URBAN UPBOUND

tackling poverty, changing lives.

FINANCIAL SERVICES REFERENCE MANUAL

JANUARY 2014

NET IMPACT NYC PROFESSIONALS CHAPTER
SERVICE CORPS, FALL 2013
STEPHANIE CHEONG
AMY WALKER
ERIKA BENSON

Table of Contents

BUDGETING/SPENDING PLAN

IV. <u>Overview</u>

Creating a budget is one of the first steps counselors should take when reviewing a client's financial stability. Based in the Financial Health Assessment, a budget is a plan for applying income to expenses. It sets spending limits, savings goals, and is an invaluable took to help the client prioritize their spending and manage their money. During the initial one-on-one financial counseling session, Urban Upbound financial counselors must create a budget for the client to help them figure out where their money is spent and to provide an insight on how they can manage their money wisely. Most frequently, a budget is created using a spreadsheet. See below Excel document for a sample budget template.

Budget Template.xlsx

V. <u>What to Do During Client Appointments</u>

D. Initial Intake Appointment

During the initial intake appointment, Urban Upbound financial counselors should try to get a better idea of where their clients' money is going. Please refer to the Qualifying Questions document in [Appendix A](#) for a list of questions to ask during the appointment.

E. Action Plan Appointment

Calculate the client's "net cash flow" utilizing their bills and every income. Explain that this spending plan is a tool for them to track where their money is going and they should analyze it against their actual spending. Use it to find ways to curb expenses and find room for savings and paying off debt. This can be very time consuming as many times people do not know how much they spend on items such as clothing or groceries, so find ways to break it down to get to the answer. For example for clothing, if a client has children, then you can suggest that most parents shop twice a year for their kids – spring and fall. Ask them to break down what they usually buy into particular items and what each costs. Add up the total cost of all items from each shopping trip and divide that number by 12. This is their monthly expenditure on clothing. You may suggest opening a separate savings for big ticket items such as clothing, vacations, or Christmas. You can assume that the first budget you do will have to be revised at the next monthly meeting and that the client must track expenses in the mean time. As a financial counselor, it is your responsibility to keep up with local prices and local stores. For a greater resource on money saving tips, reading the blog "get rich slowly" on a regular basis is highly recommended: http://www.getrichslowly.org/blog/.

F. Monthly Check-In Appointments

Discuss the progress on the action plan with the client. Congratulate them on the progress. Be encouraging. If they have completed the Action Steps, work with them to come up with new steps. If they were unable to complete the steps outlined, work with the client to figure out why and work on different approaches to completing the goals. Examples of things to work on are:

- Repairing credit through dispute letters, vacating judgment, making and sticking to a power pay schedule, calling collections agencies and making payment plans and settlements
- Amassing savings through opening a savings account at the credit union and finding room in their budget to save on a regular basis
- Tracking expenses and sticking to a workable budget that doesn't rack up debt
- Creating power pay schedule or other plan to pay down debt using room in the budget
- Discussing changing spending habits in order to trim unnecessary expenses

Also, look over savings statements and bills to see if any progress has been made. If there has been no progress, find out why. Ask questions to see if there is something else we can do to help with the plan and if we need to reassess their budget. Some additional tips to provide to clients in terms of saving and cutting expenses are:

- Make a shopping list and stick to it
- Avoid impulse purchases
- Shop at more than one store
- Buy quality products if you intend to use items for a long time
- Use coupons wisely

VI. <u>General Tips on How to Create a Budget</u>

Here are some sample guidelines on how to create a budget. Remember to:

- Budget for now and any anticipated change in the future
- Prioritize bills and pay basic necessities first (housing, etc.)
- Always track expenses to ensure that the budget is being followed and look for ways to reduce expenses
- Change due dates of credit card bills for monthly consistency or to spread out according to pay dates. In addition, consider the implication of dates on cash flow—for example, if clients are paid after bills are due.

Step 1: Identify client's goals.

Before creating a budget, it is important to understand client's financial goals, whether it be paying off debts or saving for the future.

Step 2: Calculate the monthly household income.

Identify all sources of monthly income, including paychecks, cash benefits from public assistance programs, and any additional earnings from alimony payments.

Step 3: Calculate the monthly household expenses.

The client should have written down every spending from the day of the Intake Appointment to day of Action Plan Appointment. Using this document, organize spending into two categories:

1) Fixed expenses—these are expenses they must pay each month, such as rent, car payments, heat, etc.
2) Flexible expenses—these are expenses they change month to month, such as food, clothing, entertainment, etc.

Step 4: Subtract total expenses from total income.

Compare the client's income and expenses to see if they have a monthly surplus, or if their expenses are greater than their income.

Debt Management

IV. Overview

More than 60% of Financial Empowerment Center clients are working on paying down debt. After creating a budget with the clients, Urban Upbound financial counselors should coach our clients on the best strategies to pay down debt. Counselors should also help them negotiate settlements on collection accounts and get balance transfers and/or payment plans to lower interest rates with credit cards, if necessary.

Below are some basic topics to consider when assisting clients with debt management, including tips on achieving debt reduction and dealing with debt collection notices.

V. Topics to Go Through During Client Appointments

C. Tips for Reducing Debt

After going through the client's budget, the counselor should determine if the client needs assistance with managing their debt. If so, here are some suggestions as to how they can reduce their debt:

- Stop adding more debt by not making unnecessary purchases
- Ask the lender about working out a repayment plan
- Look for the best interest rates when consolidating debts
- Pay bills in full and on time; if you are unable to make full payments, aim to pay more than the minimum due to avoid paying more in interest and fees
- Pay off high-interest debts for to reduce the amount of money you owe in the long run
- Check your bills carefully to make sure they are accurate and the rates remain the same
- Don't open too many credit cards to ensure you can keep track of how much you owe and when you have to pay your bills
- Stick to your budget and track where your money goes

D. Dealing with Debt Collection Notices

It is important that the clients know their rights and debt collectors' responsibilities. If your client is contacted by a debt collector, they should check that the collection agency is licensed by Department of Consumer Affairs (DCA). They should immediately request in writing verification of the debt, and keep copies of everything they send to the collector. If the collector is harassing the client or is not licensed, the client has the right to file a complaint with DCA. You can check if an agency is licensed using DCA's Instant License Check or call 311.

If the Client is Not Sure the Debt is Valid:

- Client can dispute a debt within 30 days of receiving notice. After 30 days if the debt is not disputed, a collection agency is entitled to treat the debt as valid regardless, and pursue it further.
- Send by certified mail a letter to the collection agency requesting proof of the original debt/purchase and creditor, as debt collectors cannot pursue until they provide the requested proof. Once proof of the original debt has been provided, the agency can seek to collect it.

If the Client Does Not Owe the Debt:

- Client must dispute a debt within 30 days of receiving notice. After 30 days if the debt is not disputed, a collection agency is entitled to treat the debt as valid and pursue it further.
- Send by certified mail a letter to the collection agency requesting that it cease contacting you about the alleged debt. After receiving a cease collection letter, a collection agency is only authorized to contact you once more, in writing, to inform you of any further legal action it intends to pursue. At the same time, consumers should warn the collection agency in writing by certified mail against falsely reporting the debt to anyone else.

If the Debt is Valid:

- Advise the client not to ignore the debt collector. Failure to pay a debt or respond could hurt their credit rating and their ability to obtain loans, mortgages, or other financial services.
- If you do not want the collection agency to continue contacting you, send by certified mail a letter requesting that it cease contacting you about the alleged debt. After receiving a cease collection letter, a collection agency is only authorized to contact you once more, in writing, to inform you of any further legal action it intends to pursue. If you choose this option, the creditor can sue, report you to a credit agency, and take other lawful actions to pursue the debt.
- Calculate your finances and figure out your ability to repay the debt. There is a good chance the collector will work out a repayment plan with you. If so, be sure to get the terms of the agreement in writing.
- After the debt has been paid or been resolved, ask the debt collection agency to send you written confirmation.

VI. Additional Resources

FTC Debt Management Progran

OFE Consumer Protection and Debt (

Student Loans

I. Overview

The Urban Upbound counselor should first determine whether the client is looking for advice prior to applying for a student loan or whether he or she needs help with repayment. For clients seeking advice prior to application, the counselor should go over the different types of loans as well as the repayment plans that go with each loan. If necessary, the counselor should go over the client's funding needs and perspective budget post-graduation in order to determine which loan is best suited for the client.

For clients who are seeking help with repayment, the counselor should create a monthly budget for the client, go over areas where the client may cut personal expenses in order to repay student loans, and go over strategies to pay down the debt. If necessary, the counselor should discuss deferment and forbearance options with the client.

II. Types of Financial Aid

C. Private vs Federal Loans

The counselor should go over the differences between private and federal loans:

- **Federal loans** have a lower interest rate; don't require a credit check; can be subsidized; can be consolidated; don't require payment until the student graduates, leaves school, or switches to part-time enrollment; may have tax deductible interest payment; may have deferment and loan forgiveness options; and have several repayment plans.
- **Private loans** have a higher interest rate; are not subsidized; may require an established credit record; cannot be consolidated; may require repayments during school; may not have tax deductible interest payments; won't have loan forgiveness or deferment options; and have various repayment plans.

D. Federal Loans

The counselor should also go over the different federal loans. There are three types of federal loans as well as the option to consolidate multiple loans:

- **Direct Subsidized Loans** have an interest rate of 3.4% and are for undergraduates with demonstrated financial need only. The Department of Education will pay interest payments while the student is in school and repayments start 6 months after graduation.
- **Direct Unsubsidized Loans** have an interest rate of 6.8% and are open to all undergraduate and graduate students. Students are responsible for interest payments during all periods and repayments start 6 months after graduation.

- **Direct PLUS Loans** have an interest rate of 7.9% and are open to parents of dependent undergraduate and graduate students who have good credit. Repayment begins when the loan is dispersed.
- **Consolidated loans** combine multiple federal loans into one package which results in one monthly payment.

III. Financial Aid Application

C. Eligibility

The counselor should go over eligibility for student loans based on immigrant status. For federal and state aid the client must be a:

- US Citizen,
- Permanent Resident, or
- Eligible Noncitizen (refugee or asylee)

To be eligible for in-state tuition at SUNY or CUNY the client must be a:

- US Citizen;
- Permanent Resident;
- Eligible Noncitizen (refugee or asylee); or
- An undocumented student who has attended 2.5 years of a New York High School (or has attended a NYS-approved GED program and received the GED certificate), graduated, and who has applied to a CUNY or SUNY school in the past 5 years.

To be eligible for an opportunity program, such as SEEK, CD, EOP, and HEOP, the applicant must have been a legal resident of NYS for 12 months prior to enrollment.

D. Application Process

Urban Outbound staff should go over the financial aid application checklist with the client. The steps to apply for financial aid include:

- Request information from the school to which the client is applying.
- Request information from New York State for state financial aid.
- Look for private providers of student loans. Several free websites include:
    - FinAid on the Web – www.finaid.org
    - The College Board – http://apps.collegeboard.com/cbsearch_ss/welcome.jsp
    - FastWeb – www.fastweb.com

- The validity of any private loan provider can be verified at the following sites:

- U.S. Department of Education: www.studentaid.ed.gov/students/publications/lsa/index.html
- Federal Trade Commission: http://www.ftc.gov/scholarshipscams
- Better Business Bureau: www.bbb.com

- Obtain a Federal Student Aid Personal Identification Number (FSA PIN) for use throughout the federal aid process during and after college from the U.S. Department of Education's PIN Web site at www.pin.ed.gov.
- File a Free Application for Federal Student Aid (FAFSA) as soon as possible on or after January 1 of the school year the client is requesting funding for. The client may file the FAFSA electronically using FAFSA on the Web, which contains built-in edits to help prevent costly mistakes, at www.fafsa.ed.gov. The client may also file a paper FAFSA, obtained by calling the Federal Student Aid Information Center at 1-800-433-3243.
- Complete and submit all institutional financial aid application materials before all deadlines.
- Apply for state financial aid before the application deadline and promptly reply to any requests for additional information.
- Promptly respond to any school requests for additional information or documentation, such as copies of federal tax returns, verification worksheets, or other forms.
- Read all application materials and financial aid notifications. Most financial aid funds have conditions for receipt and renewal, such as earning a certain grade point average (GPA) or being enrolled full time.
- Promptly sign and return the financial aid award letter if the school requires a signed acceptance of the aid being offered.
- Notify the financial aid office if the client has applied for assistance, but no longer wish to attend the school.
- Complete the promissory note for any loan(s) the client is offered and wish to accept.
- If the client has been awarded Federal Work-Study (FWS) assistance, find out how students are placed in FWS positions and what FWS positions are available, including descriptions of job responsibilities and wages.
- Before the client signs the promissory note, make sure the client reads and understands all of his/her rights and responsibilities. The client should check with the financial aid office regarding any loan counseling he/she must complete before he/she may receive the loan proceeds.
- Promptly notify the financial aid office of any outside or private scholarship, grant, or other types of student aid the client has received or expect to receive.
- Keep copies of all application materials in records for future reference.

IV. <u>Repayment</u>

The counselor should be prepared to help the client manage student debt by helping the client calculate the amount of time until a loan is paid off. Once a budget is made for the client detailing how much the client is able to repay monthly, the counselor should go over deferment and forbearance options as well as the various payment plans available.

E. Time for Repayment

To calculate the amount of time until a loan is paid off, the counselor can go to http://www.calcxml.com/calculators/pay-off-loan?skn=124

F. Deferment

Deferment is postponement of payment on a federal loan. It is allowed under certain conditions and during deferment interest does not accrue on Direct Subsidized Loans, Subsidized Federal Stafford Loans, and Federal Perkins Loans. All other federal student loans that are deferred will continue to accrue interest. Any unpaid interest that accrued during the deferment period may be added to the principal balance of the loan.

G. Forbearance

Forbearance is a period during which monthly federal loan payments are temporarily suspended or reduced. The lender may grant forbearance if the client is willing but unable to make loan payments due to certain types of financial hardships. During forbearance, principal payments are postponed but interest continues to accrue on all loan types, including subsidized loans. Unpaid interest that accrues during the forbearance will be added to the principal balance of the loan, increasing the amount that the client owes.

H. Federal Loan Repayment Plans

There are several repayment plans for Direct Subsidized, Direct Unsubsidized, and Plus loans including:

- Standard Repayment Plan: fixed monthly amount of at least $50 for up to 10 years.
- Graduated Repayment Plan: payments are lower at first and then increase for up to 10 years.
- Extended Repayment Plan: payments are either fixed or graduated for up to 25 years.
- Income Based Repayment Plan: max monthly repayment is 15% of discretionary income for up to 25 years.

V. <u>Additional Resources</u>

Federal Student Loan Types.xlsx

III. Overview

Credit is used to show your financial reputation. Establishing good credit early allows a bank to know it can trust you to repay a loan. By setting rules according to a person's history of paying bills, banks protect themselves from lending money to those who might not pay it back and encourages borrows to pay their bills on time.

Credit scores can range from a maximum of 850 to 300. The higher your score, the more likely you are to get a loan and a good interest rate. Your credit report, also known as a credit file disclosure statement, includes a list of items that determine your credit score. It shows information about all your credit cards, loans, medical expenses or other outstanding bills. It also includes your payment history and patterns, along with details such as whether you usually just make minimum payments on debt.

Counselors should review a client's credit report and credit score in the first session and on a periodic basis every few months. Good credit is one of the major thresholds clients must reach to participate in the mainstream financial system and, increasingly, for the housing and employment markets, as well.

Many of our clients are looking to improve their credit and, of course, the number one way to do so is to make payments on time and be responsible with credit. However, many of our clients improved their credit and reduced debt by negotiating payments with collectors and having incorrectly reported information on their credit report updated by writing dispute letters. By offering this service to our clients they are saving money they might have spent on credit repair services, learning how to deal with mistakes on their credit reports, learning their rights as consumers, and also lowering their reported *monthly consumer debt*, the number a lender looks at when deciding to extend credit.

IV. Topics to Go Through During Client Appointments

D. Credit Reports and Scores for Supporting Debt and Credit Service Plans

Counselors can obtain clients' credit reports and FICO score per their organization's agreement with Credit Builders Alliance or another third party. Based on those agreements, some information from a credit report may not be shared with clients. Please refer to that agreement to determine what information can be disclosed. Clients can retrieve their free annual credit report from all three credit bureaus without their credit score from www .annualcreditreport.com. A FICO score should always be considered the primary metric for credit rating because it is used by the vast majority of lenders, and it must be recorded in the client record. Although the FICO score cannot be shared with clients under agreements with TransUnion, counselors may choose to review credit rating category with their clients or another credit score type, such as TransRisk score.

E. Tips for Credit Improvement

Your client should check their credit by ordering a credit report from all three major credit reporting agencies. It is recommended to review credit report once a year, just to know the credit standing and to check for any errors. The three major credit reporting agencies are:

Equifax
800.685.1111
www.equifax.com

Experian
888.397.3742
www.experian.com

Trans Union Corp.
800.916.8800
www.transunion.com

Once the client receives the credit report, the client should check it over carefully for errors and outdated information. If they find an error, they can contact credit agencies to have them removed, as applicable. Here are some tips to improve credit:

- Pay your bills on time. Remember, if you let a payment slide, you will incur a late fee and a penalty charge.
- Pay off high-interest loans first. By paying down these obligations, you free up interest money that can go to other bills.
- Pay off credit cards monthly
- Apply only the credit cards you need. It is easy to run up debt when you have a lot of credit available.
- Use your credit card to establish good credit. By paying on time and by paying down debt, you will show creditors that you are creditworthy.

F. Tips for Managing Credit Cards

Credit cards are an excellent tool for establishing credit. While credit cards are great by providing credit in advance, they can easily be abused, allowing card holders to purchase things before they can really afford them. In order to keep the credit score as high as it can, it is important to know how to manage credit cards.

Financial counselors should educate the client on the costs associated with using a credit card, such as annual fees, interest rates, grace periods, and over limit fees. Clients can avoid most credit card fees by making different decisions about the credit card they apply for or the way they pay their bills. For example, a client can avoid a late fee by making their credit card payment on time. They can also avoid a finance charge by paying their full balance every month.

To be a responsible credit card user, it is important to read all the fine print and understand all the numbers and terms on a credit card statement. Go through a credit card statement so the client is familiar with how to read the document and what to look for. Also, ensure that the client knows the appropriate steps to take when a credit card is lost or stolen. They should report stolen or missing credit cards as soon as possible or at least within 24 hours for the zero-liability protection.

When using credit card, most charges should be repaid within three months of the purchase. Be sure to know the costs of credit including the credit card's annual fee, the interest rate you will pay, and any charges for overdue payments or going over your credit limit.

V. <u>Additional Resources</u>

How to Dispute Credit Report Errors

The Truth about Credit Reports and R

Credit Repair Kit

J. Commercial Bank Accounts

A commercial bank is financial institution that provides services, such as accepting deposits, giving business loans and auto loans, mortgage lending, and basic investment products like savings accounts and certificates of deposit. The traditional commercial bank is a brick and mortar institution with tellers, safe deposit boxes, vaults and ATMs. However, some commercial banks do not have any physical branches and require consumers to complete all transactions by phone or Internet. In exchange, they generally pay higher interest rates on investments and deposits, and charge lower fees.

D. Commercial Checking Accounts

A checking account, also known as a transactional deposit account, provided by a commercial bank allows for withdrawals and deposits. Money held in a checking account is very liquid, and can be withdrawn using checks, automated cash machines and electronic debits, among other methods.

A checking account differs from other bank accounts in that it often allows for numerous withdrawals and unlimited deposits, whereas savings accounts sometimes limit both. Checking accounts can include business accounts, student accounts and joint accounts along with many other types of accounts which offer similar features.

In exchange for the liquidity, checking accounts typically do not offer a high interest rate, but if held at a chartered banking institution will be FDIC guaranteed up to $100,000 per individual depositor. Some checking accounts require a minimum balance, in exchange for interest earned on the balance or reduced banking fees.

E. Commercial Savings Accounts:

A deposit account held at a bank or other financial institution that provides principal security and a modest interest rate. Depending on the specific type of savings account, the account holder may not be able to write checks from the account (without incurring extra fees or expenses) and the account is likely to have a limited number of free transfers/transactions. Savings account funds are considered one of the most liquid investments outside of demand accounts and cash. In contrast to savings accounts, checking accounts allow you to write checks and use electronic debit to access your funds inside the account. Savings accounts are generally for money that you don't intend to use for daily expenses. To open a savings account, simply go down to your local bank with proper identification and ask to open an account.

F. Certificate of Deposit

A certificate of deposit (CD) is a time deposit, a financial product commonly sold in the United States by banks, thrift institutions, and credit unions.

CDs are similar to savings accounts in that they are insured and thus virtually riskfree; they are "money in the bank". CDs are insured by the Federal Deposit Insurance Corporation (FDIC) for banks and by the National Credit Union Administration (NCUA) for credit unions. They are different from savings accounts in that the CD has a specific, fixed term (often monthly, three months, six months, or one to five years), and, usually, a fixed interest rate. It is intended that the CD be held until maturity, at which time the money may be withdrawn together with the accrued interest.

In exchange for keeping the money on deposit for the agreed-on term, institutions usually grant higher interest rates than they do on accounts from which money may be withdrawn on demand, although this may not be the case in an inverted yield curve situation. Fixed rates are common, but some institutions offer CDs with various forms of variable rates.

II. <u>**Credit Unions**</u>

A credit union is a member-owned financial co-operative. These institutions are created and operated by its members and profits are shared amongst the owners. As soon as you deposit funds into a credit union account, you become a partial owner and participate in the union's profitability. Many credit unions also provide services intended to support community development or sustainable international development on a local level.

D. Urban Upbound Credit Union Products

The UU Credit Union was a goal at the inception of the organization. The Credit Union is currently three years' old and offers many services for the UU community and low income residents of New York. The most prominent service provided by the credit union is the Credit Builder Loan. Clients of the credit union often have banking accounts at other institutions, but need to improve their credit. Clients of the credit union are referred by other UU programs, or residents in the community. Members must live or worship in Queens' districts 1 or 2.

E. Credit Builder Loan

The credit union will issue a loan between $500 and $1000. The loan will immediately be transferred into a CD account. The client will make payments against the loan. Once the entire loan is paid off, the client can access the funds. During the course of the loan and payments, the Credit Union regularly reports to the Credit Bureaus that clients are regularly paying off a debt, which will help build a positive credit history.

All clients must go through an application process for the Credit Builder Loan. And all recipients of the Credit Builder loan must complete Urban Upbound Financial Counseling.

C. Other Urban Upbound Credit Union Products

- Unsecured, traditional loans

- Traditional Secured Loans
- Savings Accounts
- In 2014, will hopefully be allowed to offer Business Loans

III. Retirement planning for the Urban Upbound client

In order for clients to start their retirement savings they must have built up *emergency savings* and paid down any *significant debt*. In general, the client can also start saving for retirement if there is enough room in their budget to be paying down debt, working toward emergency savings and putting aside for retirement as well. FF Counselors work with clients using three major tools. Mint.com, in addition to budgeting assistance, offers retirement calculators to help determine how much to save and at what interval.

1. Determine a Target Savings Amount: Using a Retirement Savings Calculator available at mint.com, determine how much total savings the client will need to retire at the legal retirement age, depending on the income needed by the client. The FF Counselor will need to check the Social Security website or the client's last social security statement (comes once a year around the client's birthday), if they have it, to determine how much a client can expect in social security income.

2. Once a target savings number is established, the FF counselor will analyze the client's budget to see how much a client can save per month. Using the "Retirement Savings Decision Tree" and handout to go through retirement products that may be best for the client.

C. Planning Early

If possible, Urban Upbound should encourage an early start in retirement savings. A dollar invested early in life can grow, through the power of compounding, far larger than the same dollar invested later in life.

Even lower-income taxpayers have an incentive to contribute to an Individual Retirement Account (IRA). For each dollar put in, up to $2,000, lower-income taxpayers receive up to a 50-cent tax credit on each tax dollar they owe, up to a maximum tax credit of $1,000 (you must have a tax liability in order to receive the credit).

IV. Retirement Savings Accounts

C. Employer or Sole Proprietor Based Savings Accounts:

A 401 K is an employer sponsored retirement plan, where an employee can elect to have money taken out of a paycheck before that income is taxed and directly deposited in the retirement plan. The employee is restricted from accessing these funds – one must pay a steep fine if they decide to withdraw from the account prior to retirement. Also, the account is tied to employment. The money that sits in a 401K is used to fund current retirees and various government investment schemes. The benefit of a 401K, is the ability to shelter income from taxes. The money in the accounts acts as a loan for the federal government.

There are two main types of 401(K)s. A traditional 401(K) uses pre-taxed income. When the employee begins receiving distributions, the amount withdrawn each month or year is taxed as regular income. However, any interest, dividends, capital gains or money made on the original investment will not be taxed.

In a ROTH 401(K), the employee invests money into the account AFTER the income has been taxed. When the employee begins withdrawing from the account, the amount withdrawn is not taxed. ROTH 401(K)s are ideal for younger employees, who still have years to grow their income and retirement investment. These employees will have a higher tax in the present, but will likely have more spendable income in retirement.

401(K) Contribution annual maximums are determined by the Federal government. Many employers will match employee contributions up to a certain amount (for example: an employer might match $0.50 for every $1.00 contributed by an employee up to 6% of the employee's salary)

2013 Employee Contribution limits:

- $17.5k/yr for under employees under 50; $23k/yr for age 50 or above;
- Limits are a total of pre-tax Traditional 401(k) and Roth 401(k) contributions;
- Total employee (including after-tax Traditional 401(k)) and employer combined contributions must be lesser of 100% of employee's salary or $51k ($56.5k for age 50 or above).

D. Individual Retirement Accounts

Individual Retirement Accounts (IRAs) are similar to 401ks as they provide a sort of tax shelter to saved income. The primary difference is that IRAs can be opened without an employee sponsor. These accounts are ideal for individuals whose employer does not offer a 401k benefit or are self employed. If an individual leaves a company where they had a company sponsored 401(k), they can "roll over" the money into an IRA.

- 2013 Individual Contribution Limits:

The maximum for an IRA contribution in 2013 is $5,500 for those under age 50, and $6,500 for those over 50. All contributions must be from income.

V. <u>Additional Resources</u>

401K_IRA comparison grid.xlsx

Roth IRA Fact Sheet

Thrift Savings Plans and IRA

Planning for the Stages of Retirement

INSURANCE

V. Insurance Basics

Insurance is the equitable transfer of the risk of a loss, from one entity to another in exchange for payment. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

An insurer is a company selling the insurance. The insured, or policyholder, is the person buying the insurance policy. The amount of money to be charged for a certain amount of insurance coverage is called the premium.

An individual can purchase an insurance policy, which usually consists of a small monthly fee, to protect them from a possible future event that would cost more money then they could afford at one time. If this hypothetical event does occur, the insurance company promises to pay the individual an amount of money that would ideally cover the cost the unexpected event. These events can be health issues or events that cause damage to valuable property. When an individual purchases insurance, they receive a contract, called the insurance policy, which details the conditions and circumstances under which the insured will be financially compensated.

Insurance involves pooling funds from *many* insured individuals to pay for the losses that some may incur. The insured entities are protected from risk for a fee, with the fee being dependent upon likelihood of the event occurring. Insurance companies rely on the fact that many insurance policy holders will never actually need the insurance, but purchase it for peace of mind.

VI. Life Insurance

Life insurance provides a monetary benefit to a deceased person's family or other designated beneficiary, and may specifically provide for income to an insured person's family, burial, funeral and other final expenses. Life insurance policies often allow the option of having the proceeds paid to the beneficiary either in a lump sum cash payment or an annuity. In most states, a person cannot purchase a policy on another person without their knowledge.

G. Qualifying for Life Insurance

An individual's ability to qualify for life insurance is dependent on how an insurance company rates their risk of dying. An insurance company can choose not to sell a policy to an individual if they think that the risk is too high. The insurance company could also choose to charge a higher rate ("premium") if they believe the risk of dying is higher than ideal.

*H. **How cost is determined***

Insurers use rate classes, or risk-related categories, to determine your premiums; these categories don't, however, affect the length or amount of coverage.

Traditional rate classes are:

- **Standard:** Good health, average cholesterol, relatively low-risk lifestyle
- **Preferred:** Very good health and family medical history, low cholesterol, low-risk lifestyle
- **Super-Preferred:** Excellent health and family medical history, very low cholesterol, low-risk lifestyle

Your rate class is determined by a number of factors, including overall health and family medical history and your lifestyle. Tobacco use, for example, would increase risk and therefore cause your premium to be higher than that of someone who doesn't use tobacco.

I. Employer based

Many employers offer life insurance as a benefit of employment. Often times these policies pool the risk amongst all participating employees. Therefore, insurance companies are not as strict on an individual employee's health history. Rates are usually negotiated on a company wide level.

J. Term Life Insurance

Term life insurance is designed to provide financial protection for a specific period of time, such as 10 or 20 years. Typically, premiums are level and guaranteed for that time. The premiums are less expensive, because generally the policy holder is younger and working.. The risk of death is lower given the generally lower age. The purpose of the insurance is to cover income lost if the individual dies unexpectedly, and other people are dependent on their income. After that period, policies may offer continued coverage, usually at a substantially higher premium rate. Term life insurance is generally a less costly option than permanent life insurance.

K. Whole life insurance

Whole life insurance is a type of permanent life insurance designed to provide lifetime coverage. Because of the lifetime coverage period, whole life usually has higher premiums than term life. Policy premiums are typically fixed, and, unlike term, whole life has a cash value, which functions as a savings component and may accumulate tax-deferred over time.

L. Universal Life Insurance

Universal life insurance is another type of permanent life insurance designed to provide lifetime coverage. Unlike whole life insurance, universal life insurance policies are flexible and may allow you to raise or lower your premium or coverage amounts throughout your lifetime. Like whole life insurance, universal life also has a tax-deferred savings component, which may build wealth over time. Additionally, due to its lifetime coverage, universal life typically has higher premiums than term.

VII. Disability insurance

Disability insurance pays a portion of an individual's salary if they are unable to work for an extended amount of time. There are short term and long term disability plans. Depending on what the individual can afford, what an individual's employer offers, and the risk of injury, Urban Upbound should encourage appropriate individuals to purchase disability insurance.

C. Short Term Disability Insurance

Short-term disability insurance pays a percentage of your salary if you become temporarily disabled, meaning that you are not able to work for a short period of time due to sickness or injury (excluding on-the-job injuries, which are covered by workers compensation insurance). A typical short-term disability insurance policy provides you with 40 to 65 percent of your pre-disability base salary.

Common claims for short term disability insurance:

- Illnesses, such as cancer, heart attack, and diabetes
- Injuries
- Back pain
- Arthritis
- Qualifying for Disability Insurance

D. Long-Term Disability Insurance

Once the short-term benefits expire (generally after three to six months), long-term disability insurance pays a percentage of your salary, usually 50 to 60 percent, depending on the policy. The benefits last until you can go back to work or for the number of years stated in the policy. Some policies pay out as long as you are disabled until age 65.

Common claims for long-term disability insurance:

- Musculoskeletal/connective tissue disorders: 27.5 percent
- Cancer: 14.6 percent
- Injuries and accidents: 10.3 percent
- Cardiovascular/circulatory: 9.1 percent
- Mental disorders: 9.1 percent
- Nervous system-related: 6.9 percent
- Pregnancy and childbirth complications: 5.1 percent

VIII. Health Insurance

The purpose of health insurance is to protect oneself from high or unexpected health care expenses. The amount paid for this protection is set by the insurance company and paid as a monthly premium or annual tax. The health insurance market is undergoing a considerable amount of change, with the passing of the Affordable Care Act. Changes to the health insurance market will continue to change significantly over the next several years.

Health Insurance will now be required by the federal government for all US citizens. If an individual chooses to not purchase health insurance, their will be a tax penalty charged when the individual files their annual federal tax return.

There are many ways to purchase health insurance, and there are variations between states.

H. Preventative Health and a Healthy Lifestyle

Poor lifestyle choices, such as a bad diet or smoking can cause or worsen common chronic illnesses like hypertension and diabetes. Chronic illnesses often require regular medication. Most health insurance companies only partially cover prescription medication, leaving the individual significantly responsibly for monthly co-pays for medication. These chronic illnesses make catastrophic health events, such as stroke or heart attacks, more likely. These catastrophic health events can lead to permanent disability, loss of work, and overall increased financial burden on an individual and their family.

Making healthy lifestyle choices and working to prevent certain health issues is an important component of financial health. When an individual leads a healthy lifestyle, they are less likely to fall ill to common viruses, spend less money on health problems, and have more energy and time to focus on family, work, and leisure. Even with health insurance, hospital stays, surgeries, and serious health diagnoses can impose significant financial burdens.

Urban Upbound Financial Counselors should emphasize that physical health has significant effects on financial health. Some key pieces of advice:

1. Get annual physicals with a primary care physician. Catch potential health issues before they become catastrophic- physically and financially
2. Get regular exercise and eat a healthy plant based diet
3. Don’t smoke (which is an expensive habit!)
4. Don’t drink alcohol in excess
5. Do you best to prevent chronic illnesses, which even with health insurance, can be a source of significant financial burden. Most chronic illnesses require regular medication that is only partially covered by health insurance.
6. Maintain compliance with medications for chronic illnesses such as diabetes and hypertension to prevent catastrophic health events

I. Health Insurance Basics

Understanding what type of health insurance coverage fits your needs is important because it will determine access to care and coverage costs. Generally, health plans provide coverage for preventive care, diagnostic tests, injuries and illnesses. However, there are differences among the plans. The differences are found in how you pay for services, the benefits offered, and if and how you see different health professionals such as specialists and pharmacists. Also, the amount that you pay and the amount the health plan pays for specific services vary among health plans.

J. Health Insurance Coverage Options

Traditional Health Insurance (also known as Fee-For-Service Plans)

- Generally, the most flexible type of health plan
- Patients can choose any doctor or specialist without getting approval first
- Type of payment used by some health insurers that pays providers for each service after it has been delivered
- Deductibles and co-insurance apply
- Patient and the insurer pay for part of the costs for the health care services received

Health Maintenance Organization (HMO)

- A health insurer that contracts with or employs a network of doctors, hospitals and other types of providers
- Patients must visit a provider within the HMO network
- Some require a primary care physician to coordinate care and need a referral from a primary care physician before seeing an in-network specialist, entering a hospital or receiving some types of non-emergency care
- Co-payments required for provider visits

Preferred Provider Organization (PPO)

- A health plan with a network of providers whose services are available to enrollees at lower cost than the services of non-network providers. PPO enrollees may self-refer to any network provider at any time without a referral.
- Similar to an HMO plan except you do not have to choose a physician to coordinate your care
- Patients can see any provider they choose but higher co-insurance can apply if the provider chosen is not a provider within the network

Point of Service Plans (POS)

- A health plan in which enrollees select providers either within or outside of a preferred network, with co-payment or deductibles higher for out-of-network providers.
- Similar to an HMO plan but patients can also see providers not in the network and pay a percentage of the charge after the deductible is met.

- A referral is needed for in-network specialists, and no referral needed for out-of-network specialists but co-payments or coinsurance are required
- Restrictions may apply to the services patients receive outside the network

Exclusive Provider Organizations (EPO)

- Similar to HMOs but patients generally are not reimbursed for care from providers not in the network, except in emergency situations.
- Require a primary care physician to coordinate care and need a referral from a primary care physician before seeing an in-network specialist, entering a hospital or receiving some types of non-emergency care.

High-Deductible Health Plans (HDHP)

- A health plan with a minimum deductible of $1,200 for individual coverage and $2,400 for family coverage. The maximum in-network out-of-pocket limits for allowed costs must be no more than $5,950 for individual coverage and no more than $11,900 for family coverage.
- Enrollee pays higher deductibles compared to other types of health insurance coverage
- Services may be delivered through PPO, HMO or POS plans.
- HDHP are partnered with a Health Savings Account (HSA) or a Health Reimbursement Arrangement (HRA) that allows you to make tax-deductible contributions for future medical expenses.
- Ineligible for HSA if enrolled in any other health insurance plan, Medicare, or are receiving Veteran's benefits. HRAs are available with an HDHP for those not eligible for an HSA.

K. Fees and Costs

There are a number of ways that a health insurer may require you to pay for the cost of receiving medical benefits:

- Premiums: A premium is a fee you pay the insurer during a specified period in order to receive health insurance benefits.
- Deductible: Some plans require you to pay a set amount each year, called the deductible, before the plan starts paying. Deductibles are common in traditional coverage and PPOs.
- Coinsurance: Some plans make you pay a percentage of the cost of services, usually 20-30 percent. For example, you pay 20 percent of the cost, and your insurance pays 80 percent of the cost. Your portion is the coinsurance.
- Co-payment: Some plans require you to pay a flat fee for medical services or prescription drugs. For example, you pay a $10 co-payment for a doctor visit or a $50 co-payment for a hospital stay.

- Maximum out-of-pocket: Some plans limit the total amount of money you will have to pay in the event of major health problems called the maximum out-of-pocket expense.

L. Government Health Insurance

- Medicare: Federal health care insurance program for people 65 years of age or older and certain people with long-term disabilities under 65 years of age.
- Medicaid: Joint federal and state health care welfare program for qualifying low-income individuals and families.
- SCHIP (State Children's Health Insurance Program): Joint federal and state health care insurance program for low-income children whose parents do not qualify for Medicaid coverage yet cannot afford to buy private insurance.
- TRICARE or CHAMPUS (Civilian Health and Medical Program of the Uniformed Services): Military health care program for active duty and retired members of the military, their families, and survivors.
- CHAMPVA (Civilian Health and Medical Program of the Department of Veterans Affairs): Military health care program for eligible veterans, veteran's dependents, and survivors of veterans.
- VA (Department of Veterans Affairs): Military health care program which provides medical assistance to eligible veterans of the Armed Forces.
- State Plans: State sponsored health insurance plans for low-income individuals without other insurance, may be called different names in different states.

M. Employer Based Health Insurance

Many businesses provide health insurance to their employees. An insurance company sells an insurance policy to a business to cover all employees. Risk is pooled amongst the entire employee base, not the individual. Therefore, all employees pay the same price for the same product. Some employee group plans offer a range of products for different costs, but the price is uniform, regardless of an individual's health risk.

Urban Upbound Financial Counselors should strongly encourage clients to purchase employer based health insurance if available. Because risk is spread across all employees in a company, the insurance provided by employers is almost always significantly less expensive then purchasing insurance in the public marketplace.

N. Affordable Care Act

Prior to the passing of the ACA, individuals could be denied health insurance based on previous medical history. The ACA outlawed this practice. All individuals in the US are mandated to purchase health insurance. In order to make insurance relatively affordable, the government mandated states to create state based marketplaces for individuals who don't have employer based health insurance, to purchase health insurance. Through these state exchanges, individuals can apply for financial assistance, if the cost of health insurance is prohibitive for their income. Products and affordability differ amongst states. In New York State, there are a wide variety of low-income health insurance plans.

The State of New York has developed an online Health Plan Marketplace that all individuals, regardless of income, can apply for insurance policies on. The online application will take into account an individual or family's household income, expenses, tax bracket, and exemptions. The individual will be able to shop for relatively affordable health insurance based on their current income. Some low income families will qualify for Medicaid- which is completely subsidized by the State government. Many of the Urban Upbound Clientele may be eligible for Medicaid or Medicare.

Individuals or families who choose not to purchase health insurance may be susceptible to income tax penalties when they file their 2014 federal income taxes.

Urban Upbound Counselors should assist clients in applying through the New York State Health Plan Marketplace at https://nystateofhealth.ny.gov/

IX. References

- ACCESS NY Public Health Insurance Eligibility Screening Tool: https://apps.health.ny.gov/doh2/applinks/accessny/elgibility/gettingstarted.jsphttps://apps.health.ny.gov/doh2/applinks/accessny/elgibility/gettingstarted.jsp
- http://www.fidelity.com/life-insurance-planning/what-is-life-insurancehttp://www.ehow.com/about_4606483_what-purpose-health-insurance.htmlhttp://www.ehow.com/about_4606483_what-purpose-health-insurance.html
- http://www.healthpaconline.net/health-care-insurance.htmhttp://www.healthpaconline.net/health-care-insurance.htm
- https://nystateofhealth.ny.gov/
- www.nyc.gov/html/hia/html/private_insurance/basics.shtml
- www.insure.com

V. Overview

To help a client manage money for mortgage payments the Urban Upbound counsellor should go over a normal budgeting exercise and make sure the client has budgeted enough money to cover his or her budgeted each month to make the PITI (principal, interest, taxes and insurance) payments on his or her mortgage loan. The counselor may also suggest that the client apply to the Mortgage Assistance Program if he/she is eligible.

The counselor should also be sure to include any tax breaks on the Federal Income Tax due to mortgage payments within the budget.

VI. Mortgage Assistance Program (MAP)

Tenants may receive help with mortgage payments from the Center for NYC Neighborhoods' Mortgage Assistance Program, which uses city and private funds to provide zero-interest loans with no monthly payments for the full term of the loan to homeowners in danger of foreclosure.

- Loans are paid directly to the lender and can be forgiven if the client does not make a profit on sale of the property or can demonstrate hardship.
- Loans are due on refinance, sale of house, or if the borrower ceases to be the owner-occupant.
- The loan varies by use and is contingent on credit committee approval. It is generally between $10,000-$15,000.
- Eligible parties must:
    - Be residents of NYC
    - Live in a 1-4 bedroom condo or house (no co-ops)
    - Work with a certified housing counsellor
    - In addition the loan must be for:
        - Primary residence
        - An affordable housing cost burden (40% front end debt/income ratio or 55% back end debt/income ratio)

The MAP loans can also be used for rental arrears.

VII. Mortgage Payments

In calculating mortgage payments and his/her monthly budget, client should also set aside money for:

- Utilities: average monthly costs for electricity, gas, water and sewage, and trash collection. The client can consider signing up for a "budget" or "average payment" plan with his or her gas and electric companies. Based on the history of gas and electric use in the home, the company will estimate the annual cost and divide it by 12 months. Once a year, the company will adjust the monthly payment up or down to reflect actual use.

- Routine Maintenance and Repairs: monthly savings for preventive maintenance and repairs (1 percent of the purchase price of the house for annual maintenance and repairs divided by 12 months).
- Reserves: monthly savings for emergencies and/or goals (at least one month's mortgage payment divided by 12 months).

The counsellor should also remind the client to <u>not take on any new debt for car loans, credit cards or revolving credit for at least one year after closing.</u>

VIII. <u>Home Ownership and Taxes</u>

The counselor should also go tax breaks associated with homeownership.

C. Federal Income Tax

The client can subtract the interest he or she pays on his or her mortgage loan and property taxes — two of the major expenses associated with home ownership — from his or her total income. For a second mortgage, the client can deduct the second mortgage and state or local property tax from his or her income when filing federal income taxes. A client may also be able to deduct moving expense if he or she keeps receipts.

D. Capital Gains Tax

The federal government taxes any gains made on the sale of property, but homeowners can get a break. If the client has lived in his or her home for at least two of the past five years and sells it, he or she may be able to exclude up to $250,000 of the profit from his or her income. If the client is married, can file a joint return and meet certain other requirements, he or she may be able to exclude up to $500,000 of profit from his or her income.

NYCHA POLICIES

XII. Overview

Issues regarding NYCHA (New York City Housing Authority) policies are some of the most common issues confronted by Urban Upbound Counselors. The majority of the NYCHA-related issue will be Rental Arrears, or outstanding rent. In dealing with Rental Arrears, the Urban Upbound Counselor should determine how much the client owes, create a monthly budget for the client, go over areas where the client may cut personal expenses in order to pay the outstanding rent, and suggest strategies to pay rent on time in the future. If the client is unable to pay off the amount owed and can prove a future ability to pay, the counselor may suggest applying for programs that give one time funds for outstanding rent. If the client is unable to prove a future ability to pay, the counselor may suggest ways in which the client can downgrade (i.e. sell their car or move to a smaller apartment).

The following are some of the NYCHA policies which an Urban Upbound Counselor should be aware of.

XIII. Rent Calculation

NYCHA rent is calculated at 30% of a tenant's income (gross income – deductions). As a tenant's income increases so does the rent.

XIV. Rental Arrears

There are two programs which help NYCHA tenants pay off outstanding rent.

C. HRA "One Shot Deal"

The "One Shot Deal" is a one-time emergency grant paid directly to the landlord.
To be eligible the tenant must have:

- Legal possession of apartment, or have been evicted and NYCHA is willing to re-let
- Fallen behind on rent for legitimate reasons
- Reasonable income to pay for future rent

To apply, the tent must go to his/her local HRA office (Job Center) to fill out and submit the application. The tenant must answer all questions openly and honestly, and bring documents that demonstrate a real need for assistance, including a budget for future payments and a letter of support from a financial counselor. The process takes 30-45 days.

D. Emergency Rent Coalition

There are over 40 organizations that are a part of a City-Wide Task Force that separately offer rent arrears assistance on a one-time basis.
There are three kinds of programs, most are grants:

- Emergency Food and Shelter Program (EFSP)—limited to paying one month's rent
- Private funds
- Money from the City Council.

To be eligible for rental arrears assistance, the tenant must have:

- A case in housing court or rent demand from landlord
- A legitimate reason for falling behind on rent
- Ability to pay rent in future
- Manageable arrears
- No chronic issues paying rent—those who repeatedly seek assistance will have difficulty being approved again

Documents necessary for applying to both HRA and Emergency Rent Coalition include:

- Photo Identification
- Lease or Rent Bill
- Housing Court Papers
- Proof of Income (includes pay stubs, self-employed income, unemployment benefits, private pensions/annuities, social security benefits, child support/alimony, worker's compensation, veteran's benefits, military pay, interest/dividends/royalties, income from rent or room/board, support from family/friends)
- Social Security Cards for All Family Members
- Budget Outlining All Expenses and Ability to Pay Rent Forward

XV. <u>Housing Court Non-Payment Proceedings</u>

The tenant will receive a notice of development from the Housing Manager to determine if the situation can be resolved outside of court. This may occur at the Manager's office or at NYCHA headquarters, located at 250 Broadway. If a resolution is not reached at this time, then the Manger will transfer the matter to NYCHA's legal department and the tenant will have to appear in court.

The tenant will then receive a Petition and Notice of Petition. This will indicate the amount owed and when/where the tenant should appear in court. The petition will be delivered by hand or slipped under the tenant's door. The tenant must appear at court within five calendar days of receiving the Notice of Petition.

The tenant may settle the case through an agreement, called a "stipulation." Once at the court office, the tenant may be approached by a NYCHA attorney to sign a stipulation. This is a binding agreement, like a contract; <u>the tenant is NOT feel obligated to sign</u> if he/she feels uncomfortable or does not understand the terms. The tenant should also be aware of any legal fees, late fees, or other fees being demanded—<u>the tenant has the right to dispute these fees</u> (<u>only the judge can order the tenant to pay them</u>). <u>The tenant has the right to</u>

speak with a judge and negotiate the stipulation inside the courtroom. At that point, the tenant will tell the judge/court attorney the facts about his/her case, including defenses and counterclaims.

Defenses may include:

- Partial payment and/or evidence of an attempt to get emergency rent assistance
- Future ability to pay/payment plan proposal
- Repair issues (warranty of habitability)
- Improperly served court papers, or insufficient notice before case

If the tenant signs a stipulation before meeting with the judge, the judge will read it back and will ask if the tenant understand the terms (allocution). The tenant should ask questions about anything he/she does not understand. The judge will then sign it and the tenant will receive a copy. The court proceeding is now finished, and the tenant must abide by the terms of the stipulation.

If the tenant cannot reach a settlement, he/she will proceed to trial. The tenant may ask the judge at any point in the case for an adjournment (postponement) of the court date. This may allow for a court-ordered inspection to be completed, or give the tenant time to obtain legal representation or prepare further for the case. The tenant may also ask for an adjournment due to serious illness or hospitalization. For a list of organizations and agencies that may provide a tenant with an attorney free of charge, visit: http://ow.ly/eyGCG.

At trial, NYCHA's attorney will present his/her case first, and the tenant will have the opportunity to present his/her case afterwards. While each side presents, the other can ask questions about information being presented (cross-examine). Each side may also bring witnesses and/or introduce or subpoena supporting documents to support their position (i.e. government documents, photos, rent receipts).

Things the tenant must bring to trial:

- Court papers and anything related to the proceedings
- Rent receipts or cancelled checks going back 6 months to a year
- Rent payment history
- Pictures of conditions needing repairs and proof that management was aware of conditions
- Budget/proof of income demonstrating ability to manage finances and pay rent going forward
- Letters of Support from financial counselor
- Witnesses

The judge's decision is final—the tenant must pay the amount owed within 5 days of the decision to avoid eviction (unless an alternate payment plan is agreed upon). If the judge finds the tenant does not have a right to stay in the apartment, he/she will be given a date by which he/she must leave.

If the tenant believes the judge did not rule fairly, he/she may appeal the case and/or send a complaint letter to the Supervising Judge of the county.

XVI. <u>NYCHA Housing Court Termination of Tenancy</u>

This is the hearing that must occur before a tenant can be evicted. The hearing will take place at 250 Broadway in Manhattan. The hearing is presided over by an impartial hearing officer rather than a judge.

C. Prior to the Hearing

The Housing Manager must give the tenant a 30 Day Notice to Vacate document and will contact the tenant to schedule an appointment. If the tenant fails to respond to the letter or neglects to meet with the manager, he/she will deliver a "Notice of Petition: Holdover" and "Petition: Holdover," informing the tenant that he/she must appear in Housing Court on a particular date for eviction proceedings.

Successful Resolution: If the tenant meets with the Housing Manager and resolves the issue through a payment plan, the process ends. <u>The tenant must get the decision in writing.</u>

Unsuccessful Resolution: If the tenant meets with the housing manager and fails to resolve the issue, they will send a letter stating the file was transferred to NYCHA's legal department for the preparation of charges. The tenant will receive a "Notice of Petition: Holdover" and "Petition: Holdover," informing him/her that he/she must appear in Housing Court on a particular date for eviction proceedings.

The tenant has a right to representation during any point of the hearing. <u>For a list of organizations and agencies that may provide the tenant with an attorney free of charge, visit</u>: http://ow.ly/eyGCG.

D. During the Hearing

NYCHA puts its case first and the tenant follows.

Possible defenses include:

- Partial payment, repair issues (warranty of habitability), evidence of trying to get emergency rent assistance, future ability to pay, and a payment plan proposal
- The tent was improperly served court papers, not given proper notice before case filed, or had already corrected problem at hand
- NYCHA management did not demand rent verbally or in writing

Normal rules of evidence do not apply, but if the evidence the tenant offers is relevant it may be included. Witness and documents may be used as evidence.

The Tenant should bring all documents relevant to the case to the hearing. These include:

- rent receipts
- rent payment history
- pictures of conditions needing repairs
- receipts for repairs
- proof management was aware of the needed repairs
- proof of income
- letters of support from a financial counselor.

Possible outcomes include:

- Termination of tenancy
- Eligible to stay in apartment with referral to Social Services
- Eligible to stay for continued housing
- Probation

XVII. <u>Earned Income Disregard Program</u>

Tenants who qualify for the Earned Income Disregard Program are exempt from a rent increase for two years as follows:

- For the first year (a completed 12-month period), 100% of the increase in earned income is excluded from rent calculations.
- For the second year (the next completed 12-month period), 50% of the increase in earned income is excluded from rent calculations.

Each person is limited to one 48-month disallowance period during his or her lifetime. The tenant can stop and start his/her 24-month EID eligibility anytime during this 48 month period, but eligibility ends after 48 months; even if she-he has not used all 24 months of the EID eligibility.

B. Eligibility Requirements

To be eligible for EID the tenant:

- Must be a NYCHA tenant
- Must be a citizen or have eligible immigration status.
- Must be over 18 years of age.
- No family members may have already received an EID for the 48 month period – however, multiple family members in the same household may be eligible

The tenant must report any income changes immediately during the EID period.

To qualify for EID:

- The tenant must write letter demonstrating why he/she qualifies for the EID and submit it to the management office.
- If the management office ignores or denies the request, a request can then be submitted to the borough director's office.
- At each step NYCHA is given 10 days to respond.
- NYCHA will determine if the family qualifies for the EID; if so, the Housing Manager will complete the computerized process to determine the amount, if any, of the EID, and it will be implemented.

XVIII. <u>How to Add Someone to a Lease</u>

Permanently adding someone to a lease will give the proposed member succession rights and the right to stay in the apartment for the duration of the original tenancy.

Tenants should be made aware that only the following family members can be added to the lease:

- Siblings
- Parents
- Grandparents
- Children
- Spouse
- Foster children
- Son-in-law, daughter-in-law

To add someone to a NYCHA lease the tenant must:

- Complete the Permanent Permission Request Form, obtained from the housing manager
- Show proof of relation (i.e. marriage certificate)
- Show proof of income (i.e. recent pay stub or welfare budget letter)

For the lease request to be approved the following requirements must be met:

- The tenant must be in good standing with his or her rent
- The NYCHA apartment should be the sole residence of all parties
- Adding a new household member must not result in overcrowding
- The new member must pass a criminal background check if over 16

XIX. <u>Temporary Permission to Have Someone Reside in an Apartment</u>

A temporary permission allows someone to reside in the apartment for one year. Temporary permission may lead to “overcrowding” but not “extremely overcrowding” by NYCHA standards.

If temporary permission is given then the additional person’s income will not be added to the rent calculation and the additional resident will not have succession rigTemporary permission for a foster child will automatically be renewed during the duration of the foster care.

XX. Lease Succession

In order for a family member to qualify for lease succession rights, they should be a qualified permanent member of the tenant’s family composition for at least 12 months before the tenant leaves the apartment or passes away.

The person qualifying for succession rights must:

- Be able to sign a lease
- Pass a criminal background check
- Have a verifiable income on which to calculate a rent.
- Must move to an apartment of correct size, if required, based on NYCHA’s Occupancy Standards.

For the grievance proceedings that Remaining Family Member (RFM) must complete a three-step process:

- Initial grievance hearing with development housing manager
- Automatic review of manager’s decision by NYCHA’s borough management office.
- If the RFM is still denied lease rights despite showing support to his/her claim, the client may then appeal to an impartial hearing office for administrative grievance hearing concerning the clam

XXI. Repairs

To lodge a repair order, the client must contact the Centralized Call Center at 718-707-7771. The client should record the:

- Ticket number
- Name of Customer Service Representative
- The date and time of call
- Appointment date and time

Two or three appointments will be made for each issue. The first visit will be from a NYCHA representative to document the repair. The second will be from a specialist to determine the extent of the repair and the third will be for the repair. <u>If the repairs are not completed in an acceptable manner, the client should not sign the work ticket.</u>

Emergency Repairs will be fixed within 24 hours. These include:

- situations that pose a risk to life and limb
- power failures
- heat/hot water shortages
- problems with door/doorknob
- sewage/toilet stoppages.

Non-emergency Repairs include:

- plaster, paint or appliance repair
- any power, heat, water or sewage shut down by the city.

XXII. <u>Transfers</u>

There are two types of transfers:

- Intra-Project transfer to another apartment within development
- Inter-Project transfer to a different apartment in another development.

There is no absolute right to transfer - NYCHA will normally NOT grant transfers to tenants who have occupied their apartment for less than a year. If a written request to transfer was denied or ignored, the tenant can take these steps to continue to pursue a transfer issue:

- File a Grievance with the Housing Manager
    - Write a letter describing the issue—include dates
    - Request a meeting with the housing manager or assistant and submit letter—they should respond within 10 days
    - Keep a copy of the letter on file

- File a Grievance with the Borough Director
    - If manager does not respond within 10 days, or request was denied, the tenant can submit a new letter to the Borough Director (Patricia Lawler) at: 90-20 170th st Jamaica ,NY 11432
    - The tenant should include copy of the original letter and any other supporting documents

For residents 62+ years, NYCHA offer services specifically aimed at seniors. All members of the household must be 62 or older. If the tenant qualifies, he or she may apply to transfer to one of NYCHA's 42 senior developments, or a senior building within their development.

C. Application

Possible reasons for transfer:

- Overcrowding

- Apartment is too large for the family
- Travel hardship in getting to job
- The tenant needs to be closer to medical facility or family member who is aging/ill who needs the tenant's help

The tenant must fully document his or her need for a transfer, and check with his or her Housing Assistant to request status of transfer.

There is no way to tell when vacancies will occur, or when a person's request will be selected; the TSAP computerized waiting list continually selects applicants with highest priority and certification. After waiting 2 years without being called for an apartment, the tenant may request that he or she be assigned to another development. He or she may choose this development from the Interviewer's Guide to Vacancies which lists developments with greater vacancy rates.

D. Downsizing

A tenant may be downsized based on under occupancy. Downsizing based on under occupancy is something NYCHA is supposed to request at the time of a resident's annual review each year. NYCHA measures under occupancy by stating that each room can be occupied by two persons, including the living room. There are some exemptions to the 2 person per room rule:

- If a parent has a 7 year old child, that child can have their own bedroom.
- Extra bedroom needed due to a health condition.
- Requirement to move deferred due to a health condition.
- Extra bedroom assigned at move in.
- Termination of tenancy and Bawdy House actions.
- Permanent exclusion.

There are also incentives for residents to downsize:

- Waiver of apartment related charges – i.e. security fees, smoke detectors, vacancy loss, and restoration
- $350 for moving expenses

XXIII. <u>Additional Resources</u>

Rental Arrears FAQ

Housing Court FAQ- Non-Payment Procee

Housing Court FAQ- Termination of Tenan

EID

Adding Someone to the Lease

Repairs

Transfer

IX. Overview

If a client wants to start their own small business, the Urban Upbound Financial counselor should first assess their current financial health. Then the financial counselor should read through the following steps for starting a business with the client. The counselor should encourage entrepreneurship if they feel the individual has the capacity to handle the burdens of small businesses. The following steps may initially seem overwhelming, but many small businesses thrive in New York City and provide a decent livelihood and grant financial freedom to many individuals and families.

X. Writing a Business Plan

A business plan is a living document that outlines the purpose of the business and illustrates how the business will generate profits. A good business plan contains the following sections:

H. Executive Summary

I. Company Description

This section of your business plan provides a high-level review of the different elements of your business.

- Describe the nature of your business and list the marketplace needs that you are trying to satisfy.
- Explain how your products and services meet these needs.
- List the specific consumers, organizations or businesses that your company serves or will serve.
- Explain the competitive advantages that you believe will make your business a success such as your location, expert personnel, efficient operations, or ability to bring value to your customers.

J. Market Analysis

The market analysis section of your business plan should illustrate your industry and market knowledge as well as any of your research findings and conclusions.

- **Industry Description and Outlook –** Describe your industry, including its current size and historic growth rate as well as other trends and characteristics
- **Information About Your Target Market –** Narrow your target market to a manageable size. Many businesses make the mistake of trying to appeal to too many target markets. Research and include the following information about your market:
- **Distinguishing characteristics**
- **Size of the primary target**

- **How much market share can you gain**
- **Pricing and gross margin targets –** Define your pricing structure, gross margin levels, and any discount that you plan to use.
- **Competitive Analysis –** Your competitive analysis should identify your competition by product line or service and market segment. Assess the following characteristics of the competitive landscape:
    - Market share
    - Strengths and weaknesses
    - How important is your target market to your competitors?
    - Are there any barriers that may hinder you as you enter the market?
    - What is your window of opportunity to enter the market?
    - Are there any indirect or secondary competitors who may impact your success?
    - What barriers to market are there (e.g., changing technology, high investment cost, lack of quality personnel)?

- **Regulatory Restrictions –** Include any customer or governmental regulatory requirements affecting your business, and how you'll comply. Also, cite any operational or cost impact the compliance process will have on your business.

K. Organizational and Management Structure

- **Organizational Structure:** A simple but effective way to lay out the structure of your company is to create an organizational chart with a narrative description. This will prove that you're leaving nothing to chance, you've thought out exactly who is doing what, and there is someone in charge of every function of your company. Nothing will fall through the cracks, and nothing will be done three or four times over. To a potential investor or employee, that is very important.
- **Ownership Information:** This section should also include the legal structure of your business along with the subsequent ownership information it relates to. Have you incorporated your business? If so, is it a C or S corporation? Or perhaps you have formed a partnership with someone. If so, is it a general or limited partnership? Or maybe you are a sole proprietor. The following important ownership information should be incorporated into your business plan:

    - Names of owners
    - Percentage ownership
    - Extent of involvement with the company
    - Forms of ownership (i.e., common stock, preferred stock, general partner, limited partner)Outstanding equity equivalents (i.e., options, warrants, convertible debt)
    - Common stock (i.e., authorized or issued)
    - Management Profiles
    - Experts agree that one of the strongest factors for success in any growth company is the ability and track record of its owner/management team,

so let your reader know about the key people in your company and their backgrounds. Provide resumes that include the following information:

- Name
- Position (include brief position description along with primary duties)
- Primary responsibilities and authority
- Education
- Unique experience and skills
- Prior employment
- Special skills
- Past track record
- Industry recognition
- Community involvement
- Number of years with company
- Compensation basis and levels (make sure these are reasonable -- not too high or too low)
- Be sure you quantify achievements (e.g. "Managed a sales force of ten people," "Managed a department of fifteen people," "Increased revenue by 15 percent in the first six months," "Expanded the retail outlets at the rate of two each year," "Improved the customer service as rated by our customers from a 60 percent to a 90 percent rating")
- Also highlight how the people surrounding you complement your own skills. If you're just starting out, show how each person's unique experience will contribute to the success of your venture.

L. Service or Product to be Sold

The next part of your business plan is where you describe your service or product, emphasizing the benefits to potential and current customers. Focus on why your particular product will fill a need for your target customers:

- **A Description of Your Product / Service** Include information about the specific benefits of your product or service – from your customers' perspective. You should also talk about your product or service's ability to meet consumer needs, any advantages your product has over that of the competition, and the current development stage your product is in (e.g., idea, prototype).
- **Details About Your Product's Life Cycle:** Be sure to include information about where your product or service is in its life cycle, as well as any factors that may influence its cycle in the future.
- **Intellectual Property:** If you have any existing, pending, or any anticipated copyright or patent filings, list them here. Also disclose whether any key aspects of a product may be classified as trade secrets. Last, include any information pertaining to existing legal agreements, such as nondisclosure or non-compete agreements.
- **Research and Development (R&D) Activities:** Outline any R&D activities that you are involved in or are planning. What results of future R&D activities do you expect?

Be sure to analyze the R&D efforts of not only your own business, but also of others in your industry.

M. Marketing Plan

An **overall marketing strategy** should include four different strategies:

- **A market penetration strategy**
- **A growth strategy**
- **Channels of distribution strategy:** Choices for distribution channels could include original equipment manufacturers (OEMs), an internal sales force, distributors, or retailers.
- **Communication strategy:** How are you going to reach your customers? Usually a combination of the following tactics works the best: promotions, advertising, public relations, personal selling, and printed materials such as brochures, catalogs, flyers, etc.

Your **overall sales strategy** should include two primary elements:

- **A sales force strategy**. If you are going to have a sales force, do you plan to use internal or independent representatives? How many salespeople will you recruit for your sales force? What type of recruitment strategies will you use? How will you train your sales force? What about compensation for your sales force?
- **Your sales activities**. When you are defining your sales strategy, it is important that you break it down into activities. For instance, you need to identify your prospects. Once you have made a list of your prospects, you need to prioritize the contacts, selecting the leads with the highest potential to buy first. Next, identify the number of sales calls you will make over a certain period of time. From there, you need to determine the average number of sales calls you will need to make per sale, the average dollar size per sale, and the average dollar size per vendor.

N. Prospective Financial Data

All businesses will be required to supply prospective financial data. Most of the time, creditors will want to see what you expect your company to be able to do within the next five years. Each year's documents should include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, you should supply monthly or quarterly projections. After that, you can stretch it to quarterly and/or yearly projections for years two through five. Make sure that your projections match your funding requests; creditors will be on the lookout for inconsistencies. It's much better if you catch mistakes before they do. If you have made assumptions in your projections, be sure to summarize what you have assumed. This way, the reader will not be left guessing.

Finally, include a short analysis of your financial information. Include a ratio and trend analysis for all of your financial statements (both historical and prospective). Since pictures speak louder than words, you may want to add graphs of your trend analysis (especially if they are positive).

XI. <u>Choose your Business Structure</u>

- **Sole Proprietorship:** A sole proprietorship is the most basic type of business to establish. You alone own the company and are responsible for its assets and liabilities.

- **Limited Liability Company:** An LLC is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership.

- **Cooperative:** People form cooperatives to meet a collective need or to provide a service that benefits all member-owners.

- **Corporation:** A corporation is more complex and generally suggested for larger, established companies with multiple employees.

- **Partnership:** There are several different types of partnerships, which depend on the nature of the arrangement and partner responsibility for the business.

- **S Corporation**: An S corporation is similar to a C corporation but you are taxed only on the personal level. Learn more about how S corporations are structured.

XII. <u>Obtain Business Licenses & Permits</u>

B. Federal Licenses and Permits

If your business is involved in activities supervised and regulated by a federal agency – such as selling alcohol, firearms, commercial fishing, etc. – then you may need to obtain a federal license or permit. Here is a brief list of business activities that require federal approval. If the business falls under one of the following categories, the individual can get more detailed information at http://www.sba.gov/content/what-federal-licenses-and-permits-does-your-business-need

- Agriculture
- Alcoholic Beverages
- Aviation
- Firearms, Ammunition and Explosives
- Fish and Wildlife
- Commercial Fisheries
- Maritime Transportation
- Mining and Drilling
- Nuclear Energy
- Radio and Television Broadcasting

- Transportation and Logistics

D. *State Licenses & Permits*

Virtually all businesses require some type of permit or license, particularly at the state or local level. New York City in particular has many regulations for small business, especially business that sell or serve food, alcohol, and/or cigarettes. If an Urban Upbound client is looking to start a small business, the financial counselor should help them research which permits and licenses they will need by using the online tool at: http://www.sba.gov/content/what-state-licenses-and-permits-does-your-business-need

XIII. Business Law and Regulation

UU Financial Counselors should encourage their clients to research applicable business law and regulation based on their particular small business plan. The following categories of laws may be applicable to the client. Further information on each category is available at: http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/business-law-regulationshttp://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/business-law-regulations http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/business-law-regulations

- Advertising & Marketing Law
- Employment & Labor Law
- Finance Law
- Intellectual Property Law
- Online Business Law
- Privacy Law
- Environmental Regulations
- Regulation of Financial Contracts
- Workplace Safety & Health Law
- Foreign Workers & Employee Eligibility
- Contact a Government Agency

XIV. Finance Your Business

B. *Estimating Startup Costs*

Since every business is different, and has its own specific cash needs at different stages of development, there is no universal method for estimating your startup costs. Some businesses can be started on a smaller budget, while others may require considerable investment in inventory or equipment. Additional considerations may include the cost to acquire or renovate a building or the purchase of long-term equipment.

A realistic startup budget should only include those things that are necessary to start a business.

These essential expenses can be divided into two separate categories: fixed and variable. Fixed expenses include rent, utilities, administrative costs and insurance costs. Variable expenses include inventory, shipping and packaging costs, sales commissions, and other costs associated with the direct sale of a product or service. The most effective way to startup costs is to use a worksheet that lists both one-time and ongoing costs.

FF Counselors should refer all clients to the Credit Union to assess eligibility for small business loans offered through Urban Upbound Credit Union when they are made available.

XV. Filing and Paying Taxes

Small businesses are required to pay special taxes. How much a small business is required to pay is highly dependent on a wide array of variables. UU should counsel the client to hire an accountant to advise on specific tax requirements. Some further information can be found at:
http://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/establishing-business/taxhttp://www.sba.gov/category/navigation-structure/starting-managing-business/starting-business/establishing-business/tax

XVI. References and Further Information:

http://www.sba.gov/content/follow-these-steps-starting-business

Appendix A: Qualifying Questions

I. Rental Arrears

Counselor should ask:

- How many months are you behind in rent? How much is your rent/what is your portion?
- Are you currently receiving a housing subsidy or assistance with your rent payments? i.e. section 8, FEPS, Advantage, ACS, HRA etc?
- Have you received any notifications from management/landlord?
- Do you live in public housing? If yes, have you attend a tenancy hearing at 250 Broadway?
- What was the reason for you falling behind? Would you be able to document the reason? It is easier to secure financial assistance with the matter is an unforeseen circumstances
- What is your current income? Has your income changed since falling behind in rent?
- Have you been in communication with your Housing Assistant/landlord?
- Have you been in rental arrears before? Did you receive assistance?
- Have you applied for a one shot deal through HRA?
- If does not live in public housing and does not have section 8, ask if client has minor children (FEPS)

Counselor should:

- Make copies of all notices and court documents
- Check the housing court status on: https://iapps.courts.state.ny.us/housing/NameSearchServlet
- Direct clients to call Citywide Taskforce on Housing Court 212-962-4795, Catholic Charities 212-371-1000 or Coalition for the Homeless Eviction Prevention Hotline 212-776-2039 for grant assistance ONLY IF they are currently in court AND HAVE a court stipulation
- If public housing resident, have client sign the Consent for Release of Information so that you can obtain a ledger card or any other pertinent information in regards to the case

II. Judgments/ Garnishments

Counselor should ask:

- Did you go to court, or receive court papers? When?
- Have you had your wages garnished or your bank account frozen? When?

III. Foreclosure

Counselor should ask:

- How far behind are you in house payments?
- Have you received a "Notice of Default" letter?
- Do you live in a single family home, condo, or co-op?

- Do you wish to remain in the home?
- Is your mortgage owned by Fannie Mae or Freddie Mac (you can check it here: http://www.makinghomeaffordable.gov/pages/default.aspx)?
- Can you afford to continue making regular monthly payments? Do you need a reduction in the monthly payment?
- Is your payment PITI?

Counselor should:
- Help the client contact their lender to begin the loss mitigation process

IV. Bankruptcy

Counselor should ask:
- What year did you file? Was it a chapter 7 or 13?
- Why did you file?
- Did you include secured debt?

V. Frozen Bank Account

Counselor should ask:
- Did you go to court or receive court papers?
- What is the source of the deposits to your bank account (earned income, public benefits, spouse's income)?

VI. Student Loans

Counselor should ask:
- Do you have federal or private student loans, or both?
- Are they in deferment or forbearance?
- When did you make your last payment?
- Have you ever done a rehabilitation program?
- Have you tried an income-contingent payment plan?

VII. Credit Card Hardship Program

Counselor should ask:
- Are you in a debt management or settlement program? How long have you been making payments?
- Do you have an internal workout plan directly with the creditor? What are the terms?
- Can you afford to continue making the monthly payments?

Counselor should:
- If the client is in an active DMP and they are experiencing hardship, they need to contact their agency ASAP