

1-5: When There’s Too Much Debt

<p><u>Cast List</u></p> <ul style="list-style-type: none"> • Terri • Phil, the show’s producer • Credit Counselor, 40s, black male, Jay Broderick • Mother, 40s, black female, Tonya <p><u>Synopsis</u></p> <ul style="list-style-type: none"> • Niece of a single mother wrote in, concerned about her aunt’s debt • Terri and Credit Counselor “ambush” her in a park as her two young children play nearby • They discuss with her the importance of getting out of debt and how to do it <p><u>Location</u></p> <ul style="list-style-type: none"> • Park 	<p>A. Debt Can Become Overwhelming</p> <ul style="list-style-type: none"> a. It is easy to get into debt, either through overspending or emergency – job loss, hospitalization, etc. b. It may be in your creditors' interest to help you c. Take it one step at a time <p>B. Prioritizing Expenses</p> <ul style="list-style-type: none"> a. Family health & safety – rent, mortgage, utilities, food b. Utilities may offer assistance c. Pay off high-interest loans first <ul style="list-style-type: none"> i. Review APR on credit cards ii. Don't take out more credit to pay credit <ul style="list-style-type: none"> 1. Beware of cash advances, debt consolidation offers <p>C. Credit Counseling Organizations</p> <ul style="list-style-type: none"> a. How they can help <ul style="list-style-type: none"> i. Spending ii. Repayment plans iii. Education iv. Personalized plan b. Proceed With Caution <ul style="list-style-type: none"> i. Debt consolidation at high interest ii. "Special legal procedures" c. How to Choose a reputable Credit Counselor <ul style="list-style-type: none"> i. FTC ii. HUD iii. Process <ul style="list-style-type: none"> 1. Interview 2. Better Business Bureau, state attorneys 3. Questions 4. Don't send deposit or personal data until agreement <p>D. Bankruptcy – A Last Resort</p> <ul style="list-style-type: none"> a. Get credit counseling first b. Chapter 7 and 13 c. Pros and cons
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Theme music up

Terri is in a park.

TERRI: *This is The “Money Smart Podcast Network With Terri and Darryl.” Darryl is on vacation this week.*

Music down

We hear very faint “park ambiance” – rustling tree leaves, some birds

TERRI: This podcast series was created to help you know more about money and banking. During each podcast, we address some of your most pressing questions and talk to experts who can help give us some answers and understanding.

Today, we’re focusing on a problem that far too many of us share: too much debt. Listener Latisha Jones wrote to us about her aunt, Tonya:

“My Uncle Joe died last year. My Aunt Tonya had to go back to work, and I know she’s not doing well. My mother says she’s been taking things to the pawnshop to get clothes and toys for my cousins, and my dad says she still owes the hospital for Uncle Joe’s medical care. She won’t talk to my parents, or ask for help. What can we do to help her?”

Credit Counselor Jay Broderick is coming with me to Spring Park, Minnesota, to offer Tonya some advice on how she can get out from under her debt.

Park ambiance up slightly

It’s a beautiful day here in the park, with the sun glinting through the oaks. Latisha let us know Tonya comes here every weekday afternoon with her two boys. Thanks to Latisha’s description, we see Tonya (*looking*)...right over there at the playground on that bench.

Sound of footsteps on grass. As Terri and Jay get closer, we begin to hear some faint children giggling, maybe a “gimmee that back!”

TERRI: Tonya? I’m Terri. I host The “Money Smart Podcast Network with Terri and Darryl.” Your niece Latisha asked us to talk to you today.

TONYA: I heard of you, alright. But darn that Latisha!! What did she tell you?

TERRI: She knows how hard you’ve been working since your husband passed last year, and she’s worried because you won’t let your family help you with your finances.

TONYA: My financial problems is no one’s business.

TERRI: I understand. But Latisha knows our show helps a great many listeners. With so many people struggling...if you look around the park, I bet every person here has some debt, including me. And I bet a lot of these people have, what feels like overwhelming debt.

TONYA: ...and?

TERRI: We’d like to talk to you for a few minutes, and maybe give you some help on how to manage your debt. This is a way to help people who are facing hard debt problems – and Latisha told us how much you like to help others.

TONYA: (*warming a little to the idea*) I suppose.

TERRI: Thank you! This gentleman next to me is Jay Broderick. He’s a credit counselor in the area, who helps good people like you get back on track.

JAY: Hello, good to meet your Tonya.

TONYA: You’ll have to stay with me here so I can keep an eye on my kids.

Sound of the two sliding onto the bench next to Tonya.

TERRI: Oh! Which ones are they?!

TONYA: That's Joseph Junior over there. He's 8. He just went down the slide. And over there...in the bushes? (*to child, sternly*) Jamison! Now you stop throwing acorns at that poor squirrel! (*sighing, sitting back down*) Jamison is a handful at six.

TERRI: Well they look like wonderful boys.

TONYA: When they're not running me ragged.

TERRI: Tonya, why don't you tell Jay and I a little about your situation.

TONYA: Well....It wasn't always like this. Joe Sr. and I were pretty good with money. We never spent what we didn't have, and we saved what we could. We waited to have kids, so we could save to have the money to bring them up right. Give 'em what they needed.

JAY: What happened?

TONYA: We had the kids. But then Joe Sr. was sick for so long. There were a lot of hospital bills. And when he finally...well, after he was gone, the hospital bills were still there! I moved with the kids to a smaller place – they're sharing a room. The neighborhood's not as nice. But that was OK for a while.

TERRI: Go on.

TONYA: I sold his car and got one 10 years older than the one he had, I sold a lot of things... my mother's things she left me, even her wedding ring. I work as much as I can, but I don't make a lot, and I can't leave my kids all the time. No matter what I do, I can't get ahead.

TERRI: And you're not alone. How bad is your debt?

TONYA: I'm ashamed to say....

JAY: Hey, there's no need to be. Look, responsible people like you get into debt for many reasons. Lots of people lose jobs; lots have high medical costs, like you faced with Joe Sr. Some people overspend, and are in way too deep before they realize it.

TONYA: How do you get out from under?

JAY: I can help you—

TONYA: —I just can't see how!

JAY: —I can help you take things one step at a time. And, some of your creditors may work with you, you'd be surprised. Are you with me?

TONYA: I'll try.

TERRI: Yay, Tonya! That's the first step – facing the problem, and finding the right help.

JAY: Exactly.

TONYA: How do we start?

JAY: Let's focus on what you're spending and how to prioritize it.

TONYA: Ok....

JAY: When you get home, start writing down everything you spend each month; your rent, utility bills, food, transportation expenses, any health care or insurance costs. Also write down how much you owe each creditor – your car payment, your credit cards, the hospital bills, anything you owe – and what the interest rate is for each. What you **MUST** spend is our priority; anything else has to be after that.

TONYA: I understand all that. I was okay until last winter: my electric bill doubled and my car broke down... I had to use my credit card to pay for the heat and car. I maxed out my credit card. Then I missed a couple months of payments on my card and they raised my interest rate to over 20%! Now I can hardly make the minimum payment.

TERRI: That's really tough.

TONYA: When you pay the minimum it's like it goes into a black hole. It doesn't make a dent *and* I don't have anything to show for it, like the new sneakers Joseph Junior wants.

JAY: There are a couple of things we may be able to do. First we can talk to the utility company. You might qualify for a program that reduces your payment – or use a plan that lets you pay the same amount each month, year round. That makes budgeting easier.

TONYA: You think they'll do that?

JAY: I can't guarantee it but sometimes they'll do that.

TONYA: I suppose it wouldn't hurt to try....

JAY: We can work with the hospital – they may be willing to stretch out the payment schedule to get your monthly payments lower.

TONYA: Ok....

JAY: We can also talk to the credit card company; they might drop your rate, since you've been good about keeping current, and you were only a couple of days late. They might also forgive the late fee, since you're a long-time customer. You just need to ask.

TONYA: They'll do that?!

JAY: Sometimes, especially since you have a good previous payment history.

TERRI: They can only say “no.”

TONYA: My car's almost paid off; I heard about car title loans – would that help me dig out?

JAY: I don't recommend it. It's not good to take out more credit to pay for debt you already have.

TERRI: We covered those car title loans you're talking about on another episode. Tonya, they charge *outrageous* interest – and if you fall behind, you can lose your car. Pawn shops, payday loans – all of them charge very high interest.

For our listeners, please remember that cash advances from your credit card company also charge a higher rate than regular credit charges – and they have no grace period, so the interest starts right away.

JAY: Exactly, Terri. And another thing to watch out for, Tonya, are people and companies that promise you cheap debt consolidation – or worse, promise to erase your debt.

TONYA: Yeah, I've spoken with some of those....

JAY: Those companies charge a fee and say they can get the court to dismiss your debt. It doesn't work, and you can end up owing even more. Like every area of finance, if it sounds too good to be true, be very careful.

TERRI: Tonya, the good news is there are reputable credit counseling organizations, like the one Jay works for, that can help.

JAY: There are many good credit counselors out there – but like in a lot of industries, you'll always find some who are aren't honest or professional. I always recommend getting information from the National Foundation for Credit Counseling – their website is www.nfcc.org. The U.S. Department of Justice also provides a list of approved credit counselors in each state on www.justice.gov under Credit Counseling and Debtor Education. And I also let people know that a lot of good counselors are non-profit.

TERRI: So you just pick one from one of those lists?

JAY: Well, I always suggest you research the counselor you're considering – check with your state Attorney General's office, and a local consumer protection agency for any issues or complaints. When you decide on a counselor, they'll give you an agreement to sign. Read it and make sure you understand everything in it before you sign it. It's ok to ask a lot of questions, and talk to more than one counseling organization to find the one that's best for you.

TERRI: I remember you telling me this once. That some credit counselors offer loans....

JAY: Take that as a huge warning: *reputable counselors generally don't give loans*. So if the counselor you're considering is offering any kind of loan, be very cautious.

TONYA: (*hear coat rustle as she stands up*) Speaking of running....(*toward the playground*)
Jamison! You leave that squirrel alone! (*to Terri/Jay*) Ugh!!”

TERRI: Tonya, do you have questions for Jay?

TONYA: (*sighing*) I have a friend at work who says I should just walk away from it all... and file bankruptcy. It doesn't feel right...but some days it seems like it would be so much easier.

JAY: Well, I can assure you, Tonya, that bankruptcy isn't a quick or easy solution.

TERRI: It's really designed to be the absolute last resort for resolving debt.

JAY: Exactly.

TONYA: Why?

TERRI: Well, before you even start the legal process, you have to complete credit counseling first. It's not like “poof!” you start over.

JAY: Right. One big problem for consumers is that bankruptcy stays on your credit report for 10 years. That can make it hard to get credit when you need it and with your history and discipline, I'm convinced you can get back on your feet without going down that road.

TERRI: Absolutely. So how are you doing?

TONYA: I feel a little more hopeful. I guess I'm not that far underwater. If I can call some of these places – my credit card, the hospital – and get the payments down just a little, and finally get the car paid off...I think I could almost see some light. (*laughs a little*) I guess I'll be giving Latisha a thank you instead of a piece of my mind!

TERRI: Oh, Latisha deserves a *big* hug. You should be very proud of her.

TONYA: I am. Thank you both.

TERRI, JAY: (*overlapping*) You're welcome/our pleasure.

Theme music up

TERRI: This has been the “Money Smart Podcast Network, with Terri and Darryl.” And watch for our next Smart Money podcast, when our favorite slacker, Darryl, returns.

Music fades