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MY MONEY

FINANCIAL EDUCATION - Powered by CAMBRIDGE CREDIT COUNSELING

Anxiety over personal debt?

The fall has always been a good time for the butterflies, but not necessarily the good kind. Many students, teachers, and families are nervous about starting a new school year, and those feelings can last for weeks until we all get comfortable again with the daily routine. But this year, there's a different kind of unease that won't fade so easily, in fact, it may stick around all year – anxiety about personal debt.

When President Trump suspended student loan payments and the Biden administration extended that special forbearance until this fall, consumers used those funds to help meet all of their other expenses, from rent or mortgage to car payments, utility bills, etc., just to make ends meet. The payment holiday was really a form of stimulus, and it worked. Default rates were remarkably low in our country. But this fall there's a great unknown – are family budgets actually in good shape?

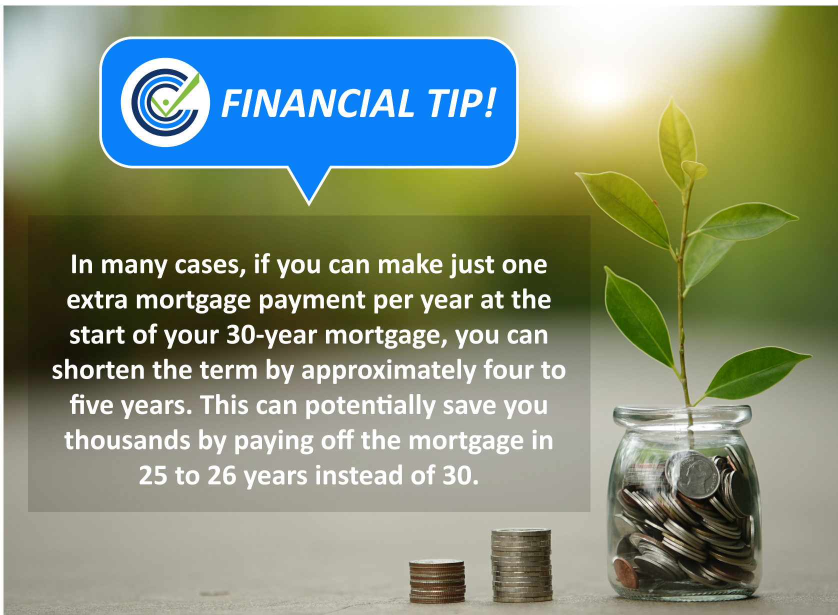
Rather than carrying that anxiety with you into the workplace, you need to take action – now. Cambridge Credit Counseling helps people understand how to effectively manage their debt, paying it down in a way that can actually result in significant savings without damaging their credit by settling accounts or taking out additional loans. Instead of paying interest rates over 25%, Cambridge's clients pay down their accounts at an average rate of just 8%, creating room in their budget that allows them to meet their other expenses. Goodbye anxiety.

If you're a Cambridge client, you already know the difference our services can make. If your friends or loved ones are struggling, encourage them to gather their bills and statements and then pick up the phone to talk with a Cambridge counselor. We won't judge their budget or tell them what they can or can't spend your money on. Clients set their priorities. We just help them make sure the numbers make sense.

Cambridge's holistic approach works, and it will keep your butterflies at bay.

To talk to a Cambridge counselor, just call 1-800-527-7595.

IN THIS EDITION



Student Loan Alert!

How to take advantage of the Income-Driven Repayment (IDR) adjustment opportunity

If you have federal student loans and are using an income-driven repayment (IDR) plan, the Biden Administration's IDR account adjustment/waiver program, could potentially take years off of your repayment term. Many borrowers could even have their balances eliminated altogether, but you may need to take action by the December 31, 2023 deadline.

Here's a quick checklist that will help you navigate this program:

- The IDR Adjustment period that expires on 12/31/23 is really quite similar to the waiver that ended on Halloween 2022, and it's life-changing for many federal loan holders. The Adjustment period is giving retroactive credit for payments made through any plan on any type of federal student loan.
- To determine the appropriate course of action, you need to know what kind of student loans you have. Go to your account at studentaid.gov. (If you have federal loans, you have an account waiting for you there.) Create log-in credentials and explore your dashboard. It will tell you your loan type(s).
- If you only have Direct loans, your payment count will be automatically updated by the end of 2024, even if you were paying through an ineligible payment plan. If you work for a non-profit employer and haven't reached 120 qualifying payments yet, that's okay, as long as you make sure you make any remaining payments through an income-driven plan. The same is true for anyone who works in the for-profit world, but the threshold for forgiveness is 20 years of repayment.
- If you only have Direct loans but they're spread over a long period and have very different payment counts, consolidation can still benefit you. Consolidating two loans, one with 100 payments and one with 35 payments, will result in a Direct consolidation loan with at least 100 payments. (This opportunity also expires on 12/31/23.)
- If you discover that you still have even a single FFEL loan, you must consolidate it to bring it into the Direct program, making it eligible for forgiveness. Do so before 12/31/2023.
- The new SAVE plan will probably require the lowest monthly payment for your loans. You can apply for the SAVE plan online at studentaid.gov.
- If you have Parent PLUS loans and your son or daughter will graduate by the spring of 2024, you might consider the "double consolidation loophole." It's real, and it may save you thousands of dollars because it will allow you to repay your loans through SAVE instead of the ICR plan, which usually features high monthly payments. If you choose the double-consolidation strategy, all consolidations must be completed by July 1, 2025. We recommend talking with a Cambridge student loan counselor to better understand this option.
- If you haven't heard from your student loan servicer – the company that receives and processes your payments, call them immediately to make sure they have your accurate contact information. You can also ask them about the SAVE repayment plan.
- If you're still unsure of your next steps, please contact Cambridge's Student Loan Counseling Department at (888) 661-7910.

Be sure to visit us online at

www.cambridge-credit.org

Budgeting for your first home? Here are some guidelines

Creating a budget when buying a house is a crucial step in ensuring that you make a sound financial decision and can comfortably manage your homeownership expenses. Here's a step-by-step guide to help you create a home buying budget:

1. Determine Your Total Budget

Start by assessing your overall financial situation, including your income, savings, and all of your existing debts. Calculate how much money you have available for the down payment and closing costs. Your down payment is a significant upfront expense that will impact your monthly payments.

2. Calculate Your Monthly Income

List all sources of income, including salaries, bonuses, rental income, investments, and other sources of regular income. Ensure you have a clear picture of your monthly cash flow.

3. Estimate Your Monthly Housing Costs

- **Mortgage Payment:** Use online mortgage calculators or consult with a lender to estimate your monthly mortgage payment based on your loan amount, interest rate, and loan term.
- **Property Taxes:** Research the property tax rates in the area where you're considering buying and estimate your annual property tax bill. Divide by 12 for the monthly cost.
- **Homeowners Insurance**: Obtain quotes for homeowners insurance based on the property and your needs. Divide the annual premium by 12 to determine the monthly cost.
- **Private Mortgage Insurance (PMI)**: If your down payment is less than 20%, factor in the cost of PMI, if applicable.
- **Homeowners Association (HOA) Fees**: If you're buying a property in an HOA community, include these fees.
- **Utilities**: Estimate monthly utility costs for electricity, water, gas, and any other utilities.
- **Maintenance and Repairs**: Allocate a portion of your budget for ongoing maintenance and potential repairs. During the home inspection process you should ask about the remaining life expectancy for certain expensive items, including the roof, HVAC systems, driveway, appliances, etc. You can then estimate how much you'll need to save every year toward their eventual replacement costs.

4. Calculate Your Monthly Debt Obligations

Include existing debts such as student loans, car loans, credit card payments, and personal loans. These obligations affect your debt-to-income ratio, which lenders consider when approving your mortgage application.

5. Determine Your Comfortable Monthly Payment

Review your monthly income and expenses to determine how much you can comfortably devote to your mortgage payment. Aim to keep your total debt-to-income ratio (including housing costs and existing debt) below 36% of your gross monthly income.

6. Create an Emergency Fund

Prioritize building or maintaining an emergency fund to cover unexpected expenses, such as home repairs or medical bills. Aim for three to six months' worth of living expenses.

7. Save for Future Goals

Continue saving for other financial goals, such as retirement, education, and future home improvements. Don't solely rely on your home equity for these needs.

5. Account for Closing Costs

Be prepared for upfront closing costs, which typically range from 2% to 5% of the home's purchase price. Ensure you have sufficient funds set aside for these expenses.

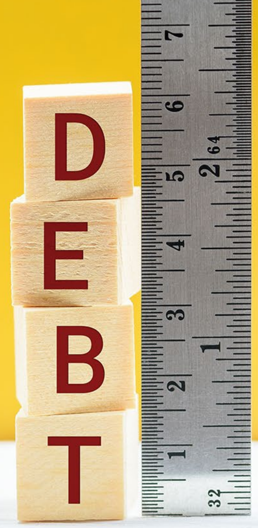
6. Review and Adjust

Regularly review your budget to ensure it remains realistic and sustainable. Adjust your budget as needed to accommodate changes in income, expenses, or financial goals.

7. Consult with a Financial Advisor

If you're uncertain about your budget or how homeownership fits into your overall financial plan, consider seeking advice from a HUD-certified housing counselor who can provide personalized guidance.

Creating a budget when buying a house helps you make informed decisions, avoid financial strain, and enjoy your home without sacrificing your long-term financial stability. It's crucial to be realistic and conservative in your estimates to ensure a comfortable homeownership experience.



How can I tell if I have too much debt?

Determining whether you have too much debt involves evaluating your financial situation in the context of your income, expenses, and financial goals. Too much debt can lower your credit score and make reaching your goals much more difficult. Below are some signs that may indicate you have too much debt.

High Debt-to-Income Ratio

Calculate your debt-to-income (DTI) ratio by dividing your total monthly debt payments by your gross monthly income. If your DTI ratio is above 36-43%, it can be a sign that you have a significant debt burden relative to your income.

Difficulty Making Minimum Payments

Struggling to make the minimum monthly payments on your credit cards, loans, or other debts is a clear indicator that you may have too much debt. Missing payments or making late payments can also harm your credit and may lead to increased interest charges and late fees, pushing your budget closer to its limit.

Relying on Credit Cards for Everyday Expenses

If you frequently rely on credit cards to cover basic living expenses like groceries, utilities, or rent because your income doesn't cover these costs, you may be overextended. This would be a time to seek non-profit financial counseling, which is typically free.

Maxed-Out Credit Cards

Maxing out your credit cards or having high credit card balances relative to your credit limits can negatively impact your credit score and suggest that you're using credit excessively. If your credit card balances are continually growing rather than decreasing, it may be a sign that you're accumulating more debt than you can comfortably manage.

Borrowing to Pay Off Debt

Taking out new loans or using one form of credit to pay off another (e.g., using a personal loan to pay off credit card debt) can be a sign of a debt cycle that needs to be addressed.

Minimal Savings

If you have little or no savings because a significant portion of your income goes toward debt payments, you may not have a sufficient financial cushion for emergencies or future goals.

Emotional Stress

Feelings of stress, anxiety, or overwhelm related to your debt can be a strong indicator that you have too much debt. These emotions can affect your overall well-being and quality of life.

Difficulty Achieving Financial Goals

If your debt obligations prevent you from making progress toward important financial goals like saving for retirement, buying a home, or investing in education, it may be a sign that your debt load is too high.

Frequent Collection Calls

Receiving frequent calls from debt collectors or having accounts sent to collections can be a clear sign of financial distress and a need for debt management.

To address a debt problem, consider taking the following steps:

1. Create a Detailed Budget: Review your income and expenses to understand where your money is going.
2. Prioritize Debt Payments: Allocate as much as possible toward paying down your debts, starting with high-interest debts.
3. Explore Debt Repayment Strategies: Options like the debt snowball or debt avalanche can help you systematically pay off your debts.
4. Seek Professional Advice: Consider consulting a non-profit credit counselor or financial advisor for guidance on managing your debt.
5. Adjust Your Spending Habits: Cut unnecessary expenses and avoid accumulating new debt.

Remember that addressing excessive debt may take time, discipline, and temporary lifestyle adjustments. It's crucial to create a plan and stick to it to regain control of your finances and work toward a debt-free future.