

# Defeat Debt

Credit Advisors Foundation

Volume 50, Issue 9

## Personal Financial Management in the Current Housing Market

Mention 'Housing' and 'Subprime Mortgages' right now and you may begin to feel as if you're on a fun house thrill ride with all the different opinions offered. With interest rates still low and areas of the country seeing a leveling of housing prices, some recommend that the time to make a move is now for certain qualified buyers. Yet many are concerned that there may be more worries on the way that will touch them at a more personal level than just a news story about others losing their life savings and homes. Still others wonder just how far these difficulties will spread in the economy.

Meanwhile, renters are not out of the woods either. As foreclosures increase demand for rental units will increase, pressure will build



*Renters are not out of the woods either.*

for monthly housing expense increases for renters by four percent or more.

Whether you are at one end of the spectrum or the other, there are actions you can take now to make sure you stay in an advantageous position.

### *Enhance your credit report*

Don't disregard or ignore your credit report. Many buyers know their current financial situation and assume that their credit report reflects this information accurately. However, as many as three in four reports have some kind of inaccurate information and one in four have errors serious enough to impact your credit score. A bad credit score can influence the cost you pay for credit by increasing the interest rates you are offered – if it doesn't actually cause you to be rejected in your bid for credit.

### *Cut back use and eliminate dependence on credit cards.*

If you are looking to purchase or refinance a home you will want to

eliminate any dependence you may have on credit cards. The fastest way to do this is to cut back on your usage. Aim to keep your credit card balances below 35% of your available credit. Avoid opening new accounts and don't close accounts haphazardly. Most everyone realizes that opening new accounts may impact your credit score negatively, but few recognize that closing accounts (particularly older accounts) can too. Closing accounts can make a difference in the length of history and the percent of usage of available credit, both of which are considered in calculating a credit score.

### *Read your mortgage (again or for the first time).*

You may think you know what your mortgage terms are but it doesn't hurt to sit down and read the paperwork again. Usually during a mortgage loan closing a great deal of paperwork is involved and it can be difficult to read and comprehend everything set in front of you. Even if you have a fixed interest

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## Current Housing Market

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rate, read it now to avoid surprises later, like prepayment penalties.

### *Beware of over-borrowing.*

Borrowers may mistakenly believe they can afford to repay as much money as lenders offer to them. This belief is common with all types of credit, not just mortgages. We tend to put more trust in mortgage lenders and credit card issuers than car salesmen. Don't. Never forget lenders are selling us something – money. And there is cost involved. We tend to think in terms of lenders 'giving' us credit, or 'I have this much credit available' – like income.

Wise use of credit not only entails awareness of interest rates, recognizing which types of loans are appropriate for what uses but also knowing – before trouble surfaces – when enough is enough.

### *Shop around.*

We shop around for just about

everything else. Why not shop around for money? Especially once you realize how different the costs can be between lenders and types of credit. Enough said.

### *Avoid changing jobs.*

An unsteady employment history may send up red flags to a lender and cause questions about your ability to maintain financial stability. If you find you must change jobs, seek a situation with equal or better pay. This may relieve lenders concerns.

### *Double check your portfolio.*

Make sure all your funds are not tied up in real estate. Many people depend upon the value of their home in large part for funding their retirement. As with any retirement plan be sure to diversify your investments so that as home values



*Wise use of credit entails knowing — before trouble surfaces—when enough is enough.*

fluctuate or the housing market stalls, you have other available options and opportunities.

### *Craft an arrangement*

If you do find yourself in difficulties and you have problems or suspect you may have problems in the near future making

payments, remember, you do have options.

First, don't ignore your creditor's letters or phone calls. Talk to them. Find out if an arrangement can be made. Many lenders already have special programs in place to assist those anticipating trouble.

### *Do some research.*

There may be additional assistance from consumer advocacy groups and others in your area or state. Of course, contact a housing counselor like Credit Advisors.

## The Bottom-line in Preparing for Disaster

When disaster strikes how much warning will you need? How much warning do you think you'll get? Warning time could be anywhere between a couple of days to minutes. Will you be prepared?

Experts recommend preparing to be 'on your own' for a minimum of 72 hours when disaster strikes. Do we truly understand what that may mean? Imagine...no electricity, no gas, no water, no telephone, no MTV. Businesses are closed.

If you had to evacuate in the next 15 minutes, as in the case of a wildfire, could you do it?

In a disaster situation every little bit of planning or preparation you've made will pay off big dividends in getting you through. Don't rely on someone else to

save you.

In the case of evacuation you and each member of your family will need a 'go bag'. Even your pets will need a go bag. A go bag is just a 21<sup>st</sup> century name for an evacuation kit. There are many websites available with lists of what you will want to include in your go bag, plus questions to get you thinking about special go bag needs for the members of your household.

Think ahead. Plan your escape. Know your evacuation plan ahead of time. If members of your household are away from home during an emergency do you have a meeting place or methods of contact? Remember that local telephone service and cell phone networks can become overwhelmed in an emergency (like 9/11) – while long distance

communications may still function. Have you gone completely cellular or web based in you communications or have you kept a land line (telephone that does not depend on electricity or batteries to work) available?

Who may be able to help? Do you have friends or family out of the danger zone that may be able to take you in or assist you in other ways? If you have family in other locales make a list for each household member. An additional idea from relatives of Katrina victims is to be sure that you have contact information for the neighbors of your relatives, including their next of kin.

Most experts also recommend accumulating an emergency fund in preparation for disaster situations –

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## \* Word Search \* Word Search \* Word Search \* Word Search \* Word Search \*

The words listed were borrowed from the articles in this edition of Defeat Debt and can be found in this month's Word Search. Try your hand by revealing them all within the puzzle.

ACCOUNT KIN

BUDGET MARKET

DANGER MORTGAGE

DISASTER OFFER

ECONOMY PLAN

FAMILY RATES

GO RENT

HOUSEHOLD SAFE

INTEREST SUBPRIME

KEY TIME

M	H	O	U	S	E	H	O	L	D
A	A	Y	L	I	M	A	F	B	I
R	C	E	M	I	R	P	B	U	S
K	C	G	O	U	L	K	M	D	A
E	O	A	R	A	T	E	S	G	S
T	U	G	N	N	Q	Y	X	E	T
I	N	T	E	R	E	S	T	T	E
M	T	R	C	D	A	N	G	E	R
E	T	O	F	F	E	R	N	I	K
T	Z	M	E	C	O	N	O	M	Y

## Preparing for Disaster

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whether natural or man made. But how much would you need? Again, preparation is the key. Start early.

Determine in advance a reasonable amount of money for your situation and family circumstances. Don't forget any special needs you or your family may have. For example, with a power outage the needs for your family may be different than your neighbor, especially if a family member makes use of refrigerated medication, like insulin or electronic medical equipment such as a nebulizer.

Remember too, you're going to need cash. Banks aren't open during disasters and ATM machines may not work. Since many of us already live on a tight budget – possibly paycheck to paycheck this may take some extra effort.

Once you determine the amount you will need to have on hand, make a practical plan to collect the funds. If

you find you need to make substantial budgetary changes to gather the funds, it may make it more manageable if you set a time line – a one month push to come up with \$200, for example.

Here are some ideas you may find useful:

- Take your lunch – save \$5 a day or more
- Make your coffee at home – save \$1 a day or more
- Make a change jar – each day when you return home empty your loose change into the jar – less predictable than some methods but can add up more quickly than you might think

While designing your method to come up with the funds you will also want to establish a secure location – secure from others and you (you know what I mean – missing a sale at your favorite store is not the kind of disaster these funds are for). For cash or traveler's

checks you will want to keep your emergency funds on hand in a location where you know if you access it you are dipping into your family's emergency funds. Inside a fire/flood resistant canister kept inside your go bag or emergency kit may be one idea.

Research any cards you use (credit, charge, secured, or gift cards), making sure to avoid those with extra fees or non-use charges. Some useful examples might be gas cards from a national chain; gift certificates, for example from Target or Wal-Mart (once you evacuate or relocate you can purchase food, medicines, clothing and so on until you're able to return home).

A less sophisticated method of safe storage for these – keep the cards you've accumulated in a plastic bag in the freezer. Remember it's your plan, being creative is ok.

Finally, the point is preparation. No one ever complained after a disaster of being too prepared.

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**Get out of debt with no regret!!**



## The Kitchen on a Dime

### Country Brunch Pie

Served with muffins and fruit, this egg pie makes a great brunch dish. Or try tossed greens and Tuscan style bread as an option for lunch or a light supper.

#### **Ingredients:**

Pastry for single crust pie (9-inches)

½ lb bulk pork sausage

¾ cup shredded mozzarella cheese

4 eggs

1 cup half & half cream

1 can (4 oz.) mushroom stems and pieces, drained

¼ cup chopped green pepper

¼ cup chopped sweet red pepper

2 tablespoons chopped green onion

#### **Directions**

In small skillet, cook sausage over medium heat until no longer pink, drain.

Spoon sausage into crust, sprinkle with cheese.

In a small bowl, combine the eggs, cream, mushrooms, peppers and onion.

Pour over cheese.

Bake at 375° for 40-45 minutes or until a knife inserted near the center comes out clean.



Let stand for 10 minutes before cutting.

Yield: 6-8 servings for less than 60 cents a serving.