

MY MONEY

FINANCIAL EDUCATION - Powered by CAMBRIDGE CREDIT COUNSELING

Critical Updates on Federal Student Loan Forgiveness - New Opportunity



Let's begin with a reminder:

The Biden/Harris Administration's proposed \$10k and \$20k lump-sum forgiveness plan is completely separate from Public Service Loan Forgiveness (PSLF). The lump-sum proposal will be heard by the U.S. Supreme Court in February. No matter what the court decides, other types of loan forgiveness will still be available. If the Court approves the lump-sum reduction but you hadn't applied for it, you'll still be able to apply until 12/31/2023.

When Will Federal Student Loan Payments Re-Start?

The moratorium on federal student loan payments, which has been extended several times since the pandemic began, will be affected by the Supreme Court's decision.

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25% of us go out to dinner or get take-out at least two times every week. For a family of four, this could be \$75 to \$100 each time you don't feel like cooking. If your budget is tight, try eliminating one or two of these outings per month and you could save hundreds!

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'Tis the Season After the Season

The December/January holidays are wonderful, but every year overspending can put a strain on family budgets that can take months to recover from, if we can recover at all. If you're already a Cambridge client, you know the kind of difference a Debt Management Plan can make. The breathing room a DMP can provide in your budget. The savings you can experience every month while your plan runs its course. The feeling that comes from knowing you'll be debt-free without ruining your credit.



Whatever presents you gave your loved ones last December, you may want to give them just one additional gift – financial freedom. If you think a loved one or friend could benefit from our counseling or a debt management plan, please share our number with them. Remind them that our counseling sessions and education are free, that there are no obligations to enroll, and that the anxiety they may be experiencing during January, February and March can finally come to an end. Have them call 1-800-226-2743 or visit us at www.cambridge-credit.org.

Critical Updates on Federal Student Loan Forgiveness

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As of this writing, no one can tell you precisely when payments will actually resume. Here's what we know:

- If the Supreme Court rules on President Biden's plan before June 30, payments will resume 60 days after the court's decision.
- If the Supreme Court hasn't issued its decision by June 30, borrowers will likely need to start repaying loans 60 days after June 30. There is also the possibility that the moratorium could be extended at that point, but that's not anything to bank on. Assume that payments will resume and prepare your budget accordingly. If you need help, Cambridge Credit Counseling will be happy to review your options.



- Borrowers with Direct Loans, no matter what type of work they do, will be provided with many of the same benefits that were available under the limited PSLF waiver.
- Borrowers who have commercially held FFEL loans (or other non-Direct loans) can consolidate and receive credit toward PSLF for prior payments as part of this one-time account adjustment, as long as they submit a consolidation application by May 1, 2023. To consolidate your FFEL loans into a Direct loan, simply apply on www.studentaid.gov.
- If you work in public service your loans can be forgiven after 120 payments, which can include payments made prior to consolidation made under any plan.
- If you don't work in public service but receive retroactive credit through the May 1st adjustment, your loans can be forgiven after 20 or 25 years, so long as you make any remaining payments through one of the four income-driven plans.
- Borrowers who already have Direct loans (but no other federal student loans) do not need to apply for this credit. It will be automatically computed by the Department of Education.

To learn more about this opportunity and how to prepare your budget for the resumption of student loan payments, we encourage you to contact **Todd Friedhaber** or **Martin Lynch** at Cambridge Credit Counseling at (888) 661-7910.

A New Payment Adjustment Opportunity is Available: Deadline May

The PSLF Waiver ended on October 31, 2022, and it looks like nearly 500,000 non-profit workers took advantage of the opportunity to apply. By August, more than \$14 billion in PSLF relief had been approved, and, whenever MOHELA can make its way through the mountain of applications it received after taking over administration of the program, additional relief will be granted. (If you applied in August or later and are still waiting to hear from MOHELA, be patient. They are overwhelmed.) Despite our best efforts to inform consumers about their options during the waiver period, some of you may have missed the opportunity. If so, you may have another chance.

Public service workers, including teachers, paraprofessionals, school counselor, nurses, librarians, state and municipal workers, etc., will have another opportunity to have their payment count increased under a one-time account adjustment announced by the U.S. Department of Education. Here are the benefits of this one-time opportunity:

Get FREE federal COVID relief through the



American Rescue Plan

If COVID has had a negative impact on your finances, you may be eligible for **FREE government assistance**.

Cambridge has been chosen to help locate consumers who may have been financially impacted by the pandemic and determine if there are programs available that they may qualify for.

Get a **FREE, no-obligation budget review** to see if you qualify!



(888) 842-8979

Cambridge-Credit.org/housing-covid-assistance

How to Re-Establish Good Credit

How to Boost Your Credit Score

Do you know the benefits of having good credit? Fortunately, it is not terribly difficult to reestablish a good credit history. One of the easiest ways to get started is by obtaining a secured credit card. A secured card works just like a regular credit card, but with one difference - it requires a cash deposit. Your credit limit is usually determined by the amount of your deposit. Sometimes the credit limit is equal to the amount of your deposit; sometimes it is a bit more. The important thing is that by getting a secured card, you will have the ability to reestablish a positive payment history.



The **Azpire Debit Card by Zolve** is one of the tools you can consider to help you build or establish credit. Visit <https://zolve.cc/cambridgecredit> to enroll or to learn more.

Before you use the secured card, take a moment to recall what caused your credit to suffer in the first place. Did you have an unexpected hardship, such as a job loss or an illness? Did you take on more debt than you could handle? Did you mismanage your money? Whatever the reasons were, remember that if it happened once, it can happen again.

The next step is to ask yourself if your situation has actually improved. Are you capable of handling new credit at this time? This is extremely important. One of the most common traps consumers fall into is that they do not change their spending behavior to reflect their new financial reality. After suffering a loss of income, for example, many consumers do not adjust their expenses or lifestyles to fit the new situation. Instead, many turn to credit to make up for their lost wages.

Before you even think about applying for more credit, take a long look at your budget and ask the following questions:

Does my income cover all of my expenses? If not, you need to either reduce your expenses or increase your income. Now is not the time to take on more debt.

Do I have any savings? If not, what kind of financial cushion do you have in case of an emergency?

It is recommended that you have savings equal to four to six months' worth of expenses.



Beware of little expenses; a small leak will sink a great ship.

-Benjamin Franklin



Can I afford to make another payment on time, every month? If there is any doubt, do not take on more credit. If you miss payments, you will continue to damage your credit rating, not reestablish it.

How much of a balance can I pay off all at once? It is recommended that your credit limit never exceed your ability to pay off the balance in full. This way, you will never find yourself overextended.

Once you begin charging, remember why you wanted the card in the first place - to reestablish your good credit. This means you have to use it wisely. Below are a few tips to reestablish your credit rating.

- Never bite off more than you can chew. In other words, do not charge more than you can pay off in a month.
- Pay more than the minimum payment on your credit card balance, and pay off the balance in full every six months or so.
- **DO NOT MAKE ANY LATE PAYMENTS.**
- After six to eight months of making on-time payments, refrain from using the card for everyday purchases, such as gasoline and food.
- Once you have been making payments on time for a while, the credit card company may offer you an unsecured credit card. Take it.
- Review each of your credit reports once a year for inaccuracies.
- Eventually, you will begin to receive unsolicited credit card offers in the mail. Do not apply for any unless they offer favorable terms!

As you can see, reestablishing your credit rating is not extremely difficult. It can take some time, but with patience and perseverance, you can do it.

No Budget Love on Valentine's Day?

No one wants to skimp when it comes to spending on loved ones, which makes Valentine's Day an annual problem for many. Just as the holiday season bills are being paid down, here comes another expense that can set you back another month, straining your budget and delaying your other financial plans. But it doesn't have to be that way.



Here are a few ideas that may help you save a few dollars while still showing the love.

- Rather than a full dinner out, prepare a favorite dinner at home, then have dessert at a restaurant. Still special, but it can reduce the cost significantly.
- Yes, buy flowers, but you can also get nice flowers at Costco (really) or other big-box retailers if need be – even some grocery stores have great floral selections. You may prefer to support your local florist, which is fantastic. Remember, we're just exploring options.
- Instead of buying jewelry that may sit in a box most of the year, create a list of activities or chores or duties that you'll perform for your significant other. Lifting their burden can be a pretty romantic gesture.
- If you love cooking or baking, this is your night to shine. If you're creative or good with crafts, by all means, go for it. Things you've made yourself show your love better than something you bought in a store.
- Put your unused gift cards and coupons to use. Lots of people put aside the cards they've received during the holidays, but Valentine's Day is a great time to spend them. Don't let those cards sit in a drawer!
- Agree to celebrate your anniversary rather than Valentine's Day. We know a couple who chose this option, and it makes perfect sense to us. They're essentially the same thing, so why not focus on one day instead of two? Or, if you prefer, you can scale down your Valentine's Day celebration by using any of the other suggestions above, while acknowledging that it's part of your plan to concentrate on your anniversary.

About that "Secret the Banks Don't Want You to Know"

January and February are two of the busiest months at non-profit credit counseling agencies as the December holiday bills come due. Unfortunately, the for-profit debt settlement companies are also aware that millions of consumers are struggling to pay off their credit cards and keep themselves above water. As the new year unfolds, you may notice more settlement ads on TV and radio, talking about "The secret the banks don't want you to know." **Well, here's the secret: you have no right to settle a debt in this country.**

If you look closely at settlement company ads, they're typically only saying that you have the right to hire them to try to settle your debt, but that if your creditors sue, they won't represent you in court. Creditors don't like settling current accounts, so you'll have to start missing payments. When the creditor starts calling, if you tell them that you intend to settle your account, some may sue you immediately. Still sound like a good idea?



The other myth surrounding for-profit settlement services is the amount you'll actually save. Let's assume you owe \$10,000 on just one credit card. You've heard folks claiming to pay 50 cents on the dollar. That sounds great, but you don't have \$5,000 right now – in fact, it will take you almost a year to set aside that much. While you're depositing a bit every month in a separate trust account, what do you think is happening? (1) Your creditor may sue you. (2) Your debt is growing faster than ever. In addition to your penalty interest rate, you're now receiving late fees. That means instead of saving \$5,000 to settle, you're probably going to need more like \$6,000. (3) The delinquencies reported to the credit bureaus every month are ruining your credit, and those marks aren't going away.

Let's say you eventually set aside the \$6k and your creditor agrees to settle. Then comes the settlement company's fee, which can be as much as 25% of the amount "saved." You originally thought you'd pay \$5k, but in the end you paid \$7,125, saving very little and destroying your credit in the process.

The option to settle debt isn't simple, and we agree that it should exist, but nothing about it should be a secret. That's why non-profits like Cambridge work directly with your creditors, helping you pay down your balances at significantly lower interest rates, avoiding lawsuits and long-term damage to your credit profile.