

Student Activities



Lesson Nine

In Trouble



test your knowledge of trouble

The following questions are designed to test what you've just learned about dealing with financial woes.

directions

In the space provided, write the answers to the following questions.

1. List four of the most common reasons why consumers don't pay their bills.

2. List five of the seven warning signs of financial trouble.

3. List the first steps you should take if you find you can't pay your bills.

For each of the following questions, write a **T** in the space provided if the statement is true. Write an **F** in the space provided if the statement is false.

4. _____ A credit repair company can erase a poor credit history.
5. _____ If you pay a bill late, your creditor can report this information to a credit bureau.
6. _____ A debt collector can contact you any time of day or night, except Sunday.
7. _____ If you don't pay a debt, a debt collector cannot legally harass and threaten you.
8. _____ A debt collector must inform you, in writing, of the amount of your debt, the name of the creditor, and an explanation of your right to dispute the debt.
9. _____ The Consumer Credit Counseling Service will help you set up a realistic budget, contact your creditors, and plan future expenses.



test your knowledge of trouble (continued)

In the space provided, write the letter of the type of payment collection the statement represents.

- a) Wage Garnishment
- b) Wage Assignment
- c) Wage Attachment

- 10. _____ A legal agreement between a lender and a debtor.
- 11. _____ A legal procedure that withholds a portion of earnings for the payment of a debt.
- 12. _____ A court order that allows a lender to seize property to pay off the debt.
- 13. _____ An employer is not legally compelled to honor this arrangement.
- 14. _____ Dollar limit is the lesser amount of 25% of your disposable income or the amount over 30 times the federal hourly wage.
- 15. _____ You cannot be fired for one of these.

For each of the following questions, write a **T** in the space provided if the statement is true. Write an **F** in the space provided if the statement is false.

- 16. _____ If you default on even one car loan payment, the creditor has the legal right to repossess your car.
- 17. _____ Once a creditor has repossessed a car, he or she can either keep the car or resell it for the debt owed on it.
- 18. _____ If your car is repossessed, you no longer have any financial obligation to repay your car loan.
- 19. _____ If you want to buy back your car after it has been repossessed, the creditor can set the price at any amount over what you owe.



are they in trouble?

directions

After reading through each of the following scenarios, list the steps you would take if you found yourself in the same situation. Then, using the attached budget sheets, rework the troubled budget. After reworking the budget, in the space provided, explain what you changed and why you changed it.

1. Todd's monthly net income is \$1,642.

His monthly fixed expenses include:

- \$550 for rent
- A school loan payment of \$232
- A car payment of \$152
- An insurance premium payment of \$112

His flexible monthly expenses include:

- Utilities and telephone bills, which average \$125
- \$120 for food
- \$50 for personal and household items
- \$50 for gas and oil
- \$100 for entertainment

His current credit obligations are:

- \$850 on a major department store credit card
 - The minimum monthly payment is \$42
- \$1,200 on his major credit card, which he accrued from taking out a cash advance
 - The minimum monthly payment is \$65

Todd keeps meaning to open a savings account and deposit a small portion of each paycheck, just in case he has an emergency and needs extra cash. But he just hasn't gotten around to it yet.

Todd's car breaks down on the way home from work. His mechanic tells him that it will cost about \$1,200 to get the car running again. Todd needs his car to get to and from work. He just got paid so he uses most of the money from his paycheck to get his car fixed.

If you were Todd, in the short term, what would you do about your present financial situation?



are they in trouble? (continued)

Using one of the attached budget sheets, rework Todd's budget. When you're finished, use the space below to explain what changes you made and why you made them.

2. Carmen has a monthly net income of \$1,200.

Her fixed expenses include:

- \$300 for rent (she shares an apartment with two friends)

Her flexible monthly expenses include:

- \$45 for her portion of the utility bills and the telephone bills
- \$95 for food
- \$50 for personal and household items
- \$50 for bus fare
- \$40 for entertainment

Her current credit obligations include:

- \$232 to the local department store, with a minimum monthly payment of \$25

One of Carmen's roommates decides to move out, two days before the next month's rent is due. Carmen and her other roommate are able to come up with enough money to pay the rent, but this leaves Carmen without enough money to pay her portion of the telephone bill, the utility bills, and her credit card payment.

If you were Carmen, what would you do?



are they in trouble? (continued)

3. John's monthly net income is \$1,550.

His fixed monthly expenses include:

- \$600 for rent
- \$262 for his car payment
- \$210 for his car insurance premium

His flexible monthly expenses include:

- \$40 for the telephone bill
- \$120 for food
- \$75 for personal and household items
- \$50 for gas and oil
- \$100 for entertainment

His current credit obligations include:

- \$2,000 on one of his major credit cards
- The minimum monthly payment is \$120.
- \$1,500 on another credit card, which he recently accrued from taking out a cash advance. (He needed it because he didn't have enough to pay rent last month, and he wanted to buy a new piece of stereo equipment for his car.)
- The minimum monthly payment on this credit card is \$110.

John doesn't have any savings.

What do you recommend John do in the short term regarding his financial affairs?

Using one of the attached budget sheets, rework John's budget. When you're finished, use the space below to explain what changes you made and why you made them.

budget worksheet

Name _____ Month _____

income	start of month	end of month	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
total income	\$	\$	\$
fixed expense			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
installment payments			
Car loan payment	\$	\$	\$
Credit card 1	\$	\$	\$
Credit card 2	\$	\$	\$
total installment debt	\$	\$	\$
percentage of net income	\$	\$	\$
flexible expenses			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities (gas, electricity, water)	\$	\$	\$
At home	\$	\$	\$
Away from home	\$	\$	\$
Transportation:			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items (toothpaste, etc.)	\$	\$	\$
total monthly expenses	\$	\$	\$

budget worksheet (continued)

Name _____ Month _____

income	start of month	end of month	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
total income	\$	\$	\$
fixed expense			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
installment payments			
Car loan payment	\$	\$	\$
Credit card 1	\$	\$	\$
Credit card 2	\$	\$	\$
total installment debt	\$	\$	\$
percentage of net income	\$	\$	\$
flexible expenses			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities (gas, electricity, water)	\$	\$	\$
At home	\$	\$	\$
Away from home	\$	\$	\$
Transportation:			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items (toothpaste, etc.)	\$	\$	\$
total monthly expenses	\$	\$	\$

budget worksheet (continued)

Name _____ Month _____

income	start of month	end of month	difference
Job #1	\$	\$	\$
Job #2	\$	\$	\$
Other	\$	\$	\$
total income	\$	\$	\$
fixed expense			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
installment payments			
Car loan payment	\$	\$	\$
Credit card 1	\$	\$	\$
Credit card 2	\$	\$	\$
total installment debt	\$	\$	\$
percentage of net income	\$	\$	\$
flexible expenses			
Savings	\$	\$	\$
Food	\$	\$	\$
Utilities (gas, electricity, water)	\$	\$	\$
At home	\$	\$	\$
Away from home	\$	\$	\$
Transportation:			
Bus fare	\$	\$	\$
Gas and oil	\$	\$	\$
Parking and tolls	\$	\$	\$
Repairs	\$	\$	\$
Tuition	\$	\$	\$
School expenses	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Household items	\$	\$	\$
Personal items (toothpaste, etc.)	\$	\$	\$
total monthly expenses	\$	\$	\$



lesson nine quiz: in trouble

true-false

1. ____ Financial difficulties are commonly caused by overspending.
2. ____ People with financial difficulties may obtain assistance from the Consumer Credit Counseling Service.
3. ____ Consolidation loans are mainly used to finance the starting of a new business.
4. ____ Debt collectors are usually allowed to call you at home before 8 p.m.
5. ____ Bankruptcy is suggested for people who are a few weeks behind in their credit payments.

multiple choice

6. ____ A common cause of financial difficulties is:
 - A. poor money management habits
 - B. a need for additional career training
 - C. preparing your tax return late
 - D. not having enough life insurance
7. ____ A nonprofit organization that provides financial counseling is:
 - A. the Federal Deposit Insurance Corporation
 - B. the National Federation of Credit Counselors
 - C. the Better Business Bureau
 - D. the National Credit Union Administration
8. ____ The purpose of a consolidation loan is to:
 - A. deduct amounts owed from a person's paycheck
 - B. pay off one credit card amount before others are paid
 - C. combine several debts into one payment
 - D. reduce the amount owed for federal income taxes
9. ____ An example of a fair debt-collection practice would be to:
 - A. pretend to be a salesperson to attempt to collect a debt
 - B. threaten to take legal action to collect the money owed
 - C. call a debtor at work even if personal calls are not allowed
 - D. call a debtor at home before 8 p.m.
10. ____ Bankruptcy refers to the process of:
 - A. obtaining permission to be late with credit payments
 - B. obtaining assistance from a credit counseling service
 - C. using court action to reduce or eliminate your debts
 - D. using court action to have payments owed deducted from your paycheck

case application

Matt recently missed a few weeks of work due to illness. This resulted in lost pay and he has fallen behind in paying his bills and credit accounts. What actions would you recommend for Matt?