Making the Most of Your Money
A Guide to Family Finances for Latinos Living in the United States
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Letter to Readers

As Latinos we are part of the fastest-growing minority in the United States, and we face both great possibilities and challenges. In many ways, we have the best of both worlds. We are blessed with a rich and colorful heritage, strong family ties and a tight-knit community. We also have many opportunities that are available to us simply because we live in the United States. Among the most exciting of these is the chance to create financial security for yourself and your family.

Make no mistake; there are no easy answers. There is, however, knowledge that will give you understanding of the financial institutions, the customs, and the laws that are there to help you. Through this booklet and class discussions, you will discover how to gain greater access to the financial opportunities that abound in the United States.

There is a lot of information in this booklet and you will want to spend time thinking about it all. Take your time. Ask questions. By the end of the program, you will be on your way to enjoying a bigger part of the American dream of financial security.

John Trasviña,
President and General Counsel

MALDEF
Defining Your Hopes and Dreams

Gloria took the bus to work every day, commuting 25 miles each way to her job in San Diego. She had to be at the bus stop by 6:30 a.m. to be sure she would be at her desk by 8:30 a.m. Even though she knew she couldn’t afford monthly payments on a new car, Gloria felt like she could save up enough money to buy a used car. Her first step was to create a budget.

Gloria made a plan on how she was going to buy her car. First, she did a little investigating. She called her cousin Tómas for advice and his opinion on where she could buy a reliable car in town and which car would be the best investment for her. He suggested a variety of people he knew who were selling good cars and a couple of dealerships that he knew were reputable. She visited used car dealers to get an idea of what a well-maintained car might cost. Next, she took a look at her monthly income and expenses, to see if there were areas where she felt she could make adjustments. She was confident she could find a car that wouldn’t break down (and lead to future costly repairs) for $3,400, and that there were a number of areas where she could cut back on her monthly expenses.

Next, Gloria wrote a goal: “I will save $200 a month from my paycheck to purchase a Nissan Sentra or Toyota Camry that’s in good condition.”

Gloria wrote down all her sources of income on one sheet and all her monthly expenses on another. She cut $25 from her weekly food budget by packing a lunch from home instead of going out for fast food for lunch. She started renting a video a week for 99¢ rather than spending $10.00 a week going to the movies. Finally, she agreed to babysit her neighbor’s children one evening a week to earn an additional $20 and applied that money to her car fund.

Her monthly savings grew rapidly:

\[
\begin{align*}
\text{Her monthly savings grew rapidly:} \\
$25 \times 4 \text{ weeks} &= $100 \text{ a month savings} \\
+$9 \times 4 \text{ weeks} &= $36 \text{ a month savings} \\
+$20 \times 4 \text{ weeks} &= $80 \text{ a month earned to apply to savings}
\end{align*}
\]

Total monthly savings: $216

In 17 months, Gloria had set aside $3,672—enough to buy a 1997 Toyota Camry that was in great condition and cover most of her licensing costs.
Setting Goals—the Secret to Success

Think about your dreams, whether or not you think they are attainable. Money, or the lack of it, probably plays an important part in how seriously you think about bringing these hopes to reality. By setting goals, you give yourself a plan for accomplishing your objectives. Dreams are maybes, goals are tomorrows. Setting goals is a simple process, but it requires careful thought and discussions with your family and trusted friends.

There are three types of goals: short-term goals, mid-range goals and long-range goals. Short-term goals are accomplishments you can achieve in three months or less. Saving up to buy a new set of tires for your car is an example of a short-term goal. Mid-range goals take longer than three months to achieve, but less than a year. Buying a used car may be a mid-range goal. Long-range goals take more than a year to accomplish and can often require many years. Saving to purchase a home is a long-range goal. Even though short-term goals can seem more urgent and pressing, it is important to have a plan for all three and to review the plan frequently to keep your long-range goals firmly in focus. The long-term goals are achievements that may not have seemed possible and that will contribute the most to your and your family's long-term happiness.

Characteristics of a Well-Defined Goal

Achievable goals share certain characteristics. First, they are precise. They are written with as much detail as possible. For example, “I will purchase a three-bedroom house within five years.” Second, well-written goals are always written in the positive, not the negative. Third, make sure the goal is something you really want. If you don’t want it with all your heart, you won’t work hard toward achieving it. Assign a completion date and specific times when parts of the goal will be completed. Finally, goals must be written down. They aren’t real until they are written on paper and kept in a place where you review them each week.

What are your greatest dreams for the future?

Perhaps your greatest dreams include home ownership, self-employment, the ability to take care of your parents as they grow older, or being able to send your children to college someday. No matter if they may seem out of reach or unrealistic, the first step is to set the goal. Whatever financial goals you set, you can reach them if you plan carefully, work hard, and take advantage of the opportunities available to you.

The first step is to dream. The second step is to plan how to turn those financial dreams into realities. This requires setting concrete goals. When goals are written down and frequently reviewed, you dramatically increase your chance of reaching them.
You should have goals for several different areas of your life. While this coursework will focus on financial goals, it is wise to develop goals in every area of your life—from education, health, career, and family, to your spiritual life beliefs.

Now it’s time to think about your financial goals. What are three things you would like to accomplish during the next three months, year, and longer? Think it over, and then record your ideas here. Don’t be afraid to write down what you really want; we’ll look more at planning to achieve these goals in the following sessions.

**My Short-Term Goals**
1. 
2. 
3. 

**My Mid-Range Goals**
1. 
2. 
3. 

**My Long-Range Goals**
1. 
2. 
3. 

**What’s Next—Now That My Goals Are Written Down?**

You’ve taken an important step in writing down your goals. Now, let’s write down the steps to take toward their completion. Sometimes it is best to draw out or chart the goal. Whatever method you use, this is the first step in taking your idea from your brain and heart, and seeing it in your life. With a good plan, you’ll see your goal in front of you and have a greater chance of seeing your reality appear.

**Consider the case of Hector:**

Hector has worked in construction for 10 years. He knows framing inside and out, and would like to start his own business as a subcontractor. He thinks it will take him about two years to save up the capital to start his own company. The first thing he does is write down three steps he can take in the next month to move toward his dream. These three steps are:

1. Research start-up costs by talking to other sub-contractors, researching at the library, and calling government agencies to determine licensing and other costs.
2. Look at his income and expenses to see how much he can save each week, and develop a spending plan to set money aside for equipment and other costs.
3. Determine if there are other sources of funds for the business, such as whether he should bring in a partner.
Steps to Success

Now, it’s time to look at each of your goals. Take a few minutes to write down or draw out three steps you can take immediately to work on your goals. Often, short-term goals can be completed entirely in one or two steps. Use the space below to record your ideas.

My Short-Term Goals

Goal 1.
Step 1.
Step 2.
Step 3.

My Mid-Range Goals

Goal 1.
Step 1.
Step 2.
Step 3.

My Long-Range Goals

Goal 1.
Step 1.
Step 2.
Step 3.
Every day after work, Luis’ boss dropped him off at the major intersection near his home and he walked to his house. Luis was always tired, hungry and eager to get home to his wife and children. On Fridays, when the landscaping company paid him, he’d have the boss drop him off a couple blocks further up the street at the check-cashing store. For $16—$4 per $100—he could get his paycheck turned into cash so the family could buy groceries, pay their rent and maybe see a movie. He hated giving the store $64 a month for doing nothing but handing him his money, but it seemed he had no other choice.

One day Luis was talking to his friend, Carlos, about how much he wished he had that extra $64 each month. Carlos told Luis that he could use two forms of identification and his Individual Taxpayer Identification Number (ITIN) or Social Security Number (SSN) to open a checking account at his bank. He could open an account for as little as $10 and having an account would give him the ability to cash an unlimited number of checks at the bank for free. Luis went with Carlos to the bank and opened a checking account the next day. Luis took the added step of putting the extra $64 he was saving on check-cashing fees into a savings account to help his family prepare for unexpected emergencies.
Check-Cashing Stores

If you haven’t established a checking or savings account at a bank or credit union, cashing your paycheck or any other check you receive can be difficult. This simple fact makes you an easy target for the owner of the check-cashing store. By locating their businesses as conveniently as possible to their target customers, check-cashing store owners know people without checking or savings accounts will be tempted to stop in and convert their paychecks into cash for a hefty fee. For every $100 you cash, you can expect to pay about $4 in fees to the check-cashing store. If you earn $800 a month, you might easily lose $32 right off the top of your earnings, just for getting your check turned into cash. Over a year, that’s $384—nearly two weeks’ wages—just for accessing the money that is yours!

Opening a checking or savings account at a bank can save you money. When you have an account at a bank or credit union, the financial institution will cash your checks for free. In Session 3 we will discuss how to open a U.S. bank or credit union account and why this is a wise choice for everyone.

Pawnshops

Pawnshops also seek to take advantage of people who can least afford it. These businesses loan money in exchange for keeping something of value you own, for instance, electronics, jewelry, or a camera. If you repay the loan within 30 days, you get your item back. But watch out—if you aren’t able to repay the money you owe during those 30 days, the pawnshop can sell your property.

When you use a cherished possession as pawnshop collateral, you put your item at risk. Worse yet, the loan you get covers only about half of that item’s actual value. Many families have lost a treasured possession, family heirloom, or even their car by giving it in exchange for a pawnshop loan.

Watch out

While you are working hard to make a living and take care of your family, there are a few people and businesses working just as hard to take advantage of you. Some of these individuals may include people you would naturally trust. You may be able to name Latinos from the community that make it their business to overcharge or deceive those who don’t know better. Be alert for scams that steal your hard-earned cash. This session covers some of the known schemes to watch out for and avoid.
Rent-to-Own Stores

Does it seem like the media are always trying to get you to want things you can’t afford? Advertisements create desires for DVDs, TVs, cameras, and other items that may not be in your budget. It’s tempting to rent a TV from a rent-to-own store. After all, it sounds like a good deal on the surface. You pay a small price each week and part of the money you pay goes toward the eventual purchase of the item. The weekly rate seems so affordable and, in time, you will own the TV. The truth is that renting to own is very expensive.

Let’s say you see a TV you like at a furniture store and it costs $800. You don’t have that much cash, so you accept a rent-to-own plan for the TV. For about $30 a week, you’ll have the TV you want, and in 65 weeks, you’ll own it. Here’s what your $800 TV could cost you:

<table>
<thead>
<tr>
<th>Price of rent-to-own TV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
</tr>
<tr>
<td>Weekly rental</td>
</tr>
<tr>
<td>5 percent sales tax or interest</td>
</tr>
<tr>
<td><strong>Total cost of rent-to-own TV</strong></td>
</tr>
</tbody>
</table>

The $800 TV could cost your family $2,047.50! Two better alternatives would be to buy a used TV or save the $800 to buy the TV outright.

Payday Lenders

Even if you have a bank account, you can get into trouble if you use payday lenders as a quick solution rather than building a solid relationship with a bank or credit union that you can rely on in times of trouble. These merchants prey upon those who are short of money, but don’t feel comfortable asking a bank for a loan. The only things needed to get a payday loan are a job and a checking account.
Here’s how payday lending works:

1. You are short of cash, for example $200 short, and payday is a few days off.

2. You go to the payday lender and write a postdated check—a check that indicates that it was written a few days, even a month in the future—for $250. Then the lender gives you $200 cash.

3. When the date on the postdated check arrives, the lender cashes the check, earning $50 interest for lending you the money for a few days. Interest of $25 per $100 borrowed is common. That’s 25 percent interest!

Not only is a payday loan expensive, but also once you start using this “service,” it’s hard to stop. Think about it—now that you have given so much money to the payday lender, you have less money from your paycheck, and this may force you to return to the lender month after month. It’s a vicious cycle that’s hard to escape.

**Predatory Lending**

Predatory lending includes a number of home mortgage lending practices that harm the consumer. These practices may include lenders pressuring individuals into signing loan agreements they simply cannot afford, or that are not in their best interest. This also may include hurrying a family into signing the loan papers before they’ve had a chance to fully review them and work the math to see whether or not they can afford the payments. In the U.S., the amount of the loan does not necessarily correspond to the borrower’s ability to repay the loan. If you are being offered a loan that is larger than you feel you can repay, chances are the loan is predatory.

Typically, a predatory loan has high upfront fees that are added to the balance on the mortgage, decreasing the buyer’s equity. When buyers have difficulty repaying the debt, the lender often encourages them to refinance with another unaffordable, high-fee loan that harms the consumer. The end result of this cycle is often foreclosure of the loan and loss of the home. There are very few laws to protect consumers from predatory lending in many states, so it’s important to protect yourself.
The best ways to protect yourself from predatory lenders include:

- Know what you can afford. Make sure you do not overstate your earnings when applying, even if the lender says it's OK to do so.

- Work with a reputable, licensed broker/lender. Ask someone who will not gain personally from the transaction for a recommendation.

- Be wary of salespeople who approach you with offers that sound too good to be true—they usually are.

- Insist on time to understand the loan application and contract—ask for assistance if needed.

- Ask for assistance in Spanish if it makes you feel more comfortable.

- Shop around for the best loan and compare interest rates, fees, and points. Look the terms of the loan over closely. If you don’t understand the terms, get a second opinion from a professional not involved in the transaction.

- Never sign blank forms or forms with information that is incorrect.

- Get everything in writing. Do not rely on verbal assurances or verbal translations. Ask wherever possible to review and sign the documents in Spanish if you are most comfortable with Spanish.
<table>
<thead>
<tr>
<th>Tactic</th>
<th>How it works</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bait and switch</td>
<td>The lender knowingly offers you one set of terms, which are highly appealing, but are not easily available and then pressures you to sign a less desirable contract with different terms, higher costs and hidden fees.</td>
</tr>
<tr>
<td>Door-to-door</td>
<td>High-pressure sales reps come to your home and try to get you to take a home equity loan.</td>
</tr>
<tr>
<td>Steering you toward a worse loan than you are qualified to get</td>
<td>The lender steers you toward a more expensive mortgage when you are clearly qualified for a more attractive loan.</td>
</tr>
<tr>
<td>Community member solicitation</td>
<td>These unscrupulous lenders use someone from the Latino community to represent their products, so you will be more trusting of them.</td>
</tr>
<tr>
<td>“Offer good only today”</td>
<td>The sales person uses high-pressure tactics to get you to sign quickly because the offer is “only good today.”</td>
</tr>
<tr>
<td>No job, no credit, no problem!</td>
<td>These mail, TV and radio ads urge you to use the equity in your home as collateral, putting you at risk of losing your home.</td>
</tr>
<tr>
<td>Hidden loan origination fees</td>
<td>These fees are hidden in the contract and cost you a lot of money. Reputable lenders typically charge 1 percentage point or less of the loan amount. Predatory lenders often charge 5 percentage points or more, which can add up to thousands of dollars over the course of your loan.</td>
</tr>
<tr>
<td>High prepayment penalties</td>
<td>Since nonprime buyers are often eager to refinance their homes with better loans, these unscrupulous lenders charge prepayment penalties to keep borrowers in their loans. Always ask if there is a prepayment penalty.</td>
</tr>
<tr>
<td>Loan flipping</td>
<td>The borrower is required to refinance the loan multiple times over the length of the mortgage. Fees are high and often increase the lender’s profits from the loan. These fees can also reduce equity and increase the monthly mortgage payments.</td>
</tr>
<tr>
<td>Extra services required</td>
<td>The lender tells you that you are required to take the extra services, such as credit life insurance, in order for your loan to be approved. These products, however, are typically not mandatory.</td>
</tr>
<tr>
<td>Mandatory arbitration</td>
<td>The loan stipulates that any future dispute over the loan must be resolved through arbitration, not in court. This can limit your rights and may require you to go to the lender’s office, which may be thousands of miles away.</td>
</tr>
</tbody>
</table>
Adriana had been in the United States only about a year, but she knew how dangerous it could be to cash her check and carry around large amounts of money. She heard stories of women having their purses stolen and losing their just-cashed paycheck funds. For her safety and convenience, Adriana wanted to open a checking account at the bank near her home, but she wasn’t sure if she could get an account without a Social Security card and driver’s license for identification. She talked to a friend who had been in the U.S. a couple of years whom she knew had a checking account and asked her what she did to get an account. Adriana learned that many banks accept the matricula consular ID or a passport and another form of identification, such as a utility bill or telephone bill as ID to open an account. The important thing was to have two forms of ID. Adriana’s friend said to check with a bank associate at the bank where she wanted to open an account and he or she would explain the requirements. Adriana did just that. She took her utility bill and matricula consular card to the bank and discovered that that was all she needed to get a checking account. Now she has her check deposited directly in her account by her employer, so she has immediate access to the funds and she’s eliminated the risks of carrying large amounts of cash.
Bank or Credit Union?

What are the differences between a credit union and a bank? This chart provides a quick comparison to help you decide which is best for you:

<table>
<thead>
<tr>
<th><strong>Comparison of banks and credit unions</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banks</strong></td>
<td><strong>Credit Unions</strong></td>
</tr>
<tr>
<td><strong>For-profit</strong> organizations.</td>
<td><strong>Not-for-profit</strong> organizations.</td>
</tr>
<tr>
<td><strong>Serve anyone</strong> in the general public with proper identification.</td>
<td><strong>Selective membership.</strong> Serve only those who are within their field or share a common interest.</td>
</tr>
<tr>
<td>Customers have <strong>no ownership</strong>.</td>
<td>Customers are called <strong>members</strong> and each person with money on deposit is a <strong>shareowner</strong>.</td>
</tr>
<tr>
<td><strong>Board of Directors is paid; customers do not vote for them.</strong></td>
<td><strong>Board of Directors is made up of volunteers</strong> and is elected by <strong>members</strong>.</td>
</tr>
<tr>
<td><strong>Controlled by stockholders and paid board.</strong></td>
<td><strong>Democratically controlled.</strong></td>
</tr>
<tr>
<td><strong>Profit-driven</strong> institution.</td>
<td><strong>Service-driven</strong> institution.</td>
</tr>
<tr>
<td>Small group of <strong>stockholders</strong> earn profit.</td>
<td><strong>Profits returned to members</strong> as lower loan rates, higher savings rates, and free and low cost services.</td>
</tr>
<tr>
<td>Federally insured by the <strong>Federal Deposit Insurance Corporation</strong> (FDIC).</td>
<td>Federally insured by the <strong>National Credit Union Association</strong>.</td>
</tr>
</tbody>
</table>

**Why you need a financial institution**

A relationship with a bank or credit union will empower you to take full advantage of the financial opportunities available in this country. **Unfortunately, half of Latinos living in the U.S. have no relationship with a financial institution.**

Since Sept. 11, 2001, the government has tightened—and continues to change—the identification requirements for establishing an account with a financial institution. The U.S. Treasury Department has given approval to banks to accept the matricula consular, or official Mexican identity card, to open bank accounts and more, allowing these cards to be used as identification all the time. Currently, more than 70 banks nationwide and 800 police departments accept the matricula consular card. The requirements vary and it is important to check with the bank you are interested in using regarding what identification is necessary. If you do not qualify at one bank, it may be worth it to check a second bank’s identification requirements.
What to look for in a bank or credit union

Financial institutions are very different. Think about what is important to you, ask questions and make sure your needs will be met before you open an account. These are considerations that may be important to you:

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the institution offer the services (checking, savings, investment, other), I’m looking for?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are there employees to serve me who speak my language?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If it is a credit union, am I eligible for membership?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do I have the proper identification to open an account?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Is the institution close to my home or my work?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do the institution’s hours fit my schedule?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does it offer ATMs convenient to my home, work and recreational activities?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are there fees associated with using the ATM?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What other fees does the institution charge?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can I conveniently send money to my relatives in my home country using this institution?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other considerations:
Why have a checking account?

On payday, it feels good to carry money in your pocket. But transporting a lot of cash can be dangerous for two reasons:

1. A thief could rob you and steal your cash.
2. When you carry cash, it’s easy to spend more than you planned or to lose your money.

A checking or savings account keeps your money safe and easy to access while providing a way to set money aside for bills and to save for your goals. A checking account allows you to write checks to individuals and businesses. Then, the bank pays the person or business the amount indicated on the check with funds in your account. There is the risk that there won’t be enough funds in the account to cover the check if the account is not tracked properly. However, consider these advantages of opening a checking account:

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety</td>
<td>Having large amounts of cash on hand makes you an easier target for crime. In addition, if there is a fire, flood or some other disaster in your home, you have lost your hard-earned money. Law enforcement officers recommend a bank account to maintain personal safety.</td>
</tr>
<tr>
<td>Direct deposit</td>
<td>Employers and the government can deposit checks directly into your account. This service is free and makes your money available faster than if you had to go to a grocery store or bank to cash your check.</td>
</tr>
<tr>
<td>Bill payment</td>
<td>Paying bills with checks is easier than with money orders. Just write a check for the amount due and mail it. Bills can also be taken out electronically, saving you time and making sure they are not late.</td>
</tr>
<tr>
<td>More economical</td>
<td>Checks are usually less expensive than purchasing multiple money orders. It also saves time rather than having to go to the store to buy money orders.</td>
</tr>
<tr>
<td>Builds a bank relationship</td>
<td>When you handle your checking account responsibly, you build a positive relationship with the bank. A good relationship with a bank makes it easier to borrow money to purchase a car or home or pay for education. It also makes it easier, safer, and less expensive to send money to relatives out of the country.</td>
</tr>
<tr>
<td>Proof of payment</td>
<td>Your canceled checks—checks that have been paid from your account by the bank—prove that you’ve paid a bill. Even though banks no longer return canceled checks to customers, they maintain an electronic copy of the check on file that proves you made payment.</td>
</tr>
</tbody>
</table>
How does a check work?

A check is just a note you write that tells your bank how much money to take out of your account and give to the business or individual listed beside the Pay to the order of line. When the payee receives your check, he or she can present it at his or her own bank for cash or deposit. It also can be presented at your bank for cash. Either way, your bank takes the money out of your checking account to make payment. Remember to never give anyone a signed blank check that can be written out for any amount and cashed.

How do I choose a checking account?

There’s often a big difference in the terms offered on checking accounts by different banks. Consider these factors in selecting the bank for your checking account:

- Is a minimum deposit required to open the account? Is the amount—usually $100 or $200—acceptable?
- Is there a fee charged on each check written? If so, how much?
- Must you keep a minimum amount in your account to avoid extra charges? How much?
- Is overdraft protection offered? (Overdraft protection automatically transfers funds from a savings account or credit line account to your checking account to cover a check when your account has insufficient funds.)
- Are there online banking and bill payment options? What do they cost?
- What are the account’s monthly processing costs?
- Does the bank offer free checking if you have your employer deposit your paycheck directly?
A correctly completed check

Telephone and Online Banking

Many banks and credit unions offer convenient services such as telephone banking and online banking to checking account customers. These services allow you to handle your financial transactions anytime and from any location where you have access to a telephone or computer Internet connection.

Telephone banking is available free of charge in most institutions. It gives you access to details of your account and lets you make transactions such as fund transfers, ordering checks and requesting new cash cards by phone. When you have an account, all you need is a personal identification number (PIN) to use this service.

Online banking, also known as Internet banking, lets customers view their accounts from a computer and make account transactions, such as transferring funds between accounts and paying bills. There is often a small fee for online bill payment.
Balancing Your Checkbook

Once you’ve selected a financial institution and checking account, you need to understand how to use your account and keep track of your payments and deposits. Use a check register, which you receive with your checks, to record each deposit you make, each check you write, and all fees taken out of your account. Below is a sample of what a page in your check register might look like.

<table>
<thead>
<tr>
<th>NUMBER OR CODE</th>
<th>DATE</th>
<th>TRANSACTION DESCRIPTION</th>
<th>PAYMENT AMOUNT $</th>
<th>FEE $</th>
<th>DEPOSIT AMOUNT $</th>
<th>BALANCE $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

Each time you make a deposit or write a check, enter the amount in this column and add or subtract it from the total.

If you were charged a fee by the bank or credit union, record it in your register.

List the person or company to whom you wrote the check. You may also want to record the reason you wrote the check (for example, rent, heating, or telephone bill).

Record the unique check number.

Record the date when you wrote the check.

Compare your bank statement each month with the deposits and checks recorded in your register. Check off each one that matches up with the statement.

Record each deposit amount in this column.
When you balance your checkbook, you compare each entry in your check register to each entry on your bank statement. If you find differences, correct them in your check register. Be sure to record any fees charged to your account during the month. These include monthly service fees and overdraft fees. If you feel the bank has made an error, talk to a representative in your bank’s customer service department. Your bank statement will come with instructions to make balancing your checking account easier. It is important to balance your checkbook each month.

Remittances—Low-Cost Ways to Send Money Abroad

In 2004, $45 billion was sent (remitted) to families living in Latin American countries. A lot has changed in remittance services in recent years. Remitters not only have more choice of methods for sending money home, but it is also becoming less expensive and safer to make remittances. This chart compares the most common methods of sending money overseas.

<table>
<thead>
<tr>
<th>Advantages and disadvantages of the types of remittance service providers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Provider</strong></td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>Banks</td>
</tr>
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<td></td>
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<tr>
<td></td>
</tr>
</tbody>
</table>
### Advantages and disadvantages of the types of remittance service providers  (continued)

<table>
<thead>
<tr>
<th>Type of Provider</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| Directo a Mexico | Offered through 150 participating banks.  
U.S. Federal Reserve program conducts transfers through reserve’s automated clearinghouse system.  
Program created in partnership with Banco de Mexico.  
Participating banks charge between $2.50 and $5 per transfer, regardless of the amount.  
No fees required to pick up the money from the receiver’s bank account in Mexico. | You must be documented to use the system. Exact documentation required depends on the bank, but according to the U.S. Patriot Act, the matricula consular is an acceptable form of ID.  
You must open a savings account with the bank in order to use the system. |
| Wire Transfer Companies | 70 percent of remittances are handled by wire transfer companies such as Western Union and Moneygram.  
Convenient locations and hours, as well as a comfortable business environment that welcomes Hispanic immigrants make these firms popular with those sending remittances. | Fees are higher than banks typically charge. For a $300 remittance, wire transfer companies typically charge the sender approximately $10.70.  
Exchange rate margins are often higher. |
| Other Small Retail Businesses | Some, depending on the business, pay out in U.S. dollars instead of pesos, so they avoid negative exchange-rate fluctuations. | Fees can range from around $12 to as high as $40 to send $300. |
| Couriers | No identification required. | Highly unreliable and unregulated—the riskiest way to send money to a foreign country because you are relying on the honesty of the individual involved.  
An unregulated service. |
| Mail | U.S. Postal Service charges $10 to send $300 to Mexico. | More expensive than remitting through a bank. |
As banks recognize the enormous economic potential of the remittance market, each year it becomes less expensive and easier to send money home to relatives through safe, legitimate channels. By establishing a relationship with a bank to send remittances, it will become easier to begin other financial relationships with banks as well.

When investigating a potential channel for sending money to relatives in a foreign country, make sure to ask about these topics:

1. What is the fee to send money?
2. What identification and accounts (if any) are required to send money?
3. Is money paid out in pesos or U.S. dollars?
4. Are my relatives charged a fee to pick up the money?
5. Where do my relatives go to receive the money? Is it near their home?
6. Does the person to whom the money is sent have to be present for my relatives to receive the money?
7. Is a detailed receipt of the transaction provided?
The high cost of gasoline was becoming a real problem for Carmella, her husband, Juan, and their two children. They needed their car to get to jobs that were located many miles from home, but the gas prices kept creeping up. It now cost about an hour of their wages, and might go even higher. Something had to change, and since Carmella knew that she and Juan had no control over the cost of gas, they would have to make adjustments in their lifestyle until the price of gas came down.

They arranged errands to save gas and eliminate trips, and carpooled whenever possible. In addition, Juan and Carmella also started packing lunches from home each day, rather than buying meals while at work or on their lunch breaks. They also started eating out with the family less often—only twice a month—and applied all the savings to gas costs. The end result was enough savings to cover extra gas expenses and even a little extra to add to the family’s savings account.
Needs vs. Wants

Perhaps you’ve heard a friend say—or maybe you’ve said—“I’ve just got to have that new CD.” You know they don’t really have to get the CD. It’s simply something they want. A need is something you must have in order to live—a true necessity. Rent, utilities, and gasoline for the car are all necessities. A want is something you would like to have, but don’t need to live. Even within necessities there is often some wiggle room. For instance, you have to pay rent, but you could, perhaps, get by with a less expensive apartment. You have to eat, but you can shop around for the best price on the food you buy. Needs and wants change. It is a good idea to write them down to review and reprioritize occasionally.

Quiz to help you evaluate needs vs. wants

Look at each item in the left column and make a check in the appropriate column indicating whether it is a need or a want.

<table>
<thead>
<tr>
<th>Item</th>
<th>Need</th>
<th>Want</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Expensive coffee drink</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Gasoline to drive to work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Heat for your apartment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Name brand sneakers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. A new coat from a department store</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Answers: Items 1, 4 and 5 are wants. Items 2 and 3 are needs. It is important to remember that shoes and a coat may be legitimate needs. However, there is a lot of difference between a good pair of sneakers at a fair price and the latest trends featuring the name of a sports legend. A new coat may be a need or a want depending on the price, whether you already have a coat that works, and how cold it’s going to be in the winter.

Creating a Spending Plan

Your income sources

<table>
<thead>
<tr>
<th>Income sources worksheet</th>
<th>Sources</th>
<th>Expected per Month</th>
<th>Actual per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Paycheck from your job</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Your spouse’s paycheck from his or her job</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Money from family</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Tips or bonuses</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Child support</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Temporary Assistance for Needy Families (TANF)</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td></td>
<td><strong>Total monthly income</strong></td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

Now that you’ve identified your income, it’s time to track your expenses for a month, so you can see where your money actually goes. Use the form that follows to write down all your expected monthly expenses. If some expenses are weekly, multiply the amount by four to get the monthly cost. If some expenses occur only every three months, divide the cost by three to get the monthly amount. Use your small spending diary notebook to record your actual expenses throughout the month. At the end of the month, record the actual figures in the chart.
List your monthly expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>Expected per Month</th>
<th>Actual per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent or house payment</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Heat, electricity and water</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Phone and/or cellular phone</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Child care</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Child support</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Groceries</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Transportation (bus fare, car payment, gasoline, repairs, parking fees, etc.)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Snacks/Meals eaten out</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Loan payments (including credit cards)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Clothing</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Personal (toiletries, cosmetics, etc.)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Medical expenses</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Health insurance</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Car insurance</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Renter’s/ Homeowner’s insurance</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Entertainment (movies, concerts, dates, parties, etc.)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Charitable/Religious donations</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Money sent to family</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Savings</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Gifts</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Total monthly expenses</strong></td>
<td><strong>$</strong></td>
<td><strong>$</strong></td>
</tr>
</tbody>
</table>
The next step in creating a workable family budget, or spending plan, is to compare your income and expenses. How much money, if any, is left over?

**Compare income and expenses**

<table>
<thead>
<tr>
<th>Income and expenses comparison</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td></td>
</tr>
<tr>
<td>Total actual monthly income</td>
<td>$</td>
</tr>
<tr>
<td>Total actual monthly expenses</td>
<td>– $</td>
</tr>
<tr>
<td>Difference between income and expenses</td>
<td>= $</td>
</tr>
</tbody>
</table>

**Your Personal Spending Plan**

Once you’ve kept your Spending Diary for a month, look it over for areas where you can trim expenses.

**Where do you think you could cut expenses?**

_____________________________________________________________________

**Is there any way to increase your income?**

_____________________________________________________________________

It takes planning and often a willingness to give up some of the extras you enjoy in order to make best use of your money and be able to save for the future. Having money set aside for emergencies and to take advantage of special opportunities makes cutting expenses and watching your budget worthwhile.
Each month, Marcos and Marina saved $200 for their emergency fund. They kept their money stowed away under their mattress. Over the years, the savings grew, ultimately reaching $12,000. They began to worry about having so much cash around the house. What if there was a fire, a flood, or a break-in? Everything would be lost; all their efforts wasted. The couple decided to visit a local bank and see about opening a savings account for their money. After checking around, they opened a savings account earning 1 percent annual interest. Now, each year, their money earns $150 more and they no longer have to worry about whether or not their money is safe.
Savings accounts

We all understand the wisdom of having money set aside to cover unexpected expenses. Many people think they will just set aside whatever is left at the end of the month. Unfortunately, unless you plan ahead to set money aside, too often nothing is left for savings.

One of the best ways to get into the savings habit is to open a bank or credit union savings account and add a little bit to it each time you get paid. It takes just a small amount of money to open a savings account, and you will earn compound interest on the money in your account—interest that is paid not only on the money you have deposited, but also on any interest that you’ve earned. As long as you maintain a minimum balance, no fees are charged.

Why Should You Save?

Saving for the future is key to accomplishing the short- and long-term goals discussed in previous sections. It will help you one day purchase a house, send a child to college, or retire and enjoy your older years, but there are more reasons to save than distant goals. Saving has immediate benefits too:

1. By setting money aside, you prepare for emergencies, so you don’t have to go into debt.

2. Saving money keeps you from having to rely on credit cards or your relatives.

3. Keeping money in a savings account reduces the stress of being strapped for cash.

Who gets paid first? YOU!

Financial experts advise clients to pay themselves first—before they pay any other obligations. By that they mean putting a little money from your paycheck aside for savings before you spend anything.

Why is it safer to keep my money in the bank?

The FDIC—short for the Federal Deposit Insurance Corp.—is an independent agency of the United States government. The FDIC protects you against the loss of your deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the United States government. To check whether a bank or savings association is insured by the FDIC, call toll-free at 1-877-275-3342.
If your accounts at one FDIC-insured bank or savings association total $100,000 or less, the funds are fully insured. You can have more than $100,000 at one insured bank or savings association and still be fully insured provided the accounts meet certain requirements. In addition, federal law provides for insurance coverage of up to $250,000 for “self-directed” retirement accounts.

The FDIC does not insure money invested in stocks, bonds, mutual funds, life insurance policies, annuities, or municipal securities, even if these investments were bought from an insured bank. Nor does it insure U.S. Treasury bills, bonds, or notes. These are backed by the United States government.

Depositing your money in an FDIC insured bank is your safest option for savings, even if the bank fails, you don’t. Your money is secure and safe from robbery, fire, flood, or other dangers.

### Compound interest grows your money

The interest you earn on your savings account is low, but since it is compound interest—interest on interest—it adds up over time. The higher the rate of interest you are earning on your account and the more often interest is paid, the more you will earn.

The following chart will help you understand why compound interest is so important. The 3 percent interest rate is the average that savings accounts have earned in the past (although current rates are somewhat lower). The piggy bank reference shows what you would have if you simply put money in a jar in your kitchen and it earned nothing. It definitely pays to open a savings account.
Comparison of returns on money in piggy bank and savings account

<table>
<thead>
<tr>
<th>$20 Per Month</th>
<th>Your Money in 2 Years</th>
<th>Your Money in 5 Years</th>
<th>Your Money in 10 Years</th>
<th>Your Money in 15 Years</th>
<th>Your Money in 20 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 percent return</td>
<td>$495.29</td>
<td>$1,296.17</td>
<td>$2,801.82</td>
<td>$4,550.80</td>
<td>$6,582.46</td>
</tr>
<tr>
<td>Piggy bank</td>
<td>$480</td>
<td>$1,200</td>
<td>$2,400</td>
<td>$3,600</td>
<td>$4,800</td>
</tr>
</tbody>
</table>

Building an emergency fund

We all need money set aside in case of an emergency. Without such funds, getting laid off from a job, a sudden illness, or car trouble can send family finances into a tailspin. The experts suggest a family set aside at least enough money to pay expenses for three months. Of course, it may take you quite a while to save this money. Where will the money come from? Here are some ideas to get you started building your emergency fund:

- Save a set amount from your paycheck each month. If you can, use direct deposit from your employer and have it automatically put in your savings, so you won’t be tempted to spend it.
- If you smoke or drink beer, liquor, soda pop, or expensive coffee drinks, stop and apply the money you save to your emergency fund instead.
- When a family member or friend gives you money for a birthday or holiday, add it to your emergency fund.
- Once you have finished paying off a bill, apply the money you had been paying to the bill to your emergency fund.
Individual Development Accounts (IDAs)

An Individual Development Account (IDA) is a special kind of savings account established by the U.S. government to help low-income individuals and families get on the road to prosperity. These accounts are administered by community-based organizations in partnership with financial institutions. IDAs encourage saving by offering a 1:1 or 2:1 match for every dollar saved. The money accumulated can then be used to help buy a first home, pay for post-secondary education, or start a small business. IDAs are an investment in people who are eager to break out of the cycle of poverty. For more information on IDAs, contact your state’s TANF agency.

Who is eligible for an IDA?

According to the Social Security Administration, to be eligible for IDA benefits you must meet these criteria:

- If you are receiving Temporary Assistance for Needy Families (TANF) benefits, you are automatically eligible to participate. Call 1-916-654-3345 for more information.

- Others not receiving TANF benefits must qualify for the Earned Income Tax Credit (EITC) and have assets that do not exceed $10,000, excluding the value of the primary residence and one motor vehicle owned by the household. For more information on qualifying for EITC, see Session 7 on taxes.

Individual IDA programs select the best-suited candidates to participate from all eligible candidates who apply.

Your ability to grow your savings is vital to achieving your goals and enjoying financial security. Use all the savings tools available to you to get on the road to financial well-being.
Teresa didn’t know anything about a credit rating, so when she found out that every person who has used credit in the United States has a credit score, she was concerned about what her score might be. She hadn’t bought a lot of items that required credit, nothing like a car, a house, or a washing machine. The only bills she had were her rent, her utility bill, and a charge card bill with a local department store, which she paid off each month. One day Teresa decided to apply for a regular credit card—a VISA or MasterCard—instead of relying on her high-interest card with the local department store. She was thrilled when the credit card company issued her a credit card with a low 6 percent annual percentage rate (APR). She was even more pleased when she found out the reason she got such a good rate was because she always paid her bills on time and did not maintain high balances. She had an excellent credit score.
Why You Need Credit

You need credit because there are certain purchases that you cannot pay off at one time with money saved. A car, a home, and education are three examples of purchases that require credit. As your finances become more stable, you may be able to make these purchases with a loan.

How to Establish Credit

To get credit, you need to have a financial track record. Every financial decision you make impacts your credit score, and that in turn affects your ability to get a loan or a credit card when you need it. Some people don’t even realize their credit is poor until they attempt to buy a car or home. To get a bank loan or acquire a credit card, you will need to provide identification such as a social security number or ITIN to the bank. Check with the card or loan issuer for specific identification required.

What is Credit Scoring?

Every person who has used credit has a FICO score, or credit score. FICO stands for the name of the company that developed the scoring system, Fair Isaac & Co. FICO is a number that creditors look at to decide whether to offer you more credit and at what APR. The score indicates the likelihood that the borrower will pay his or her bills.
Factors that impact your credit score

- Your payment history, including late payments and paying on time.
- The total amount you owe.
- Length of your credit history (years that you have had credit established).
- The amount of credit you have in use vs. the amount of credit you have available.
- Amount of new credit recently added.
- The types of credit you use.
- Length of time at your current residence.
- Your employment history.
- Any negative credit information such as charge-offs, bankruptcies and collection problems.

Your credit score is compiled by three credit bureaus—Experian, Trans Union, and Equifax. Some lenders rely only on the score reported by one of the bureaus. Others look at all three.

What is a good credit score?

FICO scores range from 300-850. Most lenders consider a FICO score above 700 to be very good. Scores below 600 signal risk to lenders and might cause you to be charged a higher interest rate or have your application for credit rejected. By law, credit scores may not consider your race, color, religion, national origin, sex, or marital status, and whether you receive public assistance. Furthermore, they may not consider whether you have exercised any consumer right under the federal Equal Credit Opportunity Act or the Fair Credit Reporting Act.
How to check your credit score

In December 2003, the Fair and Accurate Credit Transactions Act (FACT Act) was signed into law, giving every consumer the right to review his or her credit report free of charge each year. To order your free report, visit www.annualcreditreport.com. You may also call 1-877-322-8228.

Following are the three major credit-reporting agencies with their contact information:

**Equifax, Inc.**
P.O. Box 740241
Atlanta, GA 30374
1-800-685-1111
www.equifax.com

**Experian**
National Consumer Assistance
P.O. Box 2104
Allen, TX 75013-2104
1-888-397-3742
www.experian.com

**Trans Union LLC**
Consumer Disclosure Center
P.O. Box 1000
Chester, PA 19022
1-800-888-4213
www.transunion.com

The Good and Bad of Credit Cards

Credit cards are extremely popular in the United States—too popular. It’s simple to understand why Americans like credit cards. They are convenient—you can use them in millions of locations worldwide. They are safer to carry than cash, and they are accepted for online and telephone purchases where you can’t use cash or checks. However, there is a downside to credit cards. It is your responsibility to determine how much you can afford to borrow and to repay that amount plus the interest that accrues. When they are mishandled, credit cards can send you into deep debt that can take years to repay.

Ways to build good credit

1. Pay your bills on time. Late payments stay on your credit report for up to seven years.

2. Only apply for the credit you need. Each time you apply for credit it shows up on your report. **Having too many inquiries is a red flag to lenders.**


4. Keep credit card balances low.

5. Never skip a payment.
How to keep credit cards under control

1. Choose your credit card carefully. Compare several cards and select one that offers a low interest rate (APR), 25-day grace period, and no annual fee.

2. Restrict yourself to just one credit card so you can easily keep track of how much you owe.

3. Try to pay off your credit card balance each month to avoid paying interest.

4. Avoid store credit cards. These typically charge interest rates of 20 percent or more.

5. Keep your credit card for emergencies only. Don't think of it as added money to spend.

6. Beware of introductory interest rates that go up after a few months.

7. Avoid credit cards with a lot of added features, such as travel benefits, shopper's guarantees, etc. They cost you in a higher interest rate and/or an annual fee.

8. Never let someone else use your credit card.

9. Don't make major purchases such as a computer, furniture, or tuition with a credit card. These are almost always better handled through a bank loan.

10. Never get a cash advance from your credit card account. Many times, cash advances begin accruing interest from the day you take them out, and the interest is higher than your regular APR.

Making minimum payments is costly

It seems so affordable to pay only the minimum monthly payment on your credit card. You'll hardly notice that the money's missing from your budget. However, paying the minimum payment due each month is actually the most expensive way to pay off your credit card debt. Look over the example that follows:
Maria could never afford the $200 coat she loved at the department store. When the coat went on sale for 50 percent off, she decided to charge it on her store credit card that charges 20 percent interest. She wasn’t worried about the impact the purchase would have on her budget. She’d just pay the minimum payment of $20 each month. However, when you add the total interest, Maria paid $96.74 on top of the sale price of the coat ($100). Maria is paying almost as much as if she had bought it at full price.

**Warning signs of credit card trouble**

- You refuse to think about your bills, and worrying about them keeps you awake at night.
- You pay minimum payments on your credit cards.
- You get credit card cash advances for living expenses.
- You pay unexpected expenses with a credit card rather than with your savings.
- You occasionally miss payments or pay late.
- Stores refuse to give you credit.
- You get calls from creditors at work or home.
- You have to borrow from others to get by until payday.
- You are at or close to your credit limit on your credit card.
- You are still paying off holiday purchases months after the holidays.
- You borrow from one credit card to pay another one.
A final word on credit cards

Used the right way, credit cards are a useful financial tool. Treat them with respect—don’t abuse them by charging more than you can quickly pay back—and they can add positively to your credit score. The key is to shop around for the card with the lowest APR and best terms you can get and then use it wisely.

Understanding Co-Signed Loans

If a friend or family member asks you to co-sign a loan—beware. Co-signing on a contract to get a loan or buy something is as easy as signing your name, but it comes with a large obligation. When you co-sign a loan, you agree to pay off the loan or purchase price of the item bought if the friend or family member fails to meet his or her obligation. You could be sued to collect the amount owed and you could lose some of your property if it has been put up as collateral for the loan.

Consider these factors if you are asked to co-sign a loan:

- Can you afford to pay off the loan, including any late charges, interest, and penalties assessed if your friend or family member stops making payments?

- Are you willing to put your property at risk if it is required as collateral on the loan?

- Is the person you are co-signing for trustworthy in financial matters? Think especially carefully about this, because if your friend or family member were not a credit risk, he or she would not need you to co-sign the loan.

- Are you willing to have your credit record searched to get the loan and have the obligation for this loan show up as a debt you have on your credit report?

- Are you ready to become the loan collector yourself if the friend or family member defaults on the loan? If they don’t pay and you have to, then you will be responsible for collecting the money you paid back from the friend or family member who let you down.
If, after considering all these factors, you still agree to co-sign a loan, be sure that the contract specifies that you will be notified if your friend or family member falls behind on payments. Also, be sure to get copies of all the important documents relating to the loan or purchase. These include the loan contract, the Truth-in-Lending disclosure statement and all security agreements relating to collateral for the loan.

The bottom line is that co-signing a loan for a friend or family member, no matter how close, may be a bad idea.

If you need to have a friend or relative co-sign for you to purchase an item, it is important to ensure that your name and information are on the loan and the title or deed. If not, you will be making the payments to purchase the item for the person whose name is on the loan. It is also important to ask these questions when making a purchase with a co-signor:

1. Is this a purchase I can afford?

2. What is the exact reason the lender is asking for a co-signor? Is it my lack of credit or the amount of the loan?

3. Can I eliminate the need for a co-signor by changing one of the loan terms or finding a less expensive purchase?

4. Does the person I want to cosign have good financial history and good credit? Is this person someone I can trust?

5. How will it affect the relationship if I can’t afford to pay the loan and my co-signor becomes responsible for the loan? Is the item worth possibly damaging my relationship with this person?

Credit Repair Services

Men and women who cannot get credit because of a bankruptcy or past problems with paying their bills are occasionally tempted to contact a credit repair service. Claims such as “credit cleaned up for $100” and “wipe bad debt from your record” lure people to call. However, no matter how tempting they sound, don’t respond. In fact, as a rule, never pay to have your credit repaired. There are free organizations that will help as much as anyone can and there are some things you can do to help yourself.
If, after this session, you still decide to use a fee-based credit repair company, at least protect yourself by taking several steps:


2. Look at the company’s certification of registration to discover any litigation or complaints filed with the government regarding the company and how they were resolved. You can do this by contacting your state’s Attorney General’s office. To locate a phone number for a particular office, visit www.naag.org and click on the appropriate state.

3. Find out exactly what the company will do to change the information on your credit report before you sign a contract with them. Bear in mind, if the information is accurate and the repair company says they can change it, they are not telling the truth.

**Fair Credit Reporting Act**

If you have been refused credit, you need to know your rights under the Fair Credit Reporting Act. This law protects you against the circulation of incorrect or out-of-date information and regulates the reporting of information to the credit bureaus. This law protects you in three ways:

1. It allows you to obtain a free copy of your credit file from your local credit-reporting agency within 30 days of having credit denied.

2. It limits the credit bureau from reporting information on you beyond seven years, 10 years for bankruptcy.

3. It allows you to challenge, in writing, any item on your credit report that you feel is inaccurate. The credit-reporting agency then has a reasonable amount of time (usually 30 days) to verify the information with the creditor. If it takes longer than a reasonable amount of time, the credit-reporting agency must drop the entry from your file.
Nonprofit organizations to help you

If you are having problems with your credit report, contact the Consumer Credit Counseling Service or a program sponsored by a religious or fraternal organization designed to provide counseling in the area of personal finances. These groups offer their services for free or for a small charge.

To locate the Consumer Credit Counseling Service nearest you, call 1-800-388-CCCS (1-800-388-2227) or write to:

National Foundation for Consumer Credit, Inc.
8611 Second Avenue
Silver Spring, Maryland 29010

No matter what you or credit repair companies do, accurate information will not be removed from your credit report until the seven- or 10-year time period allowed by law has expired.

Six warning signs of an untrustworthy credit repair company

1. You are asked to pay for repair services before any services are rendered.

2. You are encouraged to contact the credit bureau only through them—not on your own.

3. You are not told your legal rights and what you can do about your credit report for free.

4. You are encouraged to dispute all information on your report.

5. You are asked to take actions that are illegal, such as starting a new credit identity.

6. You are offered a home equity line of credit that allows you to consolidate your debts, but also uses your home as collateral. You could lose your home!
Alberto earns $30,000 a year in his warehouse management position. Since he has two young children who are also supported by this income, one in the U.S. and one in Mexico, he discovered that he qualified for the Earned Income Tax Credit (EITC). When it came time to file his income taxes, Alberto saved himself time and money on tax preparation by having the forms prepared for free and filed electronically through the Volunteer Income Tax Assistance Program. For help, he simply called 1-800-829-1040. Through EITC, he received a $4,300 credit on the current year’s tax return.
How do I know if I should pay taxes in the U.S.?

You must pay federal and state taxes on money earned in the United States if you meet these two criteria:

- Your gross income (income before taxes are taken out) exceeds a minimum amount that is determined by your age, marital status and whether you are the head of a household. For more specific information, see IRS filing requirements (Pub. 501) at www.irs.gov/publications, search for 501 and click on the second entry in the list. You can also get this publication from your local IRS office.

- Your status as a U.S. citizen, resident or non-resident alien meets IRS requirements for filing. Resident aliens usually are taxed on their worldwide income, just like U.S. citizens are. Nonresident aliens are taxed only on income from sources within the United States and on some income associated with the conduct of a trade or business in the U.S. For additional information about your status as a resident alien or non-resident alien, see IRS publication 519. You can get this at your local IRS office, or at www.irs.gov/publications, search for 519 and click on the first entry in the list.

Why should an undocumented resident file taxes?

1. When undocumented workers pay taxes they establish that they were in the United States during the year. This proof may be required if a future guest worker program or amnesty program becomes available.

2. Tax returns show marital status, which could provide proof of residence for a spouse’s eligibility for any guest worker or amnesty program. They also document the presence of dependents, establishing their presence in the United States.

3. Filing a tax return shows your ability to support yourself and your family.

4. Filing a tax return allows you to receive tax benefits such as the Child Tax Credit.

5. The desire to file a tax return gives you a legitimate reason for getting an Individual Taxpayer Identification Number. This is a legal tax number that is yours alone.
6. Tax returns serve as proof of income history, which is needed in order to purchase a home or get a car loan.

7. Compliance with U.S. tax laws is often considered evidence of good moral character. Demonstration of good character is required in any immigrant legalization process.

8. Immigrants should pay taxes because it is the law.

**The Individual Taxpayer Identification Number (ITIN)**

The IRS issues an Individual Taxpayer Identification Number (ITIN) to individuals in order for them to file their taxes or be claimed as a dependent on someone else’s tax return when the person does not have, and is not eligible to get, a Social Security Number (SSN) from the Social Security Administration. ITINs are issued regardless of your immigration status, because both resident and nonresident aliens may have to file U.S. tax returns and make tax payments to the IRS. They are issued to help you comply with U.S. tax laws.

ITINs are for federal tax reporting only. They do not authorize you to work in the United States and they do not make you eligible for Social Security benefits or the Earned Income Tax Credit. They are not considered valid for identification outside the tax system. However, they may help with opening a bank account, or obtaining credit.

**People required to get an ITIN**

<table>
<thead>
<tr>
<th>Requirement</th>
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<tbody>
<tr>
<td><strong>U.S. resident aliens (based on days present in the U.S.) filing a U.S. tax return and not eligible for Social Security</strong></td>
</tr>
<tr>
<td><strong>Non-resident aliens who are not eligible for SSN but who want to claim a refund of taxes paid, under the provisions of a U.S. tax treaty</strong></td>
</tr>
<tr>
<td><strong>Dependent or spouse of a U.S. citizen/resident alien</strong></td>
</tr>
<tr>
<td><strong>Dependent or spouse of a non-resident alien visa holder</strong></td>
</tr>
</tbody>
</table>
How to apply for an ITIN

To apply for an ITIN, use the January 2005 revision of Form W-7, Application for IRS Individual Taxpayer Identification Number. You can get this form at your local IRS office, or you can download it online at www.irs.gov, search for W-7 and click on the first entry listed. Send your W-7 form to:

**Internal Revenue Service**
Philadelphia Service Center
ITIN Unit, P.O. Box 447
Bensalem, PA 19020

Instead of mailing your W-7 to Pennsylvania, you can also get help with your W-7 form by visiting your local IRS Taxpayer Assistance Center (TAC). To locate the TAC closest to you and arrange an appointment go to www.irs.gov/localcontacts, click on your state and scroll down to find your city and nearest location. If you would like help by phone in filing for your ITIN number and completing the W-7 form, call 1-800-829-1040.

If you qualify for an ITIN and your application is complete when you send it in, you can expect to receive a letter providing you with an ITIN within four to six weeks.

Filing a Tax Return

Every year you have to file a tax return. Hold on to the items below because you will need them to complete your return:

- All W-2 statements from any employers you worked for during the year. Employers are required by law to mail these statements to you by the end of January of the following year.
- Form 1099, which lists interest earned on any bank accounts and investments you may have.
The Earned Income Tax Credit (EITC) is a refundable federal income tax credit for low-income working individuals and families. When the EITC exceeds the amount of taxes someone owes, he or she qualifies for a tax refund. The EITC has no effect on determining eligibility for Medicaid, Supplemental Security Income, food stamps, low-income housing, or most Temporary Assistance for Needy Families payments.

To apply for EITC, you must work through the Internal Revenue Service (IRS). You need to complete either Form 1040 or 1040A and you must fill out and attach Schedule EIC. You can get these forms at the public library or post office. You can also download them from the IRS at www.irs.gov/formspubs/index.html. You can get free help filling out these forms from Volunteer Income Tax Assistance (VITA), which is open from January through April. To locate the nearest VITA office, call the IRS at 1-800-829-1040. To find out where to mail your tax form, go to www.irs.gov/file/, click on Where to File for Individual Taxpayers By State and then click on your state of residency. On the chart, send your tax form to the address beside the Form 1040 designation.

You can receive your benefit in one of three ways:

1. As an income tax return from the IRS at the end of the year.
2. As monthly increases to your paycheck (up to 60 percent of the credit).
3. As a reduction in the amount of income tax you must pay at the end of the year.

These tips will make filing tax returns easier:

1. Fill out your federal tax return before you fill out your state return. The state return will ask for figures from your federal return, so you should have it completed.

2. Make sure all employers you’ve worked for during the year have your current address at year’s end. They need it in order to send your W-2 statements.

3. Make sure you are not having too much money withheld from your paycheck throughout the year for taxes—a large tax refund can be a sign of this. You can adjust your withholdings by completing a new W-4 withholding form with your employer. You can use the Withholding Calculator provided by the IRS if you are not sure of the right amount of allowances to claim. Go to www.irs.gov/index.html, search for IRS Withholding Calculator.
If you want to receive your benefits as advanced payments, you need to complete a W-5 Form and give the bottom section to your employer. Your employer may have this form. If not, contact the local IRS office or call toll-free 1-800-829-3676. You can file a W-5 any time during the year. Each year you wish to receive EITC, you will need to file a new W-5 form.

Who is eligible for EITC?

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income:</td>
<td>You must have earned income from employment or self-employment.</td>
</tr>
<tr>
<td>Earned income and adjusted gross income must be less</td>
<td>$35,263 if you have 2 or more qualifying children ($37,263 if you are married, filing jointly)</td>
</tr>
<tr>
<td>than:</td>
<td>$31,030 with one qualifying child ($33,030 if you are married, filing jointly)</td>
</tr>
<tr>
<td></td>
<td>$11,750 with no qualifying children ($13,750 if you are married, filing jointly)</td>
</tr>
<tr>
<td>Investment income (such as interest) can be no greater</td>
<td>$2,700 a year</td>
</tr>
<tr>
<td>than:</td>
<td></td>
</tr>
</tbody>
</table>
**Requirements for EITC benefit eligibility (continued)**

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifying child status:</td>
<td>Qualifying children include sons, daughters, stepchildren, grandchildren and adopted children who have lived with the workers in the United States for more than 6 months of the year. Brothers, sisters, stepbrothers, or stepsisters—along with descendants of such relatives—may be claimed as foster children if they resided with the taxpayer more than half the year and were cared for by the family. Other children may also qualify as foster children if they were placed with the taxpayer by an authorized placement agency. You cannot be a qualifying child of another person and file for EITC yourself.</td>
</tr>
</tbody>
</table>
| If you do not have a qualifying child, you must: | - Be at least 25 years old, but under age 65 at the end of the year;  
- Live in the United States for more than half the year;  
- Not qualify as a dependant of another person |
| Citizenship:                         | You must be a U.S. citizen or resident alien all year, or a nonresident alien married to a U.S. citizen, or a resident alien and filing a joint return. You must have a valid Social Security number to file. |

**Your Paycheck Deductions**

When you receive your paycheck, you will that notice a number of deductions are taken out. For instance, if you earn $400 (working 40 hours at $10 an hour), your paycheck won’t be $400. Your employer is required by law to take a certain amount of your paycheck in deductions.
What your paycheck must show

Your paycheck must show your gross pay (pay before deductions), your deductions (mostly taxes), and your net pay (what is left for you). Taxes include federal income tax, state income tax, and if you are a U.S. citizen, Social Security and Medicare taxes (which may show on your paycheck as a combined amount referred to as FICA, which stands for Federal Insurance Contributions Act).

If you earn $200 a week, you can expect deductions something like those shown. However, remember, your actual taxes vary depending on the state where you reside and the number of dependents you claim on your W-4:

| Deductions you should expect to see on your paycheck |
|----------------------------------------|------------------|------------------|------------------|
| **Tax**                                | **Amount**       | **Calculation**  | **Deduction Amount** |
| Federal Income Tax                     | 11 percent of gross pay | $200 x 0.11 | $22.00          |
| State Income Tax                       | 4 percent of gross pay | $200 x 0.04  | $8.00           |
| Social Security Tax (U.S. citizens)    | 6.2 percent of gross pay | $200 x 0.0620 | $12.40          |
| Medicare Tax (U.S. citizens)           | 1.45 percent of gross pay | $200 x 0.0145 | $2.90           |
| **Total Deductions**                   |                  |                  | **$45.30**      |

| Gross and Net Pay                      |
|----------------------------------------|------------------|------------------|
| **Gross pay**                          | **Sum of deductions** | **Net pay** |
| $200                                   | $45.30           | $154.70         |
Consuelo had always been a good student. When high school graduation neared, she dreamed of going to college, but wondered where she would get the money. She applied, and was accepted, at the nearby state university. Consuelo made an appointment with her high school guidance counselor to see if there were any scholarships suited to her situation. To her delight, she discovered there was financial assistance available through the federal and state government. The first step was filling out a FAFSA form, a Free Application for Federal Student Aid. She did this, as well as filling out GPA verification form to make herself eligible for aid. In addition, the counselor knew of two scholarships reserved specifically for Latino students for which she could apply. Consuelo discovered that where there is a will, there is a way to reach your goal—even attending college.
Individual Development Accounts (IDAs) for Post-Secondary Education

As discussed in Session 5, Individual Development Accounts (IDAs) are savings accounts that help earn special rewards for every dollar they save. One of the primary reasons people use an IDA is to save for college. Through an IDA, you can save a maximum of $125 a month ($1,000 per year) toward education and have the savings matched 2:1. This means that when you save $1,000, the IDA will match with another $2,000, yielding a total of $3,000 a year toward education costs. For more information on IDAs, contact your state’s Temporary Assistance for Needy Families (TANF) agency.

Financial Aid: Scholarships, Grants, and FAFSA

There are basically four types of financial aid available to help students pursue higher education. These are grants, scholarships, work-study programs, and loans. Grants and scholarships are considered “gift aid” because the student does not have to pay them back.

Scholarships are funds for education awarded on the basis of merit or special interest in a particular area. Students should ask the admissions office of the school they wish to attend for information on financial aid programs, requirements, and deadlines.

Many scholarships are awarded for outstanding scholastic performance. Others, however, are awarded based on membership in an ethnic group, achievement in sports, religious affiliation, and other interests and abilities. Don’t overlook the possibilities available from organizations within your own community and state.
For more information on scholarships, go to www.mapping-your-future.org, click Paying for School, and then follow the scholarship links. For additional information about opportunities specifically to help Latino students, go to www.studentaffairs.depaul.edu/omsa, click on “Click Here to View Available Scholarships,” and then click on any of the links under Latino for an array of scholarship opportunities. MALDEF also has a number of scholarships that are available regardless of legal status. Go to www.maldef.org or write to Mexican American Legal Defense and Educational Fund, 634 South Spring St., Los Angeles, CA 90014 or call 1-213-629-0830.

The Hope Scholarship Tax Credit

One tax benefit worth investigating is the $1,500 HOPE Scholarship Tax Credit which makes the first two years of college universally available to children of taxpayers. Tax credits are subtracted from the tax your family owes, instead of subtracting them from taxable income like a tax deduction. Your family must file a tax return and owe taxes to get this tax credit. Learn more about the HOPE Scholarship at http://www.ed.gov/offices/OPE/PPI/HOPE/index.html. There are other tax benefits available as well that are worth investigating at http://www.irs.gov/pub/irs-pdf/p970.pdf and at http://www.irs.gov/individuals/students/index.html.

Federal Pell Grant

Grants are money for education awarded on the basis of financial need. This grant helps undergraduate students with financial need attend any eligible public or private institution.
FAFSA

Free Application for Federal Student Aid (FAFSA) is the official government form you must complete to get started applying for any type of financial aid. You'll find the form online at www.fafsa.ed.gov You can also get it by calling 1-800-433-3243, by visiting a public library, or by asking for it at a college's financial aid office.

If you decide to fill out FAFSA on the Web, complete the Pre-Application Worksheet on paper first. This will allow you to fine-tune your answers before completing and submitting the actual form.

Other Types of Financial Aid

Often a grant or scholarship alone is not enough to pay for higher education. A student may need to rely on work-study programs and education loans from financial institutions, such as banks or credit unions, to round out their educational financing.

Federal Work-Study Program

The Federal Work-Study Program helps students get funds for higher education by providing jobs to undergraduate and graduate students with financial need. Money earned must be applied to the costs associated with higher education.

For specific information about work-study opportunities, talk to the financial aid officer at the school you or your child wish to attend or visit the Hispanic Scholarship Fund at www.hsf.net/steps/fa.php.
## Education loans

### Comparison of student, parent and private education loans

<table>
<thead>
<tr>
<th>Student Loans</th>
<th>Definition: Money for college is lent to the student, who is responsible for repayment.</th>
<th>Stafford Loan: Dependent undergraduates can borrow up to $2,635 their freshman year, $3,500 their sophomore year, and $5,500 each during their junior and senior years. For more information on this loan, go to <a href="http://www.finaid.org">www.finaid.org</a>, click on Loans and follow the links.</th>
<th>Perkins Loan: This is the best student loan available and it is awarded strictly to students with exceptional financial need. The colleges themselves administer this loan, and each has only a limited amount of funds available each year from the federal government. The college’s financial aid officer determines the exact amount of loan you can receive. The maximum amount any student can receive by federal law is $4,000 a year. For more information about the Perkins Loan, visit <a href="http://www.finaid.org">www.finaid.org</a> and click Loans.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parent Loans</td>
<td>Definition: Funds are lent to the student’s parents.</td>
<td>Federal Parent PLUS Loan: One of the most popular loans for parents of undergraduate students, the PLUS loan helps parents with good credit histories pay for education at approved colleges and universities. For more information on PLUS loans, visit <a href="http://www.parentplusloan.com">www.parentplusloan.com</a>.</td>
<td></td>
</tr>
<tr>
<td>Private Education Loans</td>
<td>Definition: Loans available from private lenders such as banks and credit unions. These loans offer additional financial assistance to students who have used up the limited funds available to borrow through the federal government. For more information about private education loans, see a representative at your local bank.</td>
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</tbody>
</table>
Angie and her sister Elisa were eager to move their families out of a rented apartment they shared and into a home of their own, where they could start earning equity. However, when they looked at their finances, they knew they would never qualify individually for a mortgage on even a modest home. Working with an understanding real estate agent, they located a HUD home that needed significant work but that was large enough to easily accommodate the two families. They knew fixing up the home was no obstacle because their brothers worked in construction and would be glad to help them repair the home at very little cost. Through innovative financing arrangements, the agent helped the women secure a mortgage based on both their family incomes. Through this mortgage and money they had saved through their Individual Development Accounts, Angie and Elisa were able to move themselves and their children into a large home that was all their own.
The American dream

Owning a home, a place to call your own, is a dream shared by thousands of families in the United States. It is an accomplishment to be proud of, but also a profound responsibility. In this session, we will take a close look at the pros and cons of owning a home and some of the choices you will need to make if you decide that home ownership is a goal you want to pursue.

Advantages and Disadvantages of Home Ownership

When you consider purchasing a home, you need to have your eyes wide open. This chart summarizes some of the advantages and disadvantages you will need to weigh before you buy a home:

<table>
<thead>
<tr>
<th>Advantages and disadvantages of owning a home</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advantages of Owning a Home</strong></td>
<td><strong>Disadvantages of Owning a Home</strong></td>
</tr>
<tr>
<td>Stability of owning</td>
<td>Taxes</td>
</tr>
<tr>
<td>Security and peace of mind</td>
<td>Must pay property taxes.</td>
</tr>
<tr>
<td>Set housing costs</td>
<td>Homeowner’s insurance</td>
</tr>
<tr>
<td>With a fixed-rate mortgage, your payment stays the same. Renters have to worry about rent increases.</td>
<td>Because you own more, this will cost more than your rental insurance.</td>
</tr>
<tr>
<td>Appreciation</td>
<td>Utilities</td>
</tr>
<tr>
<td>Your home is an investment that likely will grow in value over time. You may make a profit when you sell your home if you have owned it long enough for its value to grow. You get nothing back when you rent.</td>
<td>Renters often have their utility costs included in the rent; homeowners pay these costs separately.</td>
</tr>
<tr>
<td>Tax advantages</td>
<td>Maintenance</td>
</tr>
<tr>
<td>Homeowners can claim their mortgage interest as a deduction on their federal income tax return. Renters can deduct nothing from their rental costs.</td>
<td>You are responsible for all upkeep; there’s no calling the manager and letting him or her deal with a broken water pipe or leaky faucet.</td>
</tr>
<tr>
<td>Commitment to a community</td>
<td>Commitment to a community</td>
</tr>
<tr>
<td>A sense of belonging.</td>
<td>If you plan to be moving within a couple of years, owning a home may not be a wise decision.</td>
</tr>
<tr>
<td>Other costs</td>
<td>Other costs</td>
</tr>
<tr>
<td>You may be responsible for homeowners’ association fees.</td>
<td></td>
</tr>
</tbody>
</table>
How Much Home Can You Afford?

Determining how much money you can afford to spend on a home is very important. Again, the credit process in the United States is different from other countries and it is important to independently decide how much you can afford to borrow and stick to that number or less. Base your decision on these considerations:

- Your monthly income and its stability
- Your total monthly expenses, including money for food and entertainment
- Savings—including money you continue to set aside for an emergency fund and ongoing savings toward other goals
- The money you have saved through a savings account, investment, or Individual Development Account for a down payment
- Estimated closing costs your realtor tells you to expect

In addition to these things, the lender you use will also look at your credit history and FICO score (see Session 6). To help you get an idea of how much you can afford to pay for a home, go to www.hud.gov, click on Buying under Homes, then “Figure out how much home can you afford,” and then “How much home can you afford.” Fill in the numbers to get an estimate of the size of mortgage you will be able to manage.

For help with closing costs and the down payment, go to www.hud.gov, click on “Buying” under “Homes”, click “Home buying programs in your state” and your state to locate a list of resources to help you get into your first home.
Know Your Rights as a Buyer

There are laws to protect the rights of those purchasing homes in the United States. By being aware of the laws described in this chart, you will be able to avoid dishonest and unlawful tactics you may encounter with unscrupulous lenders, realtors, and other providers:

<table>
<thead>
<tr>
<th>Law</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Fair Housing Act</td>
<td>Prohibits discrimination in renting or buying on the basis of race or color, national origin, religion, family status, gender, or disability</td>
</tr>
<tr>
<td>Real Estate Settlement Procedures Act</td>
<td>Requires that consumers receive disclosures at appropriate times during the transaction and outlaws kickbacks that increase the cost of settlement services</td>
</tr>
</tbody>
</table>

Mortgage borrowers’ rights

- You have the RIGHT to shop for the best loan and compare the charges of different mortgage brokers and lenders.
- You have the RIGHT to be informed about the total cost of your loan, including the interest rate, points, and other fees.
- You have the RIGHT to ask for a Good Faith Estimate of all loan and settlement charges before you agree to the loan and pay any fees.
- You have the RIGHT to know what fees are not refundable if you decide to cancel the loan agreement.
- You have the RIGHT to know how much the mortgage broker is getting paid by you and the lender for your loan.
- You have the RIGHT to ask questions about charges and loan terms that you do not understand.
- You have the RIGHT to a credit decision that is not based on your race, color, religion, national origin, sex, marital status, age, or whether any income is from public assistance.
- You have the RIGHT to know the reason if your loan was turned down.
- You have the RIGHT to ask for the HUD settlement costs booklet “Buying Your Home.”
Shopping for a Mortgage

Taking out a mortgage for a home is one of the most important decisions you will make. It can impact your budget for up to 30 years (the length of a traditional mortgage). It pays to shop around and get the best deal possible.

Where to go for a mortgage

You can get a home loan from several different places including banks, mortgage companies, thrift institutions, mortgage brokers, and credit unions. Check with more than one source because they may offer you different interest rates. Mortgage loans are one of the least regulated loans and so it’s important to be careful when shopping for a loan. Using the same loan amount, loan term (length), and type of loan, compare figures on interest rate, points (fees paid to the lender or broker), other fees, down payment, and private mortgage insurance. You need to be aware of these considerations when shopping for a loan:

<table>
<thead>
<tr>
<th>Mortgage cost considerations and questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Consideration</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Interest Rate</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Points</td>
</tr>
<tr>
<td>Fees</td>
</tr>
<tr>
<td>Down payment and private mortgage insurance (PMI)</td>
</tr>
</tbody>
</table>
First-Time Home Buyer Programs

There are a number of programs offered by federal and state agencies and private lenders to help low-income families, military veterans, or first-time buyers get into a home of their own. Both the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) are federal agencies that have introduced many programs for first-time and low-income buyers. Both have programs requiring down payments as low as 5 percent, with two-fifths of that coming from gifts or other special assistance. The Freddie Mac program is called “Affordable Gold,” and Fannie Mae’s plan is the “Community Homebuyer” program. These programs are available through the regular avenues you would go through to get a mortgage, such as a bank or credit union.

For information about first-time home buyer programs available through your state, go to www.hud.gov, click on “Buying” under “Homes,” click “Home buying programs in your state” and your state name. For programs available through private lenders, contact a mortgage lender.
Francisca was a skilled embroidery artist, seamstress, and craftsperson who dreamed of owning her own sewing business. By being frugal, she managed to save $10,000 from her wages as a seamstress for a sports clothing manufacturing firm. Francisca decided it was time to put her dream into action. First, she checked out a book about small business at the public library and used a business plan example she found in it as a template for creating her own business plan.

Next, she found an ideal business location in a quaint little store building on a high-traffic avenue. Armed with the facts and her business plan, she went to her bank to meet with a loan officer and request a small business loan. The banker was impressed with her plans and her savings, and lent her $10,000 to start her business. That was five years ago. Today, Francisca holds embroidery, quilting, and sewing classes three afternoons a week; sews purses that sell for $150 and up; and handles alterations for dozens of people and clothing stores in the community. She employs two women, and one intern from the local design school. Her loan from the bank was repaid two years ago. She is definitely living the American dream.
Where to Look for a Job

Finding a job can be a challenging prospect, especially if you are dealing with a language barrier and customs different from those you know well. The best way to find a job is to know someone who already works in the business where you are hoping to be hired. Your family and friends are great resources. Ask them if there are openings where they work, if they will refer you to their manager or if you can at least use them as references. This list includes good places to begin looking for a job:

- **The classified ad employment section in your local newspaper**
  Jobs are typically organized by job skills required, but look through the entire employment section because occasionally an ad will appear under one heading and list jobs across multiple skill sets. For example, an ad under accounting might read, “hiring an accountant, receptionist, and two cafeteria servers.” If the receptionist candidates and cafeteria server candidates didn’t read the accounting ads, they would never know about these openings.

- **State job service offices**
  These free employment firms are operated by the states where they are located and represent a broad range of jobs. They have counselors skilled at helping people find jobs well suited to their skills. You can locate a job service office near you by looking in the state government section of your local yellow pages directory or use an online search engine on the computer and search for “job service” and your state and city name.

- **Friends, family and neighbors**
  As mentioned previously, a recommendation from someone who knows you, and who is already employed in the business where you want to work, is often the best way to find a job.
**Temporary services**

If you are looking for day labor or temporary work, consider visiting the office of a local temporary agency that provides employees for short-term assignments. Check your local yellow pages directory under temporary employment or day labor for locations and phone numbers for these businesses.

**Companies and corporations**

Visit businesses where you would like to work and ask if they are hiring and if you can fill out an application.

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**The Interview**

Before you are hired you will most likely be called into a prospective employer’s office for an interview. This is your opportunity to showcase your abilities and convince the employer that you are right for the job. It is also the time to get answers to your questions about the company and the job. The tips here, as well as the sample interview questions that follow, will help you make the most of this opportunity.

**10 ways to make a positive impression in a job interview**

1. Arrive 5 minutes early for your appointment. Never be late.

2. Prepare for your interview:
   - Practice the interview with a friend.
   - Get a full night’s sleep the night before your interview.

3. Dress the part. Appearance counts. Be well-groomed.

4. Look the interviewer in the eye and be pleasant.

5. Never answer with a simple “yes” or “no.” Use your answers to emphasize your strengths. During the interview make sure you explain why you want the job and why you should have it.
6. Think about questions they might ask and prepare answers ahead of time.

7. Do not chew gum or tobacco or smoke.

8. Do not speak badly of former employers, no matter how badly you were treated by them.

9. Show enthusiasm in your voice and manner.

10. Thank the interviewer at the end, shake his or her hand.

Questions to expect in an interview

If you are at ease, you will feel more confident during your interview, and confidence is a key part of interview success. By preparing beforehand, you will be more confident during an interview. Practice answering the following common interview questions with a friend or relative before going to an interview, and you’ll make a positive impression with your prospective employer.

Q. Tell me a little bit about yourself.
A. Use your answer to describe your work as an employee. This is not the time to talk about your hobbies, family, girlfriend or boyfriend, or car.

Q. Have you ever done this type of work before?
A. If you have done the type of work before—or if you’ve used some of the skills required to succeed in the job before—provide a brief overview of your experience. If you are new to the line of work, express your eagerness and willingness to learn.

Q. What did you like most/least about your last job?
A. Be careful with this question. The wrong answer can make you seem like a problem employee. If you say anything negative about your former job, always couple it with a positive.

Q. Do you have any questions for us?
A. Make sure you have some questions ready to demonstrate your interest in the position and show that you prepared for the interview. You might ask for more information on the specific skills that would be an asset to you in the position, whether this is a newly-created position, or if there are opportunities to increase your skills.
Questions that are illegal for an employer to ask in an interview

Federal and state law does not allow prospective employers to ask you an interview question based on race, religion, creed, sex, or age. However, some employers, especially those in small companies, are not aware of these restrictions. You can choose to: a) answer the question, overlooking its illegality, b) tactfully point out that the question is illegal, or c) address the concern behind the question, overlooking the illegal question itself. Keep in mind that, while technically you don’t have to answer the question, if not doing so offends the interviewer, you might not be hired.

<table>
<thead>
<tr>
<th>Illegal questions and legal alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illegal</td>
</tr>
<tr>
<td>What was your maiden name?</td>
</tr>
<tr>
<td>As a child, what language did you speak at home?</td>
</tr>
<tr>
<td>When were you born?</td>
</tr>
<tr>
<td>Are you a citizen of Mexico?</td>
</tr>
<tr>
<td>What race are you?</td>
</tr>
<tr>
<td>Have you ever been arrested?</td>
</tr>
<tr>
<td>Are you physically disabled?</td>
</tr>
<tr>
<td>Would your religion keep you from working on Sunday?</td>
</tr>
</tbody>
</table>

Two items to bring to the interview

1. Your driver’s license, government-issued identification card, proof of authorization to work in the US (in case you are hired and the employer wants to fill out the I-9 that day).
2. Your references.
Keeping Your Job

Once you make it through the interviewing process and accept a job, you’re ready to start work.

10 tips to help you keep a job

1. Always be on time and eager to begin work.

2. Dress according to the dress code, if there is a written dress code. If not, dress similarly to others in your position.

3. Keep personal problems at home. Don’t bring your troubles to work.

4. Be honest—never steal from your employer, your fellow employees, or customers.

5. Do not be defensive—accept criticism and learn from mistakes.

6. Do not abuse sick leave. Have a good attendance record.

7. Do not gossip.

8. Conserve company supplies—save company money.

9. Be flexible and willing to adapt to change.

10. Be a team player and support others.

The Self-Employment Option

Do you like the idea of working for yourself and being your own boss? If you have a special skill or even are simply willing to work hard, self-employment may be a smart career option for you. Certainly, self-employment provides advantages such as flexible hours, the opportunity to work from home, and the chance to be more in control of your day.
Here are questions to ask yourself before you pursue self-employment:

- Do I have skills that could be converted into a business?
- Am I organized and focused? Do I see things through to completion?
- Does my family support the idea of me being self-employed?
- Is there a market for the business I am thinking of opening?
- Can I do this on my own or will I need partners and/or financing?
- Do I have the equipment I need to get started?
- Can I work from home or do I need to rent office space?

**Managing the flow of money**

One of the most challenging aspects of self-employment is making sure you consistently have enough money coming in to cover expenses. Your savings is doubly important when you are working for yourself, and it is wise to keep more money in savings to cover the ups and downs of cash flow. Follow these tips to protect you from a cash flow crisis:

- Get everything in writing with a signature before you do the work.
- Get a deposit to begin work and require partial payment while work is in progress.
- Request payment on delivery.
- Accept credit cards rather than personally extending credit.
- Bill as soon as a job is completed. Do not wait till the end of the month for billing.
- Look over your business financials each week to see how you are doing.

For more information to help you get started in your own business, go to www.sba.gov, the site of the Small Business Administration. Also visit www.nase.org, and consider becoming a member of the National Association for the Self-Employed.
By saving his money, Esteban had set aside enough cash to buy a pre-owned sports car. Since he knew collision and liability insurance were required for car owners in his state, he contacted an insurance agent before he made his purchase to find out what he would have to pay for coverage. He was surprised to learn that insuring a sports car was about twice as expensive as covering a regular sedan, such as a Ford Escort, or Nissan Sentra. Based on his findings, Esteban avoided buying the sports car and instead opted for a pre-owned Sentra in his favorite color. The car was cheaper, the insurance cost less, and now Esteban has more money left from his paycheck to cover gasoline.
Why you need it

Insurance is one of those purchases that nobody wants to pay for, but when trouble comes, they are so glad they did. While you don’t want to go overboard and purchase too much insurance, having too little insurance can bring financial ruin overnight. There are many different types of insurance. Some are essential, some are rip-offs, and some are required by law.

Types of Insurance

<table>
<thead>
<tr>
<th>Types of Coverage</th>
<th>Why the Coverage is Issued</th>
<th>Necessary or Not?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Insurance</td>
<td>To pay doctor bills, hospital bills, prescriptions, rehabilitation, etc. The level of coverage determines the services covered and the amount paid.</td>
<td>Necessary—often this coverage is available through an employer. Some employers split the cost with employees and give them the opportunity to pay for coverage for children and a spouse. Self-employed persons need to investigate coverage through such groups as the National Association for the Self-Employed at <a href="http://www.nase.org">www.nase.org</a> and your local chamber of commerce.</td>
</tr>
<tr>
<td>Car Insurance</td>
<td>To pay for repairs to your vehicle and other vehicles if you are at fault in an accident. Covers medical costs for you and others if you are the cause of an accident, etc. The level of coverage determines what’s covered and the amount paid.</td>
<td>Necessary—some coverage is required by law if you own a vehicle.</td>
</tr>
<tr>
<td>Home-owner’s Insurance</td>
<td>To cover damage or loss to your home through theft, fire or other cause. Covers those on your property if someone gets hurt. The level of coverage determines what’s covered and the amount paid.</td>
<td>Mandatory if you own a home.</td>
</tr>
<tr>
<td>Types of Coverage</td>
<td>Why the Coverage is Issued</td>
<td>Necessary or Not?</td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Renter’s Insurance</td>
<td>To replace your belongings or pay you for them if they are stolen, damaged, or destroyed in your rented home. The level of coverage determines what’s covered and the amount paid.</td>
<td>Necessary if you rent your place of residence.</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>To pay your family an amount of money if you die. There are many different types of life insurance including whole life, term life, guaranteed issue life, universal life and others.</td>
<td>Necessary if you have people who depend on you for financial support, or who would be called upon to pay for your burial expenses.</td>
</tr>
<tr>
<td>Mortgage Life Insurance</td>
<td>To pay your mortgage if you die.</td>
<td>Generally considered a poor investment.</td>
</tr>
<tr>
<td>Credit Card Insurance</td>
<td>To pay off your credit card balances if you die; makes payment on your credit cards if you are unable to work.</td>
<td>Generally considered a poor investment.</td>
</tr>
<tr>
<td>Flight Insurance</td>
<td>To pay your heirs if you are killed in an airplane crash.</td>
<td>Generally considered a poor investment.</td>
</tr>
<tr>
<td>Long-Term Care Insurance</td>
<td>To pay for your long-term nursing home care should you become disabled.</td>
<td>Growing in popularity; considered a good investment by many.</td>
</tr>
</tbody>
</table>
Where to Purchase Insurance

You can buy insurance through an insurance agent, and there are hundreds listed in the phone book. Be sure to compare a number of insurance plans before you buy to get a fair deal on coverage you need. It is wise to ask a trusted friend or family member who is insured for their recommendation on a reputable insurance agent.

What matters most in my choice—price?

Certainly, price is an important consideration. You need to be able to afford the premiums for your coverage. That said, imagine how upset you will be if you’ve been paying premiums on coverage all along and then are left with a huge bill of uncovered expenses when you file a claim. Here are some key considerations in selecting insurance:

1. Can I afford the monthly premiums?
2. Does the plan cover all my family’s needs?
4. Have there been a lot of complaints filed against the company? If so, you will want to look elsewhere for your coverage. You can check on a particular company’s record at the Better Business Bureau—look up in your area phone book for information on local agencies.
5. Could you save money and hassle by purchasing multiple types of insurance from a single agent or company? The answer to this question is often yes, and it certainly is worth bringing up with any agent or insurance company you contact.
Don’t risk it

It may be tempting to put off buying insurance until you can better afford it. This is a mistake. All it takes is one unfortunate situation—a car accident, sudden illness or fire—and you could lose everything. The time to get insurance is before an unfortunate event happens. If you try to get it after the fact, your situation won’t be covered. What’s more, depending on the insurance company and the situation, you may find that costs go up if you wait and try to get a policy after an unfortunate situation has occurred.

Obstacles to getting coverage

A rule of thumb is: get coverage in place before you need it. For example, if you are already ill, it may be difficult to get health insurance and it will certainly be more expensive than it would be if you were in good health. The exception to this is health coverage you get through an employer. Typically, you will be covered with this insurance regardless of your health, as long as you enroll as soon as you are eligible.

When it comes to life insurance, the situation is similar. The younger you are when you apply for life insurance and the better health you are in, the lower the premium you will pay for coverage. The exception to this is guaranteed issue term. This coverage typically offers a fairly low benefit amount and does not check your health to issue coverage. Occasionally called “burial insurance,” these plans basically give the beneficiaries enough money to bury the policyholder and maybe pay a few bills.
Resources

The resources listed here are not meant to be a comprehensive list. Rather, this is a compilation of readily available resources.

Comprehensive Resource Guides

Anuario Hispano—Hispanic Yearbook*
6718 Whittier Avenue, Suite 130
McLean, VA 22010
1-703-734-1632
Print: $29.95 per copy; Internet: free
www.hispanicyearbook.com
*Available in Spanish

National Directory of Hispanic Organizations
The Congressional Hispanic Caucus Institute
911 2nd Street NE
Washington, DC
1-800-392-3532
Print: $5.00; Internet: free
www.chci.org
Click on Publications on the main menus for the National Directory.

Advocacy/Civil Rights

Catholic Charities USA
1-703-549-1390
www.catholiccharitiesusa.org

Cuban-American National Council
Miami: 1-305-642-3484
www.cnc.org

League of Latin American Citizens
1-202-833-6130
1-877-585-2301
www.lulac.com

Mexican American Legal Defense and Educational Fund
1-213-629-2512
www.maldef.org

National Council of La Raza
1-202-785-1670
www.nclr.org

Business/Microenterprise

Hispanic Business
www.hispanicbusiness.com

Child Care

Committee for Hispanic Children and Families
1-212-206-1090
www.chcfinc.org

College Education

Hispanic Association of Colleges and Universities
1-800-780-4228
San Antonio, Texas: 1-210-692-3805
Washington, DC: 1-202-833-8361
Sacramento, Calif.: 1-916-442-0392
www.hacu.net
Click Members and then HACU’s Members to view members sorted by state.

Hispanic Scholarship Fund
1-877-473-4636
www.hsf.com
Secondary Education
ASPIRA Association, Inc.
www.aspira.org

Employment
Job Latino
www.joblatino.com
Labor Council for Latin American Advancement
1-202-508-6919
www.lclaa.org

Employment/Corporate Responsibility
Hispanic Association of Corporate Responsibility
1-202-835-9672
www.hacr.org

Health/General
The National Alliance for Hispanic Health
1-866-783-2645
www.hispanichealth.org
US Department of Health and Human Services—Office of Minority Health
1-800-444-6472
www.hispanichealth.org

Health/Adult
Medicare
1-800-Medicare or 1-800-633-4227
www.medicare.gov

Health/Alcohol and Drug Prevention and Abuse
Center for Substance Abuse Treatment
http://csat.samhsa.gov
National Council on Alcoholism and Drug Dependence, Inc.
1-212-269-7797
1-800-622-2255
www.ncadd.org
U.S. Department of Health and Human Services
1-800-729-6686
TDD: 1-800-487-4889
Spanish: 1-877-767-8432
www.health.org
Click the Quick Facts drop down menu, then scroll down to Hispanic/Latinos and click to view publications and multimedia expressly for Hispanics.

Homeownership
Fannie Mae
1-800-732-66-43
www.fanniemae.com
Fannie Mae Homebuying Guide
1-800-665-0012
www.homebuyingguide.org
Freddie Mac
Becoming a Homeowner
www.freddiemac.com/creditsmart/
Latino Community Credit Union
1-919-530-8800
www.cooperativalatina.org

International Relations
Hispanic Council on International Relations
1-202-776-1754
www.hcir.org

Philanthropy
Hispanics in Philanthropy
1-415-837-0427
www.hiponline.com
Politics
National Association of Latino Elected Officials and NALEO Educational Fund
1-323-216-2370
www.naleo.org

Professional Accounting and Finance
Association of Latino Professionals in Finance and Accounting
1-213-243-0004
www.alpfa.org
Click Chapters to view local news, programs, and events.

Professional General
Spanusa
1-914-381-5555
1-800-479-8599
www.spanusa.net

Health
Hispanic-Serving Health Professions Schools, Inc.
www.hshps.com

Journalism
National Association of Hispanic Journalists
1-202-662-7145
1-888-346-6245
www.nahj.org

Law
Hispanic National Bar Association
www.hnba.com

Publications
National Association of Hispanic Publications
1-202-662-7250
www.nahp.org
Click Who We Are and then Member Publications to view regional and local Hispanic publications.

National Directory of Hispanic Organizations
1-800-392-3532
1-202-543-1771
www.chci.org

Retirement
National Hispanic Council on Aging
www.nhcoa.org

U.S. Government
National Contact Center
1-800-333-4636

Veterans
American GI Forum
1-866-244-3628
www.agif.org

Youth
ASPIRA Association, Inc.
www.aspira.org
Congressional Hispanic Caucus Institute
1-800-392-3532
www.chci.org
Acknowledgments

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NEFE is an independent nonprofit organization committed to educating Americans about personal finance and empowering them to make positive, sound decisions to reach their financial goals. NEFE prides itself on the programs and publications it provides to all constituents, but especially those targeted to young people, who hold the promise of a stronger and healthier society in their hands. The National Endowment for Financial Education, NEFE, and the NEFE logo are federally registered service marks of the National Endowment for Financial Education. For more information about the National Endowment for Financial Education, visit www.nefe.org.

MALDEF, founded in 1968, is a national, nonprofit organization with a mission to protect and promote the civil rights of the more than 40 million Latinos living in the United States. MALDEF works to ensure that there are no artificial barriers or unfair obstacles preventing the diverse Latino community from realizing its full potential and achieving its dreams. MALDEF secures the rights of Latinos, primarily in the areas of (1) education, (2) political access (3) employment, (4) immigrants’ rights, and (5) strengthening the Latino middle class. MALDEF achieves these objectives through public policy advocacy, community education, leadership development, and a legal strategy including litigation.

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A Guide to Family Finances for Latinos Living in the United States