

# The Penny Pincher

August 2001

A Newsletter from Garden State Consumer Credit Counseling, Inc.

## Congratulations!

Debt Management Graduates

January 01, 2001-May 31, 2001

	Total # of Clients
January 2001	136
February 2001	106
March 2001	173
April 2001	105
May 2001	147

## Important Phone Numbers

IRS	1-800-TAX-1040
Social Security	1-800-772-1213
Federal Trade Commission	1-800-FTC-HELP
US Dept. of Veterans Affairs	1-800-827-1000
Public Utility Commission	1-800-692-7380
National Childcare Information Center	1-800-616-2242

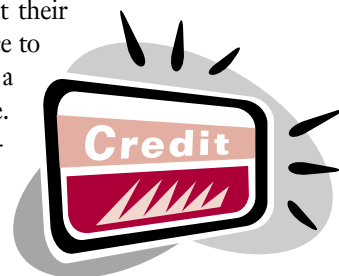


## Find Out Where You Stand

By: Diane Giarratano

**C**onsumers now have the opportunity to find out their credit scores, allowing the public to have a chance to improve credit standing. Equifax has formed a partnership with Fair Isaac, the creator of the FICO score.

Through this partnership a new service is now available to consumers through Equifax, one of the major credit bureaus. Consumers are now able to get a copy of their credit score, along with their credit report, through the Equifax website. The cost is \$12.95 for the two. Garden State Consumer Credit Counseling has a link-partnership with Equifax, making it easier for clients to retrieve these important documents. (Log on to gardenstateccc.org, click on links, and then click on the red box for Equifax).



It is important to realize that all major creditors, including banks, mortgage companies, and car dealerships, use this credit score to determine a consumer's eligibility for a loan. Individuals now have the opportunity to improve credit scores. This will also aid in decreasing the number of times an individual may be turned down for credit or a loan.

It is a good idea for any family or individual to find out their score before applying for any type of loan. A score around 600 is average and anything beyond 680 is good. If a consumer has a score below 600, their credit rating needs improvement because creditors consider low scores high risk. Reducing debt and paying bills on time are two ways to increase a credit score. Raising a FICO score enough could change the lender's decision!

The two other major credit bureaus are expected to release and sell their own scores by the end of the year. The availability of credit scores serves as a major step and truly helps the consumer get a better understanding of where they stand in a creditor's eyes.

## Literacy Students Need Financial Skills

By: Diane Giarratano

**T**he education Program at Garden State Consumer Credit Counseling is currently working with affiliates of Literacy Volunteers of America to help students learn basic financial skills. These skills are crucial to any consumer's daily life and are often overlooked from an education perspective. Students need to learn things including balancing a checkbook, how to open up a savings account, managing money, and choosing credit cards. Most credit applications are very difficult to read and have much of the pertinent information written in small, fine print. More and more consumers are falling into a credit trap and unfortunately are jeopardizing their credit rating.



We have given workshops to groups of students at conferences and the results have been rewarding. We are striving to expand this project and to reach out to all of those Literacy Students in need. If any affiliate would like information regarding this project, please call 1-800-772-4557 and ask for the Educational Specialist.

# Harvesting Vegetables and Seed Planting

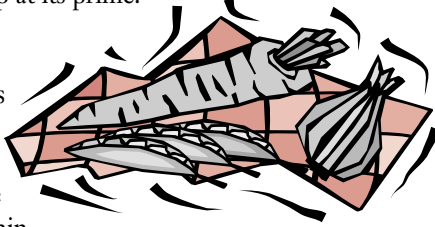
By: *Latosa Suit*

## HARVESTING VEGETABLES

**M**ost food crops reach their peak flavor and nutritional value when they are still young and tender. Because different vegetables mature at different rates, the trick is to be ready to pick each crop at its prime.

## PLANTING SEEDS

Either direct-sow seeds or transplant seedlings into rows in a prepared garden bed. When the plants are a few inches tall, thin them to the correct spacing as indicated on their seed packet. They need good air circulation and enough space to grow well.



Try these cool-season vegetables:

Broccoli	Cauliflower	Lettuce	Cabbage
Peas	Sprouts	Collards	Onions
Lettuce	Spinach		

# Helpful Hints & Tips

**D**eodorize your garbage disposal with lemon and orange peels.

◆ **Prevent messy stains from setting on your stovetop** by immediately pouring salt over the spill.

◆ **Clean your blender** by filling it halfway with warm water and add a few drops of dishwashing detergent. Blend on high for 2 minutes and rinse well.

◆ **Clean burnt pans** by coating the bottom of the pan with baking soda, add water, and let stand for a couple of hours. You should be able to scrape out the burnt food with a plastic spatula.

◆ **If you drop an egg on the floor**, cover with salt, wait about 10 minutes, then sweep up the entire mess.

◆ **Keep the kitchen smelling good** by dampening a few cotton balls in vanilla and spreading them around the room.

◆ **Save dirty plastic shower curtains** by throwing them into the washing machine with a few towels. The towels will help scrub the curtain.

◆ **To keep mirrors from fogging up**, spray a thin coat of shaving cream on a rag and wipe the mirror until the shaving cream disappears.

◆ **Water rings on wood furniture** can be removed with petroleum jelly rubbed thoroughly into the spot.

# Home Remedies

## BRUISES

**B**e careful not to put ice directly on the bruise. That risks damage to the tissue. Wrapped ice should only be applied to a bruise 15-20 minutes at a time.

- Instead of an ice pack, try using a bag of frozen peas. You will have an ice pack that molds itself to the shape of the injured area.
- Elevate the bruised area above the heart, if possible.
- If you bruise often, check your diet. People say vitamin C guards against bruising.

## INSOMNIA

- Take a warm bath before bed.
- Have a light snack before going to bed. Snacks that contain carbohydrates help stimulate the body's natural tranquilizers.
- Avoid coffee, soda and chocolate, they are all loaded with caffeine.
- Read a dull book.
- Set aside some quiet time before bed. Take some time to review your day and plan for tomorrow. Get all stresses, strains and worries out of the way before you go to bed.



# Tips On Tipping

Source: *Department of Consumer Affairs*

**T**he Department of Consumer Affairs has come up with a tip sheet for tipping everyone from bellhops to beauticians. Consumer Affairs says, "Remember, there are no right answers, tips are to be given at your discretion."



<b>Restaurants:</b>	Waiters/Waitresses	15%-25%
<b>Beauty Salons:</b>	Hair stylist	\$3-\$10 per session
	Barber	\$2-\$5
	Manicurist	\$1-\$5
<b>Hotels:</b>	Shuttle bus driver	\$1
	Bellhop	\$1 per bag
	Bellman	\$.50-\$1 per item
	Maid	\$1/person per night
	Room service	10%-15% of bill
	Doorman	\$1 for ordering taxi
<b>Taxis:</b>	Courteous cabbies	15%-20%
<b>Rest rooms:</b>	Attendants	\$.50-\$1
<b>Garages:</b>	Attendants	\$1 per visit (or \$10 per month)
<b>Christmas:</b>	Doormen	\$25-\$100
	Handymen	\$20-\$30
	Baby sitters	2 nights pay or more
	Newspaper delivery	\$15-\$25
	Grocery delivery	\$15-\$20

When reading these tips, remember that though someone has once tried all of these, they have not all been tested for safety, etc. Follow the suggestions at your own discretion and your own risk. The authors of this section, as well as any contributors, cannot be held responsible for any damage or injury resulting from these suggestions.

If you have any helpful hints or home remedies that you would like to share, please write to us at

GSCCC Newsletter, 225 Willowbrook Road, Freehold, NJ 07728 or e-mail us at Newsletter@GardenStateCCC.org

# Borrowers Beware!

By: Diane Giarratano


**P**redatory Lending Practices are on the rise in many communities. A Predatory Lender targets communities because of characteristics the general population holds, which makes them vulnerable. In most cases, the borrower does not have the knowledge or experience to recognize the Predatory Lender and falls victim. Predatory Lending Practices are common among home equity loans, refinancing, and home improvement. Predatory Lenders engage in the following practices: flipping, packing, hiding loan terms, high repayment terms, improper fees, and failing to advise the borrower of their right to rescission. In these targeted communities, as much as 20% of the refinance transactions include Predatory Lending Practices.

The following is a story printed by the *Philadelphia Daily News*: Monday, February 5, 2001:

*After Veronica Harding paid \$7,500 cash for her house in 1980, she thought her financial future was secure. But today, rather than enjoying retirement, she faces \$308 in monthly mortgage payments for the next 27 years. By the time the 71-year-old Harding owns the house outright again, she will be 98. If Harding lives that long, a final \$32,000 "balloon" payment is due. "I'm going to end up paying \$1 million for this house," she joked. Harding's saga began in 1997 when she needed money for repairs and updates to her rowhouse on West Hagert Street in North Philadelphia. What she got was a costly \$35,000 predatory loan.*

The above situation is common and there are millions of consumers that fall victim to this type of predatory practice every day.

## TIPS TO PROTECTING YOURSELF AGAINST PREDATORY LENDING

- 
- ◆ Do not respond to solicitations to lend you money. If you need to borrow money, shop around for it.
  - ◆ If you are looking to borrow money for home repairs, do not refinance other debt with the home improvement loan.
  - ◆ Do not borrow more than you need. Paying off credit card debt using your home as collateral will increase the payoff time.
  - ◆ Do not buy single premium credit life insurance.
  - ◆ Do not refinance bills if you can find another way to pay them.
  - ◆ Read all documents carefully. If you do not understand something, ask questions.
  - ◆ Hire a representative or bring someone with experience when signing the paperwork.
  - ◆ You have the right to documents giving you an estimate of the cost of the loan.
  - ◆ If you think something is not right, have someone look at your paperwork. You normally have three days to cancel the transaction.
  - ◆ Make sure you sign the loan application before you get the loan.

## PLACES THAT CAN HELP

- Federal Trade Commission
- US Department of Housing and Urban Development
- State Department of Banking
- Community Legal Services
- Better Business Bureau

# Interest Relief for Student Loan Repayment

By: Diane Giarratano

**I**nterest rates on Federal Student Loans are expected to decrease starting July 1st. The interest rate on Stafford Loans is currently around 8.2 percent and may go down to about 5.99 percent. This could mean a savings of thousands of dollars for borrowers on repayment plans. Parents who are borrowers will also be getting a break. The current rate most parents are paying toward their federal PLUS loans is about 8.99 percent. This rate is expected to drop to about 6.79 percent. These cuts will pertain to loans issued after July 1998, but a decrease in rates for older loans will follow shortly. Borrowers also have the opportunity to consolidate their federal loans, which would lock in the new lower rates. This decrease in student loan rates is the lowest in history! (For information regarding your federal student loans, call 1-800-792-8670)

# Helpful Health Care Information

Source: *Consumer Action Handbook by the Federal Consumer Information Center*

**M**ANAGED CARE PLANS are run by health maintenance organizations (HMO's) or preferred provider organizations (PPO's). Ask your state insurance department for information to help compare plans and know how to complain.

◆ **MEDICARE BENEFICIARIES** can choose a Medicare HMO. The Health Care Financing Administration (HCFA) offers Medicare Compare, an online computer database at [www.medicare.gov](http://www.medicare.gov). You can use this service to compare HMO benefits in your area. For other information about Medicare, call 1-800-MEDICARE. For information about nursing homes and other elder care services in your state, call the ElderCare Locator.

◆ **IF YOU DO NOT HAVE INSURANCE**, look in your phone book under Medicaid, Social Services, Medical Assistance, Human Services, or Community Service. Or call 1-800-633-4227 to find the right office in your state.

## ◆ CHOOSING A DOCTOR

- Talk to friends and associates for recommendations.
- State medical and other professional societies often provide lists of providers who have been licensed or certified in your state. Check with your state or local occupational and professional licensing board about licensing of doctors, dentists, and other providers. It can also provide information about how to complain.

**CHOOSING A MANAGED CARE PLAN.** If you have a choice among plans, ask:

- Do I have the right to go to any doctor, hospital or clinic I choose?
- Does the plan cover home care or nursing home care?
- Can I go to any pharmacy?
- What is the deductible? Are there any co-payments?
- Are specialists, including dentists, covered?
- Does the plan cover all medications my physician may prescribe?

# Money Quiz

Source: U.S Treasury

- When did the U.S Treasury first print paper money?
  - 1776
  - 1792
  - 1862
- What is U.S paper money made of?
  - 50% linen, 50% wood fiber
  - 75% cotton, 25% linen
  - 75% cotton, 25% silk
- Whose portrait appears on the two-dollar bill?
  - Benjamin Franklin
  - Alexander Hamilton
  - Thomas Jefferson
- In 1929, the size of U.S paper money was...
  - reduced by 1/3
  - increased by 1/3
  - made the same for every denomination
- About what percentage of bills printed every year are \$1 bills?
  - 10%
  - 25%
  - 50%
- How are images on U.S paper money created today?
  - hand-engraving on steel plates
  - ink and the use of a pantograph machine
  - design software available only to the government
- What make of car is pictured on the back of the \$10 bill?
  - Model T Ford
  - Model A Ford
  - a car made up by the artist
- What is the largest bill currently in circulation?
  - \$100
  - \$500
  - \$10,000
- What is the largest bill ever printed?
  - \$10,000
  - \$50,000
  - \$100,000
- Every day, the bureau of Engraving and Printing produces 38 million paper bills with a face value of about \$541 million. Why?
  - to keep up with economic growth
  - to replace worn-out money
  - for use in reserves overseas



# Keep Your Home Safe For Young Children

## BEDROOMS

- ◆ Install smoke alarms outside bedrooms and on every level of the home. Test them at least once a month and change batteries at least once a year.
- ◆ Never use an electric blanket in the bed or crib of a small child or infant.
- ◆ Install carbon monoxide alarms outside bedrooms to prevent carbon monoxide poisoning.
- ◆ To prevent strangulation, use safety tassels for miniblinds and avoid strings on children's toys and pacifiers.

## BATHROOM

- ◆ To prevent poisonings, lock away all medicines and vitamins, even those with child resistant packaging.
- ◆ Never leave a young child alone in the bathroom, especially in a bath.
- ◆ Before bathing a child, always test bath water with your wrist or elbow to make sure it's not too hot.
- ◆ Make sure bathtubs and showers have non-slip surfaces and grab bars.
- ◆ Keep electrical appliances, like hair dryers and curling irons, out of the reach of children and away from water.



## KITCHEN

- ◆ Keep knives, plastic bags, lighters and matches locked away from children.
- ◆ Keep appliance cords unplugged and tied up. Replace any frayed cords and wires.
- ◆ Securely strap young children in high chairs, swings, and other juvenile products.
- ◆ Do not give young children hard, round foods that can get stuck in their throats.
- ◆ Make sure you and your children know the STOP, DROP and ROLL procedure in case their clothes catch on fire.

## OTHER AREAS

- ◆ To prevent asthma attacks, eliminate sources of mold, dust and insects.
- ◆ If you must smoke, avoid smoking in the house, and especially around children.
- ◆ To prevent falls, keep hallways and stairways well-lit and use non-slip backing for area rugs.
- ◆ Keep an updated list of emergency telephone numbers, including your local poison control center, physician and hospital emergency room, next to every phone in the house.
- ◆ Install window guards on windows that are not fire emergency exits.



For more information about consumer products and home safety call:  
US Consumer Product Safety Commission's Hotline at 800-638-2772

# Health Tips For You and Your Family

Source: *Americaid Community Care*

## WHAT DO YOU DO FOR A FEVER?

A fever is usually a sign of sickness, but it is not always bad. Every child is different, but a child's normal temperature is about 97°F. Your child probably has a fever if you take your child's temperature:

- By mouth and it is over 100°F
- By armpit and it is over 99° F
- By rectum and it is over 101°F

### What to do for your child's fever:

- Make sure your child drinks plenty of clear liquids like fruit juice, water or Gatorade.
- Have your child rest in bed.
- For a high fever, sponge your child with medium warm water for 20 minutes. Do not use rubbing alcohol.
- Do not let your child take a shower, the fever can go up.

### When to call the doctor:

- If your child has a fever of 102 °F
- The fever has lasted 48 hours
- Has an earache or sore throat
- Is throwing up or has diarrhea
- Has pain when urinating, or is urinating more than usual
- Fever has lasted over 3 days after taking medication
- Your child has diabetes or kidney disease
- Your child just got his or her shots

### When to go to the emergency room:

- You child has a fever with seizures
- Your child's breathing is different and strange
- Your child has a stiff neck
- Your child is feeling sleepy, confused and not alert

## HOW DO YOU KNOW IF YOUR CHILD HAS AN EARACHE?

### Look for these signs:

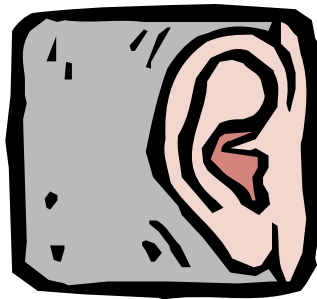
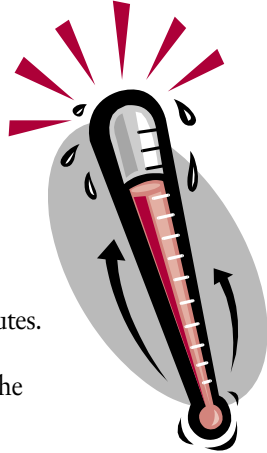
- Fever
- Ear Pain
- Runny Nose
- Pulling, Scratching or Rubbing the Ears
- Watery Eyes
- Problems Hearing
- Restless

### What to do before going to the doctor:

- Have your child drink clear fluids
- Put a warm (not hot) wash cloth on the ear
- If your child has a fever use, Tylenol or Advil (not aspirin)

### When to call the doctor if:

- Your child has stiff neck
- Your child holds his or her head like it hurts
- The earache lasts more than 12 hours
- The pain seems to be really bad



# Steps to Take if Your Wallet is Lost or Stolen

**C**ancel all of your credit cards immediately. In order to do so, you will need a list of the toll free numbers and a list of account numbers. Keep this list in a safe and confidential place in case this happens.

- ◆ File a police report in the precinct where the wallet was stolen.
- ◆ Call the three major credit bureaus and place a fraud alert on your name and Social Security number. The phone numbers are:  
Equifax 1-800-525-6285  
Experian 1-888-397-3742  
Trans Union 1-800-680-7289
- ◆ Contact the bank, if bank account information was included.
- ◆ Notify the Department of Motor Vehicles and obtain a new license.



## Car Repair

Source: *Consumer Action Handbook by the Federal Consumer Information Center*

## HELPFUL HINTS WHEN YOUR CAR NEEDS REPAIR...

- ◆ Choose a reliable repair shop recommended to you by family or friends or an independent consumer rating organization. Check out the repair shop's complaint record with your state or local consumer protection office or Better Business Bureau.
- ◆ When you take the car to the shop, describe the symptoms. Don't diagnose the problem.
- ◆ Get more than one estimate in writing.
- ◆ Make it clear that work cannot begin until you have authorized it. Don't authorize work without a written estimate or, if the problem can't be diagnosed on the spot, insist that the shop contact you for your authorization once the trouble has been found.
- ◆ Don't sign a blank repair order. Make sure the repair order reflects what you want done before you sign it.
- ◆ Is the repair covered under warranty? Follow the warranty instructions.
- ◆ Ask the shop to keep the old parts for you.
- ◆ Get all warranties in writing.
- ◆ Some car manufacturers may be willing to repair certain problems without charge even though the warranty has expired. Contact the manufacturer's zone representative or the dealer's service department for assistance.
- ◆ Keep copies of all paperwork.
- ◆ Some states, cities and counties have special laws that deal with auto repairs. For information on the laws in your state, contact your state or local consumer protection office.



# Dear Sandy...

**F**irst of all I love the Penny Pincher and most of all your column. I find it to be very useful. (Did you guys ever consider doing a monthly issue?) OK, I'll get to my question. How do I stop getting so many calls everyday from companies trying to sell me something? I try to be as nice as possible when telling them "No thank you", but it is ridiculous already, I get almost 3-5 calls every day? HELP!!!

Sharon, Newport, Vermont

Dear Sharon:

Thanks for the encouragement. A monthly issue sounds like a great idea. If anyone else agrees, let us know.

This is the way I handle those perky telemarketers. I tell them the first rule is if you can get the person to say yes to anything you can make a sale. You can also contact [www.opt-out.cdt.org](http://www.opt-out.cdt.org) on the web. They will remove your name from mailing lists. If telemarketers call back, get the persons name and number and then ask for a supervisor. Usually that will stop them. It takes awhile, but I have gotten the calls down to a minimum.

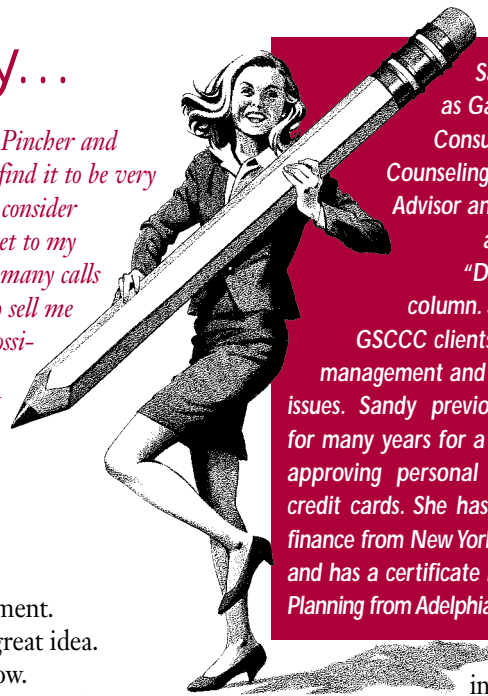
A word of caution. While most telemarketers are just annoying, some of them are thieves.

They will use the information you give them to hurt you. Even if you don't mind the calls, never give them any personal information or buy anything without getting it in writing and comparison shopping.



If you have a question you would like Sandy to answer in an upcoming newsletter, please write to:  
GSCCC Newsletter, 225 Willowbrook Road, Freehold, NJ 07728  
or e-mail us at: [Newsletter@GardenStateCCC.org](mailto:Newsletter@GardenStateCCC.org)

"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.



Sandy works as Garden State Consumer Credit Counseling's Financial Advisor and currently authors our "Dear Sandy" column. She advises GSCCC clients on money management and investment issues. Sandy previously worked for many years for a large bank approving personal loans and credit cards. She has a MBA in finance from New York University and has a certificate in Financial Planning from Adelphia University.

Dear Sandy:

I was wondering if you knew of any way to find out how much I have contributed to my social security? I have been paying it for a very long time (I have been working full time for almost 30 years) and I was very curious what it has accumulated to. Thank you! (I really enjoy your article)

Diane, Dallas, Texas

Dear Diane:

Finding out how much you have contributed to your social security is easy. Just sit there and wait for the mail.

Each year about three months before your birthday you should receive a personalized Social Security Statement. The statement not only tells you how much you have contributed but how much your benefits will be when you retire or if you become disabled. It also has lots of interesting

information about social security.

Because of your question I dug out the statement I got last year and found out that social security doesn't keep addresses for people not receiving benefits, so if you move you need to notify them of your new address. I moved last year and my last statement was sent to my old address. Thanks for reminding me.

If you have questions or aren't receiving statements you can contact the Social Security Administration at 1-800-772-1213 or at [www.ssa.gov/mystatement](http://www.ssa.gov/mystatement).

Dear Sandy:

I am not a client in your debt management service, but I do receive your newsletter. I have a question that I am not sure who to ask. I do not think I am getting the proper responses from the credit card companies, so I figured you may be the best person to ask. I have pretty good credit and I have 3 credit cards. Over the past few years I often transfer my balances from one card to another to get a lower interest rate. The rates are only offered for a short period of time (usually a six month period). My question is it in my best interest to keep transferring balances from one card to another? Is this negatively affecting my credit report? And is there a better solution to getting the lowest possible interest rates?

Michael, Point Pleasant, New Jersey

Dear Michael:

Taking advantage of introductory rates is an excellent way of reducing your cost of borrowing and therefore getting out of debt. One of the items creditors look for when evaluating credit is the length of your credit history. If you keep switching and closing out the old cards you can lower your credit score. The solution is to have one card (I like one that gives you cash back or airline miles) that you keep and use as your primary card. If you pay the whole balance every month it doesn't matter what the interest rate is.

The other cards should be paid off and closed as soon as possible. You never know when they will stop offering those special rates. I am sending you a handout that will explain how to do this. If anyone else wants one just call us and ask for, "Getting Out of Debt On Your Own".

If you try to get out of debt on your own and you see that your balances are not going down, call us. We have lots of ideas that might help.

# Save Money While Keeping Your Home Cool

Source: *Federal Trade Commission*

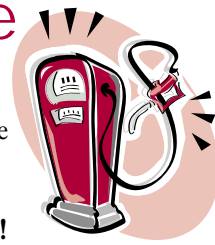
**H**ave your central air conditioning system serviced each spring. Your utility company may provide this service.

- ◆ Hire a professional to seal and insulate leaky ducts, and to ensure that the air-flow distribution system serving your equipment is operating at peak efficiency.
- ◆ Clean or replace AC and furnace filters once a month, or as needed, and seal holes around plumbing and heating pipes.
- ◆ Install a programmable thermostat. You can save money by keeping your house warmer than normal when you are out, and keeping the setting at 78 F when you are home.
- ◆ Install drapes, shades or blinds or another window covering. Keeping them closed during the day blocks the sun and the heat from the sun's rays.
- ◆ Consider replacing single-pane windows with double-pane windows with high performance glass.
- ◆ Open your foundation vents each spring if your home has a crawl space under it.
- ◆ Install ceiling fans. The air circulation promotes cooling in the summer and heating efficiency in the winter.
- ◆ Prune back shrubs and remove debris that may block airflow to your air conditioner.
- ◆ Plant a tree. Landscaping is a natural way to shade your home. Well placed trees and shrubs not only deliver shade, but also add value to your property.
- ◆ Shade room air conditioners from direct sun to reduce their workload. Clean the filters once a month and replace them as necessary to promote energy efficiency. Lower the setting when you go out to reduce operating costs.

*If you're on a fixed income and have trouble paying your utility bills, contact your utility company. They may have energy assistance plans to help you pay your energy bills.*

# Gas Prices Are On The Rise

**H**ere are some ways to help cut your gas expense as much as 10%. With the tremendous increase of the cost of gas, **every penny counts!**



- ◆ **Decrease the weight in your trunk** - for every 100 lbs. this decreases the amount you will get per gallon by 2%.
- ◆ **Keep your tires properly inflated** - this will increase your gas per mileage.
- ◆ **Cruise control** - Use your cruise control on highways and save up to 4 miles per gallon.
- ◆ **Make sure your car is running efficiently** - tune ups and oil changes periodically help the engine use up less gas.
- ◆ **Use the grade of gas your car requires** - do not use high grade gas if not necessary, check your owner's manual.
- ◆ **Drive slower** - decreasing your speed by 10 miles will improve gas mileage by at least 10%.
- ◆ **Shop around** - try to find the gas station in your area with the lowest prices.
- ◆ **Carpool and use public transportation** - try to drive as little as possible.

# Home Improvement

Source: *Consumer Action Handbook by the Federal Consumer Information Center*

**M**ost home improvement loans are secured by a mortgage on your home. Your home will be at risk for every dollar you borrow. If you don't make your payments, you could lose your home.

- ◆ Plan ahead. Know what you want or need to have done before contacting a contractor.
- ◆ Ask family and friends for recommendations.
- ◆ Get at least three written estimates from contractors who have come to your home to evaluate what needs to be done. Be sure the estimates are based on the same work so that you can make meaningful comparisons.
- ◆ Contact your local or state consumer agency and Better Business Bureau for information on contractor's licensing or registration requirements and complaint records.
- ◆ Get references and talk to people for whom the contractor has done similar work.
- ◆ Get the names of suppliers and ask if the contractor makes timely payments.
- ◆ Contact your local building inspection department to check for permit and inspection requirements. Be wary if the contractor asks you to get the permit. It could mean the former is not licensed.
- ◆ Be sure your contractor has the required personal liability, property damage and worker's compensation insurance for his/her workers and subcontractors. Check with your insurance company to find out if you are covered for any injury or damage that might occur.
- ◆ Insist on a complete written contract. Know exactly what work

will be done, the quality of materials that will be used, warranties, timetables, the names of any subcontractors, the total price of the job and the schedule of payments.

- ◆ You have cancellation rights (usually 3 business days) in home improvement contracts. Cancellation rights entitle you to get out of the contract without penalty, although you may be liable for any benefit received. You may be covered under both state and federal law.
- ◆ Understand your payment options. Compare the cost of getting your own loan vs. contractor financing.
- ◆ Try to limit your down payment. Find out if your state laws specify that only a certain percentage of the total cost may be made as a down payment.
- ◆ Don't make final payment or sign an affidavit of final release until you are satisfied with the work and know that subcontractors and suppliers have been paid. State lien laws may allow unpaid subcontractors and/or unpaid suppliers to attach your home.
- ◆ Check to see if state or local laws limit the amount by which the final bill can exceed the estimate, unless you have approved the increase.
- ◆ Be especially cautious if the contractor:
  - comes door-to-door or seeks you out
  - just happens to have material left over from a recent job
  - tells you your job will be a 'demonstration'
  - offers you discounts for finding him/her other customers
  - quotes a price that is out of line with other estimates
  - pressures you for an immediate decision
  - offers exceptionally long guarantees

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