

GET **READY**, GET **SET**, GET **GOING**.

LESSON 12: CONTROLLING DEBT



Photos © iStock.com/ascreativeateller
Photos © iStock.com/anastasiaboragina

E3458

Contents

- Learning Objectives 298
- Time 298
- Materials Needed 298
- Preparation 299
- Lesson Plan Overview 300
- Welcome, Review Assignments, and Distribute Handouts 301
- Debt Reduction 302
 - Activity 1: Handling Disappointments or Frustrations 302
 - Activity 2: Debt Reduction 303
 - Activity 3: How Much Credit Can I Afford? 304
- Prioritizing Bills 305
 - Activity 4: Prioritizing Your Bills 305
- Dealing With Debt Collectors 306
 - Activity 5: Prepare a Communication Worksheet 307
- Discussion Questions 308
- Your Future: What Does It Look Like? (Revisit) 309
- Are You Ready for Change? 310
- Wrap-Up 311
- Additional Resources 312
- References 314
- Handout: Handling Disappointments or Frustrations 315
- Handout: Track Your Debts and How Much You Owe With This **Debt Log** 316
- Handout: The **Debt-to-Income Calculator** Gives You a Benchmark for Planning 317
- Handout: **Prioritizing Bills** Helps You Manage Issues When You Can't Pay Them on Time 319
- Handout: You Can Be Preprepared to Ask Questions **When Debt Collectors Call** 321
- Handout: On the Path Communication Worksheet 327
- Handout: Start Reducing Your Debt by Making a **Debt Action Plan** 328
- Appendix 12-1: Debt Definitions 329
- Appendix 12-2: Get Ready, Get Set, Get Going Post-Survey 330

MSU is an affirmative-action, equal-opportunity employer, committed to achieving excellence through a diverse workforce and inclusive culture that encourages all people to reach their full potential. Michigan State University Extension programs and materials are open to all without regard to race, color, national origin, gender, gender identity, religion, age, height, weight, disability, political beliefs, sexual orientation, marital status, family status or veteran status. Issued in furtherance of MSU Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Quentin Tyler, Director, MSU Extension, East Lansing, MI 48824. This information is for educational purposes only. Reference to commercial products or trade names does not imply endorsement by MSU Extension or bias against those not mentioned. Produced by the MSU Extension Educational Materials Team (<http://msue.anr.msu.edu/>).1P-10:2021-WEB-PA/LG WCAG 2.0

GET **READY**, GET **SET**, GET **GOING**.**LESSON 12:
CONTROLLING DEBT**

Photos © iStock.com/ascreativeateller
Photos © iStock.com/anastasiaboriagina

Learning Objectives

After completing this lesson, participants will be able to:

- Demonstrate knowledge of ways to prioritize payment of bills.
- Identify two ways to develop a debt repayment plan.
- Identify options for working on credit problems.

Time

- 60 Minutes

Materials Needed:

- Handouts (1 per participant):
 - Handling Disappointments or Frustrations
 - Track Your Debts and How Much You Owe With This **Debt Log***
 - The **Debt-to-Income Calculator** Gives You a Benchmark for Planning
 - **Prioritizing Bills** Helps You Manage Issues When You Can't Pay Them on Time*
 - You Can Be Prepared to Ask Questions When **Debt Collectors Call***
 - On the Path Communication Worksheet
 - Start Reducing Your Debt by Making a **Debt Action Plan**
- Name tents
- Markers, crayons, pencils, or other writing utensils
- Discussion Questions
- Flip chart
- Certificate of Completion for each participant (optional)

Instead of using “Track Your Debts and How Much You Owe With This **Debt Log**,” “**Prioritizing Bills** Helps You Manage Issues When You Can’t Pay Them on Time,” and “You Can Be Prepared to Ask Questions **When Debt Collectors Call**” handouts, order free copies of the Consumer Financial Protection Bureau publication *Debt Getting in Your Way? Get a Handle on It* (2017) for each participant. (Omit making these copies if using this booklet.) Find the publication online at <https://pueblo.gpo.gov/CFPBPubs/CFPBPubs.php?PubID=13324>. In this lesson, use the “What Debts Do I Owe?” “Which Debts Do I Prioritize in Tight Months?” and “How Do I Respond to a Debt Collector?” sections instead of copying the three mentioned handouts.

GET READY, GET SET, GET GOING.**LESSON 12:
CONTROLLING DEBT**

Photos © iStock.com/ascreativeateller
Photos © iStock.com/anastasiaboragina

Preparation

Review the entire lesson, including the “Your Future: What Does It Look Like? (Revisit)” activity near the end. Make copies of handouts you plan to use for participants. If using 3-ring binders to organize and store handouts, 3-hole punch the handouts. Collate the handouts into one set for each participant. For the post-survey (Appendix 12-2), remember what Participant ID was used on the pre-survey during Lesson 1 (Appendix 1-1); it could have been the person’s name, last four digits of their phone number, or a number you assigned. They will need to include this same Participant ID on the post-survey.

Gather all needed materials. Prepare materials accordingly. Review and choose several questions from the “Discussion Questions” section. If desired, repost the ground rules you wrote on flip chart paper before Lesson 1 on a wall in the classroom.

If you are planning on giving out certificates of completion, prepare one for each participant.

GET **READY**, GET **SET**, GET **GOING**.

LESSON 12: CONTROLLING DEBT



Lesson Plan Overview

Facilitator may use flip chart and a marker to visualize any important terms introduced during the lesson. Use the lecturette concepts and activities covered in the lesson plan as a guide.

Lesson Plan Overview

TIME ALLOTTED	ACTIVITY
5 minutes	Welcome, overview of lessons, ground rules, assignment review, lesson objectives, distribute handouts
5 minutes	Debt Reduction
5 minutes	Activity 1: Handling Disappointments or Frustrations Handout: Handling Disappointments or Frustrations
5 minutes	Activity 2: Debt Reduction Worksheet Handout: Track Your Debts and How Much You Owe With This Debt Log
10 minutes	Activity 3: How Much Credit Can I Afford? Handout: The Debt-to-Income Calculator Gives You a Benchmark for Planning
5 minutes	Activity 4: Prioritizing Your Bills Handout: Prioritizing Bills Helps You Manage Issues When You Can't Pay Them on Time
5 minutes	Activity 5: Prepare a Communication Handout Handout: You Can Be Prepared to Ask Questions When Debt Collectors Call Handout: On the Path Communication Worksheet
10 minutes	Activity 6: Your Future: What Does It Look Like? Handout: My Money Picture (previous lessons) Handout: Managing a Spending Plan (previous lessons)
5 minutes	Discussion Questions and Are You Ready for Change? Handout: Make a Plan for Putting Goals Into Action or Start Reducing Your Debt by Making a Debt Action Plan
5 minutes	Wrap-Up

GET **READY**, GET **SET**, GET **GOING**.

LESSON 12: CONTROLLING DEBT



Photos © iStock.com/ascreativeateller
Photos © iStock.com/anastasiaboragina

Welcome, Review Assignments, and Distribute Handouts

Share: Welcome the group, take attendance, review ground rules, and distribute handouts for today's lesson. To review the assignments from "Lesson 11: Understanding Credit," ask for a couple of volunteers to share their action plan that includes finances.

Share: State the learning objectives for this lesson.

GET **READY**, GET **SET**, GET **GOING**.**LESSON 12:
CONTROLLING DEBT**

ACTIVITY 1: HANDLING DISAPPOINTMENTS OR FRUSTRATIONS

Debt Reduction

Share: *Credit and debt are not the same. Credit allows you to borrow money to purchase something you do not have the cash to pay for. Credit can be easy to get, but it may be difficult to pay off the loan. “Debt” is the amount you owe. When you put something on credit, you must pay back what you owe (the debt), using part of your income and resources until it is paid off. You might have medical bills, emergency expenses, or loans for your housing or transportation needs. Having a large debt can lead to financial trouble, family arguments, overdue bills, repossession, garnishment, and even bankruptcy (Anderson-Porischet al., 2007).*

(Leader Note: Find additional definitions in “Appendix 12-1: Debt Definitions.”

Repossession: The action of a creditor taking possession of collateral such as a car, after a debtor fails to repay a loan

Garnishment: A court-sanctioned procedure where a debtor has money taken from a bank account or paycheck to pay debts

Bankruptcy: A legal process used by the court system to address serious debt problems of a person or business)

Share: *What are unexpected events that may affect your finances or financial situation? In life, sometimes we have unexpected situations that cause us to have unsuccessful days. It helps to plan ahead so that when an unexpected situation happens, you are prepared.*

ACTIVITY 1: HANDLING DISAPPOINTMENTS OR FRUSTRATIONS

Ask: *What are some ways you plan ahead to handle unexpected situations? Are there ways you have heard about that people avoid paying their bills? How do you act when you are forced to pay bills? (Boyce et al., 2005)*

(Leader Note: Have participants write down their feelings on the “Handling Disappointments or Frustrations” handout if they want something but cannot have it.)

GET **READY**, GET **SET**, GET **GOING**.**LESSON 12:
CONTROLLING DEBT**

ACTIVITY 2: DEBT REDUCTION

ACTIVITY 2: DEBT REDUCTION

*Be honest and realistic about debts you owe. Collect bill statements and overdue notices. Also, find any letters from creditors that threaten action for not paying a bill (Consumer Financial Protection Bureau, 2020). Make a list of who you owe money to and how much you owe them on the “Track Your Debts and How Much You Owe With This **Debt Log**” handout or in the Consumer Financial Protection Bureau publication “Debt Getting in Your Way? Get a Handle on It” in the “What Debts Do I Owe?” section and fold-out worksheet. If you obtained a copy of your credit report as discussed in “Lesson 11: Understanding Credit,” it will help you find any debt you may have forgotten or that has been sent to collections.*

GET **READY**, GET **SET**, GET **GOING**.**LESSON 12:
CONTROLLING DEBT**

ACTIVITY 3: HOW MUCH CREDIT CAN I AFFORD?

ACTIVITY 3: HOW MUCH CREDIT CAN I AFFORD?

Share: *Decide how much credit you can afford. This may help you to understand your total level of debt. Use “The **Debt-to-Income Calculator** Gives You a Benchmark for Planning” handout to measure how much debt you have compared to your income, not including your monthly house or rent payment.*

Share: *First, divide your total house payment including principal, interest, taxes and insurance, or rent payment by your gross monthly income. Lenders use the guideline that no more than 30% to 31% of your gross monthly income should go for your mortgage payments, taxes, and insurance. Another guideline is that no more than 11% of gross monthly income is paid for other debts, including car payments, credit cards, and other loans. Next, add in any debts to the ratio. Do this by dividing any secured debts, such as auto loans, student loans, and other loans, and also any unsecured debt from credit cards and personal loans by your gross monthly income. The ideal debt ratio is 15% or less (Consumer Financial Protection Bureau, 2020).*

This is one way to check the overall health of your finances and to tell if too much debt is putting pressure on your budget. You may find you need to reduce your debt. If you do reduce your debt, more money will be available for you to use for savings, spending, and emergencies. What is your debt-to-income ratio? Is it over or under the recommended guidelines?

GET **READY**, GET **SET**, GET **GOING**.

LESSON 12: CONTROLLING DEBT



ACTIVITY 4: PRIORITIZING YOUR BILLS

Prioritizing Bills

Share: *When you have a month when you have more bills than income, how do you decide which bill to pay first? You should understand what might happen if you fall behind. Think through the choices of which bills to pay or not to pay. Then plan to pay the most important bills that month (Consumer Financial Protection Bureau, 2020).*

ACTIVITY 4: PRIORITIZING YOUR BILLS

(Leader Note: Using the “**Prioritizing Bills** Helps You Manage Issues When You Can’t Pay Them on Time” handout or Consumer Financial Protection Bureau publication *Debt Getting in Your Way? Get a Handle on It* in the “Which Debts Do I Prioritize in Tight Months?” section and fold-out worksheet, talk through as a group the issues about weighing the risk of not paying certain bills right now as they affect a job, housing, utilities, insurance, and other obligations. Each person should decide their priority of paying their bills in tough months.)

Share: *There are two ways to pay down debt.*

- *Snowball Method: Start with the smallest debt, then move on to next debt, until all are paid.*
- *Highest Interest Rate: Start with the debt that has the highest interest rate, then move on to the debt with the next highest interest rate, until all are paid.*

(Consumer Financial Protection Bureau, 2020)

Ask: *Which strategy is better for you after you make all minimum payments? Choose the strategy that helps motivate you the most to feel you are successfully paying down your debt.*

Share: *PowerPay is a free online service from Utah State University Extension. You can use the website to list your debts, using the information from your debt log. You can find the website by doing a search for Utah State University Extension and then in their search box, type in “PowerPay.” The website will calculate for you which debt to pay down first after you make the minimum monthly payments on all your debts (Utah State University Extension, n.d.). For example, if you have an extra \$50 this month, make the minimum payments on each debt and add \$50 to the minimum due for the one debt you want to pay down faster. PowerPay will do the math to show you the interest savings over time, which means you will have more money for other things by paying your debts off.*

GET **READY**, GET **SET**, GET **GOING**.**LESSON 12:
CONTROLLING DEBT****Dealing With Debt Collectors**

Ask: To “procrastinate” means to put things off. Why do we procrastinate?

(Leader Note: Allow time for participants to share the reasons they procrastinate.)

Share: If a debt collector contacts you, do not ignore it. Sometimes we procrastinate, which can make us feel like we are frozen and cannot move forward (Boyce et al., 2005).

If you receive a call from a creditor or collection agency, do the following:

- Get the name of the creditor and the name, address, and telephone number of the collection agency. Get the exact amount of the account that is claimed to be due. Write down the date and time of each call.
- Explain your current financial situation and tell how much of the bill you are able to pay, according to your budget.
- If you believe you do not owe the amount claimed or disagree in other ways, make your reasons known promptly in writing to both the creditor and the collection agency. Use the letter in the “You Can Be Prepared to Ask Questions **When Debt Collectors Call**” handout to ask your questions and to make sure you owe the debt. Keep copies of all correspondence.

(Leader Note: If using the publication *Debt Getting in Your Way? Get a Handle on It*, talk through the “How Do I Respond to a Debt Collector?” section, including knowing your rights, knowing how to verify if the claim is valid, and knowing how to dispute the debt if you do not owe it.)

GET **READY**, GET **SET**, GET **GOING**.**LESSON 12:
CONTROLLING DEBT**

ACTIVITY 5: PREPARE A COMMUNICATION WORKSHEET

ACTIVITY 5: PREPARE A COMMUNICATION WORKSHEET

Share: We will prepare a communication worksheet on one past due account. Use the information you have from the “**Prioritizing Bills** Helps You Manage Issues When You Can’t Pay Them on Time” handout as well as from “Lesson 3: Organizing and Keeping Records” to find the creditor’s account information and phone number you will call. Review the handout “Use This **Budget** Tool to See How Much You Make and Spend Each Month” from “Lesson 7: Managing a Spending Plan” to determine how much you can afford to pay, if you cannot afford to pay the current monthly payment. Write down all information you will discuss and all questions you have on the “On the Path Communication Worksheet” handout (Boyce et al., 2005).

Share: If the debt is owed, create a debt repayment plan to pay off debt. It takes time and commitment, difficult choices, and a plan for action. Follow these nine steps to create your own plan (Anderson-Porisch et al., 2007) and use the “Start Reducing Your Debt by Making a **Debt Action Plan**” handout.

1. Decide why there is a debt problem.
2. Set a goal.
3. Put extra income toward debt repayment.
4. Track spending and develop a spending plan.
5. Save on interest and late fees.
6. Contact creditors.
7. Seek help from a counselor.
8. Consolidate loans.
9. File for bankruptcy as a last resort.

GET **READY**, GET **SET**, GET **GOING**.

LESSON 12: CONTROLLING DEBT



Photos © iStock.com/ascreativeteller
Photos © iStock.com/anastasiaboriagina

Discussion Questions

(**Leader Note:** Choose several questions from the following list to begin wrapping up the lesson.)

- How many warning signs do you have about too much debt?
- What is my debt-to-net-income ratio?
- Are there areas of your life that you procrastinate?
- Has a bill collector ever called you on the phone? How did you feel when this happened? How did you respond? How did the bill collector respond to your situation?
- After you write down how much you owe and how much you are behind, what did you discover?
- What is your overall debt reduction goal? What does this mean monthly?
- Do you need to contact creditors to propose a payment plan? Which ones and what will you share?

GET **READY**, GET **SET**, GET **GOING**.**LESSON 12:
CONTROLLING DEBT**

ACTIVITY 6: YOUR FUTURE: WHAT DOES IT LOOK LIKE? (REVISIT)

ACTIVITY 6: YOUR FUTURE: WHAT DOES IT LOOK LIKE? (REVISIT)

Share: Find the “My Money Picture” handout, which you received in “Lesson 2: Making Good Money Decisions.” It’s also in the publication “Behind on Bills? Start With One Step.” Review this assessment you took at the beginning of this course.

Ask: Has anything changed in the past 6 weeks? If yes, use a pen or highlighter:

1. Mark a check on any area of life you feel good about. You may have two checks there now or you may have a check where you used to have a circle before.
2. Circle any area of life you feel concerned about. Or cross out any area of life that you are no longer concerned about.

Ask: Ask for volunteers to share any learning after they completed this activity. Review the “Managing a Spending Plan” handout from “Lesson 7: Managing a Spending Plan.”

Ask: Ask each person to state their initial goal on their name tent, and then state their Action Plan after the class ends. Celebrate each participant’s accomplishments during the class and future financial plans that they share.

GET **READY**, GET **SET**, GET **GOING**.

LESSON 12: CONTROLLING DEBT



Photos © iStock.com/ascreativeateller
Photos © iStock.com/anastasiaboriagina

Are You Ready for Change?

Share: *I encourage you to think about the concepts covered in this lesson “Controlling Debt.” What actions or behavior changes do you plan to do?*

(Leader Note: Encourage participants to use the “Make a Plan for **Putting Goals into Action**” handout to write down SMART goal(s), supports, resources needed, and Action Plan Step(s). Some participants may choose to keep working on their original SMART goal steps for many weeks. They can revisit and revise their SMART goal as needed to be more realistic and doable. Some may want to add a new SMART goal based on this lesson; you may want a few extra copies of this handout ready. It is important that participants focus on one or maybe two SMART goals at a time so that they do not feel overwhelmed and are confidently making progress to successfully achieve their goals toward desired behavior outcomes.)

Ask: *On a scale of 1 (not at all ready) to 10 (extremely ready), where are you?*

Are you ready to make a change with confidence toward your SMART goal?

How important is the change for you?

How confident are you about making this change? Why?

GET **READY**, GET **SET**, GET **GOING**.

LESSON 12: CONTROLLING DEBT



Photos © iStock.com/ascreativeateller
Photos © iStock.com/anastasiaboragina

Wrap-Up

Share: *By understanding your debt, you can better identify ways to manage it. Knowing how to reduce or get rid of debt is important to being in control of your finances and feeling financially empowered. We talked about understanding your feelings about paying the debt, knowing how to prioritize which bills to pay, writing down everything you owe, and knowing how to make your debt reduction plan. If you have too many debt obligations, I encourage you to follow these steps and use the “On the Path Communication Worksheet” handout for each past due account you owe, contact your creditors, and negotiate a repayment plan that will work for your budget.*

Distribute: Distribute the post-survey forms (Appendix 12-2) if collecting them and explain that they will be used to show impact to the organization’s administration. Tell them what to write for their Participant ID, the same as what they used on their pre-survey (Appendix 1-1) during Lesson 1.

Share: *You have completed the entire class. Be proud of all you did to make your money decisions based on what is important to you. Continue to use the steps you learned to keep working toward your financial dreams. I encourage you to write at least one SMART goal and to continue making new SMART goals in the future.*

(Leader Note: Hand out certificates of completion if you have chosen to do so. Congratulate participants on their successful completion of the class.)

GET **READY**, GET **SET**, GET **GOING**.**LESSON 12:
CONTROLLING DEBT**

Additional Resources

Administration for Community Living

Alternative financing program: Information about federally funded alternative financing program for assistive technology. <https://acl.gov/>

Attorney General

National Association of Attorneys General: Contact your state office concerning your legal consumer rights if you are having challenges with a debt collector. <https://www.naag.org/find-my-ag/>

Credit Counseling

What Is Credit Counseling? Consumer Financial Credit Bureau: Find out how credit counseling can help you manage your debt, and find a credit counselor in your area. <https://www.consumerfinance.gov/ask-cfpb/what-is-credit-counseling-en-1451/>

Debt Collection and Elimination

Debt Collection. Consumer Financial Protection Bureau: Find answers to your debt collection questions and download sample letters to send to debt collectors. <https://www.consumerfinance.gov/consumer-tools/debt-collection/>

Federal Trade Commission. Coping With Debt: Tips, advice, and resources. <https://www.consumer.ftc.gov/articles/0150-coping-debt>

MyCreditUnion.gov. Paying Off Credit Cards. <https://www.mycreditunion.gov/life-events/debt/credit-cards>

PowerPay. Utah State University Extension: Tools to develop a personalized, self-directed debt elimination plan. <https://extension.usu.edu/powerpay/>

Home Buying

Buying a House: Tools and Resources for Homebuyers. Consumer Financial Protection Bureau: Use this tool if you're shopping for a mortgage and want to understand your options. <https://www.consumerfinance.gov/owning-a-home/>

GET **READY**, GET **SET**, GET **GOING**.**LESSON 12:
CONTROLLING DEBT**

Photos © iStock.com/ascreativeateller
Photos © iStock.com/anastasiaboragina

Lawsuits

How Do I Find a Lawyer or Attorney to Represent Me in a Lawsuit by a Creditor or Debt Collector? Consumer Financial Protection Bureau. <https://www.consumerfinance.gov/ask-cfpb/how-do-i-find-a-lawyer-or-attorney-to-represent-me-in-a-lawsuit-by-a-creditor-or-debt-collector-en-1433/>

Medical Debt

Medicare.gov. Get Help Paying Costs: Information on programs to help you pay your medical expenses if you're struggling with medical debt. <https://www.medicare.gov/your-medicare-costs/get-help-paying-costs>

Student Loans

Federal Student Aid. Manage Loans: Information on how to repay your federal student loans. <https://studentaid.gov/h/manage-loans>

Federal Student Aid. Total and Permanent Disability Discharge: Find out about discharge of federal student loans for those with total and permanent disability. <https://www.disabilitydischarge.com/>

Paying for College. Consumer Financial Protection Bureau: Use our tool to learn more about student debt. <https://www.consumerfinance.gov/paying-for-college/>

Submit a Complaint

Submit a Complaint. Consumer Financial Protection Service: Having a Problem With a Financial Product or Service? <https://www.consumerfinance.gov/complaint/>

GET **READY**, GET **SET**, GET **GOING**.**LESSON 12:
CONTROLLING DEBT**

Photos © iStock.com/ascreativeateller
Photos © iStock.com/anastasiaboriagina

References

Anderson-Porisch, S. A., Heins, R. K., Petersen, C. M., Hooper, S. E., & Bauer, J. W. (2007). *Dollar works 2: A personal financial education program* (Item 08503). University of Minnesota Extension.

Boyce, P., Hale, K., Innis, G., Maxbauer, S., & Tobe, E. (2005). *On the path: Financial literacy program*. Michigan State University Extension.

Consumer Financial Protection Bureau. (2017). *Debt getting in your way? Get a handle on it*. <https://www.consumerfinance.gov/consumer-tools/educator-tools/your-money-your-goals/booklets-talk-about-money/>

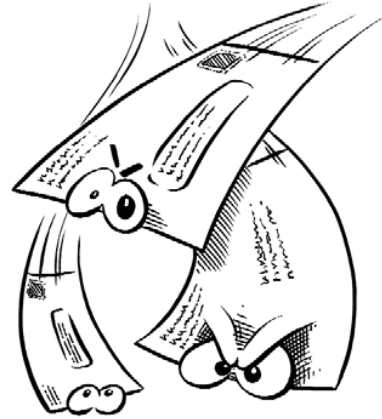
Consumer Financial Protection Bureau. (2020). *Your money, your goals: A financial empowerment toolkit*. https://files.consumerfinance.gov/f/documents/cfpb_your-money-your-goals_financial-empowerment_toolkit.pdf

Utah State University Extension. (n.d.) *PowerPay*. <https://extension.usu.edu/powerpay/>

GET **READY**, GET **SET**, GET **GOING**. HANDOUT

Handling Disappointments or Frustrations

People react differently to situations. How do people of different ages handle disappointment or frustration? Example — what if “you can’t have it or do it, but you want to.”



Feelings

Actions



Child



Teen



Adult

Boyce, P., Hale, K., Innis, G., Maxbauer, S. & Tobe, E. (2005) *On the Path: Financial Literacy Program*. Michigan State University Extension. Paying Bills, page 3.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT



Track your debts and how much you owe with this **Debt log**

1. List all the debts you have, including who you owe them to. Fill out the table to see your total monthly debt payment.
2. Repeat this exercise every few months to track if your debt is growing or shrinking.

Remember, a bill isn't always debt.

For instance, your phone bill isn't debt, but any past due amount for that bill is. If you're repaying a loan (like a credit card or mortgage), the entire amount is considered debt and should be included here.

Common debt types to help you brainstorm:

- Auto loan
- Back child support
- Credit card debt
- Friends and family
- Medical debt
- Mortgage or past-due rent
- Past-due fees and fines
- Payday loan
- Student loan

Debt	Payment due this month	Payment is up to date?	Total amount left to pay	Interest rate (if any)	Payoff date or goal
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
	\$		\$	%	
Total monthly debt payment	\$ 0.00				

Bureau of Consumer Financial Protection. (2020). *Your money, your goals: A financial empowerment toolkit*. p. 126.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT



The **Debt-to-income calculator** gives you a benchmark for planning

1. Enter your total monthly debt payment on the first line of the equation. You can copy it from the "Debt log."
2. Enter your gross monthly income on the second line. If your income varies from month to month, estimate what you receive in a typical month.
3. Calculate your debt-to-income ratio and review the recommended ratios to see how yours compares.

Lenders use your debt-to-income ratio when considering your loan application.

CALCULATE YOUR DEBT-TO-INCOME RATIO

Your total monthly debt payment includes credit card, student, auto, and other loan payments, as well as court-ordered fixed payments, like child support	
Divide by your gross monthly income which is all of your income before taxes and insurance	÷
Multiply by 100 to calculate your current debt-to-income ratio	%

Here are some guidelines to think about:

HOMEOWNERS

**36%
or less**

Consider maintaining a debt-to-income ratio for all debts of 36 percent or less. Some lenders will go up to 43 percent or higher. Your home mortgage is included in this ratio.

RENTERS

**15-20%
or less**

Consider maintaining a debt-to-income ratio for all debts of 15-20 percent or less. Your rent is not included in this ratio.

If your debt-to-income ratio is higher than the guideline (as either a homeowner or renter), you may want to think about ways to lower debt to put less pressure on your budget. Use the "Debt action plan" for help.

Bureau of Consumer Financial Protection. (2020). *Your money, your goals: A financial empowerment toolkit*. pp. 128-129.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT

Mortgage lenders look at your debt-to-income ratios for both total debt and mortgage debt when considering your loan application. If you're a homeowner, you can also calculate your mortgage debt-to-income ratio.

CALCULATE YOUR MORTGAGE DEBT-TO-INCOME RATIO

Your total monthly mortgage debt payment includes only the principal and interest on your mortgage. Your property taxes, insurance, and condo or homeowner association fees may or may not be included in your monthly mortgage payment	
Divide by your monthly gross income which is all of your income before taxes and insurance	÷
Multiply by 100 to calculate your current mortgage debt-to-income ratio	%

Here are some guidelines to think about:

MORTGAGE DEBT FOR HOMEOWNERS



Consider maintaining a mortgage debt-to-income ratio of 28 to 35 percent.

If your ratio is higher than the guidelines, and you want help, consider contacting a certified HUD housing counselor. Find a certified counselor by visiting consumerfinance.gov/find-a-housing-counselor.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT



Prioritizing bills helps you manage issues when you can't pay them on time

1. Read through the items that apply to you and write down the monthly amount of each bill. It's OK to estimate if this amount changes from month to month.
2. If you can't pay all your bills at once, think about the order you pay them in. Weigh the risks of not paying each one, then number them in the order you want to pay them, based on priority.

		AMOUNT	PRIORITIZE YOUR BILLS	CONSIDER...
THINGS I NEED FOR A JOB	Transportation to get to work (car payment, gas or busfare)			If you miss a car payment, you may have to pay a late fee. You risk possible repossession of your car, a negative entry on your credit record, and lowered credit scores.
	Equipment or uniform			
	Childcare			If your car is repossessed, you might have trouble getting to work and risk losing your job.
INSURANCE I NEED TO PAY	Car insurance			Not having insurance may mean you can't drive your car, and it puts your assets, including your health and your family's health, at risk.
	Health insurance			
	Renters or home insurance			

Bureau of Consumer Financial Protection. (2020). *Your money, your goals: A financial empowerment toolkit*. pp 94-95.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT

		AMOUNT	PRIORITIZE YOUR BILLS	CONSIDER...
THINGS I NEED FOR HOUSING	Rent, mortgage, or property taxes			If you're late with rent, you may have to pay a late fee, risk possible eviction, and strain your relationship with your landlord. If you don't pay your utility bills, they may get cut off. Utility companies may charge fees to get reconnected.
	Gas, electric			
	Water, garbage, sewer			
OBLIGATIONS I HAVE TO PAY	Credit cards			If you're late with your credit card payment, you may have to pay a late fee. You also risk a negative entry on your credit record, lowered credit scores, and higher interest rates. If you don't pay court-ordered obligations, like child support, you may face legal consequences.
	Loans (student, payday)			
	Child support			
	Court-ordered fines and fees			

Bureau of Consumer Financial Protection. (2020). *Your money, your goals: A financial empowerment toolkit*. pp 94-95.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT



You can be prepared to ask questions When debt collectors call

1. If you're contacted by a debt collector, ask them these questions and write down their answers.
2. To request more information about the debt, fill out and send the first template to the debt collector. Don't forget to check the boxes next to the information you're requesting.
3. If the debt isn't yours, fill out and send the second template to dispute the debt.

Be cautious and keep records.

- You don't have to share private information (like bank accounts) no matter what debt collectors say.
- Write down all dates, times, and detailed notes of what's said for each call.
- Save everything debt collectors send and make copies of anything before you send it (don't send originals).

WHAT TO SAY TO A DEBT COLLECTOR	NOTES
What is your (the debt collector's) name and address?	
What is the original creditor's name and address?	
What is the account number?	
What is the amount owed?	
What date did the account become delinquent?	
What date did you (the debt collector) obtain the debt?	
What was the amount of debt when you (the debt collector) obtained it?	
On what date will the debt's statute of limitations (the time you can no longer be sued for the debt) expire?	
If you don't believe you owe the debt or you already paid it:	
Please provide documentation proving I'm required to pay.	
Please provide me with a copy of the last bill.	

Bureau of Consumer Financial Protection. (2020). *Your money, your goals: A financial empowerment toolkit*. pp. 143-144.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT

Resolve issues with debt collectors

If the debt is not legitimate (if it's not yours or you already paid it), don't delay in disputing it.

Use the second letter template to send the debt collector a letter disputing the debt immediately. You may lose your ability to dispute the debt if you wait.

If the claim is legitimate, don't despair.

At least now you know what you're dealing with. You still have options, depending on your financial situation and what you want to do with the debt.

- Negotiate a payment plan that will give you more time to pay down your debt. See consumerfinance.gov/askcfpb/1447 for more information.
- Pay the debt in full and move on
- Try to settle with the debt collector on total amount of what you're willing to pay that will fully resolve the account. You can do this yourself by contacting the collector.

If you're sued by a debt collector, be sure to respond to court documents.

If you don't respond to court documents, or if you don't show up for a court hearing, the court will usually issue a money judgment against you. You may want a lawyer to advise or represent you at the hearing. To find a lawyer in your state to discuss debt collection with, visit consumerfinance.gov/askcfpb/1433.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT

I am responding to your contact about a debt you are trying to collect. Please supply the information I have marked so that I can be fully informed.

I have asked for this information because I have some questions. I need to hear from you to make an informed decision about your claim that I owe this money. I am open to communicating with you for this purpose. In order to make sure that I am not put at any disadvantage, in the meantime please treat this debt as being in dispute and under discussion between us.

In addition to providing the information requested below, please let me know whether you are prepared to accept less than the balance you are claiming is owed. If so, please tell me in writing your offer with the amount you will accept to fully resolve the account.

Thank you for your cooperation. Sincerely,

Name

About the debt you're trying to collect

Today's date	Debt collector's name and address
<input type="text"/>	<input type="text"/>
Name and return address	Account number for the debt
<input type="text"/>	<input type="text"/>
You contacted me on this date	Any other information given to me
<input type="text"/>	<input type="text"/>
You contacted me by	
<input type="checkbox"/> Phone <input type="checkbox"/> Mail	

Bureau of Consumer Financial Protection. (2020). *Your money, your goals: A financial empowerment toolkit*. pp. 145-147.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT

Please supply the information I have marked so that I can be fully informed.

WHY YOU THINK I OWE THE DEBT AND TO WHOM I OWE IT, INCLUDING:

- The name and address of the creditor to whom the debt is currently owed, the account number used by that creditor, and the amount owed.
- If this debt started with a different creditor, provide the name and address of the original creditor, the account number used by that creditor, and the amount owed to that creditor at the time it was transferred. When you identify the original creditor, please provide any other name by which I might know them, if that is different from the official name. In addition, tell me when the current creditor obtained the debt and who the current creditor obtained it from.
- Provide verification and documentation that there is a valid basis for claiming that I am required to pay the debt to the current creditor. For example, can you provide a copy of the written agreement that created my original requirement to pay?
- If you are asking that I pay a debt that somebody else is or was required to pay, identify that person. Provide verification and documentation about why this is a debt that I am required to pay.

THE AMOUNT AND AGE OF THE DEBT, INCLUDING:

- A copy of the last billing statement sent to me by the original creditor.
- State the amount of the debt when you obtained it, and when that was.
- If there have been any additional interest, fees or charges added since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each added amount. In addition, explain how the added interest, fees or other charges are expressly authorized by the agreement creating the debt or are permitted by law.
- If there have been any payments or other reductions since the last billing statement from the original creditor, provide an itemization showing the dates and amount of each of them.

Bureau of Consumer Financial Protection. (2020). *Your money, your goals: A financial empowerment toolkit*. pp. 145-147.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT

- If there have been any other changes or adjustments since the last billing statement from the original creditor, please provide full verification and documentation of the amount you are trying to collect. Explain how that amount was calculated. In addition, explain how the other changes or adjustments are expressly authorized by the agreement creating the debt or permitted by law.
- Tell me when the creditor claims this debt became due and when it became delinquent.
- Identify the date of the last payment made on this account.
- Have you made a determination that this debt is within the statute of limitations applicable to it? Tell me when you think the statute of limitations expires for this debt, and how you determined that.

DETAILS ABOUT YOUR AUTHORITY TO COLLECT THIS DEBT.

- I would like more information about your firm before I discuss the debt with you. Does your firm have a debt collection license from my state? If not, say why not. If so, provide the date of the license, the name on the license, the license number, and the name, address and telephone number of the state agency issuing the license.
- If you are contacting me from a place outside my state, does your firm have a debt collection license from that place? If so, provide the date of the license, the name on the license, the license number, and the name, address and telephone number of the state agency issuing the license.

GET **READY**, GET **SET**, GET **GOING**. HANDOUT

I am responding to your contact about collecting a debt. I do not have any responsibility for the debt you're trying to collect.

If you have good reason to believe that I am responsible for this debt, mail me the documents that make you believe that. Stop all other communication with me and with this address, and record that I dispute having any obligation for this debt. If you stop your collection of this debt, and forward or return it to another company, please indicate to them that it is disputed. If you report it to a credit bureau (or have already done so), also report that the debt is disputed.

Thank you for your cooperation. Sincerely,

Name

About the debt you're trying to collect

Today's date

Debt collector's name and address

Name and return address

Account number for the debt

You contacted me on this date

Any other information given to me

You contacted me by

 Phone
 Mail

GET **READY**, GET **SET**, GET **GOING**. HANDOUT

On the Path Communication Worksheet

Complete one worksheet for each past due bill.

Date: _____ Account Number: _____

Name of company: _____

Address: _____

Phone number: _____ Person I talked to: _____

Amount of past due bill: _____ Problem: _____

What I want?

What I need to know.

What questions do I need to ask?

Action to be taken:

By Me

By Them



Do we need to meet or talk again?

GET **READY**, GET **SET**, GET **GOING**. HANDOUT



Start reducing your debt by making a **Debt action plan**

1. Review the pros and cons of each strategy for paying down debt.
2. List your top three debts, sorted based on the strategy you chose—either by smallest total dollar amount or highest interest rate.

	PAY SMALLEST DEBT FIRST 	PAY HIGHEST INTEREST RATE FIRST 																
Description	After you've made all your minimum payments, increase your payment on the smallest debt. After it's paid off, add that extra amount to your minimum payment on the next smallest debt.	After you've made all your minimum payments, increase your payment on the debt that has the highest interest rate. After it's paid off, add that extra amount to your minimum payment on the next highest-rate debt.																
Pro	If you have many small debts, you might see progress quickly by reducing the number of debts you owe.	By paying off the debts that charge you the highest interest and fees first, you save money overall.																
Con	If the interest rate and fees are high on your larger debts and you pay the smaller ones first, you might pay more in total over the length of the debt.	You might not feel like you're making progress very quickly, especially if the first debt is large.																
	I'll pay down the smallest debt first, in this order: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">DEBT</th> <th style="width: 40%;">AMOUNT</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>\$</td> </tr> <tr> <td>2.</td> <td>\$</td> </tr> <tr> <td>3.</td> <td>\$</td> </tr> </tbody> </table>	DEBT	AMOUNT	1.	\$	2.	\$	3.	\$	I'll pay down the debt with the highest interest rate first, in this order: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">DEBT</th> <th style="width: 40%;">INTEREST RATE</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>%</td> </tr> <tr> <td>2.</td> <td>%</td> </tr> <tr> <td>3.</td> <td>%</td> </tr> </tbody> </table>	DEBT	INTEREST RATE	1.	%	2.	%	3.	%
DEBT	AMOUNT																	
1.	\$																	
2.	\$																	
3.	\$																	
DEBT	INTEREST RATE																	
1.	%																	
2.	%																	
3.	%																	

Bureau of Consumer Financial Protection. (2020). *Your money, your goals: A financial empowerment toolkit*. p. 131.

GET **READY**, GET **SET**, GET **GOING**.

APPENDIX 12-1

Creditor: A person or company to whom money is owed.

Collection Agency: A business that specializes in collecting debts that the original lender could not collect.

Default: Failure to fulfill a contract agreement, such as not making required payments, failing to maintain necessary insurance, or not keeping collateral in proper condition.

Debt Consolidation Loan: Combining several loans into one lower interest rate loan. Beware of scams.

Foreclosure: A legal procedure where the lender takes possession of a home for nonpayment of the mortgage.

Garnishment: A court-sanctioned procedure where a debtor has money taken from a bank account or paycheck to pay debts.

Interest: The cost of borrowing money.

Judgment: A court-determined outcome of a lawsuit including any amounts owed.

Lien: A legal interest taken by creditors against a property that allows the property to be held, taken, or sold to repay a debt.

Repossession: The action of a creditor taking possession of collateral such as a car, after a debtor fails to repay a loan.

GET **READY**, GET **SET**, GET **GOING**.

APPENDIX 12-2

Date: _____ Participant ID: _____

Given what I know now, what are the chances I will: (Mark one response for each statement with an "X.")

	Very Unlikely	Unlikely	Not Sure	Likely	Very Likely
Set money goals					
Spend money on needs before wants					
Use a file system for important financial papers					
Start or keep an emergency fund					
Make choices today for my future					
Make a plan for spending					
Track my spending					
Choose a way to manage my money					
Pay all bills on time each month					
Keep my personal information in a safe place					
Increase my income					
Know what to do if I am a victim of consumer fraud					
Select a bank or credit union for my money					
Balance my checkbook					
Track my credit use each month					
Review my credit reports					
Choose lower cost credit					
Set a debt reduction goal					
Pay at least the minimum on all debts					
Set up a debt repayment plan					

Please tell us about any changes in your financial life:

Anderson-Porisch, S. A., Heins, R. K., Petersen, C. M., Hooper, S. E., & Bauer, J. W. (2007). *Dollar works 2: A personal financial education program* (Item 08503). University of Minnesota Extension.