FINANCIAL FIRST AID TOOL KIT

Financial tips for accumulating and managing wealth

FOUNDATION FOR THE MID SOUTH
ARKANSAS • LOUISIANA • MISSISSIPPI
Expanding Knowledge. Improving Lives.

Who should use this information?

Wealth building is an anti-poverty strategy that helps low- and moderate-income people move toward greater self-sufficiency by accumulating assets, the basis of wealth. The document is designed to provide information to help individuals and families build and protect their assets. The information can be used by individuals or families, as well as organizations working to increase financial security. They can be:

- Professionals, such as teachers, police officers and other public service personnel
- Low- and moderate-wealth individuals wanting to increase their financial stability
- Military families
- Non-profit organizations, churches and other institutions providing financial competency training to youth and adults
- Public schools or after-school programs providing financial competency training to youth.

FOUNDATION FOR THE MID SOUTH
ARKANSAS • LOUISIANA • MISSISSIPPI
Expanding Knowledge. Improving Lives.

Building Wealth in the Mid South

When low-wealth families are provided the tools to save and grow their money, the generational cycle of poverty can be broken.

The Foundation for the Mid South believes that building wealth requires increased access to effective financial programs and information. When families possess the tools and knowledge to get their finances on track, they can begin to grow their savings, maximize their income, and acquire assets. The Foundation for the Mid South's goal to help families reach financial security is supported by two strategies:

- **Increasing financial competency**

  We support activities that expand access to knowledge and resources to strengthen adult and youth financial competency.

- **Building assets**

  We focus on expanding tools such as *Individual Development Accounts* (IDAs), which provide financial education while helping families save for and purchase an asset, like a business or home.

  We also seek to increase the use of the *Earned Income Tax Credit* (EITC) among eligible low-wealth tax filers as a means to increase annual income. We encourage families to use the money earned from the federal tax credit specifically for savings or purchasing a transferable asset.

TABLE OF CONTENTS

SECTION 1

BUILDING YOUR WEALTH

Below are some wealth building terms that can help you complete the worksheets that follow on pages 5-7.

Assets are items *(possessions)* that are owned that have economic value, such as:

- Checking or savings accounts
- Certificates of deposit
- Stocks and bonds
- A home

Liabilities are debts or obligations—money that is owed, such as:

- Credit card balances
- Mortgage on home
- Student loans
- Auto loans

Net Worth is the difference between your assets *(what you own)* and your liabilities *(what you owe)*. Net worth is your equity or wealth.

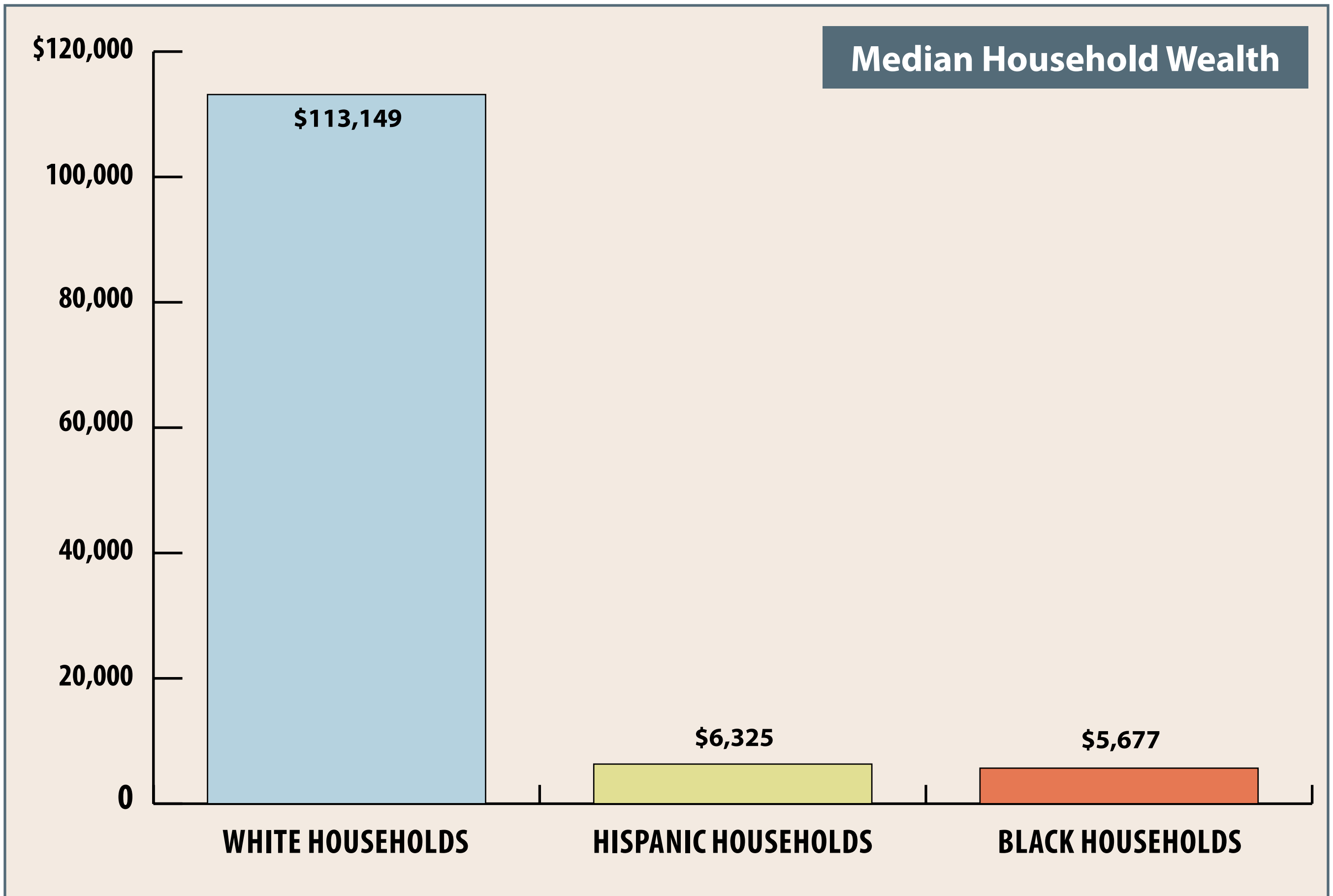
Debt- to-Income Ratio is calculated by dividing total monthly debt payments by after tax monthly income. This ratio shows the percentage of income that has to be used to service debt.

Source: Federal Reserve Bank of Dallas

Wealth is the abundance of valuable resources or material possessions. The process for obtaining or growing wealth is wealth building. The Foundation for the Mid South defines wealth building as a combination of financial competence (understanding and practicing sound financial concepts) and assets. An asset is something that you own that has economic value. The goal of wealth building is to enable families to build financial security.

The Mid South states of Arkansas, Louisiana and Mississippi are home to approximately 10 million people. These states face long-term financial and social challenges due to high rates of unemployment and poverty, low wages, and poor educational attainment and inadequate workforce skills. The result? Too many Mid Southerners lacking financial security and self-sufficiency. The statistics listed below demonstrate the urgent need for the implementation of wealth building strategies to help individuals and families in the region move up the economic ladder.

- **High poverty rates in AR, LA and MS of 18%, 18.1% and 21.2% respectively when compared to the national poverty rate of 13.8%.**
- **Nearly one in three, or over 3 million Mid Southerners, use costly alternative financial services (e.g., check cashing, title loans, rent-to-own and payday lending businesses).**
- **High school graduation rates lag behind the rest of the nation: Arkansas 81.9%, Louisiana 81% and Mississippi 79.6% when compared to the national rate of 85% . The percentages drops dramatically for bachelor's degree or higher attainment.**
- **The regional unemployment rate is 7.6%, which is comparable with the national average of 7.9% as of October 2012.**
- **One in four, or 2.5 million Mid Southerners, don't have a financial safety net, which is a cash reserve to cover 3 months of living expenses.**
- **The average number of unbanked individuals in the region is 11.7%, which is much higher than the national average of 7.7%.**
- **Sub-prime credit is significantly higher than the nation; (Arkansas 63.2%; Louisiana 64.4%; and Mississippi 68.7% compared to 55.8% nationally).**



The median wealth of white U. S. households in 2009 was $113,149, compared with $6,325 for Hispanics and $5,677 for Blacks, according to the analysis released by the Pew Research Center. Those ratios, roughly 20 to 1 for blacks and 18 to 1 for Hispanics, far exceed the low mark of 7 to 1 for both groups reached in 1995, when the nation's economic expansion lifted many low-income people to the middle class.

GETTING ON THE PATH TO FINANCIAL SECURITY

Wealth building is a long-term endeavor and requires individuals to make advantageous financial decisions both now and in the future. In order to build wealth, short- and long-term planning is required. Goals must be set for each and must be specific and obtainable. You must determine how to use your financial resources to achieve your goals. For example: a short-term goal maybe to establish an emergency fund of $1,500 within the next twelve months. An example of a long-term goal is to save $250,000 for retirement over the next 20 years.

1. GET READY

Review Documents

Review all information related to income and expenses. Look at earning statements, loan documents and credit reports to determine your current financial standing.

Set Goals

Write down your goals. A goal is an end toward which you direct specific effort. The end should be feasible based upon your financial situation, exact and tangible.

IDEAS:

Emergency fund savings of $1,500.00 in the bank. Emergencies will happen, so save $50 to $100 per month until you have a minimum of $1,500 set aside (for car maintenance/repairs, medical expenses and home repairs, etc.).

Have the proper amount of life insurance in place. If you die today, how would your family manage? Having the proper amount of life insurance is the foundation to any financial plan. Experts suggest 10 times your income in life insurance. For example, if you earn $40,000, you should have $400,000 in life insurance coverage.

Evaluate the Situation

Determine what changes need to be made as it relates to spending habits, saving and indebtedness. Also, determine if your assets are properly insured.

2. TAKE ACTION

Create a Plan of Action

List each step necessary to achieve the goals and develop a timetable for each.

> ***IDEAS:***
>
> ***Pay off all debt using the debt snowball method.*** Pay off one debt at a time—credit cards, car payments or student loans—starting with the one with the highest interest rate. Once the first debt is paid, use the money that was being used to make that payment to increase the payment amount on another debt. Continue this process until all debts are paid.
>
> ***Invest up to 15% or more of income into a Roth IRA's and pre-tax retirement accounts*** (real estate, mutual funds and fixed accounts). These will help you provide for retirement, college educations, mortgages, and other long-term goals and dreams.
>
> ***Pay off your home early by making additional principal payments.*** The earlier you pay off your home, the more money you will save in interest. The savings can be directed toward other wealth building goals and supporting worthy causes such as churches and nonprofits.

Implement the Plan

Set a start date and begin on that day. Learn to live within your budget and don't spend more than you make.

3. ASSESS YOUR PLAN AND PROGRESS

Monitor the Plan - review the progress toward your goals at least monthly. It may be necessary to modify your goals as changes occur in your life, such as employment changes, factors relating to the economy or changes in spending habits.

Sources: Foundation for Financial Planning and LPL Financial

Use the tools on the following pages to get started on the path to financial security:

- **Complete a personal financial statement**, which includes assets *(what you own)* minus liabilities *(what you owe)*. The difference is your net worth *(equity)* and gives you a picture of your financial situation.
- **Develop a monthly budget.** List all of your monthly income and expenses. This will help you understand how you spend money and enable you to determine where adjustment can be made.
- **Calculate your debt to income ratio.** Divide your monthly expenses *(don't include utilities or insurance)* by your after-tax income. Mortgage payments plus your credit obligations should not exceed 35 to 45 percent of monthly income.
- **Establish and maintain a good credit score.** Monitor your credit report at least annually to ensure the information is accurate and current.

PERSONAL FINANCIAL STATEMENT

NAME: ______________________________

DATE: ______________________________

ASSETS	AMOUNT
Cash - *checking accounts*	$
Cash - *savings accounts*	$
Certificates of deposit	$
Stocks, bonds and other investments	$
Life insurance *(cash surrender value only)*	$
Retirement funds *(e.g. IRAs, 401k, 403b)*	$
Auto *(market value)*	$
Personal residence *(market value)*	$
Rental property*(market value)*	$
Other assets *(specify)*	$
Other assets *(specify)*	$
TOTAL ASSETS	$

LIABILITIES	AMOUNT
Credit cards	$
Federal or state taxes owed	$
Auto loan	$
Personal residence mortgage	$
Home equity loan	$
Rental property loan	$
Other liabilities *(specify)*	$
TOTAL LIABILITIES	$

NET WORTH *(Assets - Liabilities)*	$

Signature ______________________________

Date ______________________________

MONTHLY BUDGET

INCOME	AMOUNT
Net Pay	$
Other Income	$
Total All Income	$

EXPENSES	AMOUNT
HOUSEHOLD	
Rent/Mortgage	$
Utilities	$
Cable/Satellite TV	$
Telephone/Internet	$
Cell Phone	$
Other	$
Sub-total	$
TRANSPORTATION	
Car Payment	$
Insurance	$
Gas	$
Maintenance/Repairs	$
Other	$
Sub-total	$
OTHER	
Groceries	$
Entertainment	$
Medical Expenses	$
Clothes & Shoes	$
Laundry & Cleaners	$
Credit Card(s)	$
Loan payments	$
Education	$
Gifts & Charity	$
Savings	$
Miscellaneous	$
Sub-total	$
TOTAL EXPENSES	$

Total All Income	$
(Minus) Total Expenses	- $
GRAND TOTAL	$

BUDGET PLAN BY CATEGORY

BUDGET CATEGORY	TYPICAL BUDGET PERCENTAGE	EXAMPLE WITH A $2,150 MONTHLY INCOME
Housing	32%	$688
Auto	15%	$322
Food	15%	$322
Insurance	5%	$108
Debts	5%	$108
Entertainment	7%	$150
Clothing	5%	$108
Savings	5%	$108
Medical/dental	5%	$107
Miscellaneous	6%	$129

Source: CreditCards.com

DEBT-TO-INCOME

Work toward reducing your debt-to-income ratio.

How heavy is your debt load? Here are some points for comparison:

- The average credit card debt is about $15,788 (per household)*
- Mortgage payments plus your credit obligations should not exceed 35 to 45 percent of monthly income.

Use the following formula to calculate your debt-to-income ratio.

	÷		x 100	=	%
Monthly debt payments		All after-tax income			Debt-to-income ratio

Source: CreditCards.com, as of March 2010

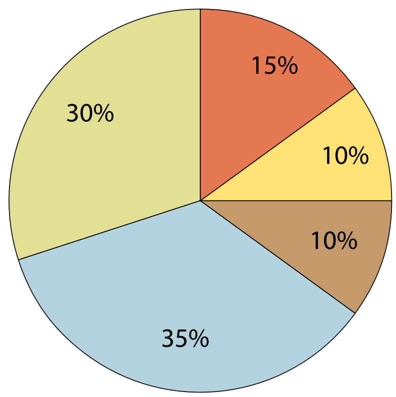
CREDIT

Credit is the ability to borrow money to buy something now and pay for it later. When you buy something with credit, you obligate future income. Obligating future income means you are giving up income you haven't earned yet to buy something today.

Credit is a financial asset. A good credit rating will save approximately $250,000 in interest throughout our working lives. It impacts your employment prospects, as well as your ability to qualify for loans—for such things as cars, mortgages, credit cards and small business loans—and to obtain insurance and rent property.

What Does a Credit Score Consider?

- Payment history – track record of pay back of your debts
- Amount of outstanding debt – debts you owe right now
- Length of credit history – credit age
- Types of credit – revolving, installment & mortgage
- New credit/Inquiries – have you opened any new credit lines recently



Measuring Risk

Since its introduction 20 years ago, the FICO (Fair Isaac Corporation) Score has become a global standard from measuring credit risk in banking, mortgage, credit card, auto and retail industries. The FICO Score is used to make 90% of consumer credit decisions. Under this system borrowers with higher credit scores are considered less risky and will normally pay a lower interest rate for credit. Whereas, borrowers with a lower credit score are considered high-risk and will pay significantly more for credit.

About credit scores

- Credit score ranges from 300 to 850
- The higher the score, the less risk to a lender
- 700 and above is usually considered a good credit risk
- If you score too low, your credit request may be denied

Source: myFICO

How do credit scores impact personal finances? The following is an example of a $100,000 mortgage loan over 30 years.

FICO SCORE RANGE	INTEREST RATE	MONTHLY PAYMENTS	INTEREST PAID OVER LIFE OF THE LOAN
760-850	3.50%	$449	$61,656
700-759	3.75%	$463	$66,722
680-699	3.90%	$472	$69,801
660-679	4.15%	$486	$74,997
640-659	4.60%	$510	$83,692
620-639	5.10%	$543	$95,462

Source: myfico.com

Tips for Improving Your Credit Score

- Correct any inaccurate information
- Pay your bills on time
- Minimize outstanding debt
- Apply for and open new accounts only as needed
- Manage credit cards responsibly
- Re-establish credit if you've had problems
- Shop for the best creditor(s)
- Limit number of credit cards

Correcting Errors and Omissions

- Follow the instructions provided with the credit report
- Send additional information to correct the error
- Explain the problem in a brief letter
- Contact the creditor directly if the credit reporting agency does not find the error
- Write a consumer statement if the issue remains unresolved

5 Cs of Credit

Used by financial institutions to evaluate loan requests.

- Character – good personal attributes
- Capacity – ability to repay
- Condition – financial circumstances
- Collateral – pledged asset
- Capital – equity investment

Everyone has the right to review their credit report at any time. Did you know that:

- You can get a free credit report if turned down for credit within 60 days? If not, there is a charge per copy.
- You have the right to a free credit report every 12 months? Visit *www.annualcreditreport.com* online or call 877-322-8228 to learn more.

Credit Reporting Agencies

Experian
www.experian.com
(888) EXPERIAN
(888) 397-3742

TransUnion
www.transunion.com
(800) 888-4213

Equifax
www.equifax.com
(800) 685-1111

SECTION 2

PROTECTING YOUR WEALTH

IDENTITY THEFT

Identity theft occurs when someone pretends to be someone else by assuming that person's identity, typically in order to access resources or obtain credit and other benefits in that person's name.

Warning signs:

- Mistakes on accounts or your Explanation of Medical Benefits
- Regular bills go missing
- Calls from debt collectors for debts that aren't yours
- Notice from the IRS
- Calls or mail about accounts in your minor child's name

Reduce your risk of identity theft by:

- Only providing your social security number as needed
- Being cautious with personal information
- Shredding documents
- Keeping mail safe
- Storing personal information in a safe place
- Not carrying extra credit cards or paperwork
- Creating unique passwords and PINS for accounts
- Paying attention to billing cycles
- Ordering credit reports once a year
- Not over-sharing on social networking sites
- Using anti-virus software, anti-spyware, and a firewall
- Keeping your computer's operating system, browser and security up to date
- Encrypting your computer data
- Being wise about using public wi-fi

If you're a victim of identity theft:

- Contact any one of the three nationwide credit reporting agencies
  Equifax (1-800-525-6285) | Experian (1-888-397-3742) | TransUnion (1-800-680-7289)
- Order your credit reports
- Contact all creditors involved
- File a police report
- Contact the Federal Trade Commission (1-877-438-4338)
- Keep records of contacts
- Notify financial institutions that you are a victim of fraud
- Monitor your credit report frequently

Source: Federal Trade Commission

COSTLY ALTERNATIVE FINANCIAL SERVICES

Research indicates that one in three, or over 3 million, Mid Southerners use costly alternative financial services, such as check cashing, car title loan and payday loan advance businesses.

How can these types of services be detrimental to a family's financial security?

- These alternative financial services have extremely high fees and short repayment schedules, which make them unsustainable for working families.
- Costly services can keep unsuspecting customers in debt.

Options to costly alternative financial services

Alternative financial services, such as check cashers, car title loan or payday loan advance businesses are not the only option for consumers facing debt problems. There are many options to alternative financial services such as: small savings accounts or rainy-day funds; salary advances from employers; credit card advances; working out extended repayment plans with creditors; and loans from friends, relatives, religious institutions, or social service agencies. In addition, many lenders have developed lower-cost options to alternative financial services loans that have better repayment terms.

RESPONSIBLE SMALL LOANS

Options to alternative financial services should have these features:

- At least a 90-day repayment term, repayable in installments
- No personal check mechanism or other unfair collateral (such as a car title)
- Reasonable limits on renewals (If borrowers are renewing short-term loans more than four times per year, the loans are not helping them)
- Full consideration of borrower's ability to repay the loan
- No mandatory arbitration clause

With responsible small loans, borrowers pay late fees or penalty fees only one time. The "debt trap" forces alternative financial services loan borrowers to pay fees every two weeks. In the end, revolving alternative financial services loan fees increase debt loads and financial hardship, leading people into bankruptcy rather than helping them get back on their feet.

PAYMENT PLAN WITH CREDITORS

The best option to alternative financial services is for consumers to deal directly with their debt. Many creditors will negotiate partial payments if a payment plan is in place. Working out a payment plan with creditors can allow the consumer to adjust billing to pay off bills over a longer period of time.

ADVANCES FROM EMPLOYERS

Some employers grant paycheck advances to employees. Because this is a true advance, and not a loan, there is no interest and the advance is therefore cheaper than an alternative financial services loan.

CONSUMER CREDIT COUNSELING

There are various consumer credit counseling agencies throughout the country that can help consumers work out a debt repayment plan with creditors or develop a budget. These services are available at little or no cost. Contact a nationally accredited consumer counseling agency in your area by calling 1-800-388-2227 or visiting www.debtadvice.org.

EMERGENCY ASSISTANCE PROGRAMS

Many faith-based groups and community organizations provide emergency assistance, either directly or through social services programs. For example, in partnership with state agencies, the federal Low Income Home Energy Assistance Program provides financial assistance to low-income households that are in a heating or cooling (weather) related emergency. A household that applies must: have at least one U.S. Citizen or a non-citizen who meets certain eligibility criteria; meet an income test; and be in a heating or cooling related emergency.

CREDIT UNION LOANS

Many credit unions offer small, short-term loans to their members. Some credit unions also offer free financial counseling and a savings plan to help members get back on their feet. Many other credit unions offer very low interest rate loans (prime to 18% annual interest) with quick approval on an emergency basis. Unlike alternative financial services loans, these loans give the borrowers a real chance to repay with longer payback periods and installment payments.

CASH ADVANCES ON CREDIT CARDS

Credit card cash advances, which are offered at about 30% APR, are much cheaper than getting an alternative financial services loan. Some credit card companies specialize in consumers with financial problems or poor credit histories. Consumers should shop around and not assume they do not qualify for a credit card. Secured credit cards are another option. A secured credit card is tied to a savings account. The funds on the account 'secure' the amounts charged on the card. Once a consumer has successfully used the secured card for a period of time, they can then qualify for a regular unsecured credit card.

MILITARY LOANS

Several companies offer loans ranging from $500 to $10,000 to active duty and retired military personnel. Alternative financial services loans are 10 to 13 times more expensive than these small consumer loans. These loans cost less than alternative financial services loans, because they have much lower APR, ranging from 33% to 34.99%.

SMALL CONSUMER LOANS

Small consumer finance companies offer small, short-term loans that cost up to 60% APR, usually in the range of 25-36% APR. These loans are also much cheaper than alternative financial services loans; a person can borrow $1,000 from a finance company for a year, and pay less than a $200 or $300 payday loan over the same period.

Source: Center for Responsible Lending

How to avoid alternative financial services loan fees

More consumers are getting the word about alternative financial services loans and the costs associated with them. These types of loans are almost always expensive to the borrower. Instead of presenting what is a reasonable lending deal to a wider variety of customers, alternative financial services loan companies tend to target those who are less knowledgeable about finance with a variety of tempting or high-pressure advertisements. In order to avoid alternative financial services loan fees and some of the other big costs that are almost always attached to these short-term lending agreements against a paycheck, use the following basic steps to control budgetary shortfalls in ways that help protect your wallet better.

1. **Immunize yourself against television and advertising appeal.** One of the ways that alternative financial services loan companies get customers is to reach out and grab them with flashy advertisements. Teaching yourself to follow what's behind an advertisement, rather than just responding to it, will help you avoid alternative financial services loan fees and other expensive services that are advertised through mass media.

2. **Understand regular structures for alternative financial services loan fees.** Finance professionals reveal that there are two main types of fees for alternative financial services loans. One is a percentage of the amount borrowed. The other is a flat rate that goes up with amounts of borrowed money. Either one can become expensive, just looking at the details will help borrowers understand how much they may be paying for a simple alternative financial services advance.

3. **Use Truth in Lending Act provisions and other legislation.** The Truth in Lending Act allows consumers to be able to see what lenders are charging with any kind of loan agreement, including alternative financial services loans.

   Read up about military legislation on alternative financial services loans. Through specific military legislation, service members and dependents are offered more protection on alternative financial services loans than the rest of the population.

4. **Consider options.** The best way to avoid alternative financial services loan fees and expensive interest rates is to find other ways to handle a short-term need for money.

   Network with existing creditors. Before taking out an alternative financial services loan to meet the bills that are due at any given time, call each one of your creditors and ask about possible extensions that don't involve extremely high interest rates or extra fees. Often, unless they are totally maxed out on their credit, families can negotiate extensions on rent, utilities or some other costs.

   Consider informal loans, small business loans, micro-lending and other forms of lending. Almost any other kind of loan will be much less expensive than an alternative financial services loan. Some of these loans are harder to apply for, and harder to get, but the end result will be less cost.

5. **Call a consumer credit counseling service.** Local counseling services can help consumers deal with short-term debt or long-term debt by offering practical solutions.

   Make sure the credit counseling services are legitimate. Some predatory lending businesses dress themselves up as counseling services in order to offer debt consolidations that may only be scams. Get the details about how a third party will help you with your debt before handing over money or following other instructions.

6. **Contact the Federal Trade Commission.** For complaints about alternative financial services fees and other aspects of these short-term loans, consumers can call the FTC and complain about an alternative financial services loan company. Government is keeping an eye on how these short-term lenders spike interest rates. When it comes to alternative financial services loans, embattled customers can often get some sympathy from relevant consumer protection agencies.

Sources: http://www.ftc.gov/bcp/edu/pubs/consumer/alerts/alt060.shtm and http://www.dfi.wa.gov/consumers/education/payday_loans.htm

Get Out of the Alternative Financial Services Loan Debt Trap

- Avoid piling up more alternative financial services loans. Taking out a second alternative financial services loan in order to pay the first one creates a larger debt trap.

- Tell the lender that you need to work out arrangements to repay in installments. A few states require lenders to provide extended payment plans (Alabama, Alaska, Florida, Illinois, Michigan, Nevada, Oklahoma and Washington). If your lender refuses to work with you, contact your state regulator to ask for help. (Arkansas – Office of the Attorney General (501) 682-2007, Louisiana – Louisiana Office of Financial Institutions (225) 925-4660 and Mississippi – Mississippi Department of Banking and Consumer Finance (601)359-1031.

- Stop lenders from taking money directly from your paycheck. Read your contract to see if you signed a voluntary wage assignment clause. If so, write a letter to the lender to revoke that agreement so the lender won't be able to garnish your pay from your employer without court approval. Mandatory wage assignments as used in some alternative financial services' loan contracts are prohibited by the Federal Trade Commission's Credit Practices Rule.

- See Safeguard Your Bank Account below for information on stopping payment on checks or debits to stop the drain of repeat penalty fees while you work to repay the loan amount.

Safeguard Your Bank Account

You need to protect your ability to have a checking account. Lenders base payday loans on checks/debits to secure loans, to make it easy to collect through the borrower's bank account, and to encourage loan renewals to keep checks used to get loans from bouncing. Don't write checks without money in the bank that day to cover the check.

Your banker can advise when it makes sense to close your account and open a new one to get control of loan payments and stop escalating non-sufficient funds (NSF) fees generated by repeated attempts to collect on the check held by the payday lender.

Contact your banker quickly, before alternative financial services loan cause your account to be overdrawn. If your bank closes your account due to repeated overdrafts, you may be placed on a list that will make it hard to get a checking account for five years. Your bank or credit union can also help you stop payment to lenders that electronically access your bank account.

If the loan is not paid, lenders in some states can take action under civil "bad check" laws. In most states, however, lenders cannot file a criminal case for passing a bad check.

Source: Center for Responsible Lending

Caught in the debt trap

Real stories from alternative financial services borrowers

Alternative financial services lenders claim that their loans help people deal with one-time, financial emergencies, but borrowing patterns show the opposite. Over three quarters of alternative financial services lending revenue is generated by borrowers caught in churned loans. After meeting the short-term due date, these customers must borrow again before their next payday.

Alternative financial services borrowers tell stories of accruing overdraft fees, falling behind on rent, mortgage and other bills, going into bankruptcy, and in some cases major family disruption. The numbers bear these effects out as common to alternative financial services borrowers—not just cases of individual hardship.

In many cases, borrowers are more likely to:

- Become delinquent on their credit cards than non-borrowers in similar financial situations
- File for bankruptcy

Families with access to alternative financial services loans are more likely to:

- Pay other bills late
- Delay medical care and prescription drug purchases
- Lose their bank accounts due to excessive overdrafts

The following true stories show the devastating impact that high-cost alternative financial services can have on individuals and families.

The Grandfather. Arthur Jackson *, a 69 year old warehouse worker and grandfather of seven, went to the same Advance America alternative financial services shop for over five years. His total interest paid is estimated at about $5,000 for a loan that started at $200 and eventually increased to a principal of $300. Advance America flipped the loan over a hundred times. Every payday, rather than defaulting (which could mean bounced checks) or coming up short on bill money, Jackson went into the Advance America store, renewed his loan, and paid the fee. The clerks knew him by name, and often had his paperwork ready for him when he came in.

The Couple Disqualified for a Loan Modification. Mr. & Mrs. Anderson* were unable to cure the default on their home loan because of their alternative financial services loans. A construction worker, Mr. Anderson has taken out alternative financial services loans from Advance America to help them through a period of bad weather that slowed his work. They paid $200 every two weeks in fees to Advance America, for loans in both his and her names. This debt disqualified the couple for their loan modification.

The Business Woman. Sandra Harris, a successful professional, worked diligently to keep up with her bills. In a tough time, she turned to alternative financial services lending. After several rollovers, Harris' first loan was due in full. She couldn't pay it off, so she took a loan from a second lender. Frantically trying to manage her bills, Harris eventually found herself with loans from six alternative financial services lenders including: Advance America, Check Into Cash, Check 'n Go, Urgent Money Express and two on-line lenders. She paid over $600 per month in fees, without any going towards reducing her debt. After writing checks to payday lenders totaling $9,200, she was evicted and her car repossessed. "At the time it seems like the way out, but this is not a quick fix. It's like a ton of bricks," said Harris.

*Names changed

Source: Center for Responsible Lending

FINANCIAL FIRST AID TOOL KIT

Financial tips for accumulating and managing wealth

FOUNDATION FOR THE MID SOUTH
ARKANSAS • LOUISIANA • MISSISSIPPI
Expanding Knowledge. Improving Lives.

For more information, please contact
Kimberly M. McMillan
kmcmillan@fndmidsouth.org

134 East Amite Street
Jackson, MS 39201
601.863.8167 ph
601.355.6499 fax