don't confuse me with facts!

APPEAL TO CHILDREN

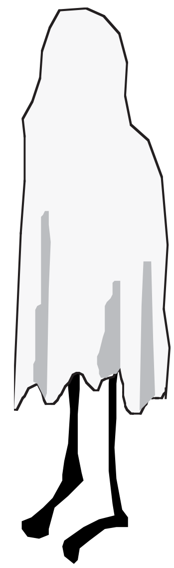
- Things the children want for themselves. Examples: toys, clothes, sporting goods, food, games, books and tapes, and all ***Name Brands***!
- ***Getting the kids to influence*** the family. Examples: what to eat and where to eat. These usually feature a playground, hero mugs, and toys.

TRAVEL FRAUD

- Offers are accompanied by certificates for "free" or very low-cost travel.
- Offers only vaguely describe the services and/or accommodations.



DECEPTION



- **Pros and Cons** — All Pro, No Cons.
- **Little White Lies** — Statements which aren't quite true.
- **Selling Air** — Have you ever noticed how little cereal there really is in those big boxes?
- **Sunny Side Up** — The lean meat shows on the top of the roast, the fat is on the bottom.
- **Down Sizes** — Ever notice that a "one pound can" of coffee really only contains twelve ounces?
- **The Fine Print** — Have you ever read the words on the bottom of the ad or contract?
- **Add-Ons** — Oops! It comes as a package and you also have to purchase these other items.
- **Plus Tax, Shipping, and Handling** — It was a mail order bargain until you added all these.
- **Batteries Not Included** — You may have bought it on sale but how much does it really cost after you add on the cost of the extras needed to make it work.
- **Unproven Scientific Claims** — "Nine out of ten" may sound good, but many such claims cannot be proven.
- **Free or "Premiums"** — Nothing is ever entirely free.
- **"Zero Percent Interest"** — Repeat, nothing is free, especially purchases paid out over time.
- **Bait And Switch** — "We're out of that item we advertised right now, but we DO have this more expensive product ready now."
- **Incomplete Products** — Where's the power cord? Printer cable?
- **Misrepresentation** — Uses a name similar to a nationally-recognized brand.

NEGATIVE OPTION

Merchandise arrives automatically unless the consumer takes steps to stop shipment and billing. Often used by book, video, and record clubs.

HEALTH FRAUD

- Promises of overnight medical cures and treatments. Products "are developed after years of research" and "proven to provide immediate positive results."
- Testimonials are provided by "medical experts" and "satisfied customers."

SWINDLES

- **The Hook** — Plays on your greed to get more.
- **A Huge Savings** — Ask yourself HOW can they sell it so cheap?
- **Huge Return On Investment** — A useful rule of thumb is the greater the gain, the higher the risk… always!
- **Emergencies** — Price gouging in a crisis. For example, out of town contractors flock into town after a hurricane and do poor, slipshod work because they don't intend to stay after the job is done.

Activity #2: Fraudulent or Misleading Advertisements

Test your advertising "street smarts" by completing this activity.

1. *Collect several print ads that you think are fraudulent or misleading.*
2. *List the fraudulent or misleading sales and/or advertising techniques used in each of these ads. (There is often more than one technique used.)*

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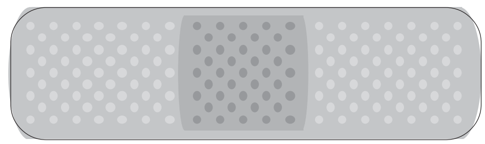
BUYING FEVER — A.K.A. IMPULSE BUYING

Some common items for which we catch "the fever" (or buy on an impulse) are houses, cars, clothes, travel, and hobby and recreational equipment.

You know you've got "the fever" when you tend to — or want to — overlook weaknesses and defects in products or services or when a product occupies your thoughts until you get it.

HOW DO YOU CURE "BUYING FEVER"



- Remind yourself you don't have to buy today.
- Commit to shop and compare at other stores.
- Negotiate for the best deal.
- Remember that the salesperson is working for the seller, not you.
- Walk away. Take your time. Sleep on it.

Remember: ***Never buy anything — especially a large, important purchase — on the spur of the moment.***

Activity #3: The Worst Purchase I Ever Made …

Complete this activity to examine just why made your most regretted purchase.

1. *What's the worst purchase you've ever made in your life? What went wrong? How did you make such a bad deal?*

2. *List some reasons why you've spent your money in the past on things that, looking back, were not that great a deal.*

3. *Why do you know now that they weren't such a good deal?*

4. *Looking back on some of those purchases, do you feel like you should have known better?*

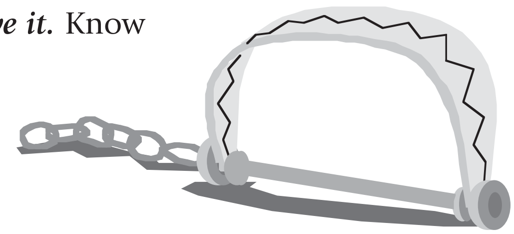
SMART SHOPPING

HOW CAN YOU BE A SMART CONSUMER?

Plan ahead and stick to your plan of what to buy, when to buy, and where to buy. Go shopping only when you have a specific purchase to make that fits within your budget and is part of your overall financial plan. Go through each of these steps first:

1. **Plan at Home.** This is where good buying begins. Keep the following in mind:
   - What you have
   - What you need
   - When you really need it
   - How the item will be used
   - What size, color, quantity, and quality you want
   - The price you want to pay
2. **Make a Shopping List.** Organize your list by the location of stores and the location of things within the store. This will save backtracking, prevent forgetting something, and help you avoid buying something you don't need.
3. **Decide on Quality.** When you decide the type and quality you want in an item, consider:
   - How you will use the article
   - How long you will use it
   - How you will care for it
   - How it looks
   - Can you get the same quality somewhere else for less?

GUARANTEES



A guarantee is only as good as the people who give it. Know the "if's, and's, or but's" connected with any guarantee.

- Understand terms of the guarantee
- Make sure the manufacturer can back it up

Read the guarantee carefully. What does it cover? How long will it be in force? Is the whole item included or just a part of it? Who is making the guarantee? Remember, keep the receipt as a dated receipt will help you make a claim.

Think several times before you buy an additional service warranty. What is the possibility the unit will need a repair that costs as much as the "warranty" during the next three years?

Note: The sellers of a warranty expect to make money. They figure the odds are in their favor that they will get to keep your money and NOT have to do the work. This generally means the odds are in your favor if you don't buy the additional warranty.

SALES

Sales are held for many reasons: to make room for new goods, to sell surplus or shop-worn goods, to get you into the store, and to introduce new products. However, the best sales are usually held by established stores because they want to keep your good will and your business.

When You Buy at Sales

- Consider the time, energy, and expenses of getting to the sale.
- Shop at the start of the sale for the best selection.
- Be sure the sale price is an actual reduction from the regular price.
- Watch for imperfect or damaged articles.
- Check styles. Items likely to go out of style may be poor buys.
- Remember, nothing is a bargain unless you need it.

YOUR RESPONSIBILITY AS A SHOPPER

Be an Informed Shopper

- Report your wants, likes, and dislikes to dealers and manufacturers so they can serve you better.
- Praise and buy from dealers who sell better goods and services at reasonable prices.
- Avoid hasty buying which causes unnecessary returns.
- Pay bills promptly.
- Inform proper agencies of dishonesty, fraud, or violations of the law.

Avoid Impulse Buying

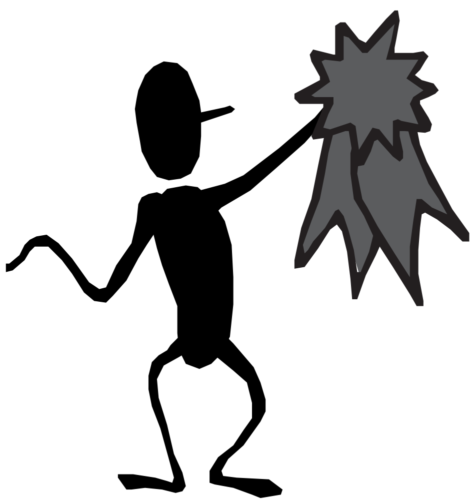
Decide what you will buy *before* you get to a store. Spur-of-the-moment decisions can wreck your family spending plan. To avoid impulse buying:

- Have a spending plan and stick with it.
- Include in your spending plan the amount you can spend "just for fun."
- Just walk away or hang up the phone if you know the purchase isn't in your plan.
- Make a list and stick to it.
- Shop for food yourself or train others in the family to shop wisely.
- Ask questions such as, "When will I use it?" and, "Where will I store it?"
- Make a rule to "sleep on" a major purchase. The offer should be just as good the next day.
- Don't shop on payday, when you're tired, or for food when you're hungry.
- Take your time. Try not to shop when you have to hurry.

CONCLUSION

REMEMBER:

- **YOU DON'T HAVE TO BUY IT TODAY!**
- **NO ONE CAN MAKE YOU BUY ANYTHING!**
- **STICK TO YOUR PLAN!**



PART 3: THE BASICS OF CREDIT MANAGEMENT

Lesson 5: The Wise Use of Credit

OUTLINE

I. Introduction

II. What Is Credit?
- A. Kinds of Credit
- B. Types of Loans
- C. Borrowing Strategies

III. Cost of Credit
- A. Terms of a Loan
- B. The Real Cost of Credit

IV. Debt Load
- A. Debt-to-Income Ratio
- B. Other Considerations

V. Conclusion

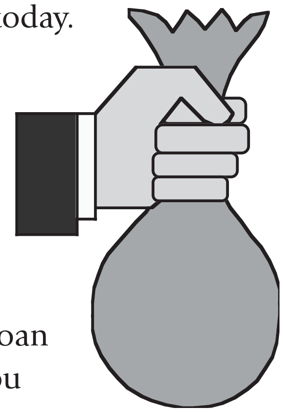
OBJECTIVES

At the conclusion of this lesson you should be able to:

1. Identify and compare the different **kinds of credit**.
2. Identify the sources and **institutions that lend money**.
3. Evaluate the **terms and cost of a loan**.
4. Understand the **use of credit**.

In this lesson we will briefly explore the subject of using credit. You will learn about the different kinds of credit and identify the sources of credit and institutions that lend money. You will also find important information about how to evaluate the terms and cost of a loan.

INTRODUCTION



Credit is using tomorrow's money to pay for something you get today. Because our society is becoming more and more credit-based, it is important that you understand how to use credit properly so that you will always have access to the most affordable terms of financing for all of the things that you may need to pay for over time.

On the other hand, some of you may never want to use credit again! However, chances are you'll probably need some type of loan in the future. If so, then it will be important to make sure that you are educated about the wise use of credit so that you will be able to make the wisest choices, such as:

- Do you really need credit?
- If so, what kind of credit do you need?
- Who will you get credit from?
- Will you be able to pay for it?
- How much is too much?
- Will buying an item on credit make you happy if you don't need it and can't afford it?

WHAT IS CREDIT?

Credit is a promise to repay a debt for goods or services after you have received them. With credit, you receive the goods or services now but pay for them later. Between the time you receive the goods or services and the time you pay for them, you owe a debt. Your promise to pay the debt is usually stated in a contract which is enforceable in a court of law.

Before you get involved with credit again, take the time to review some of the basics.

KINDS OF CREDIT

Long Term Credit

Mortgages, car loans, and other installment loans which are repaid over months or years are generally considered long-term debts. How much the loan will cost you over the long-term is based on the terms of the loan.

Short Term Credit

One type of short-term credit (called single-payment credit) is used to purchase items or services that are to be paid for in a single payment within a given period of time, usually with no interest charge. If the full balance isn't paid within the given time period, you are charged a fee or interest on the balance. Utility bills are examples of this kind of credit.

Other short-term credit is usually paid for in installments of equal payments that include the original amount you borrowed plus interest. Short-term credit may have terms ranging from six months to five years.

Secured Credit

Secured debt requires something of value to be pledged to the lender if the debt is not repaid (this is called collateral). Home mortgages and car loans are examples of secured debt. They are also examples of what is known as closed–end credit, which calls for a payment of a fixed amount for a pre-determined period of time. The interest rate may be "fixed" or "variable." (Refer to Part I, Lesson I, "The Basics of Chapter 7 Bankruptcy," page 6, for information about how secured credit is affected in bankruptcy.)

Unsecured Credit

Unsecured debt is based solely on the trustworthiness of the borrower. If nothing of value is pledged as collateral for the debt, the lender depends on the borrower to repay. The lender's risk is greater if an unsecured loan is not repaid because no collateral was pledged for the loan. Therefore, these debts carry a higher interest rate.

Most credit card debts are unsecured. Credit card debt is a type of "open-end" credit and the cost of the credit may vary depending on the Annual Percentage Rate (APR) and other finance charges.

With a revolving account such as a credit card account, additional credit is extended to pay for the cost of items and services until the borrower's limit or maximum dollar amount has been reached. A minimum payment is required each month to be paid on the balance owing. The difference between your credit limit and the actual amount you owe is your "available credit."

TYPES OF LOANS

Most loans come under one of the categories we just discussed, but the fact that they have unique names indicates that each loan is slightly different from all the rest.

Business loans	Personal or signature loans
Real estate loans	Debt consolidation loans
Lines of credit	Interim financing
Service loans	Life insurance loans
Margin loans	Retirement loans

Government guaranteed student loans
Government guaranteed FHA home mortgage loans
Government guaranteed Small Business Administration loans

If you must use credit, be sure you use the type of credit that best fits your purpose.

Read the fine print. Make sure that you understand what kind of credit is being offered to you. If you don't understand all of the terms of your credit agreement — how long you have to repay, when your payments are due and for exactly how much, whether you have pledged collateral or not in return for the credit — don't sign the agreement. Don't be afraid to ask the loan officer as many questions as you need until you completely understand the loan terms and what is expected of you.

BORROWING STRATEGIES

Consider these important factors when borrowing money.

- Identify a variety of sources and institutions which lend money.
- Evaluate the terms of a loan.
- Know how to calculate the cost of credit.
- Determine your own debt limit.

Where Can I Borrow Money?

Most consumer credit comes from banks, savings and loan institutions, credit unions, finance companies, and credit card companies.

In addition, people often borrow from relatives or other individuals who may or may not be good credit sources. Often, individuals who loan money but don't have a permanent place of business may offer you loans that charge more than the legal interest rate. BEWARE! Wherever you borrow money, be sure to get a signed contract and, always ***read the fine print.***

COST OF CREDIT

WHAT ARE THE TERMS OF THE LOAN?

1+1=3?

Down payment
How much cash up front is required?

Term
How long do you have to repay the loan?

Interest rate
What are the finance or additional charges? The interest rate (the APR) is the percentage cost of credit on a yearly basis. This is key to comparing costs. The Truth In Lending Act doesn't set interest rates or other charges, but it does require that the lender disclose the terms of the credit plan so that you can "comparison shop" for credit. Other charges such as annual membership fees, points, and transaction charges are not included in the APR.

Interest Rate Example

Suppose you borrow $100 for one year and pay a finance charge of $10. If you can keep the entire $100 for a whole year and then pay back $110 at the end of the year, you are paying an APR of 10%. But if you repay the $100 and finance charge (a total of $110) in twelve equal monthly installments, you don't really get to use $100 for the whole year. In fact, you get to use less and less of that $100 each month. In this case, the $10 charge for credit amounts to an APR of 18%.

Finance Charge
The finance charge is the total dollar amount you pay to use credit. In addition to the charges imposed based on a periodic rate, it includes other costs such as interest fees, service charges, annual fees, late charges, and some credit-related insurance premiums.

Finance Charge Example

Borrowing $100 for a year might cost you $10 in interest. If there was also a service charge of $l, the total finance charge would be $11.

METHODS USED TO CALCULATE FINANCE CHARGES

The method used to calculate the balance on which you pay a finance charge makes a difference in the cost of credit.

Adjusted Balance
The adjusted balance method takes the amount you owed at the beginning of the billing period and subtracts any credits and any payments made by you during the period. New purchases are not counted.

Average Daily Balance
The average daily balance — one of the most common methods — adds your balances for each day in the billing period and divides that total by the number of days in the period. Payments and credits made during the period are subtracted and new purchases may or may not be included.

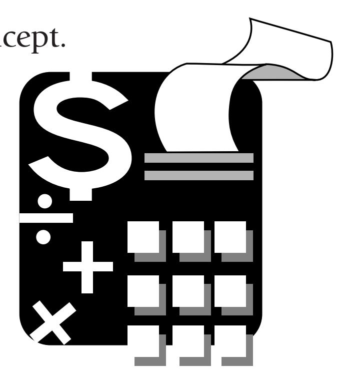
Two-Cycle Average Daily Balance
The two-cycle average daily balance method uses the average daily balances for two billing periods to calculate the finance charge. Payments and credits made will be accounted for and new purchases may or may not be included.

Previous Balance
The previous balance method bases the finance charge on the amount owed at the end of the previous billing period. In open-ended credit such as credit cards or gasoline cards, it is critical that we consider the method used to calculate our finance charges because the method will cause the amount of the finance charge to vary considerably. It's difficult to figure out the finance charges once you start using a card regularly and carry a balance on it.

SOUND CREDIT CARD ADVICE

Pay off your credit cards each month. If you can't afford to pay off your credit cards each month, make the largest payment you can afford and pay the card off before you make another purchase.

The example on the next page illustrates the value of this concept.



Example: Different Methods of Credit

Let's look at an example of how the different methods used to calculate finance charges can affect the cost of credit. Bankcard Holders of America (BHA) calculated the finance charges on one account four different ways. The account started with a zero balance the first month. The account holder then charged $1000 and made the minimum payment. The next month, the account holder charged another $1000 and paid off the balance due. The account's interest rate is 19.8%. The calculations resulted in these figures:

Method	*Include New Purchases?*	*Payment*
Average Daily Balance	Yes	$33.00
Average Daily Balance	No	$16.50
Two-Cycle Avg. Balance	Yes	$49.05
Two-Cycle Avg. Balance	No	$32.80

You can see by this example that the calculation method can cause the balance to vary widely. Since your finance charges are based upon your balance, you can end up paying a lot more for your credit — not because you get greater value in what you purchased, but because the calculation method takes more money OUT of your pocket.

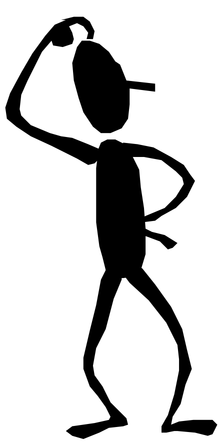
WHAT IS THE REAL COST OF CREDIT?

Credit costs money. Shop for it just like you would for any other commodity. Sometimes people are surprised to learn how expensive credit actually is. You understand the terms (you think) but you still can't see the difference in dollars that different terms make.

Example: Buying a Car

This example looks at the cost of a $7,500 car with $1,500 down. We're going to borrow $6,000 over time. There are several factors to consider. Here are some ways to calculate the cost of credit. The lowest cost is available from Creditor A at an APR of 14% over 3 years. If you were looking for lower monthly payments, you could get them by paying the loan off over a longer period of time, but then you would pay more in total costs. The same loan from creditor B at 14% but for 4 years will add $488 to your finance charge. If the same four year loan were available only from Creditor C, the 15% APR charge would add approximately $145 to your finance charges as compared with Creditor B.

Creditor or Financed	*APR*	*Length of Loan*	*Monthly Payment*	*Total Finance Charge*	*Total Cost of Purchase*
Creditor A	14%	3 Years	$205.07	$1,383.52	$7,382.00
Creditor B	14%	4 Years	$163.96	$1,870.08	$7,870.00
Creditor C	15%	4 Years	$166.98	$2,015.00	$8,015.00



But wait! I only owed $6,000 on the car! So why am I paying $8,015 plus my $1,500 down payment for this car that is only worth $7,500? Answer: I want the car now! And what will it be worth at the end of four years when I finally pay off that note? A whole lot less than $9,515 ($8,015 plus the $1,500 down payment)! So you can see why it's important to shop for the best credit you can find.

Let's look at some more extreme examples, just to amplify the point.

Total Amount Financed	*APR*	*Length of Loan*	*Monthly Payment*	*Total Finance Charge*	*Total Cost of Purchase*
$15,000.00	25%	60	$406.25	$9,375.00	$24,375.00
$15,000.00	10%	60	$312.50	$3,750.00	$18,750.00
$12,000.00	25%	60	$325.50	$7,500.00	$19,500.00
$12,000.00	10%	60	$250.00	$3,000.00	$15,000.00
$10,000.00	25%	60	$270.83	$6,250.00	$16,250.00
$10,000.00	10%	60	$208.33	$2,500.00	$12,500.00

What a difference! Consider all the terms before you make a choice!

YOUR TOTAL DEBT LOAD

What is a "debt load?" What is a safe amount of credit for you to carry? How do creditors find out what a person's debt load is? How do I know my own debt load?

DEBT/INCOME RATIO

Before extending credit to you, lenders analyze your income and your outgo to decide for themselves whether you have too much debt. This debt/income ratio is figured with monthly amounts and reveals how good (or bad) your total financial picture is. To figure this ratio for yourself, add all of your non-housing monthly payments except for your utilities or taxes. Then compare that total with your total gross annual wages divided by 12. If you don't have fixed monthly payments on revolving debts such as credit cards, estimate your monthly payments at 4% of the total amount you owe.

When you divide your monthly debt payments by your total monthly income, you will get your monthly non-housing debt/income ratio. It's usually expressed as a percentage so move the decimal point 2 places to the right and add the "%" sign.

Example: Dori's Home Loan

Dori is applying for a short-term, unsecured loan. Her gross monthly income is $2,000. Her monthly debt (excluding her housing payments) is $500. That means that her credit cards, gasoline cards and car payments amount to 25% of her income. And the mortgage payment hasn't been added to that.

$$\frac{\text{Debt}}{\text{Income}} = \frac{\$\ 500}{\$2{,}000} = 25\%$$

If Dori decided to apply for a home loan, her lender would look at both her non-housing debt and her total monthly debt which includes her housing payments. They call these her "ratios." Her income is $2,000, her non-housing debt is $500, and she is applying for a mortgage loan that would cost her $350/month. This makes her total debt $850, including housing payments. Now her housing plus other debt ratio is 42.5%. This debt is generally too high for most mortgage loans, and Dori will have to pay off some of her other debts to qualify for a mortgage loan.

$$\frac{\text{Debt}}{\text{Income}} = \frac{\$\ 850}{\$2{,}000} = 42.5\%$$

Rules of Thumb

A conservative rule of thumb for consumer credit is the "20-10 Rule." This means that total household debt including your housing payments shouldn't exceed 20% of your net household income. Remember your net income is how much you "bring home" in your paycheck and monthly payments on the debt shouldn't exceed 10% of net monthly income. Another conservative rule of thumb for mortgage debt is the "28/36" rule. This means that your non-housing debt shouldn't exceed 28% of your gross (your total) income, and your total debt — consumer debt plus housing debt — shouldn't exceed 36% of your gross income.

Other Considerations

In determining your own debt load limit you can use rules of thumb such as those previously mentioned, but you must also consider:

- The stability of your income
- Your other regular expenses
- Your need for cash from month to month
- All of your personal needs and wants.
- The "smell test:" Are you comfortable with this amount of debt?
- The changes in your cash needs as you and your household grow older

CONCLUSION

You may need to use credit in the future. Remember, every time you borrow money — even to buy something you think is a bargain — the cost of the item that you purchase with credit goes up. It also means that unless you pay off that credit quickly, you will have less money to spend in the future than you do today. Ask yourself if it's really worth it.

The cheapest way to pay is with cash. But that means planning ahead. If you set your goals to spend money on things that mean the most to you and you develop a realistic plan to buy that item or service, then you can start today to save for that goal. It may take longer to achieve, but it will cost you less in terms of both stress and dollars. That means that you will also have more money to spend on other goals that you have set for yourself.

Notes

Lesson 6: Is There Life After Chapter 7 Bankruptcy?

OUTLINE

I. **Introduction**

II. **The Past: Chapter 7 and How It Affects Your Credit Future**

III. **The Present**
- A. How to Get Your Credit Report
- B. What Credit Reports Say About You and Your Payment Habits
- C. Why Get a Credit Report
  1. What to Look for in Your Credit Report
  2. How Derogatory Information in Your Credit Report Affects You
  3. How to Dispute Incorrect Information in Your Credit Report

IV. **The Future: Rebuilding Your Credit-Worthiness**
- A. The Lender's Point of View
- B. Credit Scoring
- C. Updating Your Credit History
- D. Rebuilding Your Credit History

V. **Conclusion**

VI. **Summary of Your Rights Under the Fair Credit Reporting Act**

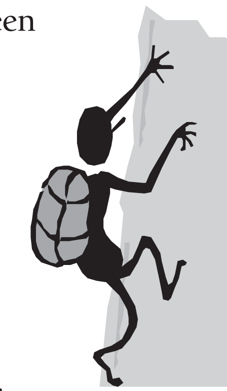
OBJECTIVES

At the conclusion of this lesson you should be able to:

1. Identify **critical documents** from your Chapter 7 Bankruptcy filing.
2. Identify critical elements of your **past credit history** and understand how they affect your **current credit status**.
3. Understand the steps you need to take to **re-establish your credit-worthy status**.

This lesson will help you identify critical documents from your Chapter 7 Bankruptcy, especially documents which you must keep for your records. You will also be able to identify critical elements of your past credit history and understand how they affect your current credit status. Finally you will learn the steps you need to take to re-establish your credit.

INTRODUCTION



You're probably wondering if you will ever get credit once you've been discharged in your Chapter 7 Bankruptcy. Perhaps you worry how you can get a car loan or buy a home. Remember, you won't necessarily be rejected for new credit by a lender just because your credit report shows that you filed a Chapter 7 Bankruptcy.

Creditors use their own underwriting guidelines to decide whether or not to give you credit, and they all differ. The loan officer uses these guidelines and your credit report when reviewing your credit application. Your credit file is a record of your past payment history. Suits, collections, attachments, and bankruptcies all show up on your credit report and are all indications — in one degree or another — of credit problems.

THE PAST: CHAPTER 7 AND HOW IT AFFECTS YOUR CREDIT FUTURE

Because you have filed Chapter 7, you need to take an active role in managing your personal credit record for the next few years. Even if you don't believe that you want credit now or in the future, you may find that you need to finance a large purchase, take a long trip, rent a car or travel to another country, rent a hotel room on credit, or finance a small business. If you are like most people, you will probably need credit for one of these or some other reason in the future. Therefore, it is important to be sure that your credit history is reflected accurately on your credit report, and that you do as much as you can now to start rebuilding your credit-worthiness.

Keep All Records From Your Chapter 7 Bankruptcy Filing & Know What Documents You Need To Keep

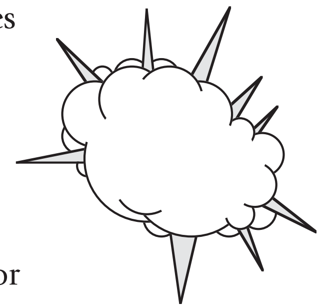
Do you have these important Chapter 7 documents?

Petition   Motions   Schedules   Orders   Matrix   Amendments

If not, get copies now and keep them in your ***permanent*** files for a long time, maybe forever! ***It is important that you keep your Discharge Order.***

THE PRESENT: YOUR CREDIT REPORT

HOW TO GET YOUR CREDIT REPORT



Your credit report is a very important document which influences many different parts of your life — now and in the future. It shows how you have paid your debts in the past as well as other information that is reviewed by a lender in deciding whether or not to grant you credit. Your credit report is also reviewed by potential employers in deciding whether or not to offer you a job, by utility companies in deciding how much to charge you for service, and even by landlords in deciding whether to allow you to rent a home or apartment. It is additionally used by some insurance companies in deciding whether or not to extend coverage to you.

You may have more than one credit report. Lenders who you have borrowed money from in the past usually report your repayment history to more than one credit bureau. This means that your records might be on file with several credit bureaus. A good deal of other information about you besides your borrowing and repayment history is shown in your credit report — like your social security number, your past and present addresses, employers, and even information about your spouse.

There are three major credit reporting agencies in the United States called "credit repositories." Each of the "Big Three" repositories has an 800 number so that you can call to get information about ordering your own credit report. The "Big Three" credit bureaus cover the entire country. There may also be smaller credit bureaus in your area who maintain credit files of information about you as well. These are the "Big Three" credit repositories:

- **Trans Union**, also known as **TU** (1-800-862-1619)
- **Equifax Credit Information Services**, also known as **CSC** (1-800-753-1312)
- **Experian**, formerly known as **TRW** (1-800-682-7654)

Under the *Fair Credit Reporting Act* ("FCRA") you have the right to know what is in your credit file. If you have been denied credit within the past sixty days, you can find out what is in your credit file for free. If a creditor declines your application for credit based on the information obtained from your credit bureau file, they are required to tell you the name and location of the credit bureau from which they obtained your file. If you are turned down for a loan, for insurance, by an employer, or if you suffer any other adverse circumstances, call each credit repository. Tell them you have been denied credit and ask for a copy of your credit report.

You may also qualify for a free copy of your credit report if you are receiving welfare, if you are unemployed and plan to seek employment within the next 60 days, or if your credit report is inaccurate due to fraud.

If you have not been denied credit recently or do not qualify for a free report for one of the above reasons, you should still order a copy of your credit report so that you can review all of the information it contains about you and correct any inaccuracies as quickly as possible.

WHAT CREDIT REPORTS SAY ABOUT YOU AND YOUR PAYMENT HABITS

Credit reports from different credit repositories do not look the same because each credit reporting agency designs its own report. Therefore, they are often difficult to read and understand. However, the FCRA requires that each repository provide instructions at the beginning of the report about how to interpret the information.

There *are* some credit reporting characteristics that you will find in each repository's reports. For example, ***all credit reports contain*** the following information:

Personal information about you

- **Name** — past, present, and aliases. (Watch out if you are a Sr., Jr., III, etc.; if you have a very common name; or if someone in your family has a name similar to yours. Make sure that the person described in the report is you. Check the following information carefully as you may have someone else's information in your file.)
- **Address** — past and present.
- **Phone number**
- **Social Security Number**
- **Date of birth**
- **Employment information**

Account information

- Name and type of **creditor**
- **Account number**
- Whether the account is **individual** or **joint**
- Date **opened**
- **Type** of account — installment or revolving
- Date of **last activity**
- **Highest** amount of **credit** used and current limit
- Number of **late payments** (noted in 30-day increments)
- Current **balances**
- Number of **open accounts**
- **Comments**, such as "Included in Bankruptcy," "Making Regular Payments Under Wage Earner Plan," "Account Charged Off…"
- Date the information was **verified**
- **Consumer's Comments**

Collection Accounts
Accounts sent to collection agencies for collection.

Courthouse and Public Records
Tax liens, foreclosures, repossessions, bankruptcies, and judgments.

Additional Information
Legal items of public record, such as marriages, arrests, etc.

Disputed Items
These are items in your file that you dispute with the credit grantor.

Credit Report Inquiries
Made by you, by creditors, or by others during the past 12 months or made by an employer during the past 24 months.

WHY GET A CREDIT REPORT?

It is a good idea to order a copy of your credit report and review it *before* you actually apply for a loan, for insurance, to rent a home, to set up utility service, or to seek employment. If you wait until a loan officer orders one for a loan application for instance, it may be too late to dispute any inaccurate information contained in the report.

Here's why you should review your credit report *before* you apply for credit, for a job, or for insurance:

- It may contain someone else's information.
- It may show an incorrect balance.
- It may contain other inaccurate information that needs investigation.
- If you find incorrect information, you may wish to dispute it with the credit bureau.
- If your dispute is not resolved, you may wish to add a brief statement describing why you disagree with the information in your report.

WHAT TO LOOK FOR ON YOUR CREDIT REPORT

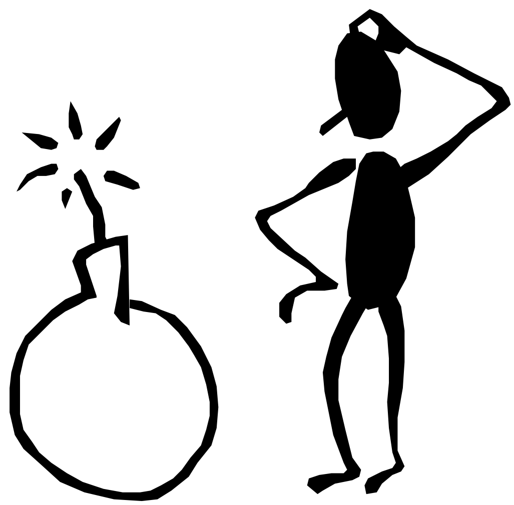
After you request your credit report — and be sure to request your reports from each of the Big Three repositories — allow 7 to 21 days to receive it. After you receive all of your reports, it is a good idea to follow these steps:

1. Determine the date all account information was reported.
2. Verify the current status of the accounts. Once a debt is discharged, verify that the credit report indicates a discharged status. ***It is important to note that payment history on a discharged account should also be removed.***
3. Verify that all accounts that were discharged by your bankruptcy plan show a ***zero*** balance.
4. If there is a written comment about bankruptcy on any creditor entry, it should show that the debt was ***included in a Chapter 7 Bankruptcy.***

WHAT IS DEROGATORY (NEGATIVE) INFORMATION?

Lenders, employers, insurers, and others may deny your application if derogatory information appears on your credit report. Derogatory information may be any one or more of the following statements:

- Paid, collection
- Paid, charge-off
- Paid was 60, 90, or 120 days late
- Charge-off
- Collection account
- Delinquent
- Current, was 60, 90, or 120 days late
- Account closed—grantors request
- SCNL (subscriber cannot locate)
- Bankruptcy—Chapter 7
- Tax liens
- Judgments
- Excessive Inquiries
- Checkpoint, Trans Alert or Caution (potential fraud indicators)

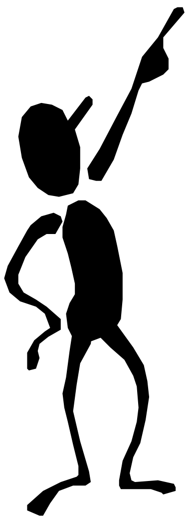


HOW WILL DEROGATORY INFORMATION AFFECT YOU?

Negative information on a credit report is any information that may cause you to be turned down for credit or reduce your chances for loan approval.

- Most negative information legally can be reported on your report for seven years.
- Bankruptcies may be reported for up to ten years.
- Chapter 7 Bankruptcy is reported for ten years *from the date of filing*.
- Tax liens remain on your record for seven years after the date they were paid.
- Some judgments may be reported for ten years. Judgments may also be renewed.

HOW TO DISPUTE INFORMATION ON YOUR REPORT



Your credit report is the history of your past performance with creditors. Therefore, if the information reported in your report is inaccurate or out of date, the information must be corrected or removed.

It is important for you to report any inaccurate information that you find on your credit report right away. Credit bureaus are required to investigate and correct inaccurate information within 30 to 45 days *from receipt of the dispute.* If they cannot verify the information you are disputing, they must remove it from your file and upon your request, notify anyone you specify who has received the inaccurate file within the last 24 months for employment and 6 months for any other reason.

Any credit bureau that willfully fails to comply with these and other FCRA provisions with respect to any consumer is generally liable to that consumer in an amount equal to the sum of:

- Actual damage sustained by the consumer as a result of the failure or damages of not less than $100 and not more than $1,000
- Any punitive damages that the court allows
- The cost of the action together with reasonable attorney's fees as determined by the court in the case of any successful action to enforce any liability under this section

HOW TO DISPUTE INACCURACIES ON YOUR REPORT

1. ***Know your rights under the FCRA, the Consumer Credit Protection Act, and the Fair Debt Collection Practices Act.*** For free information explaining these laws and to receive pamphlets such as Building a Better Credit Record, Women and Credit Histories, and Credit Billing Blues, write to:

   Federal Trade Commission
   Public Reference
   Washington, DC 20580.

2. After examining your credit report, ***write a letter to each of the credit repositories*** requesting that disputed information in the report be investigated.

3. ***Keep a record of all letters*** requesting updates and keep any other correspondence related to your credit report.

4. ***Follow up*** if corrected reports are not received after the bureau reinvestigates and determines that the information you disputed is incorrect or cannot be verified. If the reinvestigation by the bureau does not resolve your dispute, you may contact one of the following federal agencies which have the authority to enforce the FCRA:

- **Credit Reporting Agencies**

  Federal Trade Commission
  Consumer Response Center — FCRA
  Washington, DC 20580 Telephone: (202) 326-3761

- **National Banks,** federal branches/agencies of foreign banks, (the word "National" or initials "N.A." appear in or after bank's name)

  Office of the Comptroller of the Currency
  Compliance Management, Mail Stop 6-6
  Washington, DC 20219 Telephone: (800) 613-6743

- **Federal Reserve System** member banks (except national banks, and federal branches/agencies of foreign banks)

  Federal Reserve Board
  Division of Consumer & Community Affairs
  Washington, DC 20551
  Office of Thrift Supervision
  Consumer Programs
  Washington, DC 20552 Telephone (800) 842-6929

- **Federal Credit Unions** (words "Federal Credit Union" appear in institution's name)

  National Credit Union Administration
  1775 Duke Street
  Washington, DC 22314 Telephone (703) 518-6360

- **State-chartered banks** that are not members of the Federal Reserve System

  Federal Deposit Insurance Corporation
  Division of Compliance & Consumer Affairs
  Washington, DC 20429 Telephone (800) 934-FDIC

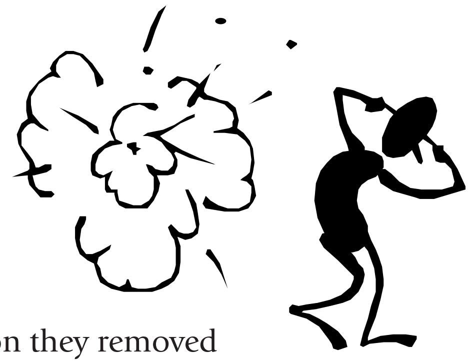
- **Air, surface, or rail common carriers** regulated by former Civil Aeronautics Board or Interstate Commerce Commission

  Department of Transportation
  Office of Financial Management
  Washington, DC 20590 Telephone (202) 366-1306

- Activities subject to the **Packers and Stockyards Act 1921**

  Department of Agriculture
  Office of Deputy Administrator — GIPSA
  Washington, DC 20250 Telephone (202) 720-7051

A SPECIAL NOTE ABOUT "CREDIT REPAIR"



There are businesses that advertise that they can "remove unfavorable remarks" and "clean up your credit report" based on loopholes in federal law. These businesses or "clinics" often tie up your file at the bureaus by flooding them with requests for verification of derogatory information even if it's true. What they don't tell you is that the information they removed from your report can be replaced at a later date if the creditor who is reporting that information can verify that it was accurate.

Remember that only the creditor or credit reporting agency can legally remove that information from your file before the seven-to-ten year reporting period expires. And they will only remove information reported in error.

THE FUTURE: REBUILDING YOUR CREDIT WORTHINESS

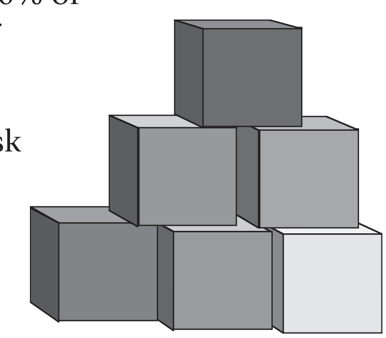
THE LENDER'S POINT OF VIEW

Lenders often evaluate you to determine how much credit to grant you — if any — based on the **"three C's: character, capacity, and capital."**

- **Character — Will you repay?** Lenders may consider factors such as the length of time you have been at your present and previous address, time at your present/ previous job, references, and credit history.
- **Capacity — Can you repay?** The lender may consider income from all verifiable sources and the reliability of your job, debt to income ratio, or how your monthly income compares to your monthly debts.

  Some creditors prefer that no more than 28% of your gross income if employed or of your net income if self-employed pays for housing debt. In addition, the maximum overall "fixed" debt (including housing) is 36% of your gross income if employed or of your net income if self-employed

- **Capital —What collateral do you own?** Lenders will ask you to disclose all real estate you own, the amount of cash you have in checking and savings accounts, other investments, and any other personal property you own.



WHAT IS CREDIT SCORING?

Credit scoring is another method that some lenders use to determine whether you meet their lending criteria. Credit scoring is done by computer. It is a statistical method used to evaluate your payment history and other factors. The lender's underwriting guidelines assign a specific score to various elements of your loan application, such as your ratios, the down payment you put to the loan, number of credit cards you have, your payment history to other creditors, etc. They then calculate an overall score based on all of the above. If your score is high enough, they will grant you credit. If not, then they may not grant you credit.

WHAT STEPS SHOULD YOU TAKE TO UPDATE YOUR CREDIT HISTORY?

After you have gone through the process of ordering your credit report and correcting any incorrect information, you will need to focus on rebuilding your credit history. You'll need to update your existing file and start working toward establishing a strong, *new* credit history that proves you have changed poor repayment habits, if those were in fact part of your old history.

- Supply the credit bureau with any positive information which may not appear on your report.
- Make sure the status of all accounts on the report is accurately reflected.
- Close any open accounts you're not using.
- Work with your creditors to delete derogatory information that is not yours.
- Clear up any erroneous student loan matters.
- Clear up any incorrect public record information.

WHAT YOU CAN DO TO REBUILD YOUR CREDIT AND IMPROVE YOUR SCORE

- Open a checking and savings account and begin making regular deposits even if they are small.
- Apply for a department store or gas credit card (easier to qualify for) and pay all your bills on time, including your utilities.
- If you feel you need a credit card for identification, for travel, or for emergencies, take out a secured credit card by depositing money with the issuing bank and make charges that you pay on time (interest is generally 7-23% and some cards have no annual fee).
- If you need to buy a car, put down a high down payment and select the most economical car that fits your needs (not your wants) at a low price.
- If you are married, it is a good idea for each spouses to establish their own, separate credit history. The Equal Credit Opportunity Act requires that if you have had a joint account, you can request a creditor to report your individual participation and performance on that account separately.
- In the future, do not go overboard with credit. You could be turned down for new credit if you already have too much revolving credit.

CONCLUSION

Going forward, make a commitment to yourself to pay your bills on time. Late payments not only cost you money you could be spending on other things, they also ruin your credit report. If you must use credit, limit it to what you can pay back in a short period of time. Know what you can really, comfortably afford to pay for purchases with the income you have, and limit your borrowing to that amount. Keep your borrowing to just a few lines of credit. If you can't resist temptation, cut up all the cards and close down all lines of credit. Most of all, take advantage of this fresh start. Save money. When you need credit, learn how to shop for it. Make a spending plan and follow it. Don't be distracted by someone else's plan for your money.

Take control of your own future.

A SUMMARY OF YOUR RIGHTS UNDER THE FCRA

The Fair Credit Reporting Act (FCRA) is designed to promote accuracy, fairness, and privacy of information in the files of every consumer reporting agency (CRA). Most CRA's are credit bureaus that gather and sell information about you, such as where you work and live, if you pay your bills on time, and whether you've been sued, arrested, or filed for bankruptcy. They sell this information to creditors, employers, and other businesses. The FCRA gives you specific rights in dealing with CRA's, and requires them to provide you with a summary of these rights as listed below. You can find the complete text of the FCRA, 15 U.S.C. 1681 et seq., at the Federal Trade Commission's web site (http://wwwftc.gov).

- ***You must be told if information in your file has been used against you.*** Anyone who uses information from a CRA to take action against you — such as denying an application for credit, insurance, or employment — must give you the name, address, and phone number of the CRA that provided the report.
- ***You can find out what is in your file.*** A CRA must give you all the information in your file and a list of everyone who has requested it recently. However, you are not entitled to a "risk score" or a "credit score" that is based on information in your file. There is no charge for the report if your application was denied because of information supplied by the CRA and if you request the report within 60 days of receiving the denial notice. You also are entitled to one free report a year if you certify that you are unemployed and plan to seek employment within 60 days, you are on welfare, or your report is inaccurate due to fraud. Otherwise, a CRA may charge you a fee of up to $8.00.
- ***You can dispute inaccurate information with the CRA.*** If you tell a CRA that your file contains inaccurate information, the CRA must reinvestigate the items (usually within 30 days), unless your dispute is frivolous. The CRA must pass along to its source all relevant information you provided. The CRA also must supply you with written results of the investigation and a copy of your report if it has changed. If an item is altered or deleted because you dispute it, the CRA cannot place it *back in your* file, *unless the source of the information* verifies its accuracy and completeness and the CRA provides you a written notice that includes the name, address and phone number of the source.
- ***Inaccurate information must be deleted.*** A CRA must remove inaccurate information from its files, usually within 30 days after you dispute its accuracy. The largest credit bureaus must notify other national CRA's if items are altered or deleted. However, the CRA is not required to remove data from your file that is accurate unless it is outdated or cannot be verified.

- ***You can dispute inaccurate items with the source of the information.*** If you tell anyone — such as a creditor who reports to a CRA — that you dispute something they reported about you to a CRA, they may not then report the information to a CRA without including a notice of your dispute. In addition, once you've notified the source of the error in writing, they may not continue to report the information if it is, in fact, an error.
- ***Outdated information may not be reported.*** In most cases, a CRA may not report negative information that is more than seven years old; ten years for bankruptcies.
- ***Access to your file is limited.*** A CRA may provide information about you only to those who have a need recognized by the FCRA, usually to consider an application you have submitted to a creditor, insurer, employer, landlord, or other business.
- ***Your consent is required for reports that are provided to employers or that contain medical information.*** A CRA may not report to your employer or prospective employer about you without your written consent. A CRA may not divulge medical information about you without your permission.
- ***You can stop a CRA from including you on lists for unsolicited credit and insurance offers.*** Creditors and insurers may use file information as the basis for sending you unsolicited offers of credit or insurance. Such offers must include a toll-free number for you to call and tell the CRA if you want your name and address excluded from future lists or offers. If you notify the CRA through the toll-free number, it must keep you off the lists for two years. If you request and complete the CRA form provided for this purpose, you can have your name and address removed indefinitely.
- ***You may seek damages from violators.*** You may sue a CRA or other party in state or federal court for violations of the FCRA. If you win, the defendant may have to pay damages and reimburse you for attorney fees. If you lose and the court specifically finds you sued in bad faith, you or your attorney may have to pay the defendant's fees.

You may have additional rights under state law. *You may wish to contact a state or local consumer protection agency or a state attorney general to learn those rights.*

PART 4:
ADDITIONAL RESOURCES

WEB SITES FOR MONEY MANAGEMENT

If you have access to the Internet, you can find interesting and helpful resources at many locations. Here are just a few:

American Bankruptcy Institute http://www.abiworld.org
ABI World offers daily bankruptcy news and information and a gateway to ABI On-Line, a private bankruptcy research library.

Bankruptcy Law News http://www.ljx.com/practice/bankruptcy/index.html
News, statutes, case law, legal memorandums from Law Journal Extra!

Budget Calculators

Consumer Credit Counseling Services
http://www.cccsmetro.com/spending_plan/index.htm

FamilyMoney's How Much House Can You Afford
http://www.familymoney.com/cgi/fmcalcs/qualify.cgi

Bankrate.com financial calculators
http://www.bankrate.com/brm/pop_calc.asp

Brand and Price Comparison http://www.comparte.net *and* www.consumer.gov

Consumer Credit Counseling Service Agencies http://www.nfcc.org
Non-profit organization providing education and counseling services on budgeting and credit fact-to-face, by telephone, and by mail. For information on the free Consumer Credit Counseling Service in your area call 1-800-777-PLAN.

Consumer Law http://www.consumerlawpage.com
Legal information for consumers.

Consumer Topics http://www.consumerworld.org

Cooperative Extension System http://www.reeusda.gov
Public-funded, non-formal educational system. Address issues such as basic life skills leading to job retention, saving for retirement, and personal finance education.

Credit Card Comparison http://www.cardtrak.com
Comparison of costs and features of credit cards.

Credit Infocenter http://www.creditinfocenter.com
Information on bankruptcy, credit card rates, credit reports, and rebuilding credit.

Credit Law http://www.FTC.gov *and* http://www.federalreserve.gov

Credit Report Information http://www.equifax.com *and*
http://www.experian.com *and* http://www.tuc.com

Debt and Credit http://www.nolo.com/ChunkDC/DC.index.html
Nolo Press articles on using credit, strategies for repaying debts, student loans, debt collection, bankruptcy, and credit repair.

Debt Management http://www.networth.quicken.com
Debt reduction planner.

Financenter.com http://www.financenter.com
On-line calculators to help with any personal financial question, including developing a spending plan, savings plan, and information on home purchasing, auto financing, and credit cards.

IBL Bankruptcy, Clerk Database http://www.bankrupt.com/clerks/15.html
Directory of U.S. bankruptcy clerk's offices and related court links from the Internet Bankruptcy Library.

Internet Law Library Bankruptcy and Debt Collection Law
http://www.law.house.gov/311.html
Collection of legislation, articles, and other resources from the U.S. House of Representatives Internet Law Library.

National Bankruptcy Review Commission http://www.nbrc.gov/
Independent commission established pursuant to the Bankruptcy Reform Act. Access fact sheets, news, and reports with an archive and links.

NCBA — Filing for Bankruptcy http://www.barlinc.org/pamphlets/bank.html
A brief outline of the processes involved in filing for bankruptcy from the North Carolina Bar Association. Also discusses Chapters 7, 12, and 13.

Savings Calculator http://www.centura.com/formulas/calc/html
A financial calculator for figuring savings.

U.S. Bankruptcy Law (Cornell) http://www.law.cornell.edu/topics/bankruptcy.html
A bankruptcy law primer.

U.S. Courts http://www.uscourts.gov
Provides answers to frequently asked questions about bankruptcy.
www.uscourts.gov/publications.html has a publication titled, "Bankruptcy Basics."
www.uscourts.gov/links.html is a link to Internet sites of courts around the U.S.

SPANISH LANGUAGE INTERNET SITES

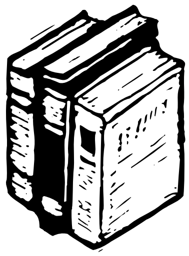
Preguntas - Crédito http://www.home98.com/anwcredit.htm
Questions of credit, bankruptcy, and bankruptcy law.

Que Es La Quiebra http://www.quiebras.com
Provides an explanation of both Chapter 7 and Chapter 13 bankruptcy.

Sala de Debate http://www.macchi.com/cgi-local-parse.pl/page+debate.htm
A place to chat or ask questions to experts about financial situations.

ESPAÑOL

BOOKS AND TAPES



We have discussed many of the issues that may affect your particular financial situation. You will find it well worth your time to explore some of the many excellent books and tapes available at your local bookstore or library. What follows is a list of the some of the books available right now that will surely include at least one book that will be very helpful to you.

Abentrod, Susan, *10 Minute Guide to Beating Debt (10 Minute Guides)*, Macmillan General Reference, 1996.

Arenson, Gloria. *Born to Spend: How to Overcome Compulsive Spending*, TAB Books, Human Services Institute, Bradenton, Florida, 1991. (TAB Books: div. Of McGraw-Hill, Inc.)

Bamford, Janet, *The Consumer Reports Money Book: How to Get It, Save It & Spend It Wisely*, Consumer Reports Books, 1997.

Belsky, Gary and Gilovich, Thomas, *Why Smart People Make Big Money Mistakes*, Simon & Schuster, New York, 1999.

Bierman, Todd and Masten, David, *The Fix Your Credit Workbook: A Step-by-Step Guide to a Lifetime of Great Credit*, St. Martin's Press, New York, 1998.

Bilker, Scott, *Credit Card & Debt Management: A Step-By-Step How-To Guide for Organizing Debt & Saving Money on Interest Payments*, Press One Publications, 1996.

Bodnar, Janet, *Kiplinger's Money-Smart Kids (And Parents too!)*, Kiplinger's Books, Washington, D.C., 1995.

Bodnar, Janet, *Mom, Can I Have That? Dr. Tightwad Answers Your Kids' Questions About Money,* Kiplinger Times Business, Random House, 1996.

Blouin, Barbara with Margaret Kiersted and Katherine Gibson, *The Legacy of Inherited Wealth: Interviews with Heirs*, Trio Press, Blacksburg, Virginia, 1995.

Card, Emily and Kelly, Christie Watts, *New Families; New Finances: Money Skills for Today's Non—Traditional Families*, John Wiley & Sons, New York, 1998.

Chilton, David, *The Wealthy Barber: Everyone's Commonsense Guide to Becoming Financially Independent,* Prima Publishing, 1998.

Cook, Robert A., *Personal Finance for Busy People: The Book to Use When There's No Time to Lose,* McGraw Hill, New York, 1998.

Dappen, Andrew R., *Shattering the Two-Income Myth: Daily Secrets for Living Well on One Income*, Brier Books, 1997.

Dominguez, Joe and Robin, Vicki, *Your Money or Your Life: Transforming Your Relationship With Money and Achieving Financial Independence*, Penguin USA, 1993.

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Ealy, Diane C. and Lesh, Kay, *Our Money Ourselves: Redesigning Your Relationship With Money: A Self-Help Guide*, AMACOM, 1998.

Eaton, Bruce, *Conquering Your Financial Stress: The Five-Point Plan for Generating True Wealth*, Times Books, New York, 1998.

Edelman, Ric, *The New Rules of Money: 88 Simple Strategies for Financial Success Today,* Harpercollins, New York, 1998.

Edwards, Carolina and Martin, Ray, *The Rookie's Guide to Money Management: How to Keep Score of Your Finances*, Princeton Review, 1997.

Ernst & Young, *Financial Planning Essentials*, John Wiley & Sons, New York, 1999.

Estess, Patricia Schiff, *Money Advice for Your Successful Remarriages: Handling Delicate Financial Issues with Love & Understanding*, Betterway Publications, 1996.

Fairley, Juliette and Jackson, Jesse L., *Money Talks: Black Finance Experts Talk to You About Money*, John Wiley & Sons, New York, 1998.

Felton-Collins, Victoria with Suzanne Blair Brown, *Couples and Money: Why Money Interferes with Love and What to Do About It*, Bantam Books, New York, 1990.

Feinberg, Andrew, *Downsize Your Debt: How to Take Control of Your Personal Finances,* Penguin USA, New York, 1993.

Forward, Susan and Buck, Craig, *Money Demons: Keep Them From Sabotaging Your Relationships — and Your Life*, Bantam Books, New York, 1994.

George, Stephen C., *Money Savvy: How to Live Rich on Any Income (Men's Health Life Improvement Guides)*, Rodale Press, 1998.

Glink, Ilyce R., *100 Questions You Should Ask About Your Personal Finances,* Times Books, New York, 1999.

Glossbrenner, Alfred and Emily, *Smart Guide to Managing Personal Finance*, John Wiley & Sons, New York, 1998.

Godin, Seth and Parmelee, John, *If You're Clueless About Financial Planning*, Dearborn Trade, 1999.

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Hallowell, Edw. M., M.D. and Wm. J. Grace, Jr., *What Are You Worth?*, Weidenfield and Nicolson, New York, 1989.

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Johnson, Anne M. and Rejnis, Ruth, *The Cost of Caring: Money Skills for Caregivers*, John Wiley & Sons, New York, 1998.

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Kelley, Linda, *Two Incomes & Still Broke? It's Not How Much You Make; It's How Much You Keep*, Times Books, New York, 1998.

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Yablonsky, Lewis, *The Emotional Meaning of Money*, Gardner Press, Inc., New York, 1991.

Yorkey, Mike and Benson, Dan (Editor), *21 Days to a Thrifty Lifestyle: A Proven Plan for Beginning New Habits* (21-Day Plan Series), Zondervan Publishing House, 1998.

Glossary of Terms

341 Meeting — Meeting of Creditors with your attorney, trustee, and creditors.

Abuse — A disregard of financial capability. For example, purchasing luxury items on pre-bankruptcy shopping sprees with no reasonable or probable means of repayment.

Adversary proceeding — A separate lawsuit filed in the Bankruptcy Court which arises in or is related to the bankruptcy case and involves opposing parties.

Appeal — A request to the U.S. District Court or the Bankruptcy Appellate Panel, if there is one in the circuit, to review a decision of the Bankruptcy Court. A request to the Circuit Court of Appeals to review a decision of the U.S. District Court.

Automatic stay — An automatic injunction requiring the suspension of collection activity on any debts listed in bankruptcy. The automatic stay goes into effect upon the filing of the bankruptcy, not when the creditor receives the notice of bankruptcy.

Bankruptcy estate — All assets, whether real or personal, belonging to the bankrupt debtor at the time the petition is filed. (Co-debtors or spouses income or property may be part of the bankruptcy estate.)

Bar date — Last date for a creditor to timely file a Complaint to Determine Dischargeability of a debt. For non-governmental creditors, that date is 90 days after the first date set for the meeting of creditors (341 meeting). Governmental units such as the IRS have 180 days from the date the petition was filed to file a claim.

Chapter 7 — The chapter of the Bankruptcy Code which sets forth the provisions relating to liquidation of a debtor's assets. In a Chapter 7 filing, a trustee is appointed to collect and liquidate non-exempt assets and distribute the proceeds to creditors in accordance with set priorities.

Chapter 9 — This chapter is a reorganization of debts but exclusively available to municipalities and public agencies.

Chapter 11 — This chapter is a reorganization chapter where a debtor seeks to rehabilitate and reorganize its financial structure. This plan is normally used by businesses but can be filed by an individual debtor.

Chapter 12 — This chapter was developed for family farmers exclusively. This chapter seeks to reorganize and rehabilitate the financial structure of the debtor. Normally it allows a debtor to propose a plan to pay creditors.

Chapter 13 — Chapter 13 has long been referred to as the wage earners' plan. It allows a debtor with disposable income to propose a plan in order to pay the creditors in full or in part. The plan is three or five years and the percentage of pay back could range from 0% to 100%. A Chapter 13 cannot be filed if a debtor has unsecured debts of more than $269,250 or secured debts of more than $807,750 (these limits will adjust again on April 1, 2001; see Section 104(b) Title II, U.S.C).

Co-debtor stay — There is an automatic stay which protects persons who did not file bankruptcy but are liable on the same debt along with the person or entity who did file. Joint cardholders or co-signers of the debt would be protected by the automatic stay. This co-debtor protection is available primarily in Chapter 13 cases only.

Collateral — Property pledged for the payment of a loan or line of credit.

Community property — Only applicable in community property states. It consists of all property acquired by either spouse during the term of the marriage. For example, during marriage the wages of either spouse would be considered community property.

Complaint to Determine Dischargeability — The official complaint a creditor's attorney files with the court to decide the dischargeability of a particular debt. This action must be commenced prior to the bar date.

Confirmation — The official act of the court in approving a Chapter 13 repayment plan.

Co-debtor — An individual who signs a contract for credit with another debtor.

Co-signed Debt — Debt for which more than one person is legally responsible.

Conversion — Converting a bankruptcy case from one chapter to another.

Cram down — Also known as lien stripping. It is the process where a creditor's secured claim is split into secured and unsecured amounts based on the market value of the collateral. The creditor ends up with two separate claims.

Credit grantor — Business or individual who gives a loan or line of credit; also referred to as the creditor.

Cure defaults — Bring accounts up-to-date that were past due at the time of filing.

Debt — Something that is owed to another, normally money or property.

Debtor — The person or entity who owes the debt.

Delinquent — Overdue, not paid on the due date agreed to.

Deposition — The testimony of a witness taken down in writing under oath. This is normally taken outside of the courtroom in an informal setting.

Discharge — Discharge of debts is the goal in a bankruptcy filing. Unless a specific debt is determined to be non-dischargeable or a debt has been reaffirmed, all of the debtor's debts become non-collectable by any creditors.

Discovery — The disclosure of pertinent facts or documents by either party prior to trial. This includes such things as interrogatories, requests to produce documents, and depositions.

Dismissal — An order terminating the bankruptcy. After approval by the bankruptcy court, this order allows creditors to begin collecting on the debt involved in the bankruptcy.

Disposable Income — Funds the debtor has available that are not required for reasonable living expenses.

Exemptions — Certain property belonging to the debtor is allowed to be excluded from the bankruptcy. The Bankruptcy Code sets forth guidelines where property can be exempted. This means the debtor is allowed to keep certain property in order to have a "fresh start." The Bankruptcy Code also sets forth provisions allowing each state to create their own exemptions. The debtor usually has the option to choose which exemptions will be followed, the exemptions designed by the state in which he resides, or the federal exemptions set forth in the Bankruptcy Code.

Feasibility — Likelihood of being successfully completed.

Foreclosure — To take back legal title to and possession of property.

Fraud — Intentional misrepresentation or deceit by the debtor. For example, false information given in bankruptcy schedules, an inaccurate income statement or a false social security number on a credit card application. Proof of fraud usually involves proving the debtor's intent at the time.

Guarantor — Person who promises to repay a debt incurred by another (also referred to as co-maker or co-signer).

Insolvent — The inability to pay debts as they fall due in the usual course of business or the inability of the debtor to pay current obligations as they become due. There is no requirement of insolvency in the Bankruptcy Code.

Interrogatories — A formal question or a series of questions that are proposed in writing by one party of an action to another. The answers can be used later in court for various reasons. This is a form of discovery used by attorneys when investigating a case. Sanctions can be levied for willfully refusing to respond timely to interrogatories.

Involuntary Chapter 7 — Liquidation bankruptcy that is forced by creditors.

Joint bankruptcy — A debtor filing bankruptcy together with a spouse.

Jurisdiction — Geographical region over which a court has power.

Last Day to File Complaint to Determine Dischargeability — (Also known as Bar date.) This is the last day a Complaint to Determine Dischargeability can be filed against the debtor.

Liability — Debt.

Liquidation — A conversion of assets to cash in order to pay creditors all or a portion of the debt owed.

Luxuries — Purchases made that provide pleasure or comfort but are not absolutely necessary.

Matrix — List of names and addresses of each creditor.

Meeting of Creditors — Also known as the Section 341 (a) Meeting or First Meeting of Creditors. This is an opportunity for the Trustee and the creditors to question the debtor with the debtor's attorney present, about assets, statements made by the debtors in the bankruptcy schedules, etc. All questions are answered under oath.

Modification of Plan — A repayment plan, normally filed in a Chapter 13 or Chapter 11 bankruptcy, can be modified to change the amount paid to classes within the plan. This can only be done with the Court's approval.

Motion — A formal request to a court to allow or require a specific legal action.

Necessities — Purchases that are required for the sustenance of life without being excessive. For example, food, clothing, shelter, etc.

Net disposable income — The amount of income left over after all expenses are paid.

Net disposable income test — A review of the bankrupt debtor's income and expenses with the goal of ascertaining whether or not the debtor could pay all or part of his scheduled debts. The resulting issues are whether or not there is substantial abuse under Section 707(b).

Non-dischargeable Debt — Certain debts not included in the debtor's discharge. Some are automatically excluded (e.g., taxes, alimony, debts incurred due to any drunk driving violations) and some require action by the creditor in the case. If your debt is declared non-dischargeable, collection activity can resume regarding the debt.

Offset — Using a debt to cancel another debt. For example, the IRS keeping all or part of a tax refund to apply to debt owed to the IRS.

Order — A formal ruling by a judge allowing or requiring a specific legal action.

Periodic — Occurring at regular intervals, usually semi-annually or annually.

Petition — A document used to begin a bankruptcy case. It can also be referred to as the facesheet of the bankruptcy schedules. The petition must be filed in order to begin bankruptcy proceedings, while other bankruptcy documents (such as schedules, statement of financial affairs, statement of intention, etc.) can be filed within 15 days after the filing of the petition document.

Post petition indebtedness — Any debt incurred after the filing of the bankruptcy. Post petition charges are not under the jurisdiction of the bankruptcy and the post petition dollar amount can be collected without violation of the automatic stay.

Preference period — A ninety-day window before the bankruptcy was filed. The trustee may recover any payments made to creditors in that time frame.

Presiding officer — The trustee or a representative of the Trustee at a 341 meeting.

Presumption period — According to Section 523(a)(2)(C) purchases incurred over $1,000 for "luxury goods or services" within 60 days of the date of the bankruptcy filing or cash advances over $1,000 made within 60 days of the bankruptcy filing are presumed to be non-dischargeable.

Priority debts — Debts that are paid ahead of others. Generally administrative costs are paid first followed by secured debts and then unsecured debts.

Pro Per — A debtor filing bankruptcy without representation by legal counsel. Also known as Pro Se.

Pro rata basis — Divided proportionately.

Pro Se — A debtor filing bankruptcy without representation by legal counsel. Also known as Pro Per.

Proof of claim — A form used to file a claim in order to receive payment from the bankruptcy estate.

Reaffirmation Agreement — You can voluntarily agree to pay back any of your debts. If you sign a reaffirmation agreement, it binds you to repaying the debt despite the bankruptcy. In some cases the Bankruptcy Court Judge must approve the reaffirmation agreement. Reaffirmed debt is not affected by the discharge. If the debtor defaults on the reaffirmation agreement, the creditor may pursue all avenues of collection activity available.

Recission period — The debtor may rescind (cancel) a reaffirmation agreement at any time before discharge, or within 60 days after filing the agreement with the court, whichever occurs later.

Relief from Stay — In certain situations, a creditor may obtain an Order for Relief from Stay to allow them to enforce their claims, pursue collections on a co-debtor, or any other activity that would otherwise violate the automatic stay. When an order for relief of stay is granted by the court, the automatic stay is canceled.

Restitution — In the context of bankruptcy recovery, the act of repaying debt incurred as a result of fraud or abuse. The Court usually imposes this. The Court will order the debtor to pay back all or a part of the debt usually as a result of a conviction or a plea bargain.

Sanction — A monetary penalty placed upon a party or its attorney in response to a violation of the Bankruptcy Code or rules. The penalty ranges in dollar amount depending on the violation, the intent of the party, and the district in which the violation occurred.

Schedules — Written information given by the debtor filed with the Bankruptcy Court on the day of filing or by the 15th day after. These forms give the bankruptcy court and trustee a financial picture of the debtor and are required to be filled out truthfully and accurately under penalty of perjury. These schedules include items such as the petition, the Schedule of Income and Expenses, the Statement of Financial Affairs, etc.

Secured creditor — A creditor holding a lien on property (i.e., judgment) or a debt that is secured with collateral.

Sole proprietorship — A business owned by an individual; not incorporated.

Special classification — Legally allowed to be treated differently.

Stipulation for Judgment — An agreement between the bankrupt debtor and creditor which ends the lawsuit. The document is filed with the court usually requiring repayment of a debt. In the event of default, a judgment may be immediately entered in favor of the creditor.

Substantial abuse — The court may dismiss a bankruptcy case on the motion of a U.S. Trustee, if the debts are primarily consumer debts and if the Trustee believes that the Chapter 7 petition represents substantial abuse under the Bankruptcy Code. (See Section 707(b) of the Bankruptcy Code.)

Subpoena — A formal notice usually issued by a court, commanding specific action be taken under penalty or contempt of court.

Summons — An order to answer a lawsuit within a specified time.

Trustee (Chapter 7) — A person appointed to collect the non-exempt assets of the debtor and liquidate them to pay creditors.

Trustee (Chapter 13) — A person appointed to collect funds from the debtor and pay the funds over to creditors over a 3 or 5 year period pursuant to a court approved plan.

U.S. Trustee — The Office of the United States Trustee monitors the financial reporting in bankruptcy cases. The Chapter 13 and Chapter 7 trustees report to the U.S. Trustee. The U.S. Trustee oversees the operation of the trustee offices and appoints and removes trustees from office.

Unsecured creditor — A creditor whose debt is not secured by property or collateral. This would include credit card debts.

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CHAPTER 7 PROGRAM EVALUATION FORM

Name:	Filing Date:
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Please evaluate the materials by circling a number that corresponds with your evaluation.

	Least Helpful				Most Helpful	Not Applicable
Video #1: "The Basics of Chapter 7 Bankruptcy"	1	2	3	4	5	N/A
Video #2: "The Basics of Money Management"	1	2	3	4	5	N/A
RESOURCE GUIDE						
Lesson 1: What You Need to Know About Ch 7 Bankruptcy	1	2	3	4	5	N/A
Lesson 2: Personal Planning, Values, Goals, and Priorities	1	2	3	4	5	N/A
Lesson 3: Money: Making It, Tracking It, Spending It	1	2	3	4	5	N/A
Lesson 4: Smart Shopping	1	2	3	4	5	N/A
Lesson 5: Wise Use of Credit	1	2	3	4	5	N/A
Lesson 6: Is There Life After Chapter 7 Bankruptcy?	1	2	3	4	5	N/A
Additional Resources	1	2	3	4	5	N/A
Glossary	1	2	3	4	5	N/A

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