



## Managing Financial Difficulties



If you or your family members are having financial difficulties, don't let fear or embarrassment stop you from seeking assistance. This section explains common issues for people experiencing financial hardships and provides resources to support a financial recovery.

### Avoid Costly Overdraft Fees

Track checks, ATM withdrawals, debit card purchases, and bills that get debited electronically from your account. Keeping a cushion of funds in your account can help prevent unintended overdrafts. If you have a concern about balances or transactions in your account, contact your financial institution. Explain the problem and how you would like to see the problem resolved. If contacting the bank or credit union does not produce

desired results, you can contact the financial institution's regulator for assistance. For California state-chartered banks and credit unions contact the California Department of Business Oversight or see below for assistance.

Federal Regulators:

**Federal Deposit Insurance Corporation (FDIC)**  
**Consumer Response Center**

1-877-275-3342 (1-877-ASK-FDIC)

**Office of the Comptroller of the Currency  
Customer Assistance Group**

1-800-613-6743

**Federal Reserve Consumer Help**

1-888-851-1920

**National Credit Union Administration  
Office of Consumer Protection**

1-800-755-1030

For assistance with credit and/or creditor problems, contact the National Foundation for **Credit Counseling (NFCC)** [www.nfcc.org](http://www.nfcc.org) or call toll-free 1-800-388-2227 or

**ClearPoint Credit Counseling Solutions**  
[www.clearpointcreditcounselingsolutions.org](http://www.clearpointcreditcounselingsolutions.org)  
or call toll-free 1-800-750-2227.

Monitor your checking, savings, investments, insurance, credit cards and other financial accounts regularly. Make sure you have sufficient funds before writing checks or using your debit card—overdraft fees can be very expensive.

## Debt Collectors

If you are late making payments on a loan, a credit card or other bills, you may be contacted by a debt collector. If you are being contacted about a debt or transaction that is not yours – be cautious, this can be a ploy for a scam artist to access your personal information and/or money.

If you are overdue on a bill and are contacted by a debt collector, the Federal Fair Debt Collection Practices Act assures you are treated fairly and without harassment.

The law prohibits:

- The debt collector from calling you before 8 a.m. and after 9 p.m., without your authorization

- The debt collector from contacting you if you make this request in writing

You have the right to dispute any of the debt you are told you owe within 30 days from the initial contact made by the debt collector.

Ask for proof of the debt, such as a copy of a bill. California law prohibits a collector from bringing a lawsuit or collecting a debt unless it can verify the ownership and amount of the debt. It also ends lawsuits on uncollected debts that are barred by the applicable statute of limitations.

If you have a problem with a debt collector, you can report it to the California Attorney General's Office and the Federal Trade Commission (FTC) (see the Resource Guide on page 25).

## Payday Loans and On-Line Cash Advances

To receive one of these loans, the borrower must fill out an application, provide necessary documentation, and write a check which the lender does not cash until the borrower's next payday, up to 31 days later.

Payday lenders and on-line cash companies are required to visibly post their California license and fee schedule at every store and/or on websites, and must provide contact phone numbers. California law restricts these loans to a maximum of \$300, and a lender cannot issue you a new loan to pay off an existing payday loan. If you request an extension of time or a payment plan, a payday lender cannot charge additional fees (however, they are not legally required to grant your request for deferment). If your check is returned for insufficient funds ("bounces"), you can only be charged one returned check fee. A payday lender cannot

prosecute you in criminal court for insufficient funds.

In California, payday loans (also called cash advances or deferred deposit loans) are regulated by the California Department of Business Oversight.

### **Unlicensed Internet Payday Lending**

Payday lending sites have increased across the Internet. Consumers are strongly urged to verify that a lender is licensed before providing personal information and borrowing funds. Be wary of illegal lenders who may collect from your bank account directly without your permission, charge you a higher interest rate, sell or pirate your personal financial information, and operate out-of-state or overseas, making it difficult to track them down, prosecute, and recover your lost funds. Before borrowing from an online payday lender, verify with the California Department of Business Oversight that the lender is licensed and check if an enforcement order has been issued regarding the lender's activity.

### **Installment Loans**

Some consumers who need more funds than are available through payday loans may try installment loans – another lending product licensed by the California Department of Business Oversight under the California Finance Lenders Law. These loans are paid in installments, usually over one year or more. Lenders do report payments to the credit bureaus, so consumers can improve or harm their credit status by using these loans. For loans of \$2,500 and greater, interest can go into the triple digits. For example, a consumer

borrowing \$2,500 can end up paying \$6,500 for the loan. Before you sign a contract, calculate the full cost of the loan, and be cautious of any unnecessary fees.

### **Car Title Loans**

A car title loan is a loan for a small amount of money (loans less than \$2,500) where borrowers sign over the title to their vehicle (car, truck or motorcycle) to the lender. Borrowers also pay the lender a fee to borrow the money. In California, consumers usually must pay the loan back within two years. Car title lenders can charge high interest rates (up to triple digits). If you cannot repay the money you owe by the due date, the lender can sell your vehicle (the collateral) to repay the loan. If your car sells for more than the loan amount, you are entitled to the remaining balance. If you are seeking a car title loan to pay living expenses, consider asking your creditors for additional time to pay your bills or seek help from a credit counselor.

### **Anticipatory Loans**

Anticipatory loans allow you to borrow from your future income (such as a pending tax refund). These loans do not require a credit check or lengthy approval process, and may seem to be an easy way to get cash in a hurry.

A tax refund anticipation loan provides immediate cash, but reduces your refund by the amount of the loan plus charges, fees and high interest. To avoid loan fees or interest, have your tax refund(s) directly deposited into your checking or savings account.

## Tax Resource

*The Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs provide free assistance to individuals who need help preparing their income tax returns. Assistance is available at VITA/TCE sites throughout California.*

*The TCE program can also answer your questions about pensions and retirement issues. Call the IRS toll-free 1-800-829-1040 or the California Franchise Tax Board toll-free 1-800-522-5665 to find a site near you between January and April.*

## Home Foreclosures and Modifications

Homeowners who are having trouble making home loan payments or are facing foreclosure should look carefully when choosing someone to help them with their mortgage problems. Some scams that appear to rescue people from foreclosure actually aim to victimize those in financial trouble. These schemes are advertised on the Internet and in publications and fliers. Then scammers often contact people whose homes are listed in foreclosure records. Be cautious and do not sign your property away!

## The California Homeowner Bill of Rights

*This legislation became law on January 1, 2013, to ensure fair lending and borrowing practices for California homeowners. These laws are designed to guarantee basic fairness and transparency for homeowners in the foreclosure process. Visit the California Office of the Attorney General's website at [www.oag.ca.gov/hbor](http://www.oag.ca.gov/hbor).*

## Warning signs of foreclosure fraud:

- Request for fees in advance. Advance fees for loan modifications are not legal in California unless you have an advance fee agreement.
- Request for the deed to your house for any reason, whether it is to take care of your credit or obtain new financing. Do not sign it over without professional advice!
- Offer to rent your house to you until your finances rebound.
- Anyone who encourages you to sign forms that contain blank spaces that will be filled in later.
- Anyone who rushes you, does not answer all of your questions, or does not give you ample time to review documents.
- A company that contacts you first. Some are legitimate but many may be looking for a victim. Always select a company with the assistance of trained professionals.

The Consumer Financial Protection Bureau (CFPB) has a resource to help find approved housing counselors in or near any U.S. zip code. This resource can be found at [www.consumerfinance.gov/find-a-housing-counselor](http://www.consumerfinance.gov/find-a-housing-counselor) or call toll-free 1-855-411-2372.

## Keep Your Home California

*This is a free service for California homeowners who have suffered a financial hardship, helping them stay in their homes, maintain an affordable mortgage payment, and avoid foreclosure. To learn about the programs offered visit <http://keepyourhomecalifornia.org>.*

## Reverse Mortgages

A reverse mortgage is a type of loan that allows homeowners (ages 62 and up) to borrow against the equity in their homes (tax-free cash). Unlike traditional mortgages, a reverse mortgage loan gives payments to the borrower as a line of credit (available when you need it), in lump sum or monthly installments.

The homeowner does not have to pay back the loan as long as they continue to live in their home and stay current on homeowners insurance and property taxes. If they move out or pass away, the loan becomes due and must be paid off by their heirs.

Keep in mind that borrowers are responsible for paying taxes, homeowners insurance, maintenance costs and other expenses. In addition, lenders often charge high origination fees and other closing costs that can be steep.

### You might consider a reverse mortgage if:

- You must increase cash flow and your only significant asset is the equity in your home.
- If you prefer staying in your home versus other housing alternatives such as senior living facilities.
- If you want a cushion for major expenses (medical bills, long-term care, or major home repairs).
- If you are not concerned about leaving your home to children or other heirs.

*Do not commit to a reverse mortgage until you have explored the alternatives with a professional.*

## Know the Law and Your Rights:

**California law** prohibits lenders from requiring the purchase of an annuity as a condition of obtaining a reverse mortgage loan; mandates counseling from a housing counselor prior to final acceptance of the loan; and requires that the loan be translated into the applicant's primary language.

**Federal law** requires a counseling session with a HUD-approved reverse mortgage counselor before a reverse mortgage is approved.

You may benefit from the services of a financial counselor if:

- You are only able to make the minimum payment on a credit card for two consecutive months.
- You are making late payments, have missed payments, or have to alternate payments.
- Your total credit card debt is more than your monthly income.
- Your monthly expenses are depleting your savings.
- You are borrowing or creating loans to make ends meet.
- You are relying on checking account overdraft protection funds on a regular basis.

## Do you enjoy reading for pleasure?

*Use reading to grow and protect your wealth!  
Read about saving and investing.*

*FINRA Smart Investing*

**[www.finra.org](http://www.finra.org)**

*Money Smart for Older Adults*

**[www.fdic.gov](http://www.fdic.gov)**

*NASAA Senior Investor Resource Center*

**[www.nasaa.org](http://www.nasaa.org)**