Car Buying

Today, 88 percent of Americans drive their cars to work, with two-thirds of new jobs located in suburban areas away from public transportation systems. A car can be a critical factor in getting and keeping a job and moving up the career ladder toward financial independence. Lack of access to a car creates serious difficulties for parents who juggle work, errands and transporting children to school, child care, and other activities. Cars make commuting at night safer and decrease the vulnerability of families during emergencies.
However, low-income people, and those without bank accounts or a credit history can be misled when purchasing a car. On average, low-wage workers pay more than other households to purchase and maintain a comparable car.
Here are some key things to consider when purchasing a car:

- Consider your driving habits, needs and budget
- Research car models, options, and prices ... a good resource is Kelly Blue Book
- Make sure you understand the loan agreement before signing any paperwork
- Insist on getting the car inspected by a responsible and trustworthy mechanic before purchasing
- Never negotiate based on a "What you can afford to pay per month?" basis

Avoid "Buy Here/Pay Here" car lots. At these lots, the car dealer and not a finance company, extends credit to the buyer and they often require a high down payment amount and excessively high interest rates for their loans. In addition, most buy here/pay here lots do not report payment history to the credit reporting agencies, which prevents consumers from building their credit history through timely repayment of their car loan.

Don't be talked into a bad deal. Clients should take their time when buying a car and stop the transaction if feeling pressured or confused. Buying a car can be an intimidating experience in particular for someone who has little credit history or has language barriers. Low-wage workers often don't have checking/savings accounts or credit cards due to fear or uncertainty about how banks and credit unions work. Learn more about the banking and credit union industry so you will have a trusted and reliable resource to turn to when applying for car loans.

Resources:
Kelly Blue Book - kbb.com
Federal Trade Commission - ftc.com
Annie E. Casey Foundation, *Pursuit of the Dream, Cars & Jobs in America*. Report found on - aecf.org

Credit

Credit Reports and Scores

A credit report is a record of data or information regarding the credit history of an individual. Credit Reporting Agencies keep and organize this information as a service to their clients. Clients would include creditors, banks, credit unions, department stores, leasing and finance companies, insurance companies, landlords and employers. Based on credit reports and scores, lenders determine what interest rate you will receive regarding credit cards and other types of loans.

A credit report includes personal information such as name, current and previous addresses, birth date, social security number and public records, credit account information, collection agency account information and a record of companies that have recently requested your credit profile. Credit reports do not include information about your lifestyle, medical issues, political activities or religious beliefs.

Credit scores can range from 300-850 based on information from a credit report. The higher your credit score, the lower your perceived risk from a lender. The following information contributes to your credit score:

- Payment history (35%)
- Amounts owed (30%)
- Length of credit history (15%)
- New credit (10%)
- Types of credit used (10%)

Under the Federal Fair and Accurate Credit Transactions Act, every American is entitled to one free credit report from each of the three major bureaus per year – TransUnion, Equifax, and Experian. Get your free copy annualcreditreport.com or by calling toll-free 1-877-322-8228.

Consumer reporting agencies are not responsible for providing the free numerical credit score and often charge a fee for providing scores. If you find discrepancies on any of the three credit reports you have the right to request that misinformation be removed from the report. If you find errors, contact all three credit bureaus and your lender.

Tips for improving your credit score:

- Pay your bills on time; get current and stay current
- Pay off debt rather than moving it around
- Don’t close unused credit cards as a strategy to raise your score; closing an account doesn’t make it go away
- Re-establish your credit history if you have had problems

Resources:
Maryland Cash Campaign - mdcash.org
Understanding Your Credit Report - greenpath.com
Take Charge America - takechargeamerica.org

Debt Relief

You may be overwhelmed by being in a continuous cycle of debt, where bills and expenses seem to keep piling up and with no relief in sight. If you are willing to set financial goals and establish a debt reduction plan, help is available. Very motivated and disciplined people may be able to get relief by adopting the following tips for reducing debt:

- Create a budget
- Reduce expenses and devote more money to repaying debt
- Contact creditors and work with them to develop a repayment plan

Credit Counseling and Debt Management Plans

Many individuals have difficulty handling everything on their own and some just need a little help in planning how to reduce their debt. Credit counseling agencies are available to help, though you should make sure the agency is reputable, nonprofit, low-cost, and registered under the National Foundation for Credit Counseling (NFCC). A credit counselor may recommend a Debt Management Plan (DMP), which is a three to five year process to reduce debts while you make timely, regular payments to a credit counseling agency that uses these funds to pay creditors. DMPs are designed for people who cannot repay their unsecured debt under normal conditions. Although there may be no fee for the initial credit counseling, these organizations often charge a small monthly fee for helping to manage a DMP. In return, you are supposed to get a financial break – usually through creditor agreements that waive fees and lower interest rates.

Debt Consolidation

Another debt relief option is debt consolidation, which reduces debts into a single monthly payment. Debt consolidation can result in high interest charges, fees and collateral may be expected. These costs often just make matters worse in the long term. When in doubt, do not refinance or consolidate debts.

Debt Settlement

If you hear something that sounds too good to be true, it probably is. We have all seen ads for debt settlement companies that promise to reduce debts by 50-80 percent. These programs are risky and there is no guarantee they are legitimate.

Negotiation and settlement services differ from debt management services in that they do not ask creditors to send in monthly payments and then apply payments to their debt. Instead, they will ask you to deposit money into an account the company holds onto while the company works on negotiating a settlement for less than the full amount owed. Sometimes, these companies find ways to subtract monthly fees without providing any actual services. Take our advice: research these companies and programs thoroughly before choosing the right debt settlement alternative for you.

Resources:
Guide to Surviving Debt, 2010 Edition, National Consumer Law Center, Principal Author Deanne Loonin
Maryland Cash Campaign, mdcash.org

Financial Services for Immigrants

Immigrants constitute a growing share of the U.S. population. However, when compared to natives, foreign-born residents are more likely not to use the services of a bank, less likely to participate in formal retirement savings programs and have lower levels of financial literacy. Issues such as language and systemic barriers, misinformation, cultural differences and an underdeveloped trust for traditional financial institutions have kept new Americans away from banks. Many traditional financial institutions have fees and services that are not clearly explained; immigrants have been wary of opening bank accounts. To better engage immigrants in mainstream financial services, banks and credit unions will need to clearly define account terms and fees and help to provide them with more financial education. To build assets, immigrants may wish to build credit by demonstrating financial responsibility by using bank or credit union accounts.

Some traditional financial institutions have begun to accept Individual Taxpayer Identification Numbers (ITINS) as valid forms of ID. The ITIN is a nine-digit tax processing number issued by the Internal Revenue Service (IRS) to individuals who do not qualify for a Social Security number but earn income in the United States. Immigrants who do not have a social security number (SSN) or who are not eligible to receive a one, may apply for an ITIN using IRS form W-7. Visit irs.gov for more detail.

Remittances

Some financial institutions offer remittances, which allow immigrants to send money abroad to their families. The population of remittance senders is mostly recent immigrants with little education and low earnings and not much familiarity with banking systems in the United States or their home countries. Latin immigrants typically send $150-$400 monthly and roughly 10-20 percent of their yearly income abroad. Traditional money transfer costs range from 4-20 percent of the monetary value sent. Remittance senders may be unaware of the full costs they are paying to send money home and have made little effort to explore alternative methods. Instead, they tend to rely on word-of-mouth recommendations, familiarity and convenience in choosing a method for transferring money, even when concerned about paying high fees. Comparing fees at several locations, especially if sending remittances regularly, is a good practice.

Fraud

Immigrants are often targeted with products such as payday loans that have extremely high interest rates. Payday loans go by a variety of names, including “deferred presentment,” “cash advances,” “deferred deposits,” or “check loans,” but they all work in the same way. From highly-visible signs and convenient neighborhood locations, payday loans beckon borrowers with promises of quick cash and no credit checks. Far less noticeable are the loan terms that include high-cost fees and high interest rates. Instead of a small amount owed for a couple of weeks, borrowers become trapped in thousands of dollars of debt from fees and interest that can last a year or even longer. These loans can create a never-ending cycle of debt.

The Home Mortgage Disclosure Act indicates that 47 percent of Hispanics are in subprime loans as they may have limited credit histories and cannot qualify for prime market loans. Subprime loans come with higher interests rates and are five times more likely to go into default and foreclosure than other mortgage loans.

Banks have been working with community partners to develop outreach strategies to engage more immigrants in using traditional financial products. These partners are usually faith-based, cultural centers or social service agencies where immigrants may seek assistance. Banks are working with community partners to offer financial education or credit counseling courses to help improve mainstream financial services usage rates with this population.

Resources:
Pew Hispanic Center pewhispanic.org
Maryland Cash Campaign mdcash.org
Center for Responsible Lending responsiblelending.org
Department of Housing and Urban Development hud.gov

Financial Services

A bank is a financial institution operating under federal and state laws and regulations. Banks make loans, pay checks, accept deposits and provide other financial services. A credit union is a non-profit financial institution owned by people who have something in common. You have to become a member of the credit union to keep your money there. Here are a few reasons you may want to consider keeping your money in a bank or credit union:

- Safety – Money is safe from theft, loss, and fire.
- Convenience – Access your money quickly and easily. Use direct deposit, for example, it saves time and allows quicker access to your money. Electronically deposited funds in your account are available sooner than deposited checks.
- Cost – Using a bank or credit union is often cheaper than using other businesses to cash checks or pay bills.
- Security – The Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) insure deposits up to the maximum amount allowed by law. This means that if for some reason a bank closes and cannot gives customers the money they had in the bank, the FDIC/NCUA will return the money to the customers.
- Financial future – Building a relationship with a bank and establishing a record of paying bills can help you save money and is necessary for getting a loan.

Bank Accounts

Opening and maintaining a bank account is not as difficult as you might think. First, to open a bank account you will need to have your account verified, a process where the bank makes sure you are who you say you are and that you will be a responsible bank account customer. The bank will request your name, address, date of birth and Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN) and will request a state-issued identification card, driver's license, passport, or perhaps even your student ID card. Since practices vary, ask your bank what type of identification you need.

Next, you put money into your account. This is called a deposit. Depending on what you deposit (cash, a payroll check, or a check drawn on an out-of-state bank) you may not have immediate use of the funds. The bank must first make sure there are funds at the bank of the person who wrote the check to cover your check. Be sure to ask the bank when you can use the money you deposited.

You can open a savings account with a few dollars, but you might pay a monthly fee if the balance is below a certain amount. A savings account is an account that earns interest. Interest is a percentage of your balance that the bank pays you for keeping your money at that bank. A checking account lets you write checks to pay bills or to buy goods. You generally cannot write checks on a savings account. The bank will generally help you keep track of your account by sending you a statement.

Financial institutions charge fees for different services from maintenance fees for keeping your account open to overdraft fees for withdrawing more money than you have in your account. For example, if you have $50 in your account and you write a check for $60 to pay a bill, then your balance will be -$10.
The bank will charge fees as a penalty, sometimes $30 or more, which will be charged to your bank account. You must deposit money to correct this and keep your balance positive. It is a good idea to compare rules and fees for different types of bank accounts. Some banks may require you have a certain balance available to earn interest or avoid fees. This is usually called a minimum balance.

Additional Banking Services

- **Money Transfers** – Money, or wire transfers are electronic shifts of money from one bank to another. A remittance is a money transfer to be sent to a bank or person in another country. Your bank may be able to send a money transfer more cheaply than it would cost you to send money through companies like Western Union or Moneygram. Most banks are able to send money to banks out of the country.

- **ATM** – An Automated Teller Machine (ATM) is a kiosk or terminal where you can deposit, withdraw, or transfer money from one account to another 24 hours a day. You can use the ATM for many services but there might be a fee involved if you use another bank's ATM.

- **Telephone Banking** – Check your account balance by phone, transfer money between accounts, get account history, stop payment on a check, and report lost, stolen or damaged ATM or credit cards.

- **Direct Deposit** – Your paycheck or benefit check is electronically transferred and directly deposited into your account.

- **Online Banking** – Most financial institutions allow you to pay bills, review account balances, transfer funds between accounts, and submit loan applications online.

- **Debit or Check Cards** – Use this card to buy items from a store or business – the money comes out of your bank account immediately. The debit card also functions as an ATM card.

- **Stored Value Cards** – "Load" or deposit money for future purchases such as telephone cards with prepaid minutes or international gift cards to use anywhere the VISA or MASTERCARD logos are displayed.

Resources:
Money Smart fdic.gov

Housing

Shelter is one of our most basic needs. Whether you choose to rent or purchase a home or need housing assistance, there are several considerations for each option.

Many people dream of becoming a homeowner. A home is the most expensive single item most people will ever buy. It is an asset that can appreciate in value and provide the owner with tax benefits. However, the rewards of homeownership come with a number of responsibilities, including:

- Paying property taxes
- Purchasing homeowners insurance
- Paying Homeowners Association Fees (HOA), if applicable
- Paying for utilities such as water, gas, electricity
- Home Repairs

When planning to purchase a home, determine how much you can afford by analyzing debts and income. The monthly payment, which includes principal, interest, taxes and insurance should not exceed 30 percent of gross income. Visit a lender to get a no-cost pre-approval letter for a mortgage loan.

If you are new to the concept of homeownership, homebuyer workshops and housing counseling are available. To find a counselor near you, contact the Department of Housing and Urban Development at 1-800-569-4287 or HUD's website. There are also many resources on the site to assist with buying, maintaining and keeping your home. Affordable apartments and houses are also available through the Department of Housing and Urban Development (HUD). The Section 8 program can provide affordable public housing units or locate apartments in participating venues and may pay a portion of rent with choice vouchers. To apply for housing assistance, visit hud.gov and select your state.

Renting or leasing a house or apartment has its advantages:

- Fixed monthly rental payments which may include water, sewage, trash
- No property taxes
- Maintenance is not the renter's responsibility
- May include amenities such as pools or fitness centers

Once you enter into a lease, you are subject to its terms until the lease is terminated. If you move before the lease ends, you may be responsible for paying rent through the term of the lease or until the landlord finds a new tenant to fill the vacancy. Find information regarding tenant rights related to security deposits and eviction notices at rentlaw.com.

Resources:
Financial Coaching Training Central New Mexico Community College/Bank of America
Department of Housing and Urban Development hud.gov

Income Supports

Local, state, and federal agencies offer social welfare programs providing quality services that promote safety, well-being, and self-sufficiency of children, adults, and families in need. To see a list of agencies and services, visit Arizona's Department of Economic Security to learn about organizations that may be able to help clients determine what benefits are available in Arizona.

Temporary Assistance for Needy Families (TANF):
For families (with children) who need help paying bills and stabilizing finances, cash assistance may be available. The federal TANF program provides billions of dollars annually to support state programs. The Temporary Assistance for Needy Families (TANF) Cash Assistance program provides temporary cash benefits and supportive services to the neediest of Arizona's children and their families. The program helps these families meet their basic needs for well-being and safety and serves as a bridge back to self-sufficiency. Eligibility is based on citizenship or qualified noncitizen resident status, Arizona residency and limits on resources and monthly income. Adults in families receiving cash assistance must work or participate in work-related activities for a specific number of hours per week depending on the number of work-eligible adults in the family and children's ages.

Cash Assistance may be available to needy families with dependent children, as well as:

- Kinship Care families
- Kinship Foster Care families
- Two-Parent families
- Unwed Minor Parents
- Legal Permanent Guardians

Unemployment Insurance:

Clients who have involuntarily lost their jobs, possibly due to layoffs or business closing, may be eligible for unemployment compensation. The amount of compensation is based on the individual's previous earnings. They need to have been employed for a certain period of time and earned a certain amount in wages to qualify. Clients also must be currently able to work, seeking work, and registered to work with their state unemployment office.

Low Income Home Energy Assistance Program (LIHEAP):

Heating and cooling bills can be costly, and clients should not have to choose between providing a nutritious meal or warmth for their children. Energy assistance programs, coordinated among federal and state governments and utility companies, are available to help low-income households meet their energy needs. This program can help clients with utility deposits and bill payments.

Food Assistance Programs in Arizona:

PROGRAM / DESCRIPTION	ELIGIBILITY
SNAP is the national program to make sure people who meet income guidelines get the food they need. Also known as food stamps, SNAP puts healthy food within reach of eligible households using an electronic benefits card and monthly benefits so people can buy food at participating grocery stores.	Supplemental Nutrition Assistance Program (SNAP) is based on income and resources according to household size
NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS make sure children get a nutritionally balanced meal at school.	All school-age children. Children in households receiving food stamps are automatically eligible.
CHILD and ADULT CARE FOOD PROGRAMS offers nutritious meals and snacks to children and some adults in day care settings	Children from low-income families in licensed non-residential child care centers, Head Start and after-school programs. Adults in certain adult day care centers are also eligible.
WIC is a monthly supplement of food from the basic food groups. Participants receive vouchers to purchase approved food items (including cereal, juice, eggs, vegetables, tuna, cheese, milk, peanut butter, beans and baby formula) at grocery stores.	Women, Infants, and Children (WIC) must meet income eligibility guidelines; nutritionally at-risk pregnant women, breast-feeding and non-breastfeeding post-partum mothers, infants and children up to five years old.

Resources:
Arizona's Department of Economic Security – azdes.gov/
Temporary Assistance for Needy Families – tanf.us/arizona.html

Spending Plan

A spending plan is a strategy for saving and spending money. It is meant as a guide to help you track how much money comes into your home and how it needs to be divided to meet expenses, reduce debt and reach your financial goals more easily. A spending plan is the first step in taking control of your personal finances.

Start by calculating your income and expenses and then organize them into a monthly spending chart. Recurring monthly expenses such as rent, mortgage, and insurance are considered fixed expenses. Variable expenses are items like groceries, entertainment, and clothing because they are flexible and not paid on a particular schedule. Here are some categories and guidelines that could be used to determine how you allocate funds among expenses:

- 30 percent housing
- 20 percent transportation
- 10-20 percent food
- 10 percent insurance
- 20-30 percent taxes, healthcare, entertainment, savings, other

Debt should not exceed 15 percent of a person's spending plan and people should try to save or invest at least five percent.

First determine which expenses are needs and which are wants, and work on reducing the wants while meeting their needs. To see where your money is actually being spent you should track spending over a period of time. There are many free financial programs offered online, such as mint.com, to help with this task. Mint calculates your average spending in any category to help you easily create a budget based on historical spending and compare your spending year-to-year or month-to-month, whatever fits your style. This allows you to see where you can cut back on expenses to accomplish your goals; whether it's minimizing debt or saving for long- or short-term goals. Some fixed expenses that are not needs could be reduced or eliminated; such as unlimited text messaging or specialty cable channels.

If expenses are greater than income, you will want to decrease expenses and try to find ways of increasing your income (such as applying for public benefits, pursuing higher education, or looking for a career/job that pays higher wages). Saving money for your financial goals should be part of any solid spending plan and measured against SMART goals criteria. Goals should be:

S - Specific
M - Measurable
A - Attainable
R - Relevant
T - Time-Specific

Resources:
Mint mint.com
Practical Money Skills practicalmoneyskills.com
Better Budgeting betterbudgeting.com
Maryland Cash Campaign mdcash.org

Student Loans

Long-Term Wealth Creation

A college degree can open up new and interesting career opportunities that increase annual income. According to the US Census Bureau, individuals who have a bachelor's degree earn an average of $1 million more in their lifetime than people who have a high school diploma. As the cost of higher education continues to escalate, more and more individuals rely on student loans to help with college expenses. Some strategies that may help reduce tuition costs include:

- Attending a community college for two years, then transfer to a four-year college
- Take advantage of work-study programs or get a job on campus to earn money to pay as you go
- High School students can take Advanced Placement (AP) courses and receive college credit for scoring well on these tests

You must complete the **Free Application for Federal Student Aid** (FAFSA) to qualify for any federal student financial aid. Then the program determines how much they think an applicant can afford to pay, the estimated family contribution, and will send a Student Aid Report (SAR) with this detailed information. Federal student aid comes from the federal government, specifically, the US Department of Education. It is money to help students pay for education expenses at a post-secondary school (e.g., college, vocational school, graduate school). Federal student loans offer low, fixed interest rates; income-based repayment plans; loan forgiveness; and deferment option, including deferment of loan payments when a student returns to school. Student receiving federal loans do not need a credit history or a cosigner. Private loans from banks do not usually offer such benefits. So, if you need to borrow money to pay for college or trade school, start with federal student loans.

There are four federal student aid categories:

- Grant – This money does not usually have to be repaid. Most Department of Education grants are based on the student's financial need
- Scholarship – Department of Education scholarship money is awarded based on student academic achievement and does not have to be repaid
- Work-study – This money is earned by students through a job on or near campus while attending school and does not have to be repaid
- Loan – Loan money must be repaid with interests

For details about the federal student aid programs, including maximum annual amounts and loan interest rates, visit FederalStudentAid.ed.gov/guide.

There are also other federal funding sources. Visit students.gov to learn out about education funding available from other federal agencies, go to a college website or ask the college's financial aid office about money the school offers its students.

Private loans are another source for education funds; however, credit scores are considered when applying for these loans. Private loans generally have higher interest rates, and variable interest rates instead of fixed interest rates. However, these loans may cost less than accumulating credit card debt to cover expenses.

College savings plans can help clients save for higher education for their children. The Arizona Family College Savings Program (529 Plan) is a Section 529 college savings plan sponsored by the State of Arizona through the Arizona Commission for Postsecondary Education. The 529 Plan is designed to help families meet the rising costs of a higher education. The program offers an easy, flexible, and tax-advantaged way to save for college.

Resources:
federalstudentaid.ed.gov
Maryland Cash Campaign, mdcash.org
finaid.org
az529.gov

Increasing Financial Stability of Individuals and Families

Tax Credits for Working Families

EARNED INCOME TAX CREDIT (EITC)

The Earned Income Tax Credit (EITC) is the nation's largest and most powerful anti-poverty program; larger than the Temporary Assistance for Needy Families (TANF) and Food Stamp Programs combined. The EITC grants boosts 4.5 million people above the poverty line each year, over half of them children. It also stimulates participation in the labor force by rewarding work.

The EITC is a frequently overlooked means of increasing your income if you are employed. If you have not qualified for this credit in the past, a change in your income or a lay-off may make you eligible during a year in which you have financial problems. If you are employed and your total income falls below a certain amount, you qualify for the credit even if you do not have to pay any taxes that year.

Arizona offers free tax preparation services via the Volunteer Income Tax Assistance sites (VITA). By using these free tax services, you can keep more of your hard-earned refund. Many EITC recipients use paid tax preparers and often end up giving back part of their refund due to requesting costly Refund Anticipation Loans (RALs).

Family Size	Single	Married	Federal Credit
0 children	$13,440	$18,440	$457
1 child	$35,463	$40,463	$3,043
2 children	$40,295	$45,295	$5,028
3+ children	$43,279	$48,279	$5,657

CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES

You may be able to claim credit for child care if it is for a dependent who is under age 13 or for a spouse or other dependent who is not able to care for themselves. The credit can be up to 35 percent of the qualified expenses. In order to claim the credit you must:

- Earn income during the year
- Pay for care so your dependent can work, or look for work
- Not pay for care from someone your dependent can claim as a dependent (a grandparent, sibling, spouse, niece, nephew)
- Identify the care provider on their tax return

Claiming tax credits can be a complex process and there may be additional credits available, visit irs.gov for more information.

Resources:
Annie E Casey Foundation aecf.org
Guide to Surviving Debt, 2010 Edition, National Consumer Law Center, Principal Author Deanne Loonin
Internal Revenue Service irs.gov
Maryland Cash Campaign mdcash.org