TURNING YOUR DREAMS INTO PLANS

"The future belongs to those who believe in the beauty of their dreams."

-Eleanor Roosevelt, 1884-1962

First Lady and Political Activist

"To accomplish great things, we must dream as well as act."

-Anatole France, 1844-1924

French Novelist

BE HONEST WITH YOURSELF

I spend too much money on impulse.

I wish I made more money.

I often use my credit card when I know I shouldn’t.

I use coupons and watch for sales.

My friends often talk me into spending money I wish I hadn’t spent.

I pay my bills on time.

I have no control over my money.

I am open to new ideas.

I am willing to change how I handle money.

I often shop when I don’t need to.

Our attitudes about money are guided by our values, and our values are the beliefs that make up who we are. Our values around money, come in part, from the messages we received growing up- messages from family, friends, community, church, etc.

What messages did you receive growing up?

How do those messages affect how you behave around money and what you want for your future financial life?

What are your thoughts and ideas of why it’s important to save?

FITNESS TIP- EMERGENCY SAVINGS ARE A MUST. FINANCIAL PLANNERS RECOMMEND COUPLES SAVE THREE MONTH LIVING EXPENSES AND THAT INDIVIDUALS SET ASIDE SIX MONTHS LIVING EXPENSES. WE RECOMMEND THAT YOU SAVE THE AMOUNT YOU NEED TO FEEL COMFORTABLE.

THE DIFFERENCE BETWEEN A DREAM AND A GOAL IS A PLAN

DREAM: Stability and security for my family

VS.

Goal: Purchase a home within 18 months

Set your goals based on your values. What could motivate you more to achieve your goals than linking them to your own core values? There are no right or wrong answers here.

*THE GOAL MUST BE WRITTEN WITH DETAIL

*THE GOAL SHOULD BE SOMETHING YOU CAN REALISTICALLY REACH

*DOES THE GOAL APPLY TO YOUR VALUES AND LIFE?

*BY WHEN DO YOU WANT TO REACH YOUR GOAL?

REDUCING YOUR DEBT

Tackling your debt will not only reduce stress in your life, but it will also increase the amount of money you have for savings and other planned and unplanned expenses.

Many people feel as is they will never be out of debt and are tempted by credit offers with low introductory rates or an ad urging debt consolidation into one easy payment. If you feel as if you're on the debt treadmill with no way of getting off, you should know there is a better way. The solution to too much debt is not to add additional debt.

UNDERSTANDING THE COST OF CREDIT CARD DEBT:

If you had three credit cards with an average interest rate of 16% and balance totaling $7,700.

What would happen if you made only the minimum monthly payments? It would take you 32 years to pay it off!

ON $7,000.00 YOU WOULD PAY $14,059.00 IN INTEREST FOR A TOTAL OF $21,759.00!

DEBT CONSOLIDATION

Perhaps you've heard ads encouraging you to consolidate all your debt into one easy payment, telling you this is the way to get rid of your debt. Before you take that road, there are some important questions to ask yourself.

• What is the rate a debt consolidation loan? It may only be one rate, but if it higher than your current rates, that is no bargain.

• Is the interest rate adjustable? Perhaps it's a good rate now, but will it be in a year? Or two years from now?

• What is the term of the loan? How long will it take to pay off? Will it take longer to pay off than if you paid the individual debt on your own? If so, you'll be paying more interest over the long term.

• Are there prepayment penalties? If you'd like to pay off the loan early to save yourself some interest, will you have to pay fees?

• Does it fix the problem or extend it? Are you locking yourself f into a situation where you will be forced to pay more interest over a longer period of time, which would only extend your debt?

PAY DOWN DEBT TO INCREASE YOUR MORTGAGE PURCHASING POWER

Lenders look at three factors to determine whether you qualify for a mortgage loan and how much you qualify to borrow.

1. **CASH**- Lenders usually expect that the buyer contributes some money towards the purchase of the home. You need to have savings to cover:
   - down payment
   - closing costs (3-5% of the mortgage loan amount)
   - 1-2 moths living expenses as emergency reserves (required sometimes)

2. **Capacity-** your ability to pay back the mortgage loan. It takes into account both your income and minimum monthly payment on debts. (Debt to income ratio)

3. **Credit History-** Your credit history shows a lender your willingness to pay past debts and is believed to be an indicator of your future risks. We'll examine this in detail

UNDERSTANDING CREDIT

CREDIT IS YOUR ABILITY TO BORROW MONEY. Any time a bank, finance company, or business lends you money and you agree to pay it back at a later date, you are using credit. In most cases, there is a charge for borrowing the money, either in the form of fees or interest or both. There are both advantages and disadvantages to using credit.

ADVANTAGES OF USING CREDIT:

- Credit allows you to purchase large items that you might not have enough cash to pay for, such as a house, car, or college education.
- Credit can be good for emergency situations.
- Credit is convenient. Using a credit card is a way to pay for things without having to carry large amounts of cash. Also, your monthly credit card statement provides you with a record of your purchases.
- Some credit card companies may offer protection against liability in the event that someone uses your card number to make unauthorized purchases.

DISADVANTAGES OF USING CREDIT:

• Credit costs money. There is usually a charge for spreading payments over a period of time.
• Credit can temp you to spend more than you can afford to repay. You are more likely to purchase items you do not need.
• Lenders, employers, and landlords often request a copy of your credit report. If you mismanage your credit, it can affect you're your ability to get additional credit, get a job, rent an apartment, or buy a house in the future.
• When you make a purchase using credit, you commit to using your future income to repay the debt.
• Lenders will report all missed credit payments to the credit bureaus. This will affect your ability to get additional credit in the future.
• If you mismanage credit and are unable to repay the lender, they may repossess, or take back, the item you purchased.

-Objective- To understanding how credit affects our financial life and to learn ways to improve credit.

CREDIT AFFECTS YOUR ABILITY TO BORROW WISELY

Your credit is one of the factors that will determine what interest rate you will qualify for with most lenders. In general, a higher credit score rating will mean greater access to lower interest rate loans.

ESTABLISHING CREDIT

You may not have a credit rating, simply because not enough information is available about you. It's important to meet with SNAC or NCC staff to see what your you should do to establish credit to purchase a home. Here are some general ideas for building credit history over time.

1. Start by opening a checking account and do not overdraw it.
2. Make regular deposits into a savings account.
3. Visit your bank to open a secure credit card. They will ask for a deposit or they can freeze funds you may already have in your account to secure the card. This deposit amount will be the same as your credit limit. It works just like a normal credit card. After you have paid on time for a few months, they will unsecure the card and un-freeze the deposit.
4. Make sure your rent, utilities, and other bills are in your name and that you pay them on time each month.

KEY TERMS

CREDITOR: The financial institution or business who extends you credit with the agreement that you pay them back with interest. (They also have terms and conditions that you agree to meet) Examples are VISA, MasterCard, car loans, retail stores, etc.

CREDIT BUREAUS: Companies that collect information on consumer's credit. (you)

ORDERING YOUR CREDIT REPORT

www.annualcreditreport.com

Under the Fair Credit Reporting Act, all consumers can obtain one FREE copy of their credit report every 12 months from each of the three credit bureaus at this website.

If you don't have access to the internet, you can also get your free copy by calling toll free 1-877-322-8228 or by writing to:

Annual Credit Report Request Services

PO Box 105281
Atlanta, Georgia 30348-5281

FACTORS LENDERS CONSIDER WHEN EXAMINING YOUR CREDIT REPORT

• Derogatory credit (Collections, charge-offs, late pays-30-60-90 days late)
• A “pattern and practice” of derogatory credit is evaluated more harshly than a period of time that can be explained by an unusual circumstance (loss of job, hospitalized, etc.)
• Credit Score
• Lack of credit history
• Recent Bankruptcy or previous foreclosure
• Public records (interest in pending legal disputes, divorce, lawsuits, etc.)
• Inquiries (alert for multiple inquiries within the year)

UNDERSTANDING YOUR CREDIT SCORE

A credit score is a number that tells a lender how likely you are to repay a loan, or to make credit payments on time. It is also referred to as a FICO or BEACON score. A credit score is a three-digit number between 350 to 850 that is generated by a computer. It is based on the information in consumer credit reports, including your debt profile and bill-paying history. Each lender will weight your score in a slightly different way. The higher the score the better your eligibility for a lower-interest loan.

HOW YOUR SCORE IS CALCULATED

Credit scores are calculated from a lot of different credit data in your credit report. This data can be grouped into five categories. A percentage in each category reflects how important each of the categories is in determining your score.

1. Payment history- 35%
2. Amounts Owed- usage 30%
3. Length of credit history 15%
4. New Credit 10%
5. Types of credit 10%