



CONSUMERS
UNITED
ASSOCIATION

Your Unemployment Survival Guide

Steps for financial stability



During your job search and beyond

Consumers United Association
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Introduction

Many consumers are facing reductions in income due to unemployment or cuts in pay during these difficult times.

Consumers United Association (CUA), a consumers membership organization with a mission to improve the financial lives of Colorado consumers through financial education and advocacy, has produced this guide to help.

This booklet offers steps you can take to ensure that you are able to pay your bills while you search for a job. Through this process, you will learn which steps you can take that will not impact your credit rating or cause long-term financial consequences as well as what to do when you have tried everything to stay afloat. Additionally, you will find resources for further information and assistance.

CUA provides many benefits to our members including other financial education tools available on our website at www.cuacolorado, help with consumer problems, and the ability to join one of our sponsoring credit unions. We encourage you to share this booklet with others, and we hope you will consider becoming a member of our association if you have not done so already. With over 20,000 members in Colorado, CUA has a strong consumer voice that allows us to help influence policies that concern the finances of consumers in our state.

We hope this booklet is helpful to you, and that it ensures that you are on the road to:



Step 1: Take the Financial Stability Quiz

The first step in managing your finances effectively during a period of unemployment is to understand your vulnerability to becoming unable to pay your bills and to maintain a good credit rating.

Before taking this quiz, gather your credit card statements, bills, and loan payment information. Review your checking account, and figure out how much money you are currently spending on food, utilities, housing, transportation and other bills. Then, answer the following quiz:

Without using credit cards, cashing out life insurance policies or investments, borrowing money, moving, or making any other drastic changes, I could maintain the following for at least six months:

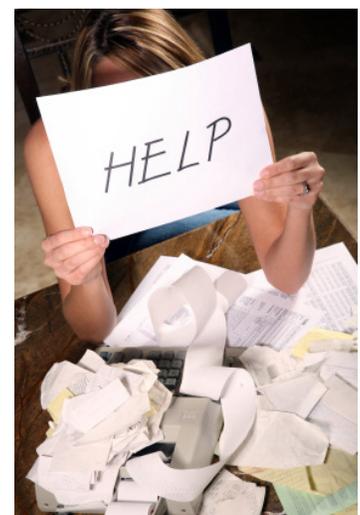
	Monthly cost	Ability to Pay?	
Rent or mortgage payments	\$	Yes	No
Car or other secured loan payments (including second mortgage)	\$	Yes	No
At least the minimum payment on credit cards &/or lines of credit	\$	Yes	No
Student loan payments	\$	Yes	No
Utility bills	\$	Yes	No
Food bills	\$	Yes	No
Insurance payments (including health , auto*, life)	\$	Yes	No
Gasoline and other variable expenses	\$	Yes	No
Other necessary bills	\$	Yes	No
Total Monthly Bills:	\$		

What You Need> **Monthly Income:** \$ _____
Minus Monthly Bills: -\$ _____
Difference: \$ _____

If you answered NO to any of the above, you will need to move on to Step 2.

If you answered yes to all of the above questions, you may still want to make some adjustments as suggested in this booklet to ensure that you have more flexibility in your employment and salary choices moving forward.

*Note on auto insurance: Many consumers are under-covered for Medical payments (MedPay) on their auto insurance. You must make certain you have the ability to pay your own medical bills if you are in an accident. It can take months for an accident to be settled. In the mean time, if you are injured you will need medical insurance and/or sufficient MedPay on your auto insurance policy to cover you.



Step 2: Determine effective changes

Using the following checklist list of short-term and long-term changes you can work on immediately, determine which changes you can make that will enable you to maintain your monthly bills for at least the next six months, if any. Make the necessary phone calls, and document the amount of money you have been able to save on a monthly basis as a result.

Remember, the goal is to prevent you from using credit or cashing in policies or investments because doing these things will cause you to pay more interest, increase your payments, or cause you to pay more in taxes later. All of the following changes can be made without impacting your credit rating as well.

Short-term changes	
Item	Amount saved monthly
Contact your student loan company and ask for a forbearance based on unemployment status.	\$
Contact anyone with whom you have a personal loan or bill who would consider reducing your payment temporarily. (Not including loans with financial institutions.)	\$
Suspend automatic billing on unnecessary items coming out of your checking account such as memberships, subscriptions and other things you could resume when you are employed again. (Unless there is a contract as with health clubs).	\$
Boost your deductible (temporarily) on your auto insurance. (See also longer term changes on insurance)	\$
Other short-term savings	\$
Total monthly short-term savings	\$

Long(er)-term changes	
Item	Amount saved monthly
Eliminate landline home phone if you have a cell phone or cut back on extras like call waiting. Find out about another cell phone plan that could save money (like shared plans).	\$
Contact your insurance agent. Make sure you are getting optimum discounts, especially if you have made home improvements. Consolidate your insurances with one company to save money. Let them know you are driving less.	\$
Consolidate your bank accounts if you have more than one to reduce monthly fees. Or, switch to a free checking account.	\$
Opt-out of paper bank or credit union statements on all of your accounts.	\$
Change your long-distance plan.	\$
Downgrade to basic cable or negotiate the same deal new customers receive.	\$
If you rent an apartment, talk to your complex about moving to a smaller unit. There may be a fee, but it may still be worthwhile over time.	\$
Drop Private Mortgage Insurance (PMI) if you are paid down to 80% or less of the value of your home	\$
Contact college financial aide to review your finances and potentially increase aide.	\$
Consolidate credit card balances to your lowest interest card.	\$
Join a food co-op like Colorado Shares to save money on groceries	\$
Other long-term savings	\$
Total monthly long-term savings	\$

What You Need Now>

Total short term savings: \$ _____

Total long-term savings: \$ _____

All savings this step: \$ _____

Amount needed Step 1: \$ _____

Minus all savings From step 2 \$ _____

Amount Still Needed: \$ _____

If you still need more income, go to Step 3

Step 3: Find ways to earn some cash quickly

Once again, the goal in these steps is to prevent you from using credit, cashing in policies or retirement savings at this point. Therefore, if you can find ways to earn some cash to put aside to pay your monthly bills, do so. The following are some ideas that won't take a lot of time away from your job search. The key is to put the money in savings for monthly bills. While there literally thousands of ideas for earning extra monthly income, we are focusing here only on things you could do once to earn cash because many other ideas would involve you actually having to spend many hours that you need to spend on job-hunting.

Idea	Amount earned
Sell something you don't need on Craigslist, Ebay, the flea market, or in a garage sale	\$
Collect old gold jewelry and sell it to a reputable gold buyer (contact a jewelry store for referrals)	\$
Participate in a paid focus group	\$
Take clothes, used sporting goods, furniture to consignment stores	\$
Provide a weekend yard clean-up or other handy service	\$
Rent out your home for a weekend to someone from out of town (while you stay with a friend)	\$
Be a pet-sitter for a weekend	\$
Provide lessons to someone on using computers, math, science, piano, painting, golf, tennis or any skill you have	\$
Run a temporary service for cleaning and preparing summer properties for their owners or cleaning yards, garages, rain gutters, painting, etc.	\$
Create a website for someone for a fee	\$
Sew something for someone for a fee	\$
Buy some items that have some value at thrift stores or flea markets and resell them	\$
Create and sell something interesting on Ebay such as gift baskets	\$
Repair someone's car for a fee	\$
Offer a cooking service to prepare a special meal for someone on a weekend for a fee	\$
Make a video for someone for a fee (many brides are cutting back on expenses these days)	\$
Help someone move for a fee	\$
Other ideas	\$
Total Amount Earned	\$
Amount earned ÷ 6 (months)	\$

What You Need Now> **Amount needed Step 2:** \$ _____
Minus earnings from Step 3 \$ _____
Amount Still Needed: \$ _____

If you still need more income, go to Step 4



Step 4: Make important decisions

So far, the steps you have taken have been geared toward preserving a good credit rating and avoiding cashing in investments or policies. They have also been measures that don't have more permanent consequences.

However, if you have reached this step and you still have a significant shortfall that will cause you to be unable to pay all of your monthly bills for at least six months, then it is time to make some important decisions. The following are some suggestions and the consequences of those suggestions for your consideration. Further information about resources related to these and other things you might need are in the resources section of this booklet.



Idea	Description	Potential consequences
Credit Counseling	<ul style="list-style-type: none"> • Help to reduce monthly payments on credit cards • May negotiate lower interest rates to get you out of debt faster • Can help to stop collection calls and collection activity • Will help you to assess your situation and determine if you need to file for bankruptcy 	<ul style="list-style-type: none"> • Make certain you are dealing with a reputable, nonprofit agency • Credit Counseling and Debt Settlement are not the same thing • Your credit rating can be affected
Reverse Mortgages (senior citizens 62 or older)	<ul style="list-style-type: none"> • A special type of home loan that lets you convert a portion of the equity in your home into cash. • Unlike a traditional home equity loan or second mortgage, no repayment is required until the borrower(s) no longer use the home as their principal residence. 	<ul style="list-style-type: none"> • Effects the amount of money that will be left in your estate for your heirs
Cashing in investments	<ul style="list-style-type: none"> • Cashing out 401k's, stocks, etc. • Consult with your financial advisor 	<ul style="list-style-type: none"> • Loss of retirement and savings that would earn interest over time • You will pay tax on the income • There will most likely be penalties
Life settlements (Mainly seniors 65 and older)	<ul style="list-style-type: none"> • A method of selling a life insurance policy for more than the cash value to a company that will receive the benefit when you die 	<ul style="list-style-type: none"> • Your original beneficiaries do not receive the benefit • Income could be taxed (consult tax advisor)
Refinancing your home	<ul style="list-style-type: none"> • Taking out a new loan on your home based on the amount currently owed for a longer period of time • Can be done with your current lender or a new lender • You must have income to qualify 	<ul style="list-style-type: none"> • Extends the term of your loan • Because it extends the term, will impact when you might be able to use your equity for retirement
Economic Recovery Mortgage Loan Restructuring	<ul style="list-style-type: none"> • If your loan qualifies, will be handled by your current lender. • Benefits people who cannot refinance because they owe more than 80% of their current loan. • Basically the same as a refinance. It changes the interest rate, monthly payment and loan term • Can help prevent foreclosure • You must have income to qualify 	<ul style="list-style-type: none"> • Beware of companies that claim to do this who really do not. Your current lender is the entity that handles this • Extends the term of your loan • Because it extends the term, will impact when you might be able to use your equity for retirement

Step 4: Make important decisions (continued)

Idea	Description	Potential consequences
Renegotiate your minimum credit card payments	<ul style="list-style-type: none"> Contact your creditors and ask for temporary assistance to reduce your minimum payments 	<ul style="list-style-type: none"> Your account will most likely be closed May negatively impact your credit Will increase the amount of interest you pay over time May cause other unanticipated problems with this creditor and even others
Refinance your auto loan	<ul style="list-style-type: none"> Contact your lender or seek a new lender to refinance your auto loan over a longer term for lower payments 	<ul style="list-style-type: none"> Your loan may be upside down for a long time The loan may outlast the car
Sell your car	<ul style="list-style-type: none"> Sell your car for cash and pay off your loan Enables you to buy a less expensive one or releases you from a car payment Could eliminate a monthly car payment 	<ul style="list-style-type: none"> You will have to find alternative transportation - there will be a cost associated with that You may end up with a car or transportation that is less reliable and needs repairs
Sell your home	<ul style="list-style-type: none"> Sell your home and pay off your loan Enables you to buy a less expensive one or become a renter for a time You must have income to purchase another home or to rent 	<ul style="list-style-type: none"> Renting does not build equity and can cost as much as or more than a mortgage You may not get what it is worth or even what you owe on it
Sell your home in a "short sale"	<ul style="list-style-type: none"> Applies only to homes currently in stages of pre-foreclosure Occurs when a property is sold and the lender agrees to accept a discounted payoff, meaning the lender will release the lien that is secured to the property upon receipt of less money than is actually owed 	<ul style="list-style-type: none"> May have tax implications Will have serious implications on your credit rating May not actually solve the problem - be sure to seek counseling from a HUD approved housing counselor
Borrow money from friends or family	<ul style="list-style-type: none"> Self explanatory 	<ul style="list-style-type: none"> Could build resentment in relationships if you are unable to pay them back in a timely manner
Take any job	<ul style="list-style-type: none"> Find any job that earns enough income to make your monthly bill payments 	<ul style="list-style-type: none"> Limits your ability to search for another job in your field May not have benefits
Auto loan delinquent payment forbearance	<ul style="list-style-type: none"> Negotiate with your lender to put recent delinquent payments at the end of your loan Typically only works if you are only 1 or 2 months behind Lender will want to know if you have a complete plan to be current from this point forward 	<ul style="list-style-type: none"> Extends the term of your loan May cost more

Step 4: Make important decisions (continued)

Idea	Description	Potential consequences
Debt settlement	<ul style="list-style-type: none"> • Arrangements made on unsecured debt with creditors to settle the balance by paying a percentage of the debt in a lump sum • You need to have a large sum of money and be able to work out settlements with all of your creditors because they do not accept payment plans • Can relieve you of monthly payments and collection problems 	<ul style="list-style-type: none"> • Settled debt is not the same as “paid in full” on your credit report. Therefore, settlements will impact your credit rating • Some people pay large fees to companies who claim to help settle debts. In fact, a consumer can do this him or herself directly with creditors • Investigate debt settlement companies very thoroughly or do it yourself • Settlements can take all your available cash to pay unsecured debts when you really need to pay your secured debts • If you don’t make arrangements will all of your creditors, some of them will figure that out
Make payment arrangement; on unsecured debt like medical bill;	<ul style="list-style-type: none"> • Contact creditor directly before the account goes to a collection agency • Ask for a monthly payment arrangement • In the case of hospitals, ask if they have a special program for people with low income 	<ul style="list-style-type: none"> • There are few if any consequences in this negotiation unless you fail to make the arranged payments • Do not wait until you get a collection call from an agency
Using available lines of credit to pay bills;	<ul style="list-style-type: none"> • Pay bills using credit cards, home equity lines of credit • Take cash advances on credit cards <p>Note: We have only put this item on the list because we want people to understand the consequences - we really would not suggest doing this.</p>	<ul style="list-style-type: none"> • Serious potential consequences in the near term when minimum payments go up as a result • Could completely destroy the potential of making payment arrangements through credit counseling later (creditors do not like to make payment arrangements on accounts where an individual has very recently spent a lot of money) • May put off the inevitable
Make payment arrangements; on debts; that are in collections;	<ul style="list-style-type: none"> • First contact the original creditor to make arrangements for payments if the debt has gone to a collection agency • Ask them to pull the account back from the collection agency • If they won’t, or if you must deal with the collection agency, make arrangements and make sure you can make the payments on time 	<ul style="list-style-type: none"> • Serious ramifications if you do not pay the debt as agreed once it is in collections • Payment arrangements that are followed will help prevent legal action
Make payment arrangements; on utility balances;	<ul style="list-style-type: none"> • Call the utility company directly to make payment arrangements. They will typically work with you. 	<ul style="list-style-type: none"> • Prevents shut-offs and collections

What You Need Now>

Because each of the suggestions we have offered are so different, we could not insert a box here on the dollar amount saved or earned. In order to analyze if you have reached your goal, you will need to make a list of your creditors and all of your bills to see if you have been able to make up for the deficits you had in your budget. If you have not been able to resolve the issues you identified, move to Step 5.

Step 5: When all else fails

Sometimes, after trying very hard to avoid it, people end up in a position where they must make decisions that seriously impact their credit in order to survive financially. The following three options are such cases. If you are facing any of these decisions or problems, we suggest that you get the expert advice of a credit counselor, housing counselor, and an attorney.

Foreclosure

Foreclosure is a legal proceeding in which the mortgage holder (lender) and others such as lien holders repossess the home (property). The former homeowner then has no further rights to the property or the value of it.

Foreclosure procedures typically begin when a homeowner is two to three months delinquent on the mortgage. Notices are sent to the homeowner advising them of the foreclosure proceedings at various stages. Once the lender repossesses the home, the lender then tries to recoup some of their losses by selling the home. The difference between the amount originally owed on the loan and the amount the lender received for the property are then still owed by the former homeowner.

If you are facing foreclosure, contact a HUD certified housing counseling agency for advice and assistance on how to avoid foreclosure.

Repossession

Repossession happens when a person becomes delinquent on a secured loan such as a car, camper or other items like them. Depending on the loan you received originally, a lender may repossess a vehicle as soon as it is delinquent. Some do not repossess a vehicle until it is two or three months delinquent. When a lender repossesses a vehicle, they sell the vehicle to recoup their losses. The former owner of the vehicle then becomes responsible for paying the difference. The same process holds true in the case of what is called a “voluntary repossession” where a person returns a vehicle voluntarily because of inability to pay.

Bankruptcy

Bankruptcy is a legal proceeding where a person declares their inability to pay their debts, and a court trustee liquidates their assets in order to distribute the proceeds to creditors. The court assesses the individual’s ability to pay some of the debt and can set payment plans to creditors based on their findings. A person considering bankruptcy should contact an attorney for advice.



Social Safety Nets



Social safety net programs are available for people who have very low income in order to ensure that people’s basic needs for food and medical assistance are met. In the resource section of this booklet, you will find listings for all the contacts you need for social services such as these. We have also provided information on other programs that can help.

Resources

The following is a list of Internet resources relating to items mentioned in this booklet, in alphabetical order. Some of the sites will provide lists of resources in your area.

Resource	Source of Information	Link
Credit Counselors (certified)	Association of Independent Consumer Credit Counseling Agencies	http://www.aiccca.org/
	National Foundation for Credit Counseling	http://www.nfcc.org
Economic Recovery Act	HUD	http://www.hud.gov/recovery/
Emergency assistance	United Way	http://www.unitedwaydenver.org/
Energy assistance programs	Colorado Dept. of Human Services	http://www.cdhs.state.co.us/LEAP/
Food banks	HUD	http://www.hud.gov/local/co/homeless/foodbanks.cfm
Food Co-op	Share Colorado	http://www.sharecolorado.com/
Free Checking Accounts	Find a Credit Union	http://www.findacreditunion.com/
Health insurance, children	Colorado Children's Health Plan Plus	http://www.cchp.org/
Housing Counseling, HUD approved		http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm?webListAction=search&searchstate=co
	HUD & Foreclosure Hotline	Hotline: 1-877-601-HOPE
Life settlements	Insurance Journal	http://www.insurancejournal.com/magazines/west/2005/05/23/features/56156.htm
Private Mortgage Insurance	Federal Reserve Bank of San Francisco	http://www.frbsf.org/publications/consumer/pmi.html
Reverse mortgages	HUD	http://www.hud.gov/offices/hsg/sfh/hecm/rmtopten.cfm
Short sales	About.com	http://homebuying.about.com/od/4closureshortsales/qt/112707_QualSS.htm
Social Services	Colorado Dept. of Human Services	http://www.cdhs.state.co.us/servicebycounty.htm
Student loan forbearance	Staffordloan.com	http://www.staffordloan.com/repayment/federal-student-loan-forbearance.php

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