

Defeat Debt

Credit Advisors Foundation

Volume 52, Issue 3

Homeownership, Still the American Dream

A portion of the American Recovery and Reinvestment Act of 2009 is dedicated to reviving the dream. Tax credits aimed at encouraging people to enter the housing market will hopefully jump-start the economy. Receiving an \$8000 credit on your tax bill can be a mighty inducement to become a homeowner. Sales of single family houses jumped over 4 percent in February after President Obama signed the Act into law. With mortgage interest rates low, inventories of houses on the market high, and tax credits and incentives from developers and other sellers, many families are questioning if the time is right for them to move.

Owning the place where you live is one of the greatest ways to secure your future. Acquiring and maintaining homeownership provides stability to families and communities. Pay special attention to your ability to maintain homeownership before you start visiting open houses. Purchasing a home is the largest financial transaction most people will ever make in their lives. It requires research and preparation. A portion of the financial crisis



facing our country today was caused by persons who entered into homeownership without adequate planning, resources and understanding of the commitment they were making.

While it may be obvious that you must review your credit history when considering purchasing a home there are several other areas that you should also consider. Your savings habits are important because part of home ownership is home maintenance. Having adequate savings *after* the down payment is important to ensure that you can pay for that big repair that always happens in the first year or to cover mortgage payments during a temporary loss of income. Realistic plans for the type of house you can afford is also important. The affordability calculator at BankRate.com is good as it considers other expenses in the budget when calculating a mortgage payment that includes home-owners insurance and property taxes. It can be found at <http://www.bankrate.com/calculators/mortgages/new-house-calculator.aspx>

There are several other steps you can take to

determine if you are ready to start looking at houses and, if not, what you can do to prepare. One good resource is a self-assessment tool sponsored by the Federal Housing Administration (FHA). You can locate it at <http://www.fhaoutreach.gov/FHASelf/>. By answering a few simple questions, the "My Money, My Home, My Future" tool will assemble a list of resources and guides for you. Another site sponsored by the US Department of Housing and Urban Development (HUD), <http://www.hud.gov/buying/>, will outline the nine steps to buying a home. Links from the site connect you to resources and calculators that help you determine if buying is right for you and how much house you can afford. FHA lending guidelines, requirements and a list of approved FHA centers, lenders and appraisers can also be accessed from this site. Many first time buyers use FHA lending due to the buyer friendly down payment and qualification process. If you are considering using FHA financing and you are a first-time home buyer we offer the required counseling on an individual basis, contact one of our certified housing counselors at 800-942-9027.

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Homeownership

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Part of your research must include becoming familiar with current mortgage rates and terms offered in your area. This is an area you can study while you are in the process of preparing to apply for a mortgage. Local newspapers and lender web sites will post the interest rates and terms available. It is very important to also obtain a listing of the fees and costs involved in the application and closing process. Call various lenders and ask questions. Your familiarity with terms and types of fees and charges that are common to your area will allow you to avoid predatory lenders or those who would offer you sub-prime terms on your loan when you would qualify for better terms. The sub-prime mortgage market serves a purpose for those who would not otherwise qualify for a mortgage due to credit or other problems. Sub-prime mortgage terms

usually involve higher interest rates, fees and down payments. This can reduce the amount of mortgage you can qualify for by causing the monthly mortgage payments to increase due to the higher rates. Sub-prime mortgages serve a purpose but obtaining the best terms you can increases your ability to maintain homeownership after the loan is closed.

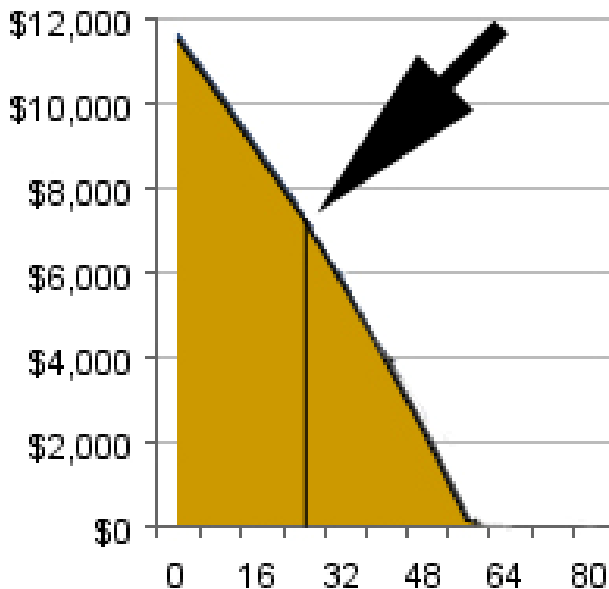
While sub-prime lending is not illegal, discrimination in sales or lending terms is prohibited by Title VIII of the Civil Rights Act of 1968, commonly called the Fair Housing Act. The Act prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, gender, familial status and handicap. Housing related transactions would include refusing to show homes for sale for which the buyer could be reasonably qualified; refusing to make a mortgage

loan; refusing to provide information about loans; requiring different terms or conditions to obtain a loan such as different interest rates, points or fees; discriminating in appraising property; refusing to purchase or setting different terms on purchasing a loan.

If you feel you have experienced discrimination in a housing related transaction based on race, color, national origin, religion, gender, familial status or handicap you do have recourse. The Office of Fair Housing and Equal Opportunity (FHEO) enforces the Fair Housing Act and investigate all complaints. To learn about the process or to obtain the address for a local office, print a complaint form or file a complaint on-line go to <http://www.hud.gov/complaints/housediscrim.cfm>. If you are unsure if your situation qualifies, you can obtain more information at the same site. If you do not have access to the internet, you can obtain information by phone at 1-800-FED-INFO (333-4636).

Your DMP's Halfway Point

You've been consistent and followed your budget, and now you are halfway through your debt management program. Congratulations! When you look at your statements, you still have over half your debt remaining. How can this be?



Take a look at this graph illustrating a typical debt management program. At 27 months into the program, the halfway point for this client, there is a little more than \$7,000 remaining of the original \$11,500 balance. Half of the beginning balance of \$11,500 is \$5,750, but the program won't reach this point until eight months later.

This seems counterintuitive. If you are halfway through the program then half your debt should be paid off. Right? Well, no and there are several reasons for this phenomenon.

- Even though most creditors make some concessions on rates, the debts continue to earn additional interest.
- Once the first creditor is paid off, the roll over effect goes to work. Funds from the first creditor are applied to another creditor, increasing the rate at which the second account pays off. This will happen every time a creditor is paid off and the funds move on to another creditor until the entire monthly payment to Credit Advisors is applied towards the final creditor.
- Creditors with the highest interest rates are paid off first, so as the program matures the average interest rate lowers and the debts retire at a faster rate due to lower interest and higher payments.

These are just a few of the many reasons why your debt seems to decrease slowly at first. Don't become discouraged, once you are two-thirds of the way through your program your debt will decrease rapidly. If you have any questions about this concept please contact your Account Manager.

The graph is courtesy of BankRate.com. Visit their site at http://www.bankrate.com/brm/calculators/creditcards/reduce_credit_card_debt.asp

With All His Experience, Todd Knows The Answer

Credit Advisors is proud of our dedicated staff. Todd Sites is one of our most knowledgeable counselors. He has helped consumers for nearly three decades. As one of our most experienced employees, he spends much of his time presenting to various organization throughout the community and counseling consumers on home loans and other housing related subjects.

Defeat Debt: How long have you worked for Credit Advisors?

Todd: Twenty-Eight Years

Defeat Debt: What is your favorite part of your job?

Todd: Educating individuals in all areas of credit.

Defeat Debt: What is the biggest change you've noticed in the credit industry since you began working at Credit Advisors?

Todd: The mountain of debt and the numbers of creditors a debtor has.

Defeat Debt: You educate a wide variety of people throughout your day, what is the one question you've heard the most?

Todd: How can I improve my credit score?

Defeat Debt: How do you respond to that question?

Todd: Always make your payments on time, monitor your credit report, limit your applications for credit and don't max out your credit accounts.

Defeat Debt: If you could offer one piece of advice to people struggling with credit card debt and large mortgage loans, what would it be?

Todd: Seek out the assistance of a Certified Credit Counselor or a Certified Housing Counselor. It's never too late!

Defeat Debt: If you could be any color in a box of crayons, what would it be and why?

Todd: Red: It signifies love and passion, the love I have for my family and friends and the passion I have for my job.



They Should Have Called Credit Advisors

SYLVESTER, Ga. (WSB) — Three people accused of stealing checks in Worth County went to the wrong bank to cash them.

Joyce Powell is a clerk at the Sylvester Banking Company and was at work when a co-worker in the drive-through window told her someone was trying to cash one of her personal checks.

Investigators say the three suspects had just broken into four homes in rural Worth County.

The bank employee stalled the suspects, telling the one presenting the check that he must show some sort of identification. Meanwhile, Powell checked with authorities and learned someone had broken into her house.

The suspects became suspicious and left. But 27-year-old Calvin Barfield had left his driver's license and Social Security card at the bank. It didn't take authorities long to track him to a motel in Albany.

Trying to cash the check of a bank teller at the bank where the teller works is about as dumb as you can get. In fact, trying to steal a 747 for the peanuts is only slightly smarter.

Of course, I'm sure they didn't realize they were trying to pass those checks at the owner's place of work. But leaving your IDs at the crime doesn't make you brilliant either.

This story is courtesy of the Dumb Criminals blog, www.dumbcriminals.com. Unfortunately, most identity thieves are not dumb criminals. If you think you are a victim of identity theft call your Account Manager or one of our certified credit counselors at 800-942-9027.

PIF

It takes time, perseverance, and dedication to become debt free.

Each month we honor those who paid off all their creditors with a Credit Advisors Debt Management Program.

March 2009

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Debt Management Programs
Paid In Full
Congratulations!

Credit Advisors Foundation

1818 South 72nd Street
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Phone: 1-888-942-9027
Fax: 402-393-4141

We're on the Web !!
www.creditadvisors.org

Get Out of Debt with No Regret !!



Free Financial Seminars

“Credit Basics”

Friday, April 10, 11:00am or
2:00pm

Credit Advisors

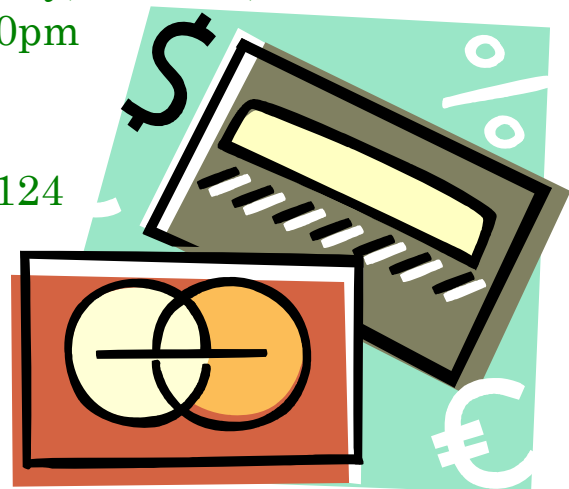
1850 South 72nd Street, Omaha, NE 68124

Please RSVP

Call 402-514-3332 or e-mail
rfeala@creditadvisors.org

“Credit Reports 101”

Friday, June 12, 11:00am or
2:00pm



If you cannot attend in person, call
our conference line at 1-866-285-7780 code 4425358.