



Project Metamorphosis

Volume 8 Number 1A

Budgeting

It's payday! We will finally have some money to spend (or keep). Wait! How are we going to spend our money? Are we going on a shopping spree? Paying bills? Are we going to save anything? These are good questions. They need to be answered before payday! So we make a budget.

HANDLING LIVING EXPENSES

A budget is a plan for using money. To make a budget, first list all the money you have coming to you during an average month. Add up amounts and find your monthly income. Then determine your living expenses (that is how much you need to spend on each type of fixed cost, including rent, food, utilities, and so on). Finally, decide on a way to follow your budget.

“Spend your money... wisely.”

MAKING PURCHASES

How do you decide on what to buy? Do we buy things we really want? Or, do we buy things because they are on sale? How often do you stop and think before buying? The answers to these questions are important. They show whether we are a wise shopper or not. Money is valuable don't waste it. Get good value for your money by making wise choices.

LIFELONG LEARNING: Using Classified Ads-The classified ads can help you locate an item you want to buy. Read the following automotive listing. Then answer the following questions:

- '90 Suburban, 454 eng., towing pkg., extras, 50,000 mi. Exc. cond. \$7885
- '86 Jeep, 4-sp. trans., am/fm cass. 71,000 mi. Sacrifice, \$4200
- 1965 Ford pickup, 352 V8, orig. owner, like new. Asking price \$1995.
- Honda Accord, 17k miles, new trans., 2-tone, new eng., needs body work. \$14,495
- '96 Mazda, mint cond., 4-door., brown w/ tan int., sound pkg. Best Offer

1. What color is the Mazda?
2. Which vehicle has belonged to only one owner?
3. How far has the Honda Accord been driven?
4. For which vehicles are the owners willing to bargain?
5. Which vehicle has had an engine replacement?
6. Which vehicle has probably caused the owner much mechanical difficulty?
7. Which owner makes the suggestion that the vehicle is worth more than the asking price?

Returning Home – Finding a Place to Live

Going Home means just that – returning to the family home for some of us. Others will be finding a place to live with a roommate or on our own. We may be dealing with landlords and signing leases. As we move back into the community being a responsible community member starts with where we live.

What rights and responsibilities do we have as a renter? What rights and responsibilities does the landlord have to provide to us as renters?

TENANT’S RESPONSIBILITIES

Paying the rent on time.

Using the rental for the stated purpose on the lease.

Taking reasonable care of the property.

Notifying the landlord when the property needs repair.

Notifying the landlord you are leaving at the end of the lease.

Paying the rent if you leave before the end of your lease and the property isn’t leased by new tenants during your lease period.

Paying for damage to the walls, floors and furniture.

Not making alternations that the landlord must fix later.

Giving landlord a new set of keys if you change the locks.

Paying all the rent if roommates leave and you stay.

LANDLORD’S RESPONSIBILITIES

Making repairs in a reasonable amount of time.

Keeping premises safe and sanitary.

Entering premises only at agreed-upon time to make repairs (unless there is an emergency), or to show the apartment to potential renters if you are moving out.

Paying interest on deposit money.

Collecting rent.

Maintaining exterior grounds of building.

LANDLORD’S RIGHTS

Charging extra if rent is late (amount specified in lease agreement).

Keeping part or all of the security deposit if you leave before the lease is up (as specified in the lease).

Charging rent through the length of the lease even if you aren’t living on the premises.

Keeping all or part of security deposit if you damage walls, floors, or fixtures, or if you make alterations that have to be fixed after you move out.

Keeping all or part of the cleaning deposit if you don’t leave the premises clean when you move out.

A lease agreement

- Parties/Premises:** This lease is made this 27th of August, 2000 by and between Alice Chan (herein referred to as "landlord") and Tim Baker (herein referred to as "tenant"). Landlord hereby leases to Tenant certain real property situated in the city of San Francisco, State of California, commonly known as 123 Main Street and described as Two Bedroom Apartment (hereinafter called the "premises").
- Term:** The term of this lease shall be for one year commencing on September 1, 2000, and ending on September 1, 2001.
- Rent:** Tenant shall pay to landlord as rent for the Premises the sum of \$850.00 dollars per month, on the first day of each month. Rent shall be payable without notice or demand at the address as the Landlord may designate to Tenant in writing.
- Utilities:** Tenant shall make all arrangements and pay for all gas, heat, light, power, telephone, and other utility services supplied to the Premises and for all connection charges.
- Hold Harmless:** Tenant shall hold Landlord harmless from and against any and all claims arising from Tenant's use or occupancy of the Premises. Except for Landlord's willful or grossly negligent conduct, Tenant hereby assumes all risk of damage to property or injury to persons in or about the Premises.
- Default:** If Tenant should default and breach any covenant or provision of the Lease, then the Landlord, after giving the proper notice required by law, may re-enter the Premises and remove any property and any and all persons therefrom.
- Holding Over:** If Tenant, with the Landlord's consent, remains in possession of the Premises after expiration of this Lease, such possession shall be a tenancy from month-to-month at a rental in the amount of the last month's rent. Tenant must notify the Landlord in writing at least thirty days prior to evacuating the Premises. All other provisions remain the same.
- Waivers:** No waiver by Landlord of any provision hereof shall be deemed a waiver of any other provision hereof.

Landlord by:

Alice Chan

signature

Tenant by:

Tim Baker

signature

Rework a budget

Use one of the attached budget sheets to set up and maintain Gabrielle's budget. Then use the other sheet to rework Gabrielle's budget into one that fits your personal life-style.

Her planned income and expenses:

Gabrielle works part-time at a greeting card company and part-time at a record store. The net monthly income from her first job is \$600. The net monthly income from her second job is \$800.

Her planned fixed monthly expenses include:

\$200 for rent
\$175 for car payment
\$220 for car insurance

Her planned flexible expenses include:

\$100 (to save for going to trade school)
\$150 for food
\$40 for gas and oil
\$50 for clothes
\$60 for entertainment
\$30 for personal items

How her month actually went:

1. *What she made*
She made \$45 in overtime pay this month plus her usual monthly income.
2. *What her fixed expenses actually were*
Rent went up to \$225, starting this month
Her monthly car payment was \$175
Her monthly car insurance premium, as of this month, went up to \$295
3. *What her flexible expenses actually were*
\$190 for food (she had a dinner party for which she hadn't budgeted)
\$60 for gas and oil (her car needed an oil change)
\$34 for parking and bridge tolls
\$220 for car repairs
\$80 for a new pair of running shoes
\$70 for entertainment
\$60 for personal items
\$36 for a birthday present for her mother
4. *Unforeseen events*
Gabrielle got two speeding tickets in one week. The total cost of both tickets is \$230.

Rework a budget ... *continued*

How does her budget look now?

1. What is the difference between Gabrielle's planned expenses and her actual expenses?
2. In what areas did she overspend?
3. In what areas did she spend less than she had planned?
4. How much did she spend for the use of her car this month?
5. How much money did she have at the end of the month to put into savings?

If it were your budget.....

1. Using the attached budget sheet, set up a budget for yourself. Use Gabrielle's income as a starting point. Keep in mind your personal financial goals.
2. What did you change about the budget?
3. How much would you save each month to put toward your personal and financial goals?

Rework a budget ... *continued*

Gabriele's Budget

Income	budget	actual	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
Total monthly income	\$	\$	\$

Expenses	budget	actual	difference
Fixed expenses			
Rent	\$	\$	\$
Car Insurance	\$	\$	\$
Car Payment	\$	\$	\$
Credit card	\$	\$	\$
Fixed Expenses			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities	\$	\$	\$
Transportation			
Bus Fare	\$	\$	\$
Gas and Oil	\$	\$	\$
Parking and Tolls	\$	\$	\$
Repairs	\$	\$	\$
Other			
Medical expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal Items	\$	\$	\$
Tuition	\$	\$	\$
School Expenses	\$	\$	\$
Total monthly expenses	\$	\$	\$



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Credit

Using credit is integrated into many people's everyday lives. We plan a trip and use credit cards to make airline reservations, reserve a car and a hotel room. It's easy, convenient, and fast. If we want to have credit, we have to develop a credit history. Keeping a good credit history opens the door to opportunities. Good credit can impact where we live, what we own, what we spend on long term credit purchases. The cars we drive and the insurance rates we pay are influenced by our credit rating. Today, insurance companies check the driving abstract and credit records of prospective customers to determine the insurance rate to charge. *Some employers check credit rating before hiring employees.*

THE THREE C'S

Lenders – bankers, car dealers, and retailers look for three types of information before providing credit to consumers. They want to know if you will repay the debt. So they ask - What is your character? Will you repay the debt? From your credit history, does it look like you possess the honesty and reliability to pay credit debts? They look at your credit report and your history of paying on time. They look for stability – how long have you lived at your present address? And how long have you been at your present job?

Second, lenders want to know what capital you have if you don't repay your debt. Do you have valuable assets or collateral such as real estate, savings, or investments to be used to repay credit debt if income is unavailable?

Finally, lenders want to know if you have the capacity to repay the debt. Have you worked regularly in an occupation that is likely to provide enough income to support your credit use? Do you have a steady job? What is your salary? How many other financial obligations do you have? What are your current living expenses? What are your current debts?

BUILDING A CREDIT HISTORY – ONE STEP AT A TIME

We build our credit history when we establish a steady work history. Paying our bills on time or early builds a good credit history. Maintaining a checking account without bouncing checks also builds the foundation of good credit. Opening a savings account and making regular deposits gives you the capital to apply for a loan. The collateral of a savings account makes you a good credit choice. Start with a local store credit card and make monthly payments. Establish a credit record by repaying your loan or your credit account on time every month. Finding a co-signer for a loan is another route to establishing good credit by making on-time payments.

Types of Credit

Consumers have access to different types of credit.

SINGLE PAYMENT CREDIT

Items and services are paid for in a single payment, within a given time period, after the purchase. Interest is usually not charged. Sources for this kind of credit are utility companies, medical services and some retail businesses.

INSTALLMENT CREDIT

Merchandise and services are paid for in two or more regularly scheduled payments of a set amount. Interest is included. Sources for this are some retail businesses, car and appliance dealers. Money may also be loaned for a special purpose, with the consumer agreeing to repay the debt in two or more regularly scheduled payments. Commercial banks, consumer finance companies, savings and loans and credit unions fall into this category.

REVOLVING CREDIT

Many items can be bought using this plan as long as the total amount does not go over the credit user's assigned dollar limit. Repayment is made at regular time intervals for any amount at or above the minimum required amount. Interest is charged on the remaining balance. Retail stores and financial institutions issuing credit cards fall into this category.

MANAGING CREDIT – HOW MUCH CREDIT IS AFFORDABLE? THE 20-10 RULE

The 20% Rule is one guideline for borrowing on credit is to never borrow more than 20% of your yearly net income. If you earn \$400 a month after taxes, then your net income in one year is:

$$12 \times \$400 = \$4,800$$

Calculate 20% of your annual net income to find your safe debt load.

$$\$4800 \times 20\% = \$960$$

Based on this formula you should never have more than \$960 of debt outstanding.

Housing debt such as mortgages isn't counted as part of the 20% debt. But, other debt should be included – car loans, student loans, credit cards and court and restitution payments.

The 10% Rule applies to the monthly payment based upon monthly net income.

If your take-home pay is \$400 a month:

$$\$400 \times 10\% = \$40$$

Your total monthly debt payment shouldn't total more than \$40 per month.

Housing payments should not be counted as part of the 10%; but other debts, should be included – car loans, student loans, credit cards and court and restitution payments.

CREDIT REPAIR

What happens when we don't or can't pay our debt on time? In reality, when we return home, there are bills that haven't been paid. Unpaid bills go to collection agencies. We are not alone. Many people in our communities are creating more debt than they can afford.

Consumer Credit Counseling Service® is one of many consumer credit counseling organizations providing cost-effective mediation services to consumers and businesses. CCCS and similar organizations work with individuals and families providing them an opportunity to repay debts, even when funds are scarce. It is a viable alternative to bankruptcy. CCCS® is funded by voluntary contributions from creditors participating in Debt Management Plans (DMP) for clients. Since creditors have a financial interest in getting paid, most are willing to make a contribution to help fund their operation. Their contributions are usually calculated as a percentage of payments made by creditors through the DMP and can be up to 15% of each payment received. However, the creditor receives 100% of the amount paid towards their balance with the business.

Debt management organizations are cropping up everywhere. Use an established and reliable nonprofit organization should you need DMP services.



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We've got a good job and a good place to live. We've gotten a promotion at work and we're making more money. Now we have time and a little extra money and we want to take a trip. We know credit cards make our lives easier. Let's take a closer look at credit cards. What are things we want to know before applying for credit cards?

DO'S AND DON'TS

Shop around

Look at various sources.

Read and understand the contract:

- Read the contract carefully.
- Don't rush into signing anything.
- Once a contract is signed, get a copy of it.
- Know the penalties for missed payments.

Know your cost

- Figure out total price when paying with credit.
- Make the largest payments possible.
- Know the penalties for missed payments.
- Buy on installment credit only after you have evaluated all other possibilities.
- Don't be misled into thinking small payments will be easy.

When shopping for credit cards compare the different credit card offers. Use the following check list to see how the different cards stack up against each other.

- Type of account
- Annual fee
- Grace period
- Annual Percentage Rate (APR)
- Credit limit
- Minimum monthly payment
- Finance charge calculation method
- Late payment fee, other fees
- Other features

Advantages and Disadvantages of Using Credit

WHAT ADVANTAGES DO CREDIT CARDS PROVIDE?

Immediately, we are able to buy needed items. Plus, we don't have to carry cash. Having credit cards creates a record of purchases and they are more convenient than writing checks. Finally, credit cards consolidate bills into one payment.

DISADVANTAGES

However there are disadvantages to having credit cards. The interest charged raises the cost of items. Some credit cards charge additional fees. Financial difficulties may arise if one loses track of how much has been spent each month and credit card debt gets out of control. Having credit cards makes impulse buying easy.

It is important to know our rights and responsibilities when dealing with credit cards.

CREDIT CARD PROTECTIONS

Prompt credit for payment

A card issuer must credit your account on the day the issuer receives your payment, unless the payment is not made according to the creditor's requirements.

Refunds of credit balances

When you return merchandise or pay more than you owe, you have the option of keeping the credit balance on your account or receiving a refund.

Unauthorized charges

If you report your card lost before it is used, you cannot be held responsible for any unauthorized charges.

If your card is used before you report it lost, you are liable for \$0 if reported within 520 business days. After that, you're liable for no more than \$50.00.

Disputes about merchandise or services

In some circumstances, you have the right to withhold payment for unsatisfactory merchandise or services.

Test your credit knowledge

The following questions are designed to help you remember credit information.

Directions

In the spaces provided, answer each of the following questions about credit.

List five things you can do to build credit history.

- 1.
- 2.
- 3.
- 4.
- 5.

When a prospective creditor evaluates a credit application, they look for the three C's: Character, Capital, and Capacity. **For each of the following statements, write the letter that corresponds to each statement's specific characteristic.**

a) Character

b) Capital

c) Capacity

6. ____ Do you have a savings account?
7. ____ Have you used credit before?
8. ____ How long have you lived at your present address?
9. ____ Do you have a steady job?
10. ____ Do you pay your bills on time?
11. ____ What are your current debts and your current living expenses?

List the four major categories of information that appear on a credit report.

- 12.
- 13.
- 14.
- 15.

Test your credit knowledge (continued)

In the space provided, Write the letter of the type of credit each statements represents.

a) Single payment method

b) Installment credit

c) Revolving credit

16. _____ Monthly payment on a car loan?
17. _____ Monthly telephone bill?
18. _____ Monthly heating bill
19. _____ Using a credit card to buy a new jacket from a department store then paying the charge off over several months.
20. _____ Using a major credit card to buy a pair of shoes and then paying the total amount of the credit card balance within a month.

How much does it really cost?

Directions

Answer the following questions. You'll see for yourself how much items bought with credit can really cost.

Questions

Jose wants to buy a stereo for \$650 and pay for it using a credit card that has an Annual Percentage Rate of 19.85% and a periodic interest rate of 1.65%.

If Jose pays the minimum monthly payment of \$21.45

1. How long will it take him to pay for the stereo?
2. What is the total amount Jose will pay for the stereo?
3. What is Jose's total cost of using credit?

If Jose makes monthly payments of \$60

4. How many months will it take for Jose to pay off the stereo?
5. What is the total amount Jose will pay for the stereo?
6. What is Jose's total cost of using credit?

Patty took a cash advance of \$1,500. Her new credit card, as a special promotion, charges an Annual Percentage Rate of 5.9% and a periodic interest rate of .4917% for the first six months. After the first six month, an Annual Percentage Rate of 21% and a periodic interest rate of 1.75% apply. The transaction fee for cash advances is 3% of the cash advance with a minimum fee of \$5.00 and a maximum fee of \$35.00.

If Patty makes monthly payments of \$60.50

7. How long will it take Patty to pay for the cash advance?
8. What is the total amount Patty will end up paying for the cash advance?
9. How much interest and fees will Patty pay?

If Patty pays the cash advance back at a rate of \$120 per month:

10. How long will it take Patty to pay for the cash advance?
11. What is the total amount Patty will end up paying for the cash advance?
12. How much interest and fees will Patty pay?

How much does it really cost (continued)

Marie just used her new credit card to buy a bike for \$400. Her budget allows her to pay no more than \$25 each month on her credit card. Marie has decided not to use the credit card again until the bike is paid off. The credit card used has an Annual Percentage Rate of 21% and a periodic interest rate of 1.75%.

If Marie pays the minimum payment of \$25 each month on her credit card

13. How long will it take Marie to pay for the bike?
14. What is the total amount Marie will end up paying for the bike?
15. How much interest will Marie pay for using her credit card to buy the bike?

If Marie pays the minimum payment of \$14 each month

16. How long will it take Marie to pay for the bike?
17. What is the total amount Marie will end up paying for the bike?
18. How much interest will Marie pay for using her credit card to buy the bike?

Gary has just used his credit card to buy a new watch. He got the watch on sale for \$235. The regular price was \$290. He used a credit card that has an Annual Percentage Rate of 20% and a periodic rate of 1.6%.

If Gary pays the minimum monthly payment each month of \$10

19. How much will Gary end up paying for his new watch?
20. How long will it take Gary to pay for his watch?
21. What is the total amount of interest Gary will end up paying?

If Gary pays \$25 each month, instead of the minimum monthly payment of \$10 each month

22. How much will Gary end up paying for his new watch?
23. How long will it take Gary to pay for his watch?
24. What is the total amount of interest Gary will end up paying?

Your Responsibilities

- Borrow only what you can repay.
- Read and understand the credit contract.
- Pay debts off promptly.
- Notify creditor if you can not meet payments.
- Report lost or stolen credit cards.
- Never give your card number over the phone unless you initiated the call or are certain of the caller's identity.

How deep can they go?

Directions

Read each of the following scenarios and determine if the purchase can be made and how the decision will affect the credit load.

1. Nancy and Thomas have a combined monthly net income of \$1,200. What is the most they can afford for installment and credit card debt?
2. Jessie has a monthly net income of \$800. His fixed monthly expenses consist of \$10 for rent. He currently pays \$80 each month for a credit card bill, and now he wants to buy a car. What does Jessie have left in his budget for a car payment to stay within his safe debt load?
3. Carla has a monthly net income of \$450. She wants to buy a new bike and pay for it using a credit card. What is the largest monthly payment she can commit to making?
4. Jorge has a monthly net income of \$640. His fixed monthly expenses consist of a rent payment of \$120.

What to do if you are denied credit

If you think the reasons for the denial are valid:

- Ask the creditor if you can provide additional information or arrange alternate credit terms.
- Apply to another creditor whose standards may be different.
- Do the things you need to do to improve your credit worthiness (pat the bills on time, increase income, reduce spending, obtain a secured card, etc.) and then reapply.

If you are not sure whether the reason for the denial is valid:

- Ask the creditor to explain why you were denied.
- Review your credit history.
- If you find your credit history contains errors, take steps to correct the errors.

If you believe the reason for the denial is invalid and that the creditor has discriminated against you:

- Notify the federal enforcement agency whose name you were given by the creditor. The federal enforcement agency will investigate and report back to you.
- If you can afford it, hire an attorney to file suit against the creditor. If the court determines the creditor did discriminate, the creditor will be required to pay you actual damages plus punitive damages.

The statement

A credit card statement provides information such as how and when you've used your credit card, how much you owe, how much interest you're paying to use the card, how much your minimum payment is, and how much credit you have left.

Knowing how to read your credit card statement can also help you to catch unauthorized charges and/or billing errors.

So, it can pay to know how to read the statement!

Directions:

Use the credit card statement to answer these questions:

1. What is the date of the statement?
2. What is the Annual Percentage Rate (APR)?
3. What is the corresponding periodic rate?
4. What is the new balance?
5. What was the previous balance?
6. How many charges were made during the billing cycle?
7. How many credits and payments were made during the billing cycle?
8. Were there any charges for late payments? If so, how much were the charges?
9. What is the total amount of the credit line?
10. What is the total amount of available credit?
11. What is the total amount of charges made during the current billing cycle?
12. Was there a finance charge for the current billing cycle? If so, how much was the charge?
13. What is the account number on the statement?
14. Where should the payment be sent?
15. What is the periodic rate for cash advances?

Reading a credit card statement.

Manner of payment codes

Status	Type of account code
O	Open (entire balance due each month)
R	Revolving (payment amount variable)
I	Installment (fixed number of payments)

Status	Timeliness of payment
0	approved not used; too new to rate
1	Paid as agreed
2	30+ days
3	60+ days
4	90+ days
5	Pays or pays 120+ days past the account due date; or collection account
6	Making regular payments under wage earner plan or similar arrangements
7	Repossession
8	Charged off to bad debt

A credit report.



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Re-Licensing Know How

Driver's License Suspended? Unpaid Tickets? Step by Step - How to regain Your Driver's License

Our driver's license is a cornerstone to successfully going home, getting a job and moving into a career. Many employers want to see a valid driver's license to ensure that you, as a new employee, can get to work on time and function effectively. Twenty-five of the twenty-six Washington State apprenticeship programs require a valid Washington State driver's license along with a high school diploma or GED.

While incarcerated, unpaid tickets have gone to collections. Interest rates (beginning at 12.5%) and collection fees can turn a \$450 ticket for driving (without insurance today that fine is \$548) into a debt of \$1,200.

There are a number of steps to re-instating a suspended driver's license.

1. Request a copy of your driver's abstract using the form in the manual. There is a \$5 fee.
2. Call the Court.
3. Tell the operator that you want information about your traffic tickets and the status of your driver's license. They will ask for your name and date of birth. Have your driver's license number available. The Court will then look up your driver's record, telling you all the tickets you owe in the state and the court(s) involved. Each court will tell you how to get your license back. If your call one court, they will tell you which other courts to contact.

4. Develop a plan with each court. Different courts have different programs. For tickets in Seattle Municipal, King, Spokane and Clark County there are special programs to assist people without the funds to repay tickets in their jurisdictions. Options include going before a judge to ask for special consideration, participating in a community work or work crew program or performing community service. Courts are developing new programs regularly to assist people with re-licensing

5. In some courts, the tickets will remain in collections. However, 60 courts in Washington State participate in Alliance One's PIA collections program. Make a first monthly payment on participating courts' fines and get the hold removed from your license. Continue monthly payments for the balance of the fines owed. However, don't begin this process until steadily employed. The PIA policy provides participants with one opportunity to enroll. If a payment is missed, late or the program defaulted, the entire balance will have to be paid before the holds on your license are released by the collection agency.

6. Find an advocate. There are various agencies around Washington State assisting individuals to get re-licensed. CAMP and LELO are located in Seattle, King County. Center for Responsible Driving is located in Pierce County. Career Horizon is located in Thurston and Clark Counties. Some agencies are funded by the courts, others are nonprofit and for profit organizations providing services on an affordable fee base structure.

Abstract of Complete Driving Record Request

Abstract of Complete Driving Record