CONSUMER CREDIT COUNSELING SERVICE OF ROCHESTER

RethinkingDebt

CCCS of Rochester/RethinkingDebt Headquarters: 1000 University Ave, Rochester, NY 14607 **Summer 2018**

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SMART CHECKING PROGRAM

By: Jennifer Profetta, Smart Checking Program Coordinator

CCCS of Rochester has been partnering with community financial institutions to help people get back on track with better money management skills. We offer a program called Smart Checking which helps individuals gain knowledge about bank account management through education and accountability.

Why is it so important to manage your bank account? When your money is withdrawn from the account and the balance goes below zero, you could incur a hefty overdraft fee depending on terms of the account. These are also called a nonsufficient funds fee or NSF. These bank fees can start to add up making it harder to pay other expenses. It's like taking your money and throwing it right out the window.

How will this program help you? You can schedule an appointment with an expert to review how you are managing your money in your bank account and learn ways to avoid fees. Assistance with creating a budget and review of credit will also be conducted during the appointment.

Smart Checking also offers weekly financial tips. To enroll and get weekly financial tips to help you stay on track, simply text the keyword CCCS to 797979. Text message and data rates apply.

To schedule an appointment for Smart Checking counseling, call our office at 585-546-3440 or email us at cccsinfo@cccsofrochester.org.

If you have questions or would like to learn more about this program, please email us at smartchecking@cccsofrochester.org

Back to School Shopping Tips

By: Amy Holland, Advisor

The summer is almost over, which means it is time for back-to-school shopping. For many families, buying clothes and supplies for the new school year can be expensive. Here are a few tips to make the most of your budget for back-to-school shopping.

•Review supply lists- Stick to purchasing supplies listed and avoid purchasing extra items. Check out grocery stores and dollar stores for good deals on commonly requested items. Look around the house for supplies that you may already have. Binders, folders, pens, crayons, and pencil boxes could be re-used if still in good condition. Consider making it fun by letting your kids decorate and make them new again.

•Save on clothing- With all the back-to-school sales, it can be tempting to overspend. It's a good idea to have a set budget for each child. Check out the summer clearance racks for extra deals on clothes that can easily transition from summer to fall such as polos, khakis, and dresses. Consider checking out local thrift stores, Craigslist, and consignment shops. You could also contact other friends and family to get together and host a clothing swap. Kids outgrow clothes quickly, so it would be a good way to exchange some perfectly fine clothes and save some money at the same time.

•Plan ahead for upcoming school expenses- With purchasing supplies and new clothes, it is easy to overlook expenses that come up soon after the school year starts. It's a good idea to budget for or start a savings account for upcoming expenses such as school pictures, sports, instrument rentals, and extra-curricular activities. You can also get your child involved to help teach them some budgeting basics. It can help them know their activity of choice is not only a time commitment, but a financial commitment as well.

Protect your Identity

By: Lynette Baker, Director of Outreach and Marketing

Identity Theft is quickly becoming one of the most organized and costly crimes of modern times. Identity Theft is a crime in which an imposter deceptively obtains identifying personal data and uses it for their own personal gain. Some of this data might include social security numbers, driver's license numbers, credit card numbers and bank account numbers. The process can start with a stolen wallet, pilfered email or an online data breach. Identity Theft can affect anyone of any age, including children!

Over 8 million people are victimized by identity theft each year, with identity theft remaining the top complaint to the FTC for 11 years running. Overall losses from identity theft were over $16 billion in 2017. Here

are some tips for protecting your identity:

•Buy a shredder and use it! Shred everything including credit card receipts, old bank statements, medical statements, every day bills and pre-approved credit card offers.

•Monitor your credit and bank accounts carefully, so you'll know if a bill is missing or if unauthorized purchases have been made.

•Protect your Social Security number. Only give out your Social Security number when absolutely necessary.

•When shopping online, make sure that websites are secure or in an encrypted mode. The best way to do this is to look for a web address that begins with https.

•Consider signing up for a credit monitoring service. Such services alert you via email anytime there is an inquiry or other activity to your credit report.

•Order your credit report regularly. The best way to protect your identity is to be proactive. It is much more difficult to recover from identity theft than to take steps to stop it before it happens.

Ask CCCS

By: Rafael Ruiz, Client Support Specialist

Q- What's the difference between CCCS of Rochester's Debt Management Program and debt settlement?

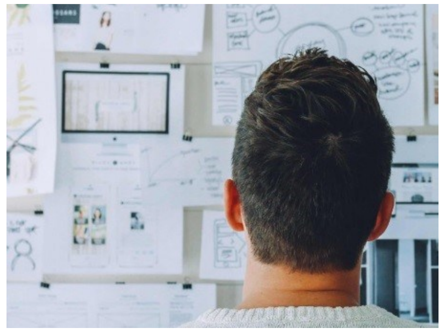
A- The two terms are often used interchangeably. This is where a great deal of confusion occurs for the consumer who doesn't realize that these are two very different debt relief services.

•**Debt settlement** is negotiating with creditors to settle a debt for less than is owed. This method is often used to settle a single substantial debt but can involve multiple creditors. The company negotiating for you makes an offer to your creditor to settle the debt for less than what is owed. For example, if you owed $10,000, they might offer the creditor a lump-sum payment of $5,000. Sounds great but…

Debt settlement firms instruct you to stop paying your bills for a period of three to six months. After that, the debt settlement firm approaches your creditors to begin settlement negotiations. Using a debt settlement company can have disastrous consequences for your credit score. A single 30-day late payment can lower your credit score by 50 points or more, FICO officials say.

Also during this waiting period additional fees will add up including late fees and interest. Debt settlement operates on the premise that, after your creditors have not been paid for many months, they'll be more likely to settle your debts — for pennies on the dollar.

The fact that you settled your debt remains on your credit report for seven years, making it difficult for you to get credit from lenders.



Debt settlement companies also charge a fee which is usually a percentage of the amount owed. The fees generally are 20–25% of the final settlement, so if your final settlement is $5,000, you could owe another $1,000 to $1,250 in fees.

There could be tax consequences from a debt settlement. The IRS may count whatever amount is forgiven as income and require you to list it on your taxes. This is a serious situation that consumers frequently overlook. Let's say your debt settlement firm reduced your Visa bill from $50,000 down to $10,000. After the settlement, your credit card lender will report the amount of debt forgiven to the IRS. The IRS will expect you to pay income tax on that extra $40,000. Your credit card bill may have gone down, but your tax bill just went way up.

•A **Debt Management Program** (DMP) is a popular choice that helps you pay off debt without the damage to your credit score and there are no tax consequences. A DMP usually takes 3–5 years to eliminate the debt. CCCS of Rochester provides DMP's and will focus primarily on reducing your interest rates and fees to make your debt repayment more affordable. Debt management agencies work with credit card companies to lower your interest rates. Sometimes as low as 0%. Debt Management can also involve a monthly fee but this is typically small and is more than made up by your savings from interest and fees each month.

In most cases, enrolling in a debt management program has no negative impact on your credit score. Your credit score may actually improve during the course of your program with regular and on-time payments. After making one monthly payment to your debt management provider, payments are sent to your creditors on your behalf. You will get a monthly statement showing account activity and balances, so you can monitor your progress.

The bottom line is this: with debt management, you pay off your full debt with reduced interest rates, and a guarantee of being debt free in 3 to 5 years. With debt settlement, you work to negotiate a lower debt, while making monthly payments to accumulate a pay-off amount. There could be tax consequences and your credit score will be damaged after failing to make regular payments during the negotiation period.

In the end…think twice about your course of action because once damage is done to your credit score it is hard to rebuild it. For more information, visit our website at www.cccsofrochester.org

Tax Implications of Student Loans

By: Stacey Walker, Advisor

There are a few different ways that student loan debt affects your taxes.

You can deduct student loan interest from your income. If you paid interest on student loans last year, you can lower your taxable income by up to $2,500.

Student loan borrowers can deduct the interest paid last year through the student loan interest deduction. Your student loan servicer will send you a Form 1098-E if you paid $600 or more in interest last year. Ask your servicer for the document if you paid less than $600 in interest; you'll still be able to deduct that amount, but you may not automatically receive the form.

Filing taxes jointly may increase student loan payments.

The way you file your taxes can significantly affect how much you owe on income-driven plans. If you file jointly with your spouse, your monthly payment will be based on the two incomes combined. That could increase your bill. Because of this, many consider filing their taxes separately. It's always recommended to speak to a tax professional to ensure you may not be missing out on any tax benefits from filing jointly as opposed to separately.

You'll get your federal student loans forgiven after a certain number of years if you take advantage of the government's Public Service Loan Forgiveness program, or if you choose an income-driven repayment plan. But they work very differently.

You'll qualify for Public Service Loan Forgiveness after you've made 120 on-time loan payments while working full time at a non-profit or government agency. There's an extra benefit, too: The forgiven amount won't be taxed.

A borrower on an income-driven plan will pay income tax on the forgiven loan balance the year his or her repayment period ends.

Reduced Rates for Student Loan Counseling

By: Pamela Hart, Advisor

Consumer Credit Counseling Service of Rochester has received a grant of $12,000.00 from the National Foundation for Credit Counseling to help clients manage their federal and private student loan debt. We have 3 counseling levels available for those who need assistance.

Level One – Self Directed: This is our basic level of counseling where our student loan counselor will educate the client on their loans, but the client will continue to manage them. Some of the other information given during the appointment includes education on Federal and Private Student Loans, help locating all loans on the National Student Loan Database or credit report, explore repayment options, create budget and action plan, provide resources for the client to manage their loans on their own. This level of counseling would normally cost $75.00 but with the grant, Level 1 counseling will be FREE.

Level Two - Counselor Assisted: This is our mid-level counseling option. Not only will our clients get all the same benefits of Level 1, but their student loan counselor provides more action including guiding clients through handling their loan repayments and completing the required paperwork.

Level 2 counseling originally cost $125.00 but with the grant, this level of counseling also is FREE.

Level Three – Default: This level is our most involved level of counseling and is designed for our clients who are currently in default, have a wage garnishment, or have had taxes taken by the United States Department of Education. The student loan counselor will educate the client on options to get loans out of default, contact collections agencies to set up rehabilitation payments, submit all documents to collection agency, consolidate all federal student loans.

Due to the time involved in this session, the counseling fee is normally $250.00 but with the grant, the fee is $125.00.

The awarded funding is available for a limited time and in order to take advantage of the reduced and waived fees, the counseling session must be completed by October 31, 2018. Call us at 585-546-3440 to set up an appointment.

Small Business Start Up Loans

By: Lynette Rieke, Advisor

Do you want to be your own boss and enter the world of entrepreneurs, but not sure where to start? Is a small business start-up loan right for you?

A start up business loan is money you borrow from a lender to help put your dream into motion. Startup loans allow business owners to work with traditional lenders.

Funding options for a small business can be tough to come by which can sometimes cause people to borrow money based on their "personal" credit and accumulate debt that can be riskier than debt assumed and guaranteed by the business. In certain circumstances, however, it may be necessary to acquire credit or loans based on your personal repayment history prior to being approved for loans or other funding backed solely by your business.

Many lenders will be hesitant to lend money to people with no history of business performance and will rely on your personal credit history to determine your ability to repay. If you are looking for a startup loan, be prepared. Make sure you have a well thought out business plan and to be as specific as possible with details.

Lenders want to know what will make your product/service stand out and make an impact.

Pros:

Low interest rates – Check local banks or credit unions for the best rates available. Interest you are paying on the loan is also potentially tax deductible and it can also help build credit for your business. (Dunn and Bradstreet http://www.dnb.com/)

You are not emotionally tied to a loan from the bank as you might be if you borrow startup funds from family or friends and the lender will have no daily opinions or input regarding how you are managing your funds.

You immediately begin to develop a relationship with your lender that could be a benefit for future business and personal transactions. Similarly, if you already have an extensive personal relationship with the lender, acquiring a loan for your business (especially with a smaller local bank) could alleviate some of the assumed risk factors when it comes to repayment in the eyes of the bank.

The lending institution is only concerned about your loan repayment and will not be concerned about "cuts" from any future profit.

Cons:

Most lenders will require a very detailed business plan, and sometimes proof that the business has been profitable. This tends to defeat the purpose of a startup loan.

In some cases, a commercial lender may require collateral and since the business is a "startup", it might be necessary to tie personal assets to the loan. (home, savings, personal portfolios, etc.)

Loans must be paid back regardless of business success or lack thereof.

Upcoming Workshops

Here are the upcoming workshops at our Rochester location. Call 585-546-3440 or visit our website to sign up.

September 6th– Student Loan Workshop– 6-8pm- $25

September 11th– Exploring Homeownership– 6-7:30pm– FREE

September 22nd– First Homebuyer Education– 9a-3p- $40

October 9th– Budgeting and Understanding your Credit Report– 6-8p– FREE

October 27th- First Homebuyer Education– 9a-3p- $40

November 1st- Student Loan Workshop– 6-8pm- $25

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