Association for Financial Counseling and Planning Education
AFCPE
FORUM
Volume 22 ◆ Number 2 ◆ April 2004

INSIDE

Focus on Credit & Debt

MISSION

AFCPE provides professional development experiences for financial educators, practitioners and researchers to improve the economic well being of individuals and families worldwide.

VISION

To be internationally recognized as the leading provider of professional development opportunities for financial educators, practitioners, and researchers.

How Much Is Too Much?

by Sandi Martin, Financial Education Director, Office of the Chapter 13 Bankruptcy Trustee

In this world, in which the use of consumer credit is so interwoven into everyday life, it can be difficult to determine what a reasonable debt limit might be. In the past, consumer credit was primarily used to purchase material goods. There was more of a separation between what one might purchase on credit and the things for which a consumer might make a planned cash purchase. Today, however, it is possible to sustain a lifestyle, food, clothing, shelter, transportation, medical needs, etc., entirely on credit.

Consumers of earlier generations knew exactly what they owed. Not so now, and that may be by the design of the credit industry or by the choice of the consumer. The only credit limits most consumers know of are the ones imposed by creditors. They have no concept of their personal credit limits or perhaps they choose not to know.

As an educator, counselor and financial consultant, it is important to impress on a consumer that there is a difference between *qualifying* for a credit transaction and *affording* that debt. Creditors are in business to lend money and they will always strive to qualify a customer for the maximum amount possible. They also have a primary interest in that consumer making that one payment to them. The consumer, however, must determine how that payment will fit among all their other obligations, which determines the "affordability" of a new credit commitment. In reality, no one except the consumer can realistically make that decision, but few know how to factually make that determination.

The term debt-to-income ratio is a familiar one and is recognized as a comparison between income and out-go. It is most often used by credit grantors to determine whether or not a consumer qualifies for a transaction. One of the unrealistic aspects of this process is that a lender uses gross income in this calculation.

A consumer may learn a more practical approach to calculate their personal debt-to-income ratio by comparing their net monthly income with the monthly total of their consumer debt obligations. In this context, mortgage debt is not included, but all other installment payments such as vehicles, appliances and furniture, credit cards, student loans, medical bills and signature loans are added to obtain the total monthly debt amount. The actual percentage of consumer debt is calculated by dividing net monthly income into the total monthly debt amount. The resulting answer is the percentage of debt to which the consumer is committed. *(See example on page 12.)*

In the example, if the net monthly income is $2,000 and the total monthly consumer debt is $400, dividing $2,000

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President's Message

by Karrol Kitt, Ph.D., CFP®
2004 AFCPE President

As we move into the 2nd quarter of the year, there is lots of activity in AFCPE. The certification program has a new distribution channel for delivery of examinations and will soon offer testing for the financial and credit counseling certifications on the Internet. This service puts AFCPE on a level footing with other certification programs in convenience to individuals who hold the various certificates. Once we are satisfied with the system, we will move forward to add the other exams we offer. In addition, continuing education units forms will be on the web and available for downloading by mid-April.

The design of a new homepage at **www.afcpe.org** is in progress. "Convenient" and "friendly" are the two responses that I hope to hear when the site is complete. AFCPE needs to be visible to all people and groups who are interested in financial counseling and planning education. Transparency in what we offer to others is our theme. A few things need security and member-only access, but we want to limit this aspect of the site.

The major work this year continues to be setting up a foundation for the future of AFCPE. As the association grows in the next decade, we must protect the assets that have given AFCPE financial security in a time when some are struggling with viability to continue as an organization. AFCPE is strong and our goal this year is to continue to strengthen it. We want to do our best to guarantee that AFCPE continues to thrive for 10, 20 and 50 years. Yes, I know it will evolve with the times and that is what is happening now as we move into the third decade of existence. It is so exciting and yet humbling to realize the importance of the work being done in 2004 and its significance in the next 50 years. *WOW* is an understatement of my feelings.

I want to remind members that in 2005 dues for AFCPE membership will increase by $15. The membership voted to increase dues at its annual meeting in Scottsdale in 2002. What this means to you is that the conference registration fee for the Denver meeting will increase to reflect the dues increase.

In June the board will meet in Columbus, Ohio—AFCPE headquarters—to make decisions on a new look for AFCPE. The board is considering a range of looks that reflect a legacy of pride and satisfaction in what AFCPE offers to financial education in our society, both locally and globally.

Again, if you want to become involved in this excitement of change, let me know. We need your knowledge, your enthusiasm and your talents in order to be our best. See you in Denver in mid-November!

Karrol Kitt

2004 AFCPE President

Credit Counseling: The FTC's Commitment to Consumer Protection and Education

by Colleen P. Tressler, Senior Project Manager, Office of Consumer and Business Education, Federal Trade Commission

For some consumers, making ends meet can be difficult even in the best of times, but the added impact of job loss, divorce, or unexpected medical bills can be devastating. That's when consumers may seek help from credit counseling agencies (CCAs) in managing their debt.

The Federal Trade Commission (FTC) urges consumers to be cautious when choosing a CCA. Many credit counselors provide valuable advice, education, and assistance to those seeking to better manage their debt. And many, if not most, CCAs operate honestly and fairly. But an increasing number of complaints to federal and state agencies indicate that some agencies are engaging in questionable activities. The FTC's greatest concern is deception by CCAs about the nature and costs of the services, including the following practices:

- Misrepresentation about fees or "voluntary contributions," including not adequately disclosing that the CCA may retain certain payments consumers make on their Debt Management Plans (DMPs).

- Promising results that can't be delivered, including lowering consumers' interest rates, monthly payments, or overall debt by an unrealistic amount, or exaggerating the amount of money consumers will save by signing up for a DMP.

- Abuse of nonprofit status. Some CCAs appear to use their 501(c)(3) status to convince consumers to enroll in their DMPs and pay fees or make donations, claiming that the "donations" will be used to defray the CCA's expenses. Instead, the money may be passed through to individuals or for-profit entities with which the CCA is closely affiliated.

- False advertising regarding credit counseling services. Some CCAs claim to provide advice and education to consumers, when they may enroll them in DMPs without providing actual counseling.

- Failure to pay creditors in a timely way or not at all.

- Failure to abide by telemarketing laws. To the extent that CCAs are not bona fide nonprofit organizations, they should be complying with all aspects of the FTC's Telemarketing Sales Rule, including the National Do Not Call Registry.

- Failure to comply with privacy and security requirements under the Gramm-Leach-Bliley Act.

The FTC has pursued a vigorous enforcement program to stop fraud and deception by those who claim to be able to solve consumers' financial difficulties, and has done extensive education to help protect consumers from credit counseling and credit repair scams. In October 2003, the FTC and the Internal Revenue Service issued these tips for choosing a credit counseling organization:

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Fixing America's Credit Crisis: Is the Counseling Industry Up to the Task?

by Robert Closs, President, InCharge Debt Solutions

With consumer debt at an all-time high, the demand for credit counseling continues to grow. In fact, according to Business Week magazine, nearly nine million people contacted a consumer credit counseling agency in 2001, and that number is climbing. As the number of consumers seeking help has increased, so has the number of credit counseling providers. Ten years ago, there were about 200 credit counseling agencies in the U.S., compared with more than 1,000 today. But not all share the same standards, ethics and levels of service.

What are the critical issues facing the credit counseling industry? Among them are deceptive and misleading practices, excessive fees and abuse of nonprofit status. Although only a few "bad apples" exhibit these practices, the negative publicity they generate has a significant impact on the entire industry.

Because of the questionable practices of some providers, the IRS has launched an investigation to determine the extent of the abuse of the nonprofit status. The House Ways and Means Committee has conducted an initial investigation into the industry to gain insight and better understanding. The Senate Permanent Subcommittee on Investigations has been holding preliminary meetings with industry groups in anticipation of an investigation.

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Providing Credit Education on College Campuses

by Angela Lyons, Ph.D., University of Illinois

We have all seen the media reports showing that a growing number of college students are accruing credit card debt and unable to repay it after graduation. Often, these reports focus on a few anecdotal horror stories about students who have incurred excessive amounts of debt and are now facing extreme consequences such as bankruptcy, unemployment and divorce. Very few of these reports attempt to provide general insight into which groups of students may be more likely than others to misuse and mismanage credit. Also, very little focus has been placed on how financial professionals can effectively provide credit education to these students.

The University of Illinois recently launched an online study to investigate the credit usage and financial education needs of college students on ten campuses in the Midwest. The main objectives of the study were to (1) identify students who were more at risk than others for mismanaging and misusing credit and (2) identify ways in which campus administrators and financial professionals can help these students to better manage their finances.

Over 30,000 students responded to the survey. The findings from this research show that there are identifiable groups on college campuses that are financially at risk for misusing and mismanaging credit. Financially at-risk students are more likely to be financially independent from their parents, to receive some type of financial aid, and to hold substantial balances of other types of debt such as a car loan or mortgage. These students are also more likely to have acquired their credit card(s) at a campus table, retail store, and/or in the mail rather than from their parents. They are also more likely to be female, black, and/or Hispanic.

In additional to these findings, the research shows that financially at-risk students have specific preferences for how they would like to receive financial education and from whom. At-risk students prefer to receive financial education in one-on-one discussions rather than in campus workshops or formal college courses. They also prefer to receive financial information from financial experts or professionals rather than from their parents, financial aid counselors, or professors. These findings have important implications for financial professionals.

College students primarily turn to their campuses for financial information. However, campuses may not have the time and financial resources to offer programs and services in financial education. They may also feel uncomfortable offering these services, especially if this is not their area of expertise. In these cases, financial counseling and planning professionals can serve as valuable resources to campuses that are interested in offering financial education to students.

Given the growing number of students with credit card debt, there is both a need—and a demand from students—for financial professionals to provide credit education. What do students need to know to use and manage credit responsibly? Financial experts have identified five critical concepts that every student needs to know about credit.

1. Students need to understand the power of their financial choices and how to set financial goals. Essentially, students need to develop good decision-making skills.
2. Students need to know how to establish a budget and set spending limits, which includes knowing what is owed and what it will take to pay it back.
3. Students also need to understand the basics of credit management. They need to understand that credit card debt is a loan that needs to be repaid and it comes at a cost. They also need to understand key terms associated with using credit cards and how finance charges are calculated.
4. With identity theft on the rise for 18-29 year olds, there is a growing need for students to know how to check their credit reports and protect themselves against identity theft.
5. Finally, students need to understand what it means to be financially responsible and to have a realistic picture of the long-run consequences of their financial decisions.

There are a number of ways in which financial professionals can provide effective financial programs and services to college students, especially on credit management. Students retain information best when it has personal relevance to them. They are especially receptive to the financial experiences and stories of their peers, whom they perceive as being “just like them.” Effective credit education helps students make the critical link between credit concepts and real world application. Providing students with opportunities to gain practical financial experience is particularly effective in fostering behavior change in students.

Overall, financial professionals can play a key role in educating students about credit and helping them to develop the skills and tools necessary to make informed financial decisions and become responsible credit consumers. Credit edu-

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FTC's Commitment to Consumer Protection and Education

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- Beware of high fees or required "voluntary contributions" that, with high monthly service charges, may add to your debt and defeat your efforts to pay your bills. It is illegal to represent that negative information, such as bankruptcy, can be removed from a credit report. Promises to "help you get out of debt easily" are a red flag.

- Check that the organization will help you manage your finances better through counseling and education.

- Carefully read through any written agreement from a credit counseling organization. It should detail the services to be performed; the payment terms for these services, including their total cost; how long it will take to achieve results; any guarantees; and the organization's business name and physical address.

- Make sure that your creditors are willing to work with the agency you choose. If they are, follow up with those creditors regularly to make sure your debt is being paid off.

- Check with state agencies and your local Better Business Bureau to find out about a specific credit counseling organization's record.

The FTC also recently published two publications—*Knee Deep in Debt* and *Fiscal Fitness: Choosing a Credit Counselor*—that contain valuable tips on how to choose a credit counselor, take control of one's finances, and avoid scams. Both publications are available on the agency's web site at **www.ftc.gov**, or by calling toll-free: 877-FTC-HELP (877-382-4357). ◆

Colleen P. Tressler is senior project manager, Office of Consumer and Business Education, Federal Trade Commission. She can be reached at CTRESSLER@ftc.gov.

College Credit Education

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cation can help students build long-life, positive financial behaviors that have the potential to "rub off" on their parents and the community as well. ◆

Angela Lyons, Ph.D., is an assistant professor with the Department of Agricultural and Consumer Economics, University of Illinois. She can be reached at 217-244-2612 or by e-mail at anglyons@uiuc.edu

References

Lyons, A. C. (2003). The credit usage and financial education needs of Midwest college students. Report to Midwest College Administrators, University of Illinois at Urbana-Champaign, 62 pp.

Lyons, A. C. (2004). A qualitative study on providing credit education to college students: Perspectives from the experts. *The Journal of Consumer Education*, forthcoming.

Fixing America's Credit Crisis

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The good news is that most credit counseling agencies do provide quality, legitimate and affordable solutions to consumers burdened with debt, and provide the education needed to put them back in control—and stay in control—of their finances.

Why should consumers be so concerned about the operational practices and ethical standards of credit counseling agencies? With U.S. consumer debt exceeding $2 trillion last year, according to the Federal Reserve, and the number of personal bankruptcies reaching 1.63 million, up 5.6 percent from 2002, we are all paying the price. In the past, creditor support covered the cost of credit counseling, meaning that consumers did not have to pay for the service. As a result of declining support from the creditors, some of the cost of service has been passed along to consumers.

What does the future hold for credit counseling? Consumer groups, regulators and legislators surely will continue to scrutinize the industry. The ethical agencies will continue to work with these groups to establish sound business practices that will be enforced throughout the industry, serving to protect consumers while ensuring that the industry will continue to provide this much needed service.

Is the counseling industry up to the task? America's credit-strapped families are counting on it. ◆

Bob Closs is president of InCharge Debt Solutions, formerly Profina Debt Solutions. Profina is the recipient of AFCPE's 2003 Outstanding Counseling Center award. He can be reached at 407-532-5650 or rcloss@incharge.org.

FACTA: Helping to Clean Up Credit Reports

by Paul Richard, RFC, Executive Director, Institute of Consumer Financial Education

Even though Congress met the December 31 deadline of extending the Fair Credit Reporting Act, which is now called the Fair and Accurate Credit Transactions Act of 2003 or FACTA, some of the provisions and consumer assistance items therein may not take effect until 2005 or beyond. The reason why is due, in part, to the complexity of the amendments and the way the law was written, which requires the Federal Trade Commission (FTC) to complete its rule- making process and establish the request and delivery mechanisms, especially for the free credit report, before all of the new tools are available to consumers.

FACTA has plenty of new provisions that will make it easier for consumers in all 50 states to deal with mistakes in their credit files, whether from human error or, worse yet, identity theft. Among the new FACTA provisions are a free copy annually, upon request, of a credit report containing information from each of the three major credit reporting agencies (CRAs). The disclosure of credit scores, which are used by lenders when making lending decisions, and several identity theft measures including "Fraud Alerts" and "Active Duty Alerts"(the latter for members of the military) going into credit files.

When requesting credit reports, the law includes a provision whereby the CRAs must notify consumers of their right to get their credit scores for a fee—which is yet to be determined—and also include an explanation of the various factors that may have a negative affect on a credit score.

Consumers will be able dispute items directly to the creditor who wants to place a negative item on their credit report in addition to CRAs. Creditors must also notify a consumer in advance whenever negative information is going to be sent to a CRA for inclusion in their credit file. This is designed to reduce the number of inaccurate reports going into files because the consumer will know in advance and therefore may dispute it directly before a negative report is submitted to a credit file. CRAs are not supposed to add a known disputed account to a credit file.

Here is a detailed summary of some of the major amendments:

- Provide consumers with a free credit report every year. A special procedure will be established by the FTC and the CRA's for consumers to request their report, which may not be ready until December 2004.

- Give consumers the right to see their credit scores. A fee may be involved for revealing credit scores, but a mortgage company must tell home buyers the credit scores used in the process of providing the loan.

- Provide consumers with clear instructions on how to opt out of information sharing between affiliated companies for marketing purposes and how to stop companies from sending unsolicited offers of credit.

- Ensure that consumers are notified if merchants are going to report negative information to the credit bureaus about them.

- Allow consumers to place "Fraud Alerts" in their credit reports, which may remain for up to 90 days, to prevent identity thieves from opening accounts in their names. The alert entitles consumers to a second free report so they can check for unusual activity.

  Also, credit providers must take certain precautions before extending credit to consumers who have placed fraud alerts in their credit files. If there has been identity theft activity, these purchases may not be included in a credit file. Further, CRAs must make copies of the false transaction(s) available to both the victim and the local police department.

- Consumers will be able to block information from being given to a credit bureau and from being reported by a credit bureau if such information results from identity theft. In addition, no debt may be turned over to a collection agency if it's resulting from an identity theft. If a consumer notifies a collector that the debt they are trying to collect is the result of identity theft, the collection agency must notify their client and also give all the information about the debt to the victim.

- Special provisions protect active-duty military personnel, by allowing them to place "Active Duty Alerts" on their credit

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FACTA

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files, so creditors will know they have been deployed overseas and are not shopping locally.

- There is a provision to restrict access to a consumer's sensitive health information.
- Provide consumers with one-call-for-all protection by requiring credit bureaus to share consumer calls on identity theft, including requested fraud alert blocking and active duty alerts.
- Stop merchants from printing more than the last five digits of a payment card on electronic receipts. This is now being done by many merchants in all 50 states.
- Lenders must also provide written notice to consumers if the terms of their loan/credit are higher than the prevailing market interest rates. ◆

Paul Richard, RFC, is executive director of the Institute of Consumer Financial Education. He can be reached at 619-239-1401 or visit **www.icfe.info**.

ICFE Certifies Credit Report Reviewers

To get up to speed on the Fair and Accurate Credit Transactions Act of 2003 (FACTA), the Institute of Consumer Financial Education (ICFE) has developed the credit report reviewer certification program. Credit Report Review applicants complete an educational study program on the new law and after an examination become certified as a Credit Report Reviewer. ICFE has been publishing do-it-yourself credit file correction guides for consumers and counselors since 1992.

Reviewing credit reports and credit scores for consumers has become more important because it can reveal areas where consumers might be paying more for credit because of a lower-than-deserved credit score. A credit report review can also help consumers protect against identity theft.

For more information about the Credit Report Reviewer's Certification Course, visit the ICFE web site at **www.icfe.info** or call 619-239-1401.

Useless Trivia:

- *The cost of raising a medium-size dog to the age of eleven: $6,400.*
- *San Francisco's cable cars are the only* mobile *National Monuments.*
- *"I am." is the shortest complete sentence in the English language.*

Congratulations New Certificants

Accredited Financial Counselor Graduates

(1/2/04 through 3/1/04)

Robert Acosta
Segerney Adams
David Agosto
Richard Alvarez
Joshua Anderson
Stacy Anderson
David Antillon
Nichole Arel
Nasiba Bacchus
Gina Bevard
Edwidge Bissainthe
Brandy Brueckner
Latoyia Campbell
Genedy Candelario
Ana Carrasquillo
Cynthia Carter
Nicole Choice
Michael Cohen
Ericka Coleman
Edward Collado
Laura Dillon
Kathleen Dougherty
Lauren Dumars
Jeanne Escue
Diana Estep
Sara Farrokh
Yashica Ferguson
Mike Figueroa
Lynette Ford
Juan Garcia
Joan Ghidhaoui
Laura Guzman
Miguel Guzman
Lewis Hall
Laura Hatton
James Henry
Lakshmi Jiawan
Caryn Kellyman
Stephanie Kinsley
Keith Leveille
Jennifer Lopez
Gabriela Madrid
Anthony Martinez
Michael McMurry
Ryan Moore
Damaris Nazario
Debrah Negron
Nicole Nix
Yanick Olton
Victoria Ortiz
Maria Otero
Lissette Pareja
Ronald Pekara
Nixaliz Perez
Jason Phillips
Webs Pierre
Christina Preston
Tianza Preston
Kishranie Ramnarin
Ryan Rayonec
Diana Restrepo
Rene Rios
Ivelisse Rodriguez
Yvette Ruiz
Jessica Schalk
Fuad Sedan
Randy Senquiz
Erikka Shirley
James Sullivan
Mark Taneyhill
David Taylor
Shelly Valkinburg
Jessica Vardas
Melissa Vardas
Ediris Vargas
Pascal Volz
Kelly Warner
Alex Watson
Brandy Wilcox
Andrea Wilson

Accredited Credit Counselors

(1/2/04 through 3/1/04)

Kimberlee Davis
Chandra Fellon
Marjorie Leon
Erin Mohr
Terrance Stuart
Richard Tomaskovic
Agatha Trumps

Tools of the Trade

Resources

Plan Well, Retire Well: A New Extension Web Site—Plan Well, Retire Well is an interactive, web-based educational program from the Consumer and Family Economics Team from University of Illinois Extension. This self-directed how-ho guide covers investing, saving through tax-deferred retirement plans, and how money grows over time. More importantly, it provides interactive tools for users to evaluate their current financial position and set goals for the future. The site is appropriate for most people in their working years, but is especially targeted to younger workers in their 20s and 30s. Visit the web site at **www.RetireWell.uiuc.edu**.

New Credit Card Debt Calculator; Free Sample Offered—"Credit Card Smarts™," a new slide calculator from Advantage Publications, is now available. Side One's Cost of Delay® Calculator shows the real cost of paying a two percent minimum monthly payment, and Side Two's Booster® Calculator shows the significant interest savings and other advantages of boosting one's monthly payment. For a sample, please call 800-323-6809 or visit **www.AdvantagePublications.com**.

Research Available—TIAA-CREF posts research results on their web site at **www.tiaa-crefinstitute.org/Publications/re**.

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NEFE Launches Partnership with Ad Council to Promote Financial Literacy

The National Endowment for Financial Education® (NEFE®) and The Advertising Council, the nation's largest provider of public service advertisements (PSAs), have announced a partnership to produce America's first large-scale financial literacy advertising campaign.

The Ad Council manages about $1.5 billion annually in donated media, making it one of the country's top ten advertisers. The nonprofit organizations' campaigns have both increased awareness and changed behavior on a broad range of national issues, including crime, forest fire, drunk-driving prevention and the use of seat belts.

The Ad Council and NEFE will partner to create a personal finance campaign because of a mutually recognized need for education surrounding money management. Both organizations see the Ad Council's experience with public service advertising as an effective way to provide that information.

Over the course of the campaign, NEFE will contribute financial and staff resources for the production and distribution of the advertising messages in an effort to reach as many Americans as possible. "NEFE is committing over $900,000 in the first year and $2.3 million over the projected three-year life of the campaign," said William L. Anthes, Ph.D., president and CEO of NEFE.

The initial phase of this multi-year campaign will be aimed at adults in the general population and stress the critical need for Americans to employ positive financial planning behaviors. The Ad Council will conduct prerequisite research, which will lead to the crafting of effective ad messages. Those messages will aim to inspire individuals to gain more information about personal finance, and ultimately use that knowledge to change their negative behaviors. The PSAs will be distributed to approximately 28,000 media outlets nationwide, encompassing television, radio, newspapers, magazines, billboards and the Internet.

While the Ad Council will take responsibility for creating a successful public service campaign in partnership with a four-A volunteer advertising agency, NEFE will recruit organizations to join a nationwide coalition for financial literacy. Members of the coalition will be asked to provide funding for the ongoing effort and/or public access to their organizations' personal finance education materials.

NEFE will make the materials provided by the coalition available through a self-help clearinghouse. This clearinghouse will be accessible via an 800 number and a web portal, both of which will be advertised through the public service campaign.

By raising awareness through an advertising campaign and making financial information available and easily accessible through the self-help clearinghouse, NEFE hopes the effort will begin a broad-based nationwide financial literacy movement and effect real change in the financial habits of individuals across the nation.

"The public service campaign will be an important first step in accomplishing these objectives, and the power and influence of the Ad Council will be a big factor in our success," said Anthes. "The organization has an impressive track record of running campaigns that get noticed and inspire action."

For general information about the Ad Council, log on to **www.adcouncil.org**. ◆

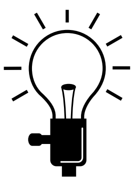
AFCPE Leaders Needed: Consider the Opportunity

by Barbara O'Neill, AFCPE Past President and Nominating Chair

The governance and operation of a nonprofit organization such as AFCPE is only as good as its elected volunteer board members and paid staff. For the past two years, I've been regularly comparing AFCPE board service to the experience of gradually entering a hot tub. Most people do both activities (association board service and hot tubbing) gradually. Members who start out "dipping in their toes" as a committee member or conference reviewer, presenter, or workshop presider role. It can subsequently lead to committee chairs and elected offices, even president.

Now is the time for you to consider an elected board position. Five positions are open in 2005: president-elect (subsequently president and past president), treasurer, and three members-at-large representing each of AFCPE's three constituencies: military, University/Extension, and practitioners and independents.

You can nominate yourself for office or nominate a respected colleague. If possible, please discuss your nomination with named individuals and secure their support. The deadline to apply for consideration by the board as a candidate for is June 1, 2004. Please use the enclosed nomination form and return it to AFCPE headquarters. For additional information about elected office, contact me at oneill@aesop.rutgers.edu. ◆



Apply for a Project 20/20 Mini-Grant

Has the light bulb gone on for a good idea for an innovative financial education and counseling project (e.g., curricula, web site) or research study? Consider applying for a Project 20/20 mini-grant. All AFCPE members are eligible and encouraged to apply. The due date to apply is August 1, 2004. Mini-grant projects should contain the following components:

- Description of a quality "deliverable"
- Potential for easy replication or use by others
- Collaboration by two or more AFCPE members (teamwork is encouraged)
- Impact evaluation component
- 1:1 matching (cash or in-kind, such as project director salary and employer-paid expenses or supplies)
- Mini-grant requests of $1,000 and $2,000 will be considered. Awardees will be announced in November 2004 and will have until November 2005 to complete their project and submit a 500-word report of their final results.

Please adhere to the required format to describe your proposed project and the maximum limit of three typed pages (1-inch margins, 12-point font, and single spacing with double spaces between paragraphs). If you have questions, contact Diane Johnson at johnson8@osu.edu or Barb O'Neill at oneill@aesop.rutgers.edu. Mail your completed application to AFCPE, 2112 Arlington Avenue, #H, Upper Arlington, OH 43221-4339. ◆

Tools of the Trade

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Earned Income Tax Credit—Two web-based tool kits are available online to help promote the federal Earned Income Tax Credit (EITC). The Internal Revenue Service (IRS) site (**www.irs-eitc.info/SPEC/**) includes a comprehensive overview of the EITC. The Center on Budget and Policy Priorities (CBPP) site (**www.cbpp.org/eic2004/index.html**) features HTML and PDF versions of their popular EITC outreach kit. Single free copies of the CBPP kit can be requested from the site.

IRA Publications—The Montana State University Extension Service-Bozeman has released four new MontGuides on individual retirement accounts (IRAs). They are Withdrawals from IRAs When the Owner is Under Age 59½ (MT 200308 HR) (**www.montana.edu/wwwpb/pubs/mt200308.html**); Withdrawals from IRAs When the Owner is Between Age 59½ and 70½ and When the Owner Turns 70½ (MT 200309 HR) (**www.montana.edu/wwwpb/pubs/mt200309.html**); Inheriting an IRA: Planning Techniques for Primary Beneficiaries (MT 200310 HR) (**www.montana.edu/wwwpb/pubs/mt200310.html**); and Inheriting an IRA: Planning Techniques for Successor Beneficiaries (MT 200311 HR) (**www.montana.edu/wwwpb/pubs/mt200311.html**)

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Tools of the Trade

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Assetbuilding.org—The New America Foundation has launched a web site (**www.assetbuilding.org/**) intended as an online clearinghouse of ideas, policies and programs to broaden asset ownership in the United States and around the world.

Office of Financial Education—The Office of Financial Education (OFE) provides the Department of Treasury with expertise on issues involved in financial literacy education. Sign up to receive OFE's Financial Education newsletter via the OFE web site (**www.treasury.gov/offices/domestic-finance/financial-institution/fin-education/**).

High School Financial Planning Program® (HSFPP) Available in Spanish—A Spanish version of the National Endowment for Financial Education® HSFPP is now available at **www.cuna.org/initiatives/youth/index.html**.

Grants/Calls for Papers

Grants.gov—Information about grants available from federal government agencies is now available online at **www.grants.gov/**. The site allows users to search for federal government-wide grant opportunities and to receive notification of future grant opportunities. It also facilitates online submission of proposals. The site also features links to useful resources, including the Grants.gov newsletter.

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Money Habitudes: A Tool for Dealing With Debt

by Syble Solomon, M.Ed., Life Planning Specialist

Money Habitudes™ cards can help practitioners and clients quickly discover the emotional aspects underlying out-of-control debt. Using the cards allows practitioners to identify their client's financial habitudes—or pattern of habits and attitudes. Clients determine the outcome of the cards; therefore, they are interested in understanding the interpretation of the cards they choose. The cards are intended to stimulate thinking about money from different perspectives and to generate conversations leading to successful financial and life planning.

Money Habitudes includes 54 statement cards that describe a habit or attitude related to money such as: "I believe things will work out, so I do not worry about money," "I am very careful to keep up a good front and never let it show when I am having money problems" and "If I received a windfall, I would spend it…it's extra money." Examples of habitudes include *Free Spirit* (money is not a priority), *Status* (money helps to create a positive self image) and *Selfless* (money helps a person feel good by giving to others.) Interpretation cards are included for each habitude with suggestions aimed at helping the individual change his or her behavior.

The Money Habitudes categories, statements and interpretations are based on the most common themes and supporting information found in current financial and psychological research. They were developed with input from diverse focus groups and reviewed by professionals including financial planners, family and consumer specialists, credit/debt counselors, bankruptcy educators, university faculty, personal and business coaches, therapists and counselors.

Following is an example that demonstrates how financial counselors can use Money Habitudes to quickly gain insights about the client in order to individualize their approach and recommendations.

Three women come for financial counseling and each has the same story: Each is avoiding creditors' phone calls. Each had always been able to keep up with her bills until she began giving significant amounts of money to her 28-year-old son nine months ago when he lost his job. Without asking any probing or intrusive questions, the financial counselor has each of them do the Money Habitudes Solitaire activity to determine what habits and attitudes may be motivating their behavior. They each choose the cards that best describe them and their own selection of cards determines their dominant habitude. In this case, their dominant habitudes suggest very different underlying factors are motivating their behavior.

- Vera's dominant habitude is "Selfless." Money helps her feel good by giving to others.
- Tina's dominant habitude is "Status." Tina feels compelled to keep up appearances and present the image that everything is just fine.
- Kathy's dominant habitude is "Spontaneous." Her philosophy is that there is no reason to wait for things you want and she has a history of impulsive spending.

Using Money Habitudes sometimes affirms what clients already know about themselves, but also motivates them to take it more more seriously when they

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Go Easy on Home Equity Debt

When can a good deal become too good a deal? When it comes to home equity loans. Taking out a loan against the equity in your home is a commonly recommended strategy for paying off accumulated high-interest credit card debt or to pay for large-ticket expenses such as home remodeling or college. Home equity values have climbed substantially in recent years in most places, and home equity loan rates are at near record lows. In early December 2003, rates ran around four percent for some home equity lines of credit and just under seven percent for fixed home equity loans, versus 14 percent for a standard variable credit card, according to BankRate.com. Furthermore, interest on the first $100,000 in home equity loans is generally tax deductible. All in all, it can be a good deal. But…

The very features that make home equity loans so attractive these days—especially rising equity values and low loan rates—may be the very features putting some homeowners at a potentially huge financial risk, say planners. Remember, a home equity loan is a loan secured with your home. If you fail to keep up the payments, you could lose your home!

Apparently, many households are forgetting that. A record number of homeowners were expected to have home equity loans during 2003, and the value of those loans was expected to be up 20 percent from 2002, according to SMR Research Corp. In short, homeowners are using their homes like their checkbooks or credit cards.

To get a clearer picture of the risk of home equity loans, you first need to understand the two types of loans. A standard home equity loan is for a fixed amount at a fixed interest rate for a fixed period of time. This type of loan is particularly good when you have a known cost—such as remodeling your kitchen or consolidating credit card and auto debts.

A home equity line of credit operates more like a credit card. The lender gives you a credit line—say $50,000—and you can borrow as much or as little against that as you need. Interest is charged only on what you actually borrow. Interest rates usually are not fixed, but change with general interest rate movements, particularly the federal

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Money Habitudes

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see their results and read the interpretation cards. Other times, clients are very surprised by the results and gain profound insights about themselves. In either case, the cards can both stimulate productive conversation and promote more effective communication between the client and the financial counselor by providing a shared vocabulary and building on the information generated by the client's results with the cards.

The *Money Habitudes Guide for Professionals* provides additional activities, key questions, next steps and information for interpretation. ◆

Syble Solomon, M.Ed., is a life planning specialist and founder of LifeWise, based in Rockville, Maryland. She also serves as an at-large board member for AFCPE. She can be reached at 888-833-4331 or visit **www.lifewise.us**.

Tools of the Trade

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CFP Board Paper Awards—The Certified Financial Planner Board of Standards (CFP Board) offers five cash awards in three categories for articles published in periodicals to encourage research and writing in the field of personal financial planning. The categories are academic journal, professional or trade periodical, and consumer periodical. For more information, visit **www.cfp.net/certificants/articleawards.asp - top**.

Calendar of Events

April 20–22, 2004

Second 21st Century Families Conference, Little Rock, AR

Information at http://www.arfamilies.org/21century/Call_for_Proposals.asp

May 12–15, 2004

Building a National Framework for Family Support Conference, Chicago, IL

Information at http://www.familysupportamerica.org/

May 19–21, 2004

Southern Community Development Educators Conference, Tampa, FL

Information at http://srdc.msstate.edu/cred/scde/04conf.htm - overview

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Tools of the Trade

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June 26–29, 2004
American Association of Family and Consumer Sciences Conference, San Diego, CA
Information at http://www.aafcs.org/meetings/ac/index.html

October 27–29, 2004
Western Family Economics Association (formerly the Western Region Home Management & Family Economics Educators) Conference, Honolulu, HI
Information at http://www.csus.edu/indiv/a/andersenj/WR/

November 17–20, 2004
Association for Financial Counseling and Planning Education Conference, Denver, CO
Information at http://www.afcpe.org

How Much Is Too Much?

Continued from page 1

into $400 indicates a 20 percent consumer debt obligation. Twenty percent or above is considered the point at which consumer debt load may be at a dangerous level. Fifteen percent or less is considered ideal. It should be noted, however, that this is only a guideline and the percentages may not apply to all consumers in a like manner. In very low income and/or large family situations, an acceptable level of debt may be much less.

One positive and practical aspect of using this calculation with consumers is that it is simple and it can clearly indicate when there is a need for debt reduction. Even when over indebtedness is not a problem, this can help a consumer determine the affordabilty of a major purchase by calculating the potential impact of new debt before a purchase, thus staying within acceptable limits. In essence, it empowers consumers to make more informed decisions regarding the need to reduce debt or advisability of incurring new debt. ◆

Example

Net monthly income	= $2,000
Monthly consumer debt total	= $400

$400 ÷ $2,000 =
20% consumer debt obligation

Sandi Martin is the financial education director for the Chapter 13 Bankruptcy Trustee in San Antonio, Texas. She is responsible for conducting classes for Chapter 13 debtors addressing the administrative procedures of bankruptcy and personal financial management. Sandi is a former AFCPE board member and is actively involved in the Trustees' Education Network, a nonprofit corporation that develops materials and initiates debtor education programs nationwide.

Home Equity Debt

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prime rate. Lines of credit tend to be better for ongoing expenses such as college or even as a backup should you suddenly need cash due to a job loss or unexpected medical expenses.

Lines of credit are especially popular right now due to their flexibility and the fact that their rates are lower than fixed home equity loans. And therein lies some of the risk. Fixed home equity loans at least lock in what are currently historically low rates. And while rates are low now for lines of credit, those low rates are expected to rise as the economy rebounds. And the rise could be swift. Only three years ago, the interest rate on home equity lines of credit was running over ten percent.

A lesser-known risk of lines of credit is that they count more heavily against your credit score than fixed equity loans. Lenders look at your credit score when determining your creditworthiness. The more you've borrowed against your maximum credit line, the lower sinks your credit score.

Another risk, facing both types of equity loans, is a drop in home equity values. Home values have done remarkably well through the bear market and sour economy, but there is always the risk of a decline in real estate values. Some experts fear a real estate bubble could burst in some parts of the country, and should they prove right, homeowners could find themselves with more equity debt than they have equity.

Perhaps the biggest risk is that the low rates and large equity values make borrowing just too tempting—like "a giant credit card," as one observer described it. It's not uncommon for households to pay off their credit cards with a home equity loan and soon start racking new credit card debt—this time, with their home at risk. ◆

This column is produced by the Financial Planning Association (FPA), the membership organization for the financial planning community. To contact FPA, call 800-322-4237 or visit **www.fpanet.org**.

Financial Literacy and Education Commission Meets

Secretary of the Treasury John Snow chaired the first meeting of the Financial Literacy and Education Commission on January 29. Representatives of 20 federal departments, agencies, and commissions, including the U.S. Department of Agriculture, participated in the meeting.

At the inaugural meeting the members of the Commission discussed the establishment of subcommittees to fulfill two of the legislation's charges: to establish and maintain a toll-free telephone number for financial education purposes; and establish and maintain a financial education web site that will serve as a central clearinghouse for citizens in search of financial education information and programs.

The new Commission's goal is to promote financial education and improve the financial literacy of all Americans. The Commission will work to encourage government and private sector efforts to promote financial literacy and coordinate financial education efforts of the federal government, including the identification and promotion of best practices.

The legislation that created the Financial Literacy and Education Commission calls for the development of a national strategy to promote financial literacy and education among all American consumers; establishment of a web site to serve as a clearinghouse and provide a coordinated point of entry for information about federal financial literacy and education programs, grants, and other information the Commission finds appropriate; and the establishment of a toll-free hotline available to members of the public seeking information about issues pertaining to financial literacy and education.

The Financial Literacy and Education Commission was created by Title V of the Fair and Accurate Credit Transactions Act, signed by President Bush on December 4, 2003. The Commission is composed of the Secretary of the Treasury and the heads of the Office of the Comptroller of the Currency; the Office of Thrift Supervision; the Federal Reserve; the Federal Deposit Insurance Corporation; the National Credit Union Administration; the Securities and Exchange Commission; the Departments of Education, Agriculture, Defense, Health and Human Services, Housing and Urban Development, Labor, and Veterans Affairs; the Federal Trade Commission; the General Services Administration; the Small Business Administration; the Social Security Administration; the Commodity Futures Trading Commission; and the Office of Personnel Management. ◆

Source: Family Economics NEWS, (March 2004) USDA Cooperative State Research, Education, and Extension Service. The Cooperative State Research, Education, and Extension Service (CSREES) works with land-grant university partners and others to advance knowledge for agriculture, the environment, human health and well-being, and communities. To subscribe, contact Editor Michael Rupured, Consumer Economics Specialist, University of Georgia, 706-583-0054 or e-mail at mrupured@uga.edu.

Frequently Asked Questions

What is the difference between the AFCPE annual dues and the certification programs' annual fees?

AFCPE members pay $80 in dues for each calendar year. The dues are applied to the costs of producing the newsletter, journal, membership directory, as well as staff time and operational costs. As the board was apprised in its annual meeting, the cost to service each membership is over $125.

AFCPE offers its certification programs to practitioners who want to increase their knowledge and skills as well as meet minimum standards in the practice of credit, financial and housing counseling. Once an individual is certified, he or she must pay an annual certification fee of $45. This fee is separate from the annual dues for membership in the national association. Certificate holders are not required to be members of AFCPE.

An AFCPE member who holds a certificate will be assessed two fees each year: the annual dues for membership ($80) and the annual certificate fee ($30 for an ACC, $45 for an AFC, and $60 for a CHC).

Are AFCPE members required to be certified?

No. Not all AFCPE members provide direct counseling services. Approximately 30 percent of AFCPE members are academic researchers or educators.

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Notes from the Executive Director

by Sharon Burns, Ph.D., AFCPE Executive Director

I was just thinking about how baseball teams prepare for the season at spring training. It gets them ready for the season opener. I think the national office does a bit of that as well—except we're not in a sunshine state! So, what do we do in the "off" season?

Golden Jackson is busy working with the Conference Committee. They have lined up some heavy hitters as general session speakers. Of course, the success of the annual conference relies heavily on your submissions to the research, poster, student papers and practitioner's forum sessions. The Invitation to Present can be found under the "Conference" button on the AFCPE web site. Golden's column announces the committee's speaker selections.

This year we are spending the majority of our time preparing the playing field for the future. The board and officers are meeting regularly to review proposed bylaws and corporation changes. These changes are needed to protect the association and its assets as it continues to grow. There will be major changes and we will be exerting a lot of time and energy to keep each of you apprised of these. Most of our communication regarding these items will occur during the summer months.

In addition to administrative chores, we are implementing the plan of work set forth and approved by the Executive Board. Certificate candidates will be taking the Financial Counseling and Credit Management exam online after April 1. They will receive immediate exam results and explanations regarding topics that were not addressed correctly. All of the forms and applications for the certification programs are now online and information is submitted directly to the staff member responsible for each program.

AFCPE is graced by relationships with several major organizations with like-minded goals. The National Endowment for Financial Education is one of these groups. After appropriate reviews, the next issue of *Financial Counseling and Planning* is expected to include several papers that were submitted to a NEFE think tank on financial literacy. We are thrilled to have such a collaborative relationship with a well-respected organization.

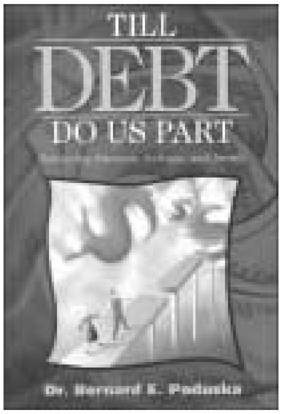
Our journal editor, Sandi Helmick, is pleased to announce that individual papers that have been accepted for publication in AFCPE's journal will now be available online immediately following acceptance. You can view these papers by clicking on the *Journal* button on the web site.

Many AFCPE founders and some of the current members are active members of the American Council on Consumer Interests. ACCI is celebrating its 50th anniversary during its annual conference in late March and early April. Congratulations ACCI!

AFCPE really has no "off" season—another indicator of a winning team!

Sharon A Burns

Sharon Burns



Book Review: Till Debt Do Us Part: Balancing Finances, Feelings, and Family

Written by Dr. Bernard E. Poduska

Reviewed by Shara Young, AFC

Jim comes home late from a second job, finding his wife Lucy waiting impatiently because he didn't call. He presents Lucy with an expensive bracelet to make up for his absence these past weeks. But instead of delight, Lucy demands to know how much he spent on the item, since their mounting debt requires him to work a second job. Jim feels defensive and rejected. Lucy is hurt and frustrated, and both find themselves emotionally distant from each other.

Fortunately, Jim and Lucy begin to read *Till Debt Do Us Part*, and they begin to understand that each spouse brings to the marriage rules about how finances and relationships should be handled. And such differences, if not resolved, can be a constant source of contention.

In his book, *Till Debt Do Us Part*, Dr. Bernard E. Poduska introduces Ten Financial Principles that give insight on how families can work out money problems, learn financial skills, make money last to the end of the month, and how to manage debt. A few principles from the book include:

- Financial problems are usually behavior problems rather than money problems. We spend to experience the feeling associated with an object or service.
- Nothing (no thing) is worth risking the relationship. The author notes one of the quickest ways to destroy a relationship is allowing a love of things to take a higher precedence over a love of each other.
- You can never get enough of what you don't need, because what you need can never satisfy you. In our example, Lucy values time with Jim, so no matter how many material gifts Jim gives to Lucy, the gifts will never satisfy her need to share valuable time together. The author states that in most cases, if the family develops warm, loving relationships with each other, the "need" to acquire material items is considerably reduced.
- Financial freedom is more often the result of decreased spending than of increased income. The author illustrates how earning $1,000 (before taxes) will only pay a $600 debt (after taxes). A second job may also put you in a higher tax bracket and cost you in time with family. The author instead suggests ways to cut expenses, such as planning a 30-day meal menu, increasing insurance deductibles, decreasing the amount of cash you carry, and never making a purchase over a certain limit without first consulting with your spouse.

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Frequently Asked Questions *(continued from page 14)*

In addition, at this time, few states require counselors to be certified. The states that do require certification simply require that credit counselors be certified through a third party.

Are ACC, AFC and CHC certificate holders required to be AFCPE members?

No. AFCPE is a professional organization whose membership is voluntary. AFCPE believes that membership in the professional organization provides many benefits to counselors.

Correction:

In the January 2004 issue of *AFCPE Forum,* we published a book review on *Solution Focused Financial Counseling in the New Millennium.* The following is updated order information:

Solution Focused Financial Counseling in the New Millennium (last revised 2003)
by Fred Waddell
Genesis Financial Services Press
800-264-0721, access 6-0
www.financialcounseling.net

Book Review
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After discussing each principle, the author moves to other topics such as why people have financial problems, and how family types affect finances.

Many couples may ask, “How did we get into this mess?” The author suggests that problems stem from (1) a lack of basic financial management skills, (2) impulse buying, and (3) credit abuse, to name a few.

To avoid unnecessary debt, the author discusses nine behaviors associated with effective financial management. For example: 1) do not try to move too far, too fast in accumulating assets, 2) keep only 2–3 creditors, and 3) keep impulse buying in check with built-in time delays—such as waiting 24–48 hours before making large purchases.

How does birth order affect family finances? Dr. Poduska illustrates how first-born children overall are ambitious and high achievers, but may have strong tendencies to control people and the checkbook. Second-born children resist being controlled and tend to be more impatient to satisfy their wants. Middle-born are peacemakers, but often use gifts to “buy” the acceptance of others.

Last-born children operate more on impulse, often failing to distinguish between needs and wants. The author explains in detail each personality and suggests remedies for each situation.

As the author’s principles and lessons are applied to our case study, the couple’s feelings and finances improve. Jim now calls if he will be late coming home and gives Lucy the “gift” of time together instead of expensive presents. Jim also begins to understand Lucy’s tendency to control the checkbook and is not so defensive when asked how much was spent.

Lucy realizes happy marriages are based on both spouses managing control of financial decisions. Jim and Lucy now remember that relationships are more important than money, and that they should take a lesson from principle eight: *be grateful for what you have*. ◆

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