

ALSO INSIDE: President Announces Aid for Distressed Mortgage Borrowers

SPECIAL EDITION

FDIC *Consumer News*

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Spending Less

Good Ways to Get Started Cutting Back

It's always smart to control your spending. But if you or others in your family are facing difficult times financially, perhaps from a job loss or wage cuts, it is especially important to spend less so you can have more money to pay essential bills or to add to a savings account you can tap in an emergency. Here are some strategies.

Take a serious look at your spending. As a first step, think about creating a spending plan, commonly known as a budget. Make a list of your monthly expenses divided into two groups — your “needs” and your “wants.” The needs are expenses that are absolutely necessary, such as your housing, utilities, clothes, food and transportation. The wants are optional purchases.

“After you differentiate between spending for needs and splurging on wants, cut back on the second category, especially if you're already suffering an income loss or other financial hardship,” said Luke W. Reynolds, Chief of the FDIC's Community Affairs Outreach Section. He said possible places to cut back on unnecessary spending include restaurant meals, monthly subscriptions and premium TV channels.

But also consider opportunities to save on your necessities. Examples from experts and consumers alike: Try carpooling or taking public transportation to work instead of driving by yourself. If you have multiple cars, see if you can live without one of them. Ask yourself if you really need those \$200 sneakers or if a less expensive pair will do just fine. Buy used instead of new. Take better care of what you buy so it will last longer. And, make your own coffee at home and bring your lunch to work instead of eating out.



Finally, don't use your credit cards or other loan products to buy things you really can't afford. For more tips about borrowing money, start on Page 7.

Keep banking costs down. “Look at the most costly fees and recurring charges on your bank and credit card statements and consider how you can reduce or eliminate them,” Reynolds said. Among the possibilities: If you routinely pay bank fees, shop for a different account that meets your needs at a lower cost. Also review your banking habits to cut unnecessary fees. For example, use your own bank's ATMs for cash withdrawals instead of going elsewhere and paying a surcharge, and keep close tabs on your checking account balance to avoid bounced checks, which can be costly.

Likewise, ask your credit card lender to consider lowering your interest rate, particularly if you have a relatively good payment history and could qualify for a lower rate elsewhere. Also pay as much as you can as soon as you can. It will mean you'll pay less interest and avoid late fees.

And if you have a mortgage and you expect to continue to own your home for the foreseeable future, see if you can save money by refinancing to get a lower interest rate and a lower

monthly payment after also weighing the up-front costs of refinancing. “Refinancing your mortgage or auto loan can save you money over the coming years that you can put to better use in a savings account or paying off other debt,” said Mary Bass, FDIC Senior Community Affairs Specialist.

Be careful before cutting insurance coverage. It's important to have adequate insurance, especially for life, health, disability, personal liability, and coverage of property. “While it's a good idea to review your insurance coverage every year or so and not carry more coverage than necessary, think twice before trying to save money by dropping insurance coverage,” added Bass. “All it takes is one illness or auto accident to realize the importance of having adequate insurance.”

The bottom line: Cutting back on an already tight budget may seem daunting, but you can find ways to spend less without sacrificing your quality of life. For more ideas on ways to cut spending, see articles in back issues of *FDIC Consumer News* online at www.fdic.gov/consumernews, as well as tips from “66 Ways to Save” at www.66ways.org. For suggestions on how to put your savings to good use, including in an emergency savings account, see the next page. 🏠

Saving More

7 Tips on Putting Your Dollars to Work...for You!

While it's important to pay your bills, it's also wise to "pay yourself" — to contribute to your savings accounts, even in uncertain times when you may be strapped for cash.

"During tough financial times, you may believe you cannot pay your bills and continue to put money into savings," said Sandra L. Thompson, Director of the FDIC's Division of Supervision and Consumer Protection. "However, we encourage you to follow a few simple money-management tips that can help you cut your expenses and put money aside for savings."

First, start by following our suggestions on the previous page for trimming your spending. Doing so, you should have more money available to set aside for other needs. Beyond that, here are ways to start saving more.

Have an emergency savings account. This is an account you can tap if you lose your job or have major, unforeseen expenses. "Emergency savings will help ensure that you don't have to borrow from your retirement nest egg or take out additional loans that would push you into debt," said Luke W. Reynolds, Chief of the FDIC's Community Affairs Outreach Section.

A general rule of thumb is to have enough money in this "rainy day" fund equal to at least two months of living expenses. If your employment outlook is especially uncertain, consider setting aside enough to cover six or more months of anticipated expenses.

Also, keep your emergency savings in an account that will be fairly liquid — such as a bank savings account, money market account or a short-term certificate of deposit (CD) — so you can withdraw the money relatively quickly, if necessary. "You should probably also keep your emergency money in a deposit account, where your funds are protected by federal deposit insurance, as opposed to stocks

or stock or bond mutual funds that can lose value in a volatile market," said Mary Bass, an FDIC Senior Community Affairs Specialist.

Try to save money for long-term goals, such as your retirement.

If your employer matches a portion of your payroll contributions to a tax-advantaged retirement savings plan, "not participating means you are passing up free money and perhaps losing out on a valuable tax break," added Reynolds.

Pay yourself first. That means each month, before you're tempted to spend money, commit to putting a good bit of it into a savings account. You can write out a check to be deposited into your savings account, but it's much easier to arrange with your bank to automatically transfer a certain amount from your paycheck or your checking account into savings. And as you pay your bills, your mortgage and other obligations, take satisfaction in knowing that some of your hard-earned dollars are already saved... for you!

Start small. "By consistently saving small amounts, even \$25 out of every paycheck, your savings account will grow and you will be motivated to try to save more," said Reynolds. "Even

that spare change you put once a month into a bank savings account can add up faster than you think."

Review your existing accounts and comparison shop for the best deals.

Look at what is being offered by your bank and a few competitors. The idea is to make sure the interest rates are competitive and that the fees and features are appropriate for how you use each account. For example, if your money is sitting in a low-rate checking or savings account, consider moving it to a higher-yielding account, perhaps a CD where the earnings can get an extra boost.

Turn a debt payment into a deposit.

If you pay off a debt, such as the outstanding balance on a credit card, or if you make that last loan payment on your car, put that money to work as part of your savings.

"If you take the loan amount you had been paying and start putting it directly into savings each month, you'll be earning interest — not paying interest — and there will be hardly any noticeable change in cash flow," said Robert W. Mooney, FDIC Deputy Director for Consumer Protection and Community Affairs.

Save, don't spend, a financial "windfall." If you receive a large sum — perhaps from an inheritance, an insurance payment, a tax refund or a bonus at work — deposit that money into a savings or investment account before you're tempted to spend it. 🏠



Make the Most of Your FDIC Guarantee

How to be sure your deposits are fully insured

For the last 75 years, especially during times of economic uncertainty, families have counted on the certainty of federal deposit insurance. “The American people can rest comfortably knowing that their FDIC-insured deposits are 100 percent safe,” said FDIC Chairman Sheila C. Bair. “In fact, there’s no safer place in the world for their checking, savings or retirement money.” How can you make sure all your deposits are safely protected within the federal insurance limits?

Learn the rules for deposit insurance coverage. In particular, be aware that Congress has temporarily raised the basic deposit insurance coverage from at least \$100,000 to at least \$250,000 per depositor, through (under current law) December 31, 2009. That means, through 2009, if you (or your family) have up to \$250,000 in your deposit accounts at one insured bank, you don’t need to be concerned about the safety of your money.

Also remember that you may qualify for more than the basic insurance coverage at one insured bank if the funds are held in different “ownership categories.” For example, under existing law, if a couple has deposits in single accounts, joint accounts and Individual Retirement Accounts (IRAs) at the same bank, through year-end 2009, they could qualify for up to \$1.5 million of FDIC insurance coverage (see the box on the top right).

In addition, if you have deposits in another category called revocable trust accounts — typically payable-on-death and living trust accounts — you’d receive up to \$250,000 in FDIC insurance coverage *for each beneficiary*.

That means a revocable trust account owned by a husband and wife naming four beneficiaries would be insured up to \$2 million. (The husband is insured up to \$1 million because he has named

four beneficiaries, and the same applies to the wife.)

If you have more than \$250,000 at one insured institution, find out if it is fully insured. It’s especially important to take a closer look at your deposit insurance coverage after an unusually large deposit, such as after a home sale, an inheritance, or if you “roll over” a large company pension into an IRA at a bank.

Another time to review your insurance coverage would be after the death of a joint account owner or a beneficiary on a revocable trust deposit account. Likewise, look at your deposit insurance if you have accounts at two institutions that merge.

The FDIC has resources you can turn to if you have questions about your deposit insurance coverage. They include information online at www.myFDICinsurance.gov, which features our Electronic Deposit Insurance Estimator (EDIE), an interactive Web site that can be used to calculate your deposit insurance coverage. A Spanish version of EDIE is available at www.fdicseguro.gov.

EDIE also will provide you with a printable report for each bank that shows whether your deposits are within or exceed coverage limits. “EDIE’s ability to provide insurance information about your accounts makes it much more useful than a brochure,” said Kate Spears, an FDIC Senior Consumer Affairs Specialist.

You also can call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342). Information specialists are available 7:00 a.m. to 8:00 p.m. (Eastern Time), Monday through Friday, and from 9:00 a.m. to 5:00 p.m., Saturday and Sunday.

If you’re sure that some of your deposits are over the FDIC

An Example of How FDIC Insurance Can Add Up

Account Holders	Maximum Coverage
Husband’s Single Account	\$250,000
Wife’s Single Account	\$250,000
Husband and Wife’s Joint Account	\$500,000
Husband’s IRA	\$250,000
Wife’s IRA	\$250,000
Total Insurance Coverage	\$1,500,000

insurance limit, consider taking steps so that all the money is fully insured. Depending on your situation, one possibility may be to place some funds in another ownership category at the same institution. That’s because deposits in separate insurance categories are separately insured up to the FDIC’s limit.

Another option is to move some funds to deposit accounts at another FDIC-insured institution. This option works well for people who don’t want, or don’t qualify for, other ownership categories at their existing bank.

“Remember, you can always check with the FDIC if you are unsure about your coverage or your options for becoming fully insured,” said Martin Becker, also a Senior Consumer Affairs Specialist at the FDIC.

For more information about FDIC insurance, visit www.fdic.gov/deposit/deposits. 🏠

If you have more than \$250,000 at one insured institution, find out if it is fully insured. It’s especially important to take a closer look at your deposit insurance coverage after an unusually large deposit, such as after a home sale, an inheritance, or if you “roll over” a large company pension into an IRA at a bank.

Protecting Against Fraud

When the Economy Cools Down, Financial Scams Heat Up

Protect yourself from con artists preying on distressed homeowners and others facing difficulties

The economy may be slow, but for thieves prowling for victims, business is always brisk.

“Crooks are taking advantage of the difficult economy, including tighter credit and higher unemployment, to trick people into accepting fraudulent and deceptive offers that seem beneficial on the surface but actually could cost a lot of money or result in identity theft,” said Michael Benardo, manager of the FDIC’s Financial Crimes Section.

Here are some common schemes being reported, followed by tips for protecting yourself.

Mortgage rescue schemes: Con artists are preying on hard-pressed homeowners in the current depressed housing market. David M. Nelson, a fraud examiner in the Financial Crimes Section, said that companies posing as foreclosure specialists “promise miracles,” such as falsely claiming they can save a home from foreclosure by lowering the loan balance, interest rate and monthly payments, and “all for a large upfront fee.”

Instead, distressed homeowners should contact their mortgage loan servicer to request a modification of their loan at no cost (see Page 9). “It’s very important for qualified borrowers to understand that the industry best practice is loan modifications free-of-charge,” said FDIC Chairman Sheila C. Bair. “They do not need to spend thousand of dollars to get help.”

Before contacting your lender or loan servicer, though, think about getting help from a trained, reputable housing counselor who can help you for no charge or a small fee. Find one through groups such as NeighborWorks America (www.nw.org) or by calling 1-888-995-HOPE (4673). Or, for a



referral to a counseling agency certified by the U.S. Department of Housing and Urban Development (HUD), visit www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm or call 1-800-569-4287.

To see a Federal Trade Commission warning about foreclosure rescue scams, go to www.ftc.gov/bcp/edu/pubs/consumer/credit/cre42.shtm.

Other credit-related scams involving upfront fees: Several of these have been circulating since problems emerged in mortgage and other credit markets. In some cases, con artists claim they can “guarantee” loan approvals to people with credit problems — in exchange for a big upfront fee. Of course, after collecting the nonrefundable fee, the loan falls through.

“No legitimate lender can promise a loan without looking at a borrower’s financial condition,” explained Michael L. Jackson, an Associate Director of the FDIC’s Division of Supervision and

Consumer Protection. “And in most cases, loan fees are typically collected at the end of the lending process, not at the beginning.”

For guidance about avoiding scams involving credit counseling for people behind on their bills, see Page 10.

Work-at-home scams: Thieves prey on people who have lost their jobs or need extra cash by sending unsolicited e-mails and running advertisements on the Internet and in newspapers. The ads offer flexible, easy part-time jobs working at home and involve a lot of pay for doing very little, such as processing payments or shipping items. These offers may seem especially attractive if you’ve just lost your job. What can go wrong? Here are two common scenarios.

Your “employer” may steal your identity and commit fraud by obtaining your bank account and Social Security

continued on the next page

numbers, perhaps as part of a fake job application. Or, you could face major losses if your new boss requests that you deposit a check or electronic transfer into your bank account and wire funds out of your account (after deducting your “commission”), and later your bank tells you that the original deposit was bogus and you’re responsible for the money.

According to Nelson, “If the check or electronic deposit is fraudulent, you will likely lose the money wired out of your account, plus you may have difficulty opening a new bank account until your name is cleared from any suspicion that you were a willing partner in any fraud.”

For more information about work-at-home scams and a complaint form, go to www.IC3.gov, a Web site established by the U.S. Department of Justice and the National White Collar Crime Center.

“Mystery shopper” scams: It’s common for businesses and consulting firms to pay consumers to visit and shop at their retail locations or dine at their restaurant and then submit confidential reports about the experience. These part-time workers are known as “mystery shoppers” and “secret shoppers.” But fraud artists are cashing in by setting up fake mystery-shopping programs that look very real, including job applications (requesting Social Security numbers) and professional-looking Web sites, and then convincing new recruits to wire money using funds from their own checking account.

Here’s a typical scenario. Your first assignment as mystery shopper is to deposit a \$2,000 cashier’s check into your bank account — supposedly to cover a \$1,900 purchase you’re about to make for your new part-time “job,” plus a \$100 advance payment for your services. You’re then instructed to withdraw \$1,900 in cash from your bank account, take it to a particular store to have the funds wired to a person (a “colleague” of your new employer) in Canada. Later, you’ll

go home and fill out an evaluation of the store’s money-transfer service. But eventually, perhaps a couple of weeks later, the cashier’s check you deposited will be returned as counterfeit, and you will be responsible for the money you withdrew from your account.

“Part of what makes this swindle successful is that the criminals stress that the entire assignment must be ‘confidential,’ from ordering the money transfer at the store to filling out the evaluation form,” explained Millie Spencer, a financial crime specialist with the FDIC.

Fraudulent e-mails, calls and faxes related to bank failures, mergers or other current events:

Crooks are pretending to be from a financial institution in the news (perhaps one that has acquired a failed institution) or a government agency (such as the FDIC) asking for consumers to supply personal information, such as account and Social Security numbers or passwords. Don’t fall for this trick.

“For example, your bank, credit card issuer and any other reputable business you deal with won’t call or e-mail you to confirm account numbers or passwords because it will already have that information,” said Nelson.

False or misleading sales of certificates of deposit (CDs):

Bank CDs issued by FDIC-insured institutions have long been considered to be among the safest financial investments available because of the deposit insurance protection. However, with the slow economy resulting in relatively low interest rates on insured CDs, savers looking for high yields may be tempted by Internet or newspaper advertisements offering unusually high returns. While most advertising for CDs is accurate and legitimate, beware that some may be misleading or even untrue.


“Look very closely at the fine print in those eye-catching ads,” said Richard M. Schwartz, an FDIC attorney who specializes in consumer issues. “Some

high-yielding accounts have strings attached, like a requirement that you buy insurance or annuities you may not want. Other accounts may be deceptively advertised as FDIC-insured accounts but they’re not, and that’s a violation of federal law.”

In general, how can you protect yourself from financial scams and rip-offs?

- Be wary of requests to “update” or “confirm” personal information — such as your Social Security numbers and bank account and credit card numbers (including security codes) — in response to an advertisement or an unsolicited call, text message or e-mail. Be extremely skeptical of any unsolicited offer that requires you to send a payment or provide bank account or other personal information before receiving anything in return.
- Take the time to thoroughly research the people or organizations offering a job, loan, deposit, investment or other “opportunity” involving your money or personal information.
- Walk away from any offer from a stranger that would involve a large deposit into your account and instructions to wire any of that money back, perhaps to someone in another country.
- In general, assume that any offer that sounds unrealistic or otherwise “too good to be true” — especially one from a stranger or an unfamiliar company — is probably a fraud.

To learn more about common financial frauds and how to protect yourself, see back issues of *FDIC Consumer News* (online at www.fdic.gov/consumernews) and our multimedia presentation “Don’t Be an Online Victim” (at www.fdic.gov/consumers/consumer/guard).

Also visit www.mymoney.gov/scams.shtml, the scams and frauds section of the U.S. government’s Web site dedicated to financial education. 

Borrowing Wisely

You Can Get a Good Loan: Ways to Make It Happen

You probably know from recent news reports or your own experience that lenders are tightening their standards, making it harder for some people to get a loan or charging more for some types of credit than in the past. But what you may not know is that credit is still available. “You need to make sure you are in the best position to get a good loan at the best price,” said Janet Kincaid, Chief of the FDIC’s Consumer Response Center.

Here are ways to try to get a loan that makes sense for you.

Try to raise your credit score, preferably months before you may need to apply for a loan or credit card. A credit score is a numerical summary that reflects how risky someone is as a borrower. Among other things, it takes into account how well the person has handled credit in the past. Lenders look at a credit score when deciding on loan applications.

By aiming for the best possible score, you may be able to obtain a lower-cost loan and save hundreds each year in interest, especially if you are borrowing to pay for a home or car. “You need to plan ahead,” said Kincaid. “Before you even *think* about borrowing money, you should be taking steps that can ensure you will qualify for a loan or credit card with the best possible interest rate and terms.”

If you intend to apply for a mortgage or a car loan, make sure your credit reports are accurate and do not include negative information about you that is incorrect. For more specifics about improving your credit score — and your borrowing power — see the next page.

Be a smart shopper for credit products: Many people looking for a new loan or credit card make the mistake of focusing on one thing, most likely the interest rate or the monthly

payment, and they don’t consider other very important and potentially costly parts of the package.

For example, be sure to check out the fees associated with the loan, which could dramatically raise the “real” interest rate you’re paying. That’s why it’s important to shop among several lenders and compare the Annual Percentage Rate (APR), a required disclosure showing the total cost of the loan, including interest charges and many fees, expressed as a yearly rate. “A loan with a straight interest rate of around 5 percent could have an APR of 8 percent when you figure in fees or other charges,” said Kincaid.

Likewise, if you have to borrow a small amount of money fast — perhaps to help make ends meet — do so wisely.

Many people turn to “alternative” financial services providers, such as pawnshops, car-title lenders (for a loan secured by the borrower’s car) and payday lenders (for unsecured loans that borrowers promise to repay out of their next paycheck or regular income payment). “While the upfront fee for one of these loans may appear to be low, many consumers are unable to pay the loan when it is due, so they roll it

over again and again and they end up paying very substantial fees for a very small loan,” said Robert W. Mooney, FDIC Deputy Director for Consumer Protection and Community Affairs.

Before risking getting trapped in high-cost debt such as this, Mooney said, check with your primary financial institutions for lower-cost sources of short-term cash.

Save money on your existing loans and credit cards. For example, with your credit cards and department store charge cards, which tend to charge high interest rates, you can cut costs by paying off most or all of the balance each month. However, if you’re unable to pay most or all of a card balance, pay as much as possible, at least the minimum amount the card issuer says is due.

Also consider your options if your lender raises the interest rate on your credit card. If you’ve got a good payment history, you can call your bank and ask it to reconsider the rate increase. “Sometimes banks will make an accommodation to keep a good customer, especially in the credit card area, where there is so much competition,” said Joni Creamean, an FDIC Supervisory Consumer Affairs Specialist.

If it appears unlikely your lender will reduce the interest rate on your card,

continued on the next page



consider a written request to repay the outstanding balance under the “old” interest rate and terms. “If the lender approves your request, this means you’ll save on the remaining finance charges but you’ll probably also be closing your account,” Creamean explained, “so be sure you have other options for borrowing money before you take this course of action.”

You also can shop around for a credit card with a better interest rate, but factor in any fees you’d pay.

There also are ways to cut your mortgage costs, such as by periodically adding a little extra to your monthly payment (assuming you can spare the money). Doing so will reduce the length of your loan, which in turn can cut the total amount of interest you pay.

With any type of loan, make sure your payment is received on time. Don’t wait to pay at the last minute. “Paying on time will help minimize the finance charges and stave off any potential late fees,” explained Kirk Daniels, also an FDIC Supervisory Consumer Affairs Specialist.

In addition, be sure to read all the literature from your lender that describes account terms and conditions, starting when you open an account and later in your monthly or other mailings.

“Sometimes a lender may send a notice of changes to your credit card account and you may easily mistake it for an advertisement,” Daniels added. “These mailings often ask you to confirm the changes or ‘opt out’ by providing notice to the bank. You don’t want to be surprised when your next statement arrives and you find new or higher charges you easily could have avoided if you had responded to the mailing.”

Want to learn more about how to manage your loans and credit cards? See the Summer 2007 special edition of *FDIC Consumer News* entitled “51 Ways to Save Hundreds on Loans and Credit Cards,” online at www.fdic.gov/consumers/consumer/news/cnsum07. 🏠

Your Credit Score: It Pays to Aim High

Having a good credit score is always important to consumers planning to apply for a loan or to get or keep a good deal on a credit card, but that’s especially the case in an uncertain economy. “In difficult times, lenders are pickier about the loans they make and who they lend to, and that means consumers can and should be more proactive in improving their credit score,” said Janet Kincaid, Chief of the FDIC’s Consumer Response Center.

First, what is a credit score? It’s a number calculated by a credit bureau, a lender or another company to summarize each person’s financial reliability. You also may hear a credit score referred to as a “credit rating” or as a “FICO” score (the latter a reference to a widely-used credit score produced by the Fair Isaac Corporation).

In general, when it comes to borrowing money, the higher your credit score, the more likely you are to get a loan or credit card with a low interest rate and low fees. But credit scores also can be used for other purposes, such as when you apply for a job, rent an apartment or obtain insurance.

How can you improve your credit score and get a better deal, especially in a turbulent economy?

Review your credit reports for incomplete or erroneous information and get it corrected.

Credit reports, produced by credit bureaus, detail each person’s financial history (such as how you pay your bills or if you have filed for bankruptcy) and are used to develop credit scores. It’s important to review your credit reports periodically — especially in the months before you make a major purchase, such as a new home or car — to make sure that inaccurate information hasn’t lowered your credit score.

By federal law, you are entitled to one free copy of your credit report every year from each of the three nationwide

credit bureaus — Equifax, Experian and TransUnion. Go to www.AnnualCreditReport.com or call toll-free 1-877-322-8228 to order free credit reports.

Experts suggest that consumers spread out their annual requests — for example, to get a credit report from a different agency every four months — to monitor big changes. Also, it’s important to get reports from each agency because the information may differ.

Pay your bills on time. One or two late payments on your loans or other obligations over a long period of time may not significantly damage your credit record, but making a habit of this can count against you. Be especially careful with payments in the months before you apply for a loan. Your payment history is the largest percentage of your credit score, so make every effort to pay your bills on time.

Having a mortgage, especially one that is paid on time, can be especially beneficial in improving a credit score or maintaining a good one.

Keep your debt levels low. The higher the ratio of your debt to your income or your available credit lines, the more you will be viewed by potential lenders as a higher-risk borrower. “Just because you have a \$20,000 limit on your credit card or home equity line of credit doesn’t mean you can borrow that much money without it affecting your credit score,” said Kincaid.

She added that paying off your credit cards every month is one of the best strategies for keeping a good credit score and saving money on interest at the same time.

For more suggestions, start at the Federal Trade Commission’s Web site about credit reports and credit scoring at www.ftc.gov/bcp/menus/consumer/credit/reports.shtm. 🏠

When Payments Are a Problem

What to do if you can't afford a loan or credit card

With the economy weakening, more people are finding it difficult to make mortgage, credit card and other payments. If you're having financial difficulties — due to a job loss, a higher mortgage payment because of an interest rate reset or any other reason — it's important to take action, preferably as soon as you think you may not be able to afford your expenses.

“The possibility of not being able to meet monthly financial obligations, especially if it leads to the loss of your home, can be terrifying,” advised Susan Boenau, Chief of the FDIC's Consumer Affairs Section. “If you're having difficulty paying your debts, the worst thing you can do is ignore the situation and do nothing.”

Regardless of the reasons for your financial difficulties, here are some basic steps to take.

Consider moves that can enable you to make your payments. Look for ways to cut expenses (see Page 2). If possible, pay your bills using funds in your bank and brokerage accounts, and avoid withdrawing or borrowing money from your retirement savings.

Keeping current on loan, credit card and other bill payments also will help minimize damage to your credit score (see Page 8), which is especially important if your financial difficulties are because of a job loss. Why? Because as you apply for new jobs, employers may review your credit report.

Contact your lenders if you anticipate payment problems. “Don't wait until after you can't make your mortgage payment or the minimum payment due on your credit card, because by then, you may have damaged your credit rating and you may have fewer options available for getting help,” said Kathleen

President Announces Aid for Millions of Distressed Mortgage Borrowers

Plan features loan modifications and refinancing assistance


On February 18, 2009, the Obama Administration announced a major assistance program to help millions of distressed mortgage borrowers avoid foreclosure or overcome obstacles to refinancing their loans.

The program was announced as *FDIC Consumer News* went to print, and details were still being developed by the Administration.

The plan features two types of assistance for borrowers — loan modifications that reduce the monthly payment amounts for those at risk of losing their home to foreclosure, and refinancing opportunities for borrowers who are current on their mortgage payments but have been unable to refinance because their homes have

significantly decreased in value. For updates and more information, in areas such as who may qualify for loan-modification or refinancing assistance, visit www.financialstability.gov.

The Administration stressed that there will be no fee for loan-modification or refinancing assistance through the new program, so borrowers should be wary of any organization charging a fee, especially if it asks for money in advance.

For basic tips from the FDIC on what to do if you have problems paying a mortgage or other expenses, including ways to find a reputable counselor, see the other article on this page. 

Nagle, FDIC Associate Director for Consumer Protection. Immediately contact your creditors and attempt to work out a solution.


Be proactive if your payment problems have already begun.

Remember, if you can't make your mortgage payments, you risk losing your home to foreclosure. You need to seek help...and do so fast...by discussing your options with your lender or loan servicer (the company that collects payments and performs other work for the lender, including negotiating new payment plans with borrowers who are late or delinquent on their loan payments).

Or, you may first want to seek help from a trained, reputable housing counselor. To find one, start by contacting groups such as NeighborWorks America (www.nw.org) or by calling 1-888-995-HOPE (4673). You also can find a housing counseling agency certified by the U.S. Department of

Housing and Urban Development (HUD) by going to www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm or calling 1-800-569-4287. (Also see the box above regarding a major new assistance program for distressed homeowners announced by the Obama Administration.)

Likewise, if you're having problems paying your credit card, student loan or other debt, contact your lender to work out a solution. And if you need help negotiating with a lender or otherwise getting a debt problem under control, consider asking an attorney, accountant or another trusted advisor to refer you to a reliable credit counselor who, at little or no cost, can help you develop a recovery plan. Many communities have free legal-assistance programs that can provide advice and referrals.

Finally, for warnings about scams that target consumers having credit or debt problems, see Pages 5 and 10. 

When a Debt Collector Calls

Beware of unfair practices and scam artists offering to “help” with credit counseling and debt management

People who are late making payments on a loan, a credit card or other bills may eventually be contacted by a “debt collector,” a third-party hired by the original lender. Dealing with a debt collector can be stressful. But be aware that if you are overdue on a bill and get contacted by a debt collector, the federal Fair Debt Collection Practices Act requires that you be treated fairly and without harassment.

In general, the law prohibits certain unfair and deceptive collection practices. For example, the law prohibits a debt collector from calling you before 8 a.m. and after 9 p.m., unless you agree. The law requires a debt collector to stop contacting you if you make the request in writing.

Also, within 30 days from the initial contact made by a debt collector, you have a right to dispute any of the debt you are told you owe. If you dispute the bill in writing, the debt collector can't contact you again to collect the money until you are provided with proof of the debt, such as a copy of a bill.

If you have a problem with a debt collector, you can report it to your state Attorney General's office (listed in your local phone book or other directories) and the Federal Trade Commission (visit www.ftc.gov or call toll-free 1-877-FTC-HELP, which is 1-877-382-4357).

Note that the Fair Debt Collection Practices Act covers debt collectors but not banks or others that lend the money initially. However, under federal law governing unfair or deceptive business practices, banks cannot engage in abusive behavior when trying to collect a debt. If you have a question or a concern about your bank's practices, contact its federal or state banking regulator. You have the right to file a complaint with the regulator if you believe the bank acted

improperly or illegally. If you're not sure how to locate that regulator, you can contact the FDIC for guidance (see the back page).

Also be on guard against scam artists who prey on people who are late paying their bills by offering to “help” by reducing or eliminating their debts.

“Consumers should be especially wary of promotions and unsolicited offers by companies that advertise credit counseling services or that promise to settle your debts with your creditors for less than you owe,” said Deirdre Foley, an FDIC Senior Policy Analyst. “While there are many reputable organizations that offer credit counseling or that help consumers manage their debts, other companies charge high fees for questionable services or for services that are never delivered.” (Also see Page 5 for tips on how to avoid mortgage rescue schemes and a variety of credit-related frauds.)

Be on guard against scam artists who prey on people who are late paying their bills. Be especially wary of promotions and unsolicited offers that promise to settle your debts with your creditors for less than you owe.

Foley added that before working with any company or organization that says it will settle or negotiate your debts, check it out with your state Attorney General and the Better Business Bureau.

For more information about how to protect yourself when dealing with a debt collector or a credit counselor, read the consumer facts published by the Federal Trade Commission at www.ftc.gov/bcp/menus/consumer/credit/debt.shtm.

For guidance from the FDIC about how to handle difficulties making a loan or bill payment, see Page 9. 🏠

Take Charge of Your Credit Cards

Credit cards offer tremendous benefits for consumers, including the ability to afford purchases big and small, in good times and bad. But chances are you can get even more out of your credit cards — and save more money — if you remember these basic tips.

Choose them carefully. Don't choose a card just because of the freebies that come with it or because there's no annual fee. Look for a card that's best for your borrowing habits.

Ask yourself if you expect to pay your balance in full or if you'll routinely carry a balance on your card from month to month, which means you'll be charged interest. Generally speaking, if you expect to pay your credit card bill in full each month, your best bet is a card with no annual fee and with the kind of rebates or rewards that fit your lifestyle. If you don't expect to pay off your card balance in full most months, look for a card with a low interest rate and the right mix of rebates or rewards to justify any fees, including an annual fee.

Also, before you apply for a card, carefully review all other terms and conditions, which must be disclosed to you before you incur any charges on the account. Once you use a card, you have entered into a contract with the card issuer and you are obligated to abide by the terms disclosed to you.

Use them carefully. Credit cards offer great benefits, especially the ability to buy now and pay later. But you've got to keep the debt levels manageable and pay on time. If you don't, the costs in terms of fees and interest, or the damage to your credit score (see Page 8), could be significant. Among the most important things to know and do:

- Understand your card's terms, especially when interest will be charged and at what interest rate. Be aware of the circumstances that would allow your card issuer to increase your interest rate.

- Pay as much as you can to avoid or minimize interest charges. If possible, pay your bill in full each month. Remember, paying only the minimum due each month means you'll be paying a lot of interest for many years with little reduction in the amount you owe. Those interest costs could far exceed the amount of your original purchase.

- Pay on time to avoid late fees. One option is to arrange for an automatic withdrawal from your checking account to cover your credit card bill and perhaps other recurring expenses (but be sure to record the transaction). Another option is to pay online, generally at least two days before the due date to be sure it is processed on time. If you pay by regular mail, allow enough time for delivery and processing by sending your payment about a week before the deadline.

- Stay below your credit limit to avoid penalties and a reduction in your credit score.

- Read all the mailings from your card issuer. They may include notices of an interest rate increase, a reduction in your credit limit or other changes in your account.


- Check for errors on your credit card bill. If you find charges you didn't make, call your lender immediately to guard against fraud. Also, protect your rights under the law by mailing a letter to the card issuer's address for billing disputes (found on your credit card bill) within 60 days of the date of the bill. A phone call, fax or e-mail isn't enough to fully protect yourself.



Guard your credit card numbers from thieves. Never provide your credit card numbers — both the account number and expiration date on the front and the security code on the back — in response to an unsolicited phone call, e-mail or other communication you didn't originate.

In general, only give your credit card or card numbers to reputable merchants or other organizations, and preferably only when you initiate the transaction.

When using your credit card online, make sure you're dealing with a legitimate Web site and that your information will be encrypted (scrambled for security purposes) during transmission.

For more guidance, see "How to Choose and Use a Credit Card" at www.fdic.gov/consumers/consumer/cc/choose.html. 

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For More Help or Information

Go to www.fdic.gov or call toll-free 1-877-ASK-FDIC — that's 1-877-275-3342 —

Monday through Friday
7:00 a.m. to 8:00 p.m., ET
Saturday and Sunday

9:00 a.m. to 5:00 p.m., ET

How to Learn More

Sources of Help and Information on Managing Your Money

The Federal Deposit Insurance Corporation has staff and other resources that can answer questions about deposit insurance and banking. If you have a complaint involving an individual institution that you are unable to resolve directly with the institution, you may contact the FDIC or another government regulator for assistance.

Start at www.fdic.gov/quicklinks/consumers.html or call toll-free 1-877-ASK-FDIC (1-877-275-3342). Information specialists are available 7:00 a.m. to 8:00 p.m. (Eastern Time), Monday through Friday, and from 9:00 a.m. to 5:00 p.m., Saturday and Sunday.

FDIC publications, including our quarterly *FDIC Consumer News*, are available at that same Web site and

upon request (by calling that same telephone number and selecting the option for “FDIC publications”). You can also e-mail us using the Customer Assistance Form at www2.fdic.gov/starsmail or send a letter to the FDIC, Division of Supervision and Consumer Protection, 550 17th Street, NW, Washington, DC 20429-9990.

Other federal, state and local government agencies also publish consumer information and have staff, Web sites and other resources that can help answer questions on financial matters.

Start at www.mymoney.gov, the federal government’s central Web site about managing your money. Its tips from the FDIC and other government agencies include suggestions for dealing with

job loss, mortgage problems and other financial concerns during difficult times.

For additional information from the U.S. government on money management, go to www.usa.gov/Citizen/Topics/Money_Taxes.shtml or call toll-free 1-800-FEDINFO (1-800-333-4636).

You may also find additional information or assistance at your state or local government’s Web site or by calling a consumer affairs office listed in the government pages of your phone book.

Financial institutions, consumer organizations and the news media also publish personal finance tips you can find by searching the Internet. 