



United Way for Greater Austin

**2016 FINANCIAL STABILITY**

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**DEBT TOOLKIT**



# INTRODUCTION

United Way for Greater Austin is a local nonprofit providing resources to low-income individuals and families since 1924. At United Way, we give everyone in Austin the chance to be a philanthropist through volunteer opportunities with local charities.

We inspire, lead and unite an eclectic community of philanthropists, including individuals, nonprofits, businesses and government to overcome barriers to economic opportunities and ensure Greater Austin continues to thrive.

This toolkit provides simple, useful information to empower individuals to improve their financial well-being.

This publication was made possible by a grant from the FINRA Investor Education Foundation through a partnership with United Way Worldwide.

The intent of the guide is to assist individuals in making positive choices about their financial well-being. This guide does not purport to be exhaustive, but rather aims to provide basic guidelines. Individuals should consult with a professional for specific advice.

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# DEBT REDUCTION

## TAKE CHARGE!

Today there are Americans at all income levels living paycheck to paycheck. Credit is easier to get, debt is easier to fall into, and not everyone has recovered from the recession.

Is reducing your debt a goal you'd like to achieve? Eliminating it? It takes some time and effort, but it is possible. This guide will connect you with community resources, know-how, and help with the first steps of building a solid plan so you can get on track.

**Consumer Rights:** No one expects you to pay back all of your debts overnight – if someone tells you this, it is likely that they are violating your rights as a consumer. For example, creditors and collectors are not allowed to call you 24/7 and must respect reasonable hours (before 8AM or after 9PM is considered unacceptable) – harassment and threats are also unacceptable. Read more at [FDIC.gov](http://FDIC.gov) and [ConsumerFinance.gov/askcfpb](http://ConsumerFinance.gov/askcfpb) about Consumer Protection Topics.

**Good Debt v. Bad Debt<sup>1</sup>:** Really, it's more accurate to call it “better” and “worse” debt, but there are some general principles to follow. According to Bankrate, “good debt” includes things that have the potential to increase in value like an education, home or business, while “bad debt” includes anything that will decrease in value, like a car and goods bought with credit cards or store credit cards.

**TRY IT! Calculate your Debt to Income Ratio (DTI):** Take your total monthly debt payments (add mortgage, car payment, installment loans, credit card minimum payments, student loans, and any other regular recurring debt payments) and divide by your gross monthly income.

**Example:**

**Gross monthly income: \$1,000**

**Monthly debt: \$300 [car payment of \$250 and credit card minimum payment \$50 = \$300]**

**$300 / 1000 = 0.3$ , or 30%**

**Your DTI is 30%**

**Straight from a Credit Bureau:** Keeping your ratio of debt to available credit as low as possible can usually reflect positively on your credit history and credit score. If you carry a balance of more than 30 percent of your credit limit, lenders may consider it excessive debt and view you less favorably. (Experian)

**The Home Buyers' Perspective:** Any DTI less than 36 percent is considered workable by most mortgage professionals. If the DTI is higher than 36 percent, it can be difficult to qualify for a mortgage. The lower your DTI, the more you can borrow and the more options you'll have. A DTI of 20 percent or below is considered excellent. (From Zillow.com)

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<sup>1</sup> <http://www.bankrate.com/finance/debt/good-debt-vs-bad-debt-1.aspx>

**START your action plan to knock out debt:**

**DIY...**

1. Decide how much money you can use to pay off debt per month and make it part of your monthly budget. If you are only making minimum payments, it's going to take you a long time and cost a lot more in the end.
  
2. Fill out the table below with your current accounts and amounts owed, then enter it into the website PowerPay<sup>2</sup> <https://powerpay.org> OR search for "debt repayment calculator."

Your Turn:

<i>Creditor Name</i>	<i>Balance</i>	<i>Minimum Payment</i>	<i>% Rate</i>
Step One: How much money will you allocate toward debt each month? \$ _____.00			

NOTE: The minimum balance still must be paid on all other accounts.

3. Decide on your strategy for attack.
  - a. Snowball (sort by balance, small to high): Start paying off your balances smallest to largest –(good if you need results to keep your motivation up).
  - b. Avalanche (go in order of interest rate, high to low): Since higher interest accounts are costing you significantly more in the long run, the logical individual may want to pay high interest accounts down more aggressively first.
  - c. The combo! You could pay off your smallest loan first, and then proceed by paying them down most aggressively by interest rate.
  
4. Continue allocating the same money each month to paying down debt each month, but when you've paid off one, apply that amount to the next one on your list.
  
5. Stick to your plan and eliminate debt.

<sup>2</sup>PowerPay is an online tool that demonstrates the difference in interest saved and amount of time spent paying off debts were one to make minimum payments versus making more than minimum payments.



## Nonprofits

### United Way for Greater Austin

We inspire, lead and unite an eclectic community of philanthropists including individuals, nonprofits, business and government to overcome barriers to economic opportunities and ensure Greater Austin continues to thrive. We apply in-depth research and strategic thinking to social issues, creating improvements in three main areas: early childhood education, dropout prevention and financial stability. UWATX connects the community with local resources through the 2-1-1 hotline. Call for assistance locating financial empowerment, like financial coaching, credit counseling, free tax preparation services, benefits assistance, financial assistance and more. Use our bank locator tool to find a convenient bank near you: [uwatx.org/banking](http://uwatx.org/banking)

### Foundation Communities

Community Financial Center - South  
2600 W. Stassney Lane  
Austin, TX 78745  
512-610-4026  
[www.foundcom.org](http://www.foundcom.org)

Community Financial Center - North  
5900 Airport Blvd

Works with individuals and families, empowering them to achieve financial stability and long-term success through one-on-one financial coaching and classes offered in both English and Spanish. Coaches provide clients with the tools to create household budgets, save money over time, reduce debt and improve credit scores. Classes cover credit, debt reduction and savings. Also offers free tax and FAFSA preparation. Eligibility criteria: Households earning less than \$50,000/year.

### Cornerstone Financial Education

2806 Flintrock Trace, Ste 101  
Austin, TX 78738  
1-800-336-1245  
[www.csfedu.org](http://www.csfedu.org)

Meets with individuals one-on-one to provide financial counseling and education specializing in debt management.

### Goodwill Industries of Central Texas

Locations throughout Greater Austin  
512-637-7580  
[www.goodwillcentraltexas.org](http://www.goodwillcentraltexas.org)

Specializes in workforce assistance, job training and career navigation. Financial empowerment services also available including financial coaching. Complete a screening to enroll - call 512-637-7580, email [intake@goodwillcentraltexas.org](mailto:intake@goodwillcentraltexas.org) or visit one of their locations during walk-in hours.

### Austin Habitat for Humanity

500 Ben White Blvd  
Austin, TX 78704  
512-472-8788  
[www.austinhabitat.org](http://www.austinhabitat.org)

Offers classes and one-on-one counseling on money and credit management, home care and safety, purchasing a home, post-purchasing and foreclosure. HUD-approved. Call extension 100 for class registration and ex. 122 to set up an appointment for one-on-one housing counseling.

### Texas State Affordable Housing Corporation (TSAHC)

2200 E Martin Luther King Jr Blvd  
Austin, TX 78702  
Toll free: 877-508-4611  
[www.tsahc.org](http://www.tsahc.org)

Provides access to fixed-rate mortgage financing, down payment assistance grants and mortgage credit certificates to qualifying first-time home buyers, as well as repeat home buyers and existing homeowners. Offers home buyer education to program participants. Check out their Texas mortgage calculator.

### Central Texas Food Bank

6500 Metropolis Dr.  
Austin, TX 78744  
512-684-2550 or toll-free 855-684-2550  
[www.austinfoodbank.org](http://www.austinfoodbank.org)

Offers assistance with food stamps and other benefits enrollment. Schedule an appointment online: [www.austinfoodbank.org](http://www.austinfoodbank.org)

### PeopleFund

2921 E. 17th Street Building D Suite 1  
Austin, TX 78702  
[www.peoplefund.org](http://www.peoplefund.org)

Provides small business loans for new businesses, established businesses and start-ups in addition to business assistance and education.

### Texas Legal Services Center

815 Brazos St., Suite 100  
Austin, TX 78701  
512-477-6000 ext. 114  
[www.tlsc.org](http://www.tlsc.org)

Offers free legal information to low-income Texans on a wide range of legal issues— including consumer matters – in both Spanish and English languages. Also operates the free legal website [TexasLawHelp.com](http://TexasLawHelp.com), which provides a wide range of legal information on consumer, family and other civil legal issues.

### Texas Rio Grande Legal Aid, Inc.

4920 North IH 35  
Austin, TX 78751  
512-374-2747  
[www.trla.org](http://www.trla.org)

Provides free training to low-income persons on their rights and responsibilities, with respect to federal income taxes. Topics include: the basics of the U.S. tax system, reasons to file a tax return, how to file a tax return if you do not have a valid SSN, how to select a tax preparer, dangers of refund anticipation loans, filing status, dependent exemptions, Earned Income Tax Credit, Child Tax Credit, claims for innocent and injured spouse, taxpayers' rights regarding the IRS and how to appeal an IRS decision.

### City of Austin

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#### Neighborhood Centers

Various Locations: <https://www.austintexas.gov/department/health/locations> or call 2-1-1 to find the Neighborhood Center nearest you. Provides a variety of social services to low- and moderate-income families in need in east, central and south Austin. Services include food pantry, clothes closet and employment assistance, notary, seasonal and other case management and counseling services also available. Free tax preparation and health services available at some centers. If you are interested in receiving assistance, please bring your proof of address, proof of income and a photo ID.

#### Neighborhood Housing & Community Development

1009 East 11th St., Suite 103  
Austin, TX 78702  
512-974-3100  
[www.austintexas.gov/housing](http://www.austintexas.gov/housing)

Provides homebuyer counseling for home improvement, and pre- and post-purchase. Also provides mortgage delinquency and default resolution counseling. HUD-approved.

### State

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#### Texas Office of Attorney General (OAG)

[www.texasattorneygeneral.gov](http://www.texasattorneygeneral.gov)

The OAG provides guidance with disputes and legal issues for Texans. The agency protects consumer rights and helps consumers with crime victims' compensation, child support, abuse in nursing homes, possible consumer fraud and other topics.

#### Texas Office of Consumer Credit Commissioner (OCCC)

1-800-538-1579 (Consumer Hotline)  
[www.occ.ccc.texas.gov](http://www.occ.ccc.texas.gov)

Helps Texans understand their rights and responsibilities as consumers; "assists consumers who have experienced misrepresentation, fraud, and deceptive practices on the part of OCCC-regulated businesses including finance companies, pawnshops, home equity lenders, retailers providing financing for their goods and more."

### Federal

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#### Consumer Financial Protection Bureau (CFPB)

[www.cfpb.gov](http://www.cfpb.gov)

The CFPB's role is to educate consumers and enforce federal consumer financial laws. Through the website submit a consumer complaint about a financial product or service, get answers to your financial questions, and explore additional resources including information on paying for college and planning for retirement.

# NEED HELP?

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Call 2-1-1 now, or search the 2-1-1 online database: [www.211texas.org](http://www.211texas.org)

Did you know... 2-1-1 can help you enroll for healthcare today! Call to find out more details.

## **2-1-1 is...**

- Free and confidential
- Available 24/7
- Multilingual; 230 languages available
- Accessible from cell phones

## **2-1-1 call specialists are...**

- Skilled, certified professionals
- Culturally sensitive advocates
- Compassionate problem solvers

## **2-1-1 provides information about...**

- Housing
- Clothing
- Health Care
- Child Care
- Education
- Employment
- Counseling
- Government Resources
- Volunteer Opportunities
- Disaster Information

*Empowered  
Families*

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**MAKE  
AUSTIN  
GREATER**



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