

The Penny Pincher

September 2005 A Newsletter from Novadebt A GARDEN STATE CONSUMER CREDIT COUNSELING ORGANIZATION

Novadebt Achieves Re-Certification By HUD

Source: *Becky Winters, Education Consultant for Novadebt*

Novadebt has completed the biennial HUD review process for HUD approved housing counseling agencies and is pleased to announce that our approval was renewed unconditionally effective June 9, 2005. When an agency or organization receives approval by HUD to provide housing counseling, they are required to undergo a re-certification process every two years. This process is done to ensure that the counseling provided continues to be in accordance with HUD guidelines. The on-site examination includes a review of client folders and education information provided, the agency housing counseling plan,

reporting documents as required by HUD, interviews with selected agency housing counselors and a mailing of HUD surveys to a sampling of clients that have been counseled. This process ensures that you, the consumer, receive housing counseling from an entity that has met the Department of Housing and Urban Development's initial approval criteria and submitted an acceptable housing counseling plan to serve the entity's target community. We are proud of maintaining this approval, as it reflects Novadebt's commitment to uphold the highest of standards in the provision of our agency services. ■

Dear Novadebt...

Source: *Novadebt Clients*

"The people that I have spoken to were very professional and courteous. They received my call and they called me right back with the solution. Because of you, I am down to 3 cards from 20 cards. Thank you Novadebt."

MR, New Jersey

"You guys have helped me so much. I've had to acquire your services again, due to being forced to take on too much financial responsibility before I was completely out of debt the first time, but I got back on track much faster because I knew I could do it with your help. I now find myself helping other people I see making the same mistakes I made. I can't thank you enough for getting me back on track and educated on how to handle my finances better."

MW, New Jersey

"You are wonderful. In my entire life, I have never dealt with so many people in one company who are all so kind and courteous. Everyone I've spoken to falls into this category."

JK, Florida

"You have helped me tremendously and I thank each and every one I have ever dealt with. You are a great organization."

MF, Pennsylvania

"Novadebt has made my financial hardships ease up. Novadebt has helped me get on the road to recovery. It has also improved my credit and I recommended Novadebt to a friend and she has not stopped thanking me. Thanks for all your help!!"

TM, New Jersey

Reverse Mortgages: Are they right for you?

Source: *Isis Malagrino, Senior HECM Counselor for Novadebt*

Do you feel "house rich and cash poor"? Many older Americans seeking money to finance a home improvement, pay off a current mortgage, supplement their retirement income, or pay for healthcare expenses, are turning to reverse mortgages. These types of loans allow senior homeowners to convert part of the equity in their homes into cash without having to sell their homes or take on additional monthly bills. The loan advances from reverse mortgages are not taxable, and generally do not affect Social Security or Medicare benefits.

HOW THE REVERSE MORTGAGE WORKS: ELIGIBILITY AND REPAYMENT

A reverse mortgage is a loan against your home that you do not have to pay back for as long as you live there. To be eligible you must own your home and be 62 years of age or older. There are no income or credit requirements. You retain the title to your home, and you don't have to pay anything back until you sell your home, permanently move out of your home, or die. You can never owe more than your home's value at the time the loan is repaid.

TYPES OF REVERSE MORTGAGES

There are several types of reverse mortgages that differ in costs, how much you can borrow, and other terms. Currently, the most popular option is the Federal Housing Administration (FHA) insured loan called the Home Equity Conversion Mortgage (HECM). The FHA tells HECM lenders how much they can lend you, based on your age and your home's value. The HECM program limits your loan costs, and the FHA guarantees that lenders will meet their obligations. The amount of money you can get from a HECM loan also depends on how

you want it paid to you: lump sum, credit-line, monthly advance, or some combination of these three types of cash advances. The HECM loan may be an attractive prospect and useful resource for seniors who have limited options.

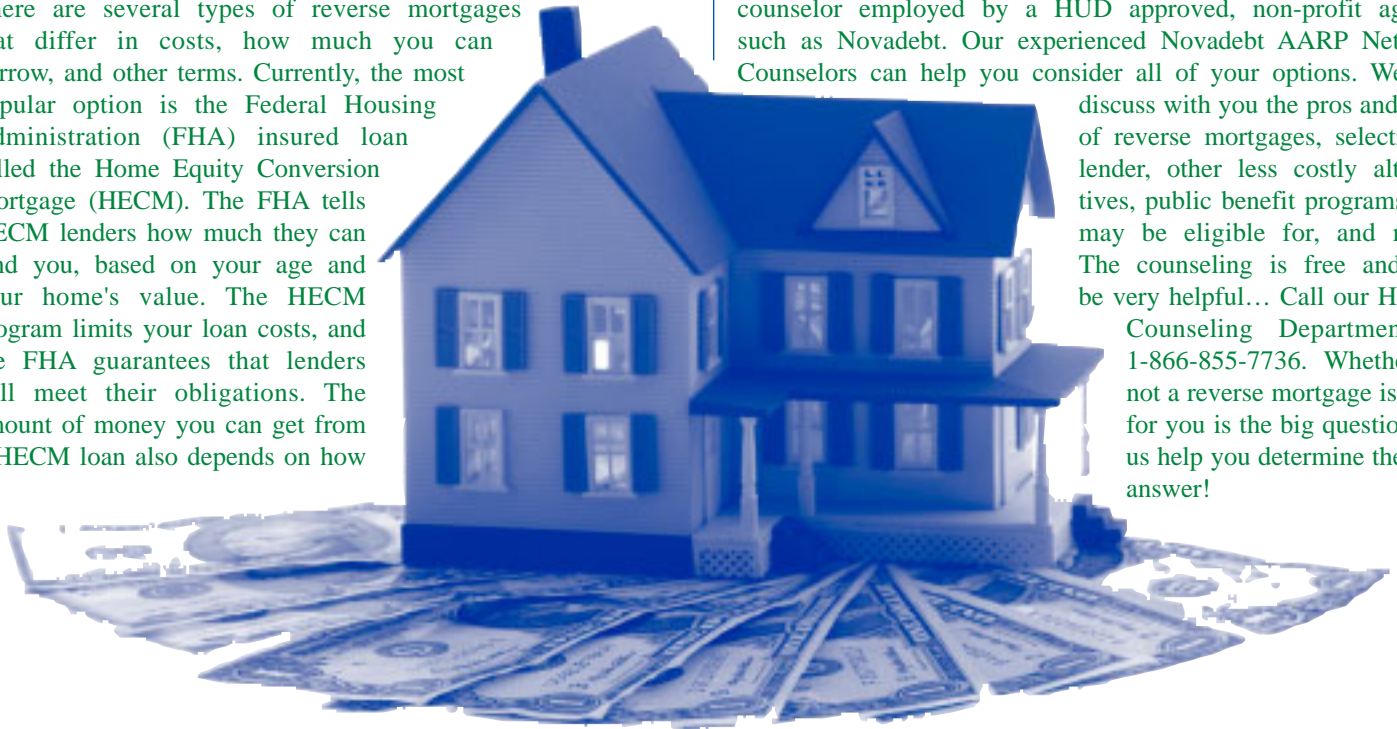
ARE THERE ANY DRAWBACKS?

The drawbacks to reverse mortgages include:

- Rising debt, falling equity feature. Because you make no monthly payments, the amount you owe grows larger over time. As your debt grows larger, the amount of cash you would have left after selling and paying off the loan (your "equity") generally grows smaller. In general, these loans diminish the estate that you may leave your heirs.
- They are expensive. The cost includes loan origination fees, closing fees, and other additional charges. These are usually added to your loan balance during the term of the loan, and you pay them back plus interest when the loan is over.

GET FREE COUNSELING

To be eligible for a HECM, you must discuss the loan with a counselor employed by a HUD approved, non-profit agency such as Novadebt. Our experienced Novadebt AARP Network Counselors can help you consider all of your options. We can discuss with you the pros and cons of reverse mortgages, selecting a lender, other less costly alternatives, public benefit programs you may be eligible for, and more. The counseling is free and can be very helpful... Call our HECM Counseling Department at 1-866-855-7736. Whether or not a reverse mortgage is right for you is the big question; let us help you determine the best answer!



The Penny Pincher

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"The Penny Pincher" does not assume responsibility for any advice given. It is up to the reader to determine if advice is safe and suitable for their own situation.

A New Option To Help In The Fight Against Identity Theft

Source: *Becky Winters, Education Consultant for Novadebt*

"Dear Rebecca Winters...As you may have seen or heard recently in the news, MasterCard, Visa, Discover and American Express have confirmed an incident involving unauthorized access to the data systems of a third-party payment processor. Unfortunately, your check card has been identified by Visa as one of the cards potentially compromised." I froze a moment after reading those words, as I had become one of the millions of people whose credit information is either stolen or compromised on a daily basis. I was now part of the statistics!!

As Identity Theft cases continue to rise, credit reporting bureaus, third party processors and creditors continue to try and protect consumers from this type of theft with various measures and programs. Anyone can ask the three major credit-reporting agencies to place a fraud alert on their credit report. Fraud alerts are supposed to alert you when someone applies for credit in your name and signals creditors to contact you for permission to issue credit in your name. Residents of any state can put a fraud alert on their reports. A potential glitch in this process, however, lies with the creditors. They are not required to abide by or even check the alert.

A new safeguard called a "credit freeze" is gaining ground in several states nationwide, with twenty-one states, including New Jersey, considering bills that would allow residents to bar lenders and other businesses from reviewing their credit reports. With a "credit freeze", no one can open any form of credit in your name. Your credit file is off limits to potential lenders, insurers and even potential employers.

When you apply for a loan or credit card, the company issuing credit contacts one of the three credit reporting agencies and requests to see your credit file. If you have a "freeze" on your account, the company will be told that it cannot see your credit file because your account is frozen. At this point,

most companies would not allow the loan or issue the credit card. With a credit lock-down, a criminal can have your name, birthday and Social Security number, but it won't matter, NO credit will be issued. BUT, this does not mean that you won't be able to get credit for yourself or allow potential employers to run a background check. The three credit bureaus assign a personal identification number for you when you "freeze" your report. Using this PIN, you can lift the "freeze" when necessary. Lifting the "freeze", however, can take up to three days. Some lenders, credit bureaus and businesses argue that this three day period could potentially delay taking advantage of a low mortgage rate, one-time credit card offer or jeopardize auto purchase consumers who want to finance on the same day of purchase.

In order to lock down a credit report, consumers must contact each of the three credit reporting agencies. If you are a victim of identity theft, as long as you have a report from either the police or law enforcement agency, the majority of states do not charge for the "freeze". However, you should also be aware that there are possible additional fees involved. None of the three bureaus charge to permanently lift the "freeze", but there are fees for a temporary lift, even for identity theft victims.

For consumers who desire an extra step in protection, "credit freeze" might be an option for you. The choice is yours. To determine where your state stands in the legislation of this process, contact your appropriate state legislative office. ■



Ka-Ching! Financial Planning For a Baby

Source: www.modimes.org

There's no getting around it. Having a baby is expensive. For many couples, having a baby is an economic as well as an emotional decision. Now is the time to assess what you have and what you'll need so you'll be ready when the time comes. Since there is a lot to think about, we've broken it all down into seven easy steps. Here we go!

MAKE A BUDGET

Take a look at your budget in black and white. Whether you're using a computer or a pad and pencil, you need to see the numbers. Make a list of all of your monthly expenses, including mortgage/rent, food, clothing, entertainment, transportation, insurance, incidentals and other things you regularly spend money on. Then, put down how much you have coming in each month and compare them. Note how much is left over. You may find that you need to cut down on your expenses and start putting money aside for your baby. If you're going to stop working after your baby arrives, now's the time to start "practicing" living on less. The same goes if you're going to take an unpaid maternity leave, even though it's only temporary.

SHOP SMART

Shopping for a baby-to-come is great fun and, if you're like most expectant parents, you'll want to get the best of everything for your little one. If you have unlimited resources, that's fine. Otherwise, give some thought to what items really need to be top-of-the-line. Seek out sales and don't forget the Internet; many of the pregnancy and baby sites have great stores and great deals.

What do you really need? You should buy a new car seat for your baby and a new crib, if you can afford one. If you buy these items used, or borrow them, be sure they meet current safety standards.

CHECK OUT YOUR HEALTH INSURANCE OPTIONS

Here are some of the things you'll want to ask about your plan:

- Does it cover prenatal care? What prenatal tests are covered?
- Does it cover your health care provider?
- Does it cover a pre-pregnancy planning visit with your health care provider?
- What delivery options are covered?
- Does it cover nursery costs for the baby?
- Is there a co-payment? If so, how much is it?
- Is there a deductible? If so, how much is it?
- Are anesthesia and emergency c-sections covered?
- Are sick and well-baby visits covered?
- What can I expect my total out-of-pocket expenses to be?

It's a good idea to check on all of this before you get pregnant, in case you decide that your current plan doesn't meet your needs and you want to switch. If you decide to switch after you're pregnant, be sure that your new insurance plan

covers pre-existing conditions.

If your employer doesn't offer health benefits, or you can't afford them, check out the children's health insurance program in your state. This program provides free or low-cost coverage to pregnant women and their babies, even if you and/or your partner are working. A good place to find out about programs like these is your local March of Dimes chapter and the blue pages in the white pages of your telephone directory.

BUY LIFE INSURANCE

No one likes to think about this, but you need to plan to take care of your child if something happens to you. Most new parents buy term life insurance, which insures you for a fixed amount for a given premium. It is generally the least expensive life insurance option and you can change the coverage, as your family's needs change. Don't forget to purchase life insurance for a stay-at-home parent - if something happens to that parent, the working parent will more than likely need to purchase child care and other services.

GET LONG-TERM DISABILITY INSURANCE

Again, this is something you might not want to think about, but since people between the ages of 35 and 65 are more likely to become disabled than to die, it's very important that the primary breadwinner in the family has disability insurance. This type of insurance provides for your family if you're disabled and can't work. Check to see if you're covered by your employer and check the terms of the coverage; if you don't think it's enough, get more.

MAKE A WILL AND UPDATE BENEFICIARIES

You need to be sure your child will be raised and provided for in the way you intend if something happens to you. One way to insure this is to make a will that states who should take care of your child and his or her finances (it doesn't have to be the same person, and often shouldn't be). Also, check your retirement accounts. Usually you name the beneficiaries of retirement accounts like IRAs and 401(k)s when you open them. You'll want to be sure these are updated to reflect your current intentions.

LOOK INTO MATERNITY AND PATERNITY LEAVE POLICIES

It's important to know what benefits your company offers new parents. If you work full time and plan to return to your job after your baby is born, find out about your company's maternity leave policy. Moms and dads who have worked at least one year for a company with 50 or more employees are entitled to up to 12 weeks of unpaid time off, thanks to the Family and Medical Leave Act. You're also guaranteed your job back at the end of your leave.

All this might sound like a lot, but there's no need to panic. Start planning early and get all the information you need to be realistic. You'll find that you can just check each of these tasks off your list well before you bring your new baby home. ■



How To Protect Kids' Privacy Online

Source: www.ftc.gov - *Federal Trade Commission*

Whether playing, shopping, studying or just surfing, today's kids are taking advantage of all the web has to offer. But when it comes to their personal information online, who's in charge? In an effort to put parents in the catbird seat, the Federal Trade Commission has established new rules for website operators to make sure that kids' privacy is protected while they're online. These rules are part of the 1998 Children's Online Privacy Protection Act. Here's a look at what the law requires, starting April 21, 2000:

WEBSITE OPERATORS MUST:

Post their privacy policy. Websites directed to children or that knowingly collect information from kids under 13 must post a notice of their information collection practices that includes:

- Types of personal information they collect from kids—for example- name, home address, email address, or hobbies
- How the site will use the information—for example- to market to the child who supplied the information, to notify contest winners, or to make the information available through a child's participation in a chat room
- Whether personal information is forwarded to advertisers or other third parties
- A contact at the site

Get parental consent. In many cases, a site must obtain parental consent before collecting, using, or disclosing personal information about a child.

- Respond to a one-time request from the child.
- Provide notice to the parent.
- Ensure the safety of the child or the site.

- Send a newsletter or other information on a regular basis as long as the site notifies a parent and gives them a chance to say no to the arrangement.

PARENTS SHOULD:

Look for a privacy policy on any website directed to children.

The policy must be available through a link on the website's homepage and at each area where personal information is collected from kids. Websites for general audiences that have a children's section must post the notice on the homepages of the section for kids.

Read the policy closely to learn the kinds of personal information being collected, how it will be used, and whether it will be passed on to third parties. If you find a website that doesn't post basic protections for children's personal information, ask for details about their information collection practices.

Decide whether to give consent. Giving consent authorizes the website to collect personal information from your child. You can give consent and still say no to having your child's information passed along to a third party. Your consent isn't necessary, if the website is collecting your child's email address simply to respond to a one-time request for information.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad. ■

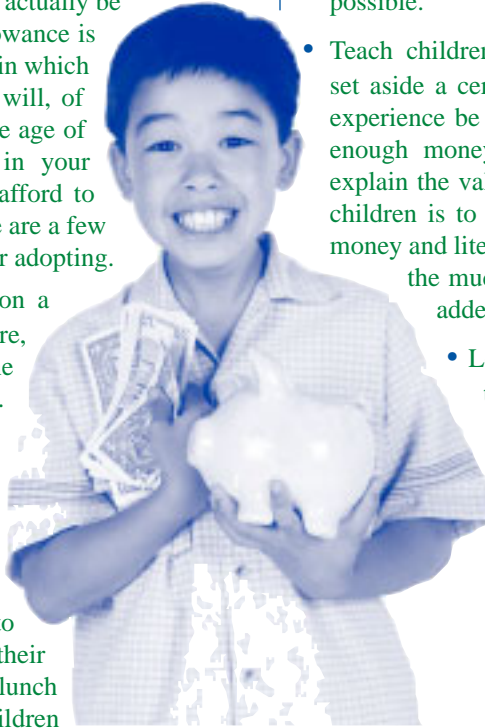


Children and Allowance

Source: American Center for Credit Education - ACCE

An allowance can serve as a useful tool for teaching kids how to handle money responsibly, but experts agree that giving kids money arbitrarily can actually be counterproductive. In other words, an allowance is only as effective as the system and context in which it is placed. The system that you set up will, of course, depend on a number of factors - the age of your children, the number of children in your family, the amount you can comfortably afford to give your children each week, etc., but here are a few general suggestions that you might consider adopting.

- Avoid giving money to your children on a whim while at the mall, department store, or supermarket - doing so will undermine the discipline an allowance can impart. Instead, give your children a set weekly allowance at home and discuss what they will be responsible for purchasing on their own with the money given to them. For a preschooler, this may be a movie or video game they may want to rent or a small toy they wish to buy. Older children may decide to use their allowance on a night at the movies or lunch out with friends. Within this system, children



learn to make trade-offs, anticipate spending needs, and they will begin to understand that instant gratification is not always possible.

- Teach children the value of saving, without forcing them to set aside a certain amount of their allowance each month. Let experience be their teacher, for when your child does not have enough money to purchase something they desire, you can explain the value of saving. A good way to do this for younger children is to get clear glass jars where they can deposit their money and literally watch it grow. You can even tape a picture of the much-wanted item on the outside of the jar for extra added incentive.
- Let children decide-within reason, of course what they wish to spend their allowance on. In your view, a new video game, skateboard, or a piece of plastic costume jewelry may be a waste of money. You may try to highlight other choices to guide a child in spending his or her allowance; however, despite your own feelings, children ultimately have to decide what is important to them and what is not. They are likely to make a few money "mistakes", but these mistakes can prove valuable financial lessons. ■

Money and Relationships

Source: American Center for Credit Education - ACCE

Picture this: A long-time friend passing through town asks you to go out to eat at a pricey restaurant - when you've already nearly blown your entertainment budget for the month. A family member strapped for cash asks you to float them a loan - when you simply don't have any extra money to spare. A co-worker pops into your office and asks if you would like to contribute \$25 for a baby shower gift for a fellow employee - when you'd planned on giving \$10. What do you do?

You make decisions every day about how and where you will spend your money, but when it comes to mixing money and relationships, discussions can become difficult, perhaps even more so when you're close to the person with whom you're having the discussion. Maybe you worry that people will perceive you as a cheapskate if you don't agree to go to the pricey restaurant, to make the loan, or to give the same amount to the office gift fund as everyone else...or perhaps you feel guilty, embarrassed, or shameful. Open and honest communication about money - though sometimes gut-wrenchingly difficult - is best.

Author of *Journey to Wealth & Wisdom*, Marilyn August, offers a few questions you might ask yourself when making money decisions:

- Is this a reasonable and financially rational thing for me to do?
- Is this an appropriate way to spend my money?
- What else do I need to know before I say "yes" to this?

- What other expenses do I have this month?

When you've answered these questions for yourself, you'll still need to decide how you will respond to the situation you're facing. Do you break out the credit card to eat out at the nice restaurant? Take out a payday loan to offer the cash to a family member? Or, do you choose instead to be open and honest?

Here are a few possible responses to money situations:

- Let me think about that.
- I need more details about the costs.
- What do you mean by _____?
- Are we going Dutch or what?
- How will we decide to pay for this?
- Tell me about what it will cost to do _____?
- I don't know if _____ is a wise thing for me to do right now.
- That's more than I want to spend right now.
- I can spend between _____ and _____.

Challenge yourself to be open and honest about situations involving money. You might be surprised at what happens when you learn to have clear concise communications. ■

21 Ways To Save On Pet Care

Source: www.Bankrate.com

- 1 Indulging Fido and Boots with gourmet vittles, homeopathic medical treatments and expensive grooming can put you in the poorhouse.
- 2 Consider alternatives. Humane society or university veterinary clinics may offer thriftier medical services than private practitioners.
- 3 Keep an eye out for special events, such as reduced veterinary-service events sponsored by government agencies or pet stores.
- 4 Some vets will give discounts to folks who bring in several pets at once, so why not round up your whole brood for routine exams and inoculations?
- 5 Speak up if it's a stray. Many vets will discount their services if your pet was an abandoned or homeless critter that you rescued. You may expect - or ask for - at least 10 percent off.
- 6 Say it loud: I'm a senior and proud! Some vets also give seniors discounts as high as 20 percent.
- 7 Spay/neuter! Reproductive reasons aside, an animal that has been spayed or neutered has decreased chances of getting a variety of serious illnesses.
- 8 Keep careful records of your pet's inoculations and other services. If you switch vets, you won't risk having costly procedures duplicated if you can't recall what was done.
- 9 Be selective about follow-up care. Don't automatically follow up with expensive emergency-hospital staff...follow up emergency care with your regular vet during normal business hours.
- 10 Learn what constitutes a true emergency. For example, weakness and difficulty breathing is an emergency.
- 11 Consider pet health insurance. It works in much the same way as it does for people - there's generally a deductible, a co-pay or both, and forms to be filled out.
- 12 Shop around for medicines, online and locally.
- 13 Always seek a second opinion when a vet suggests a pricey procedure. This is very important for both your pet's health - and your wealth. You'd do it for yourself, right?
- 14 Brush those pearly whites! Not only will your pet's teeth suffer if you don't - it can affect its overall health. Oral bacteria can lead to serious problems and complications.
- 15 Get samples of new products from your vet - ask and you may receive.
- 16 Consider dietary improvements. Upgrading to higher-quality premium foods can pay off in health dividends.
- 17 Feed your pet food specific to its species for optimal health. If you have a hamster, for example, feed it hamster food - not nibbles from your nachos.
- 18 More is less of a good thing when it comes to stuffing your pet with vittles. Overfeeding can create health problems.
- 19 Be your own pet (health) detective. Check out the online veterinary version of *The Merck Manual* and do the detective work for your pet.
- 20 Use free resources such as your local pet-supply store. Their personnel tend to be animal lovers with a fairly good knowledge regarding a variety of critters.
- 21 Read, listen, and watch. Take advantage of other free resources, such as pet publications and TV and radio programs.



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