NYS Office of Mental Retardation & Developmental Disabilities

Putting People First

A Financial Education Guide for Existing and Potential Homeowners and Renters with Developmental Disabilities

Building a Solid Financial Foundation Through Education

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A FINANCIAL EDUCATION GUIDE FOR EXISTING AND POTENTIAL HOMEOWNERS AND RENTERS WITH DEVELOPMENTAL DISABILITIES

"Building a Solid Financial Foundation"

"Through Education"

Presented by:

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TABLE OF CONTENTS

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Introduction

In 2005, OMRDD's Office of Housing Initiatives and Supports completed a grant entitled, Housing Partnerships for Opportunity (HPO), that was funded by the New York State Developmental Disabilities Planning Council (DDPC). The primary purpose of the grant was to strengthen existing partnerships and develop new collaborative relationships with various organizations and groups, including the New York State Division of Housing and Community Renewal (DHCR), the Empire State Development Corporation, and local banks. The HPO grant enabled people with developmental disabilities, parents or legal guardians, not-for-profit agencies, housing developers, government agencies and others to learn about the needs and options available in accessible and affordable housing. Because of the success of the HPO grant, DDPC expanded the overall goals and objectives to include a new and innovative program entitled SafetyNet Education and Training for Existing and Prospective Homeowners/Renters with Developmental Disabilities.

SafetyNet Grant

The purpose of the SafetyNet grant was to provide relevant information to people with developmental disabilities, their parents or legal guardians and others who are existing and prospective homeowners and renters on how to maintain their homes and apartments, manage risk, budget and manage resources, develop assets, maintain and improve their credit standing, meet neighbors and utilize community resources. By providing these resources, people with developmental disabilities, advocates and others would have an opportunity to choose the best environment in which to live and maintain themselves in their community of choice.

In Fiscal Year 2005-2006, the SafetyNet program was introduced to more than 2,000 stakeholders throughout New York State. The program gave OMRDD the opportunity to host six statewide regional meetings. These meetings continued to open the lines of communication among key stakeholders and provided insight into understanding the complexities of state and federally funded affordable and accessible housing programs. Participants also had an opportunity to brainstorm ideas on how to maintain quality staff.

During the workgroup sessions, self-advocates had an opportunity to share their personal experiences about owning a home, renting an apartment, working with service coordinators and dealing with pressures related to family, provider agencies, and living independently in their community of choice. Self-advocates assisted the housing office with identifying key issues which should be included in a SafetyNet curriculum.

Financial Literacy as a Top Priority

During various workgroup sessions, self-advocates identified key issues that were barriers to living independently. Among the top priority was financial literacy; thus the birth of a comprehensive financial education curriculum as a learning tool and handy reference guide. The overriding purpose was to provide information and training on financial topics such as "What Money Means to Me, Checking Accounts, Credit and Debt Management" and "Owning a Home of Your Own or Renting an Apartment." The Financial Education curriculum has been divided into 10 easy-to-read chapters that are available in various languages, upon request. With access to the curriculum, an individual has the opportunity to manage his or her budget, build assets, avoid predatory lending and identity theft, and choose the best environment in which to live.

An Overview of Financial Literacy

The visibility of financial literacy as a major national issue has increased significantly during the past decade. It has been the subject of extensive Congressional testimony and, financial literacy has been mentioned in state and federal legislation. On July 31, 2003, legislation (S.1532) was introduced in the United States Senate entitled the "Financial Literacy Community Outreach Act." The basis for the legislation is rooted in the fact that many young adults, especially low-income populations, have difficulty understanding basic financial concepts. People with developmental disabilities and other groups are included among low-income populations.

S. 1532 calls for the establishment of a financial literacy commission made up of federal agencies that now sponsor literacy programs. The bill also calls for the creation of a single web site where consumers would find financial literacy programs from such agencies as the Department of the Treasury, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation, the Federal Trade Commission, the Department of Labor and the Department of Housing and Urban Development. In addition, the legislation seeks to bring all of the government's financial literacy programs under "one roof." The federal agencies mentioned previously have programs and public information on numerous topics, including savings, spending, investing, preparing for retirement, selecting a pension plan, buying a home and preventing identity theft.

Why Teach Financial Literacy?

According to the Federal Reserve Board, approximately 10 million U.S. households have no savings or checking accounts and are vulnerable to predatory lending practices. This population is referred to as an "unbanked" population. This "unbanked" group disproportionately includes low-income persons, young people, female-headed households, members of racial minority groups, and residents of inner cities and rural communities.

People with developmental disabilities living in the community may be included in this "unbanked" population. They, like other low-income groups, are vulnerable to predatory lending practices and bad debt because the lack of savings leaves them ill-prepared for financial emergencies. As people move towards greater independence, financial literacy becomes vitally important to their financial well-being. However, for people with developmental disabilities living in institutions, this situation would not be the case. In institutions and other structured settings, individuals have little need for financial literacy as they are responsible for and handle only small sums of money and generally have things taken care of for them. Yet, all "unbanked" populations need to be aware of negative lending practices, such as the one that started and grew explosively in the 1990s and is referred to as payday liens. Finance charges for these loans are so high that many borrowers become trapped in cycles of ballooning debt.

Benefits of Financial Literacy

Becoming familiar with financial institutions and building savings and assets are important parts of economic self-sufficiency. A growing body of research shows wide-ranging benefits to individuals, families and communities. People with developmental disabilities and other groups are not exceptions to this body of research but are intricately woven into it.

OMRDD's Office of Housing Initiatives and Supports believes that financial education offers the following benefits to people with developmental disabilities and other groups:

- **First,** financial literacy training is a missing component of the Deinstitutionalization Movement. As OMRDD enters the final stages of the movement, it is critical that people with developmental disabilities have a basic understanding of what resources they have and, where applicable, how to manage their personal resources and build assets.
- **Second,** as more and more people with developmental disabilities move from institutional settings to independent living, financial literacy training would assist them with exercising their right to make informed decisions, to take control over how resources are spent on their behalf, and to manage their resources.
- **Third**, financial literacy training has the potential to assist with the recruitment and retention rate for entry level workers. When individuals learn how to manage their personal funds, save monies, develop relationships with banks to obtain loans and begin to save for a home of their own, they will begin to have an increased sense of value in their employment. They may also begin to study and look for advancement opportunities with their existing employer.
- **Fourth,** financial literacy training will introduce to some, and reinforce to others, the value of establishing an Individual Development Account (IDA). The IDA is a matched savings account for income eligible people to be used specifically for building assets, starting a small business, buying or repairing a home, education or for job training. People with developmental disabilities and entry level workers who fit within the eligibility criteria would learn about the value of an IDA and the potential impact upon their lives.
- **Fifth,** according to discussions with the National Chairman of the Self-Advocates Becoming Empowered (SABE) organization, very few people with developmental disabilities residing in the community have established a relationship with mainstream financial service providers and may be ill-prepared to make informed financial decisions.
- **Sixth,** financial literacy training may create a stronger bond between people with developmental disabilities and their workforce where they will be, possibly for the first time, learning various skills together. They may be viewed as equal partners, rather than as recipients and caregivers.
- **Seventh,** adults who own assets have better financial, physical and mental health:
  - Savings are associated with better physical health, self-efficacy, less risky behavior, and lower stress.
  - Homeowners report shorter periods of unemployment, less sense of economic strain and higher levels of life satisfaction, physical and emotional well-being.

The Financial Education Curriculum also aligns with OMRDD's mission: We help people with developmental disabilities live richer lives. It responds directly to OMRDD's Assets for Independence (AFI) one-million dollar grant from the United States Department of Health and Human Services to plan, develop and implement a 4:1 matched-savings program for 360 people in 12 counties.

Participation in the Financial Education Series will not guarantee the future stability of homeownership or person-controlled housing. Additional steps will be required to facilitate long-term maintenance issues and any unexpected expenses. However, the knowledge and understanding gained from the curriculum by people with developmental disabilities, parents or legal guardians and others will be a valuable resource and useful reference tool for them.

"I am ready and willing to learn."

Chapter 1:

What Money Means To Me: A Cultural Perspective

The definitions for "What Money Means to Me" were developed by people with developmental disabilities and self-advocates from the Self-Advocacy Association of New York State, Inc. (SANYS).

The purpose of this chapter is to assist people with developmental disabilities, their parents or legal guardians and others to discuss what money means to them. The basic premise is that a person will manage and use money based on what his or her culture and beliefs dictate. The discussion is person-centered and the information is designed to stimulate thinking about the value and importance of money from one's cultural perspective. It is also designed to help people learn how to understand and manage personal finances. Throughout time and still today, individuals from diverse socio-economic backgrounds and regions have had very different perspectives on money and how to handle their personal finances.

There are many individuals who do not have accounts at banks due to their lack of trust in the banking system. This lack of trust perpetuates itself from generation to generation. Today there are still cultures using the "Susu" method for savings where each participant gives a pre-determined amount of money to the Susu collector. The collector keeps all of the money until everyone has given their share. While Susu may be a very popular method in certain cultural groups, it is not a safe or wise method. Some of the pitfalls include lost and stolen money. In addition, the money does not earn interest.

Also, many people continue to purchase money orders rather than opening a traditional checking account at a bank or credit union all of which saves money, time, and provides security. Again, many cultural groups prefer these nontraditional methods due to a lack of trust and knowledge of how the banking system operates and the benefits of using a bank.

Hopefully, this Financial Education curriculum will begin to dispel some the myths about financial institutions and provide information that will assist individuals with developmental disabilities, their parents or legal guardians and others learn how to responsibly maintain their finances.

In "What Money Means to Me: A Cultural Perspective" you will begin to stimulate your thinking regarding your personal thoughts about money. Dig deep and share your cultural beliefs and values with others by responding to the following topics:

How would you define money?

What does money mean to you?

Describe some ways you have used your money.

Describe some ways you or your family use money.

Do you believe in putting your money in a bank?

Have you ever participated in a money exercise?

What do you think about when you think of money?

When people with developmental disabilities and self-advocates from various cultures were asked some of the questions above, they provided the following responses:

WHAT MONEY MEANS TO ME

- Money means freedom
- Money means access
- Money gives access
- Money means social programs
- Money means helping others
- Money lets me get what I need
- Money means goals
- Money means job and savings
- Money means social programs and grants
- Money lets me get what I want
- Money lets me get what I need
- Money means opportunity and freedom
- Money puts food on the table
- Money means food

A Few Cultural Views of Money

- Most mainstream cultures teach their children about budgeting, investing and saving money.
- Most mainstream cultures teach their children how to earn money.
- Most non-mainstream cultures do not teach their children about budgeting, investing and saving money.
- Most non-mainstream cultures do not teach their children about buying a home or renting an apartment.
- Most non-mainstream cultures have deeply entrenched views about money and prefer not to discuss money issues with who they believe are “outsiders.”
- Most non-mainstream cultures do not trust banks and other financial institutions with holding their money.

A Money Exercise

(A.) What is money? (How would you define money?)

____

____

____

(B.) Throughout history, different societies have had various forms of money. List other forms of money. (Examples: beads and spices)

____

____

____

(C.) What does money mean to you?

____

____

____

(D.) What do you think about when you think of money? (e.g., power, fun, entertainment)

____

____

____

Chapter 2

Banks, Bankers and Banking

In Chapter 2, "Banks, Bankers and Banking," you will learn the following:

- What is "fringe banking" and why everyone should AVOID them?
- What are various types of banks and credit unions?
- What is the Federal Deposit Insurance Corporation (FDIC)?
- What does FDIC mean to you?
- What does it mean to be a member?

BANKS, BANKERS, & BANKING

"I think I'll go to Bankers Trust and trust a banker." Ogden Nash

"Fringe Banking" – Is that a bank out on the edge of the city? No, fringe banking is a term used for various types of loans or money services, such as:

- Check cashers
- Money orders
- Pawn shops
- Payday loans
- Rent-to-Own
- Used car financing

Avoid all of the above. They all charge extremely high rates of interest.

- **Check cashers** (Examples: liquor stores and small grocery stores) offer check cashing services and charge high fees. If you establish a bank account, you can cash a check for free at your bank.
- **Money orders cost money.** If you establish a checking account at a bank or credit union, you are not charged for individual checks. You only pay when you purchase a supply of checks (150-200 checks) with your name, address and telephone number printed on each one.
- **Pawn shops** charge extremely high interest rates to loan money for a short period of time. If you need to purchase something consider setting up a savings plan to save for the item and pay cash.
- **Payday loans** should be avoided at all costs. A payday loan is a small, short-term loan that is intended to cover a borrower's expenses until his or her next payday. Typical loans are between $100 and $500 and are usually due in two weeks, with interest rates of up to 400% Annual Percentage Rate (APR).
- **Rent-To-Own** should be avoided. They charge outrageous rates of interest making the total cost of the item being rented upwards of ten times the original cost. Instead, consider spending your time at garage sales or look for items for sale in the newspaper and on the internet.
- **Used car financing** must be used with extreme caution. They usually charge high interest rates. Get pre-approved by your bank first, then go shopping for the car that fits into your budgeted price range.

Hint: A banking expert estimated that a family with an income of $24,000 could spend $450 per year on check cashing services and purchasing money orders. If they had a checking account, they might spend less than $150. Do you think they would like to have that extra $300? Would you?

Types of Banks

- **National banks:** Have many branches, and offer a variety of services and banking options.
- **Local banks:** Usually do not have many branches and may have limited hours of operation and services.
- **Credit Unions:** Are associated with large employers and you usually have to be an employee or family member of an employee to use that firm's credit union; however, some exceptions apply.

Hint: When selecting a bank to join, always look for **"Member FDIC."** This means that accounts are insured by the Federal Deposit Insurance Corporation, a federal agency that guarantees you won't lose your money (up to a certain amount) when a crisis occurs.

Hint: Shop around and compare banks and credit unions before you choose one. **Do not feel you have to choose the first institution you visit!** Gather information about each of the banks and credit unions. Then compare them side-by-side, service-by-service, for the services you need. Remember to keep the following in mind:

- **Friendly service:** How were you treated while in the bank?
- **Convenience:** Are branches located near your residence or employment and what are the hours of operation?
- **Economy:** Find out the fees charged. Most banks do not charge a per check fee; however, fees may be charged based on the average monthly balance in your account.

Research Banks & Credit Unions

You do not have to go door-to-door to do this banking research. Let your fingers do the walking by using the yellow pages of your telephone book and by calling several banks to gather information. Also talk with family and friends who have bank accounts. Most institutions have detailed websites.

Hint: If you do not have a computer at home, remember there is always free use of computers and the Internet at your local library. When you have narrowed the search down to two banks or credit unions, then go in person to look them over and sample their service.

Wrapping It Up

Choosing a bank or credit union is the right thing to do because:

- Your pay, SSI, SSDI check and employment check, can be direct deposited into your bank or credit union which gives you quicker access to your funds and the security of knowing it has been safely deposited.
- Using a bank or credit union saves you money rather than paying extra fees to check cashers and buying individual money orders.
- Banks or credit unions often charge lower fees and interest rates to their regular customers.
- Having a bank account will be required if you are planning on buying a house.
- It is the "smart" thing to do!

List other reasons:

Chapter 3

Everybody Needs a Budget

In this Chapter, "Everybody Needs a Budget," you will learn the following:

- What is a budget?
- The difference between a "need" and a "want" and how each affects the budget.
- How to develop and organize a budget.

EVERYBODY NEEDS A BUDGET!

A budget is the best tool to help you spend less than you earn. It is rare to find a person in financial difficulty that maintains a budget. A budget is simply an income and spending plan. It is simple but challenging. Remember that a budget helps you spend your money wisely.

The Types of Spending: Needs and Wants

You must have the self-discipline to control spending and keep needs and wants in their proper perspective. Needs and wants can be put into your budget.

Needs

Needs are the purchases necessary to provide your basic requirements, such as food, clothing, lodging, and medical coverage. In some cultures, people mistake wants for needs: "I need that." We must learn how to tell the difference between true needs and wants. We also must take responsibility for purchasing needs wisely. If your child has outgrown his or her shoes, you have a wide choice of styles, colors, and prices from which to choose. Find something that fits your budget. Needs make up the greatest portion of your budget.

Wants

It is not wrong to have material wants. The trouble comes from wanting too much, wanting too soon, and being unhappy if we cannot have all we want. Admitting wants is an important step toward creating a balanced, workable budget. Wants often involve choices about the quality of goods to be used, such as steak versus hamburger.

Wants are choices that should be made only out of surplus funds and only after all other obligations have been met. Long-term goals and dreams should be scheduled into the budget as future possibilities.

The following examples clarify some differences between needs and wants:

Category	Needs	Wants
Clothing	New clothes from discount store or used clothing store	New clothes from department store, designer clothes, custom tailored
Food	Tuna	Shrimp or lobster
Transportation	Used family car or public transportation	New family car or luxury vehicle

The BIG Picture:

Before we discuss the details of budgeting, you must first recognize:

- The total amount of income before any deductions are made is Gross Income.
- The government wants its share in the form of taxes. Federal, State, Social Security and Medicare taxes are mandatory deductions.
- The portion available after taxes is termed Net Income or Net Spendable Income. (See example below: Jamilla Doe's Pay Stub)

Jamilla Doe's Pay Stub

Earnings Statement

Employee	**Jamilla Doe**	**Gross Income:**	$240.00
SSN:	000-11-000	Deductions:	
		Federal Income Tax	$21.00
		State Income Tax	8.60
		FICA	14.88
		Medicare Tax	3.48
		Total Deductions	$47.96
Pay Period	6/1/01 to 6/8/01	**Net Income:**	$192.04

W-4

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form **W-4** — **Employee's Withholding Allowance Certificate** — OMB No. 1545-0074 — **2008**

Department of the Treasury
Internal Revenue Service

▶ Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.

1 Type or print your first name and middle initial. | Last name | 2 Your social security number

Home address (number and street or rural route) | 3 ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate.
Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.

City or town, state, and ZIP code | 4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ▶ ☐

5 Total number of allowances you are claiming (from line **H** above **or** from the applicable worksheet on page 2) 5
6 Additional amount, if any, you want withheld from each paycheck 6 $
7 I claim exemption from withholding for 2008, and I certify that I meet **both** of the following conditions for exemption.
- Last year I had a right to a refund of **all** federal income tax withheld because I had **no** tax liability **and**
- This year I expect a refund of **all** federal income tax withheld because I expect to have **no** tax liability.

If you meet both conditions, write "Exempt" here ▶ 7

Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature
(Form is not valid unless you sign it.) ▶ **Date** ▶

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.) | 9 Office code (optional) | 10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 10220Q Form **W-4** (2008)

From the **Net Spendable Income**, you meet your needs and your family needs, including housing, food, medical, and etc.

- You must fulfill your commitments from past charges and overspending.

- Faithful money management will yield a fifth portion referred to as a surplus. The creation of a surplus should be a major goal. This is the area of your budget that will always allow you to respond to emergencies and needs of others.

Even if you or your family is not in debt, your surplus spending should be controlled by a budget. It is the surplus that provides the flexibility to meet emergencies and respond to the needs of others, without using credit. The surplus can also be used to invest and build your assets.

Obstacles

It is sometimes hard to have financial self-control. Here are a few obstacles to good planning and budgeting.

- Social pressures to own more “things.” (“Keeping up with the Jones.”)
- The attitude that “more is better” regardless of the cost.
- The easy use of credit and impulse buying.
- No surplus available to cope with rising prices and unexpected expenses.
- When income increases, spending usually increases.

Where Are You Now With Budgeting?

Tracking Leads to Budgeting

Starting a budget is just like starting on a trip. You cannot set a course without first determining where you are.

Most people who attend financial counseling have little idea of how much they spend each month or where it goes. They only know that there is “more month than money.”

Before you set your budget, you need to see where you are by making a list of all sources of income and debts.

Although this is a simple step, many people have never made a list of all they owe. While it can be discouraging to write down all sources of income and debts, this step will allow you to see how your money is being spent each week and month. This is the first step in developing a budget. Taking the time to write all your sources of income and debts works in counseling sessions and, it will work for you.

(Assignment)

Make a list of:

1. All sources of income earnings from (work, SSI/SSDI, workers compensation, Section 8, etc.)

2. Who you owe

3. How much is owed

4. Date payments are due

Write down every expense. Be sure to include all debts and be aware of hidden debts. A common error in budgeting is to overlook non-monthly debts such as family loans, doctor bills, bank loans, or child-care expenses. Thus, when payments are due there is no budget allocation for them. Also include all cash spent, checks, money orders and credit card purchases and charges. (Example: If you spend $1.50 at the vending machine, write it down. If you go out to lunch, write it down.)

Organize each expense into meaningful categories. You do not want to simply repeat your checkbook register or have a fifteen-page list of expenses. To analyze your spending, it is helpful to know how much you spent on each category.

Examples of meaningful categories:

- Income
- Taxes
- Housing
- Utilities (heating oil, electric, gas and water)
- Telephone, cell phones
- Cable/Internet
- Automobile (loan/lease payments)
- Automobile insurance
- Child-care
- Medical
- Savings
- Education
- Investments
- Charitable Giving
- Clothing
- Entertainment/Recreation

The method of recording your income and spending is not as important as the fact that you do it! Use a simple spiral notebook to list each category on a page and total each category at the end of each week and each month.

It is important for everyone in your household to be involved in this review. Tracking your expenses may expose some surprising and unpleasant trends. Becoming aware of what you are buying and how much is being spent will help you keep from overspending. You have now started budgeting!

Example: Don and Rita Jones decide to get started listing their debts and tracking their expenses. During the review session at the end of the first month, Don looks at the total expenses and asks, “How did we spend $350 for Entertainment and Recreation in only one month?” They began to look at the details listed in their notebook for Entertainment Expenses. “It looks like most of the $350 was spent eating out at restaurants. That seems like a lot.” Don nods in agreement. “Especially when I see that we have three credit card debts that we are making only minimum payments. We should try to cut down on going out to eat and use that money to make larger payments on our credit card debt?”

With that last statement, Don and Rita are moving towards budgeting. They have not set a formal budget yet, but by listing their debts and tracking spending, they have started planning and are ready to start budgeting.

TIP

Your list of debts can serve as a visual reminder of the goals you have set to pay off the debts listed. Begin with a goal of eliminating the smallest debts first, then double payments on the next debt until it is paid, and so on until all debts are eliminated.

List your three lowest debts. Your mission is to focus, pay down, and eliminate. Post this list where you can see it often as motivation. Take satisfaction in crossing off each debt when it is paid in full.

HOW MUCH DO YOU KNOW ABOUT A BUDGET?

Statement	Agree	Disagree
1. A budget is a record of *"fixed" expenses.	❑	❑
2. Interest earned on your savings should be considered as part of a budget.	❑	❑
3. A budget helps you plan for the fun things in your life, so you can feel good about how you spend your money.	❑ ❑	❑ ❑
4. **Flexible budgets are more likely to be followed.	❑	❑
5. Budgets are not necessary to reach your financial goals.	❑	❑
6. Savings should be paid first in a budget.	❑	❑
8. A budget is too much trouble to follow.	❑	❑
9. Budgets are too ***restrictive.	❑	❑

*Fixed means not subject to change or fluctuation, a regularly recurring expense (such as: telephone, cable or auto loans) that must be paid when due or you will incur a penalty.

**Flexible means able to change or be changed according to circumstances.

***Restrictive means tending to limit: acting as a limit or control on something.

HOW MUCH DO YOU KNOW ABOUT A BUDGET?

STEP ONE: IF YOU HAD $50, WHAT WOULD YOU SPEND IT ON? CHECK ONE OF EACH OF THE TWO SELECTIONS LISTED. ONCE YOU HAVE MADE YOUR SELECTIONS, CONTINUE ON TO STEP TWO.

Hobbies	❑	Food	❑
Charitable giving	❑	Hobbies	❑
Social activities	❑	Personal appearance	❑
Clothes	❑	Hobbies	❑
Savings	❑	Social activities	❑
Sports/recreation	❑	Charitable giving	❑
School Expenses	❑	Personal appearance	❑
Clothes	❑	Clothes	❑
Food	❑	Savings	❑
Sports/recreation	❑	Charitable giving	❑
Charitable giving	❑	Hobbies	❑
Personal appearance	❑	Clothes	❑
Savings	❑	Food	❑
Hobbies	❑	Charitable giving	❑
School expenses	❑	Car	❑
Sports/recreation	❑	School expenses	❑
Savings	❑	Social activities	❑
Social activities	❑	Sports/recreation	❑
Hobbies	❑	Car	❑
Sports/recreation	❑	Personal appearance	❑
Food	❑	Personal appearance	❑
Social activities	❑	Savings	❑
Sports/recreation	❑	Charitable giving	❑
Clothes	❑	Car	❑
Clothes	❑	Food	❑
Charitable giving	❑	Savings	❑
Hobbies	❑	Hobbies	❑
Social activities	❑	Car	❑
Charitable giving	❑	Social activities	❑
Sports/recreation	❑	School expenses	❑
Car	❑	Car	❑
Savings	❑	Food	❑
Personal appearance	❑	Clothes	❑

Social activities ❏

Clothes ❏
Car ❏

Hobbies ❏
Personal appearance ❏

Car ❏
Sports/recreation ❏

School expenses ❏
Savings ❏

School expenses ❏
Hobbies ❏

Charitable giving ❏
School expenses ❏

Savings ❏

Social activities ❏
Car ❏

Personal appearance ❏
School expenses ❏

School expenses ❏
Food ❏

Personal appearance ❏
Sports/recreation ❏

Clothes ❏
Food ❏

STEP TWO:

Count all the times you checked SAVINGS and write the total in the spaces provided below. Complete each of the items the same way.

1. Savings ____
2. Food ____
3. Clothes ____
4. Sports/recreation ____
5. Charitable giving ____
6. Car ____
7. School expenses ____
8. Hobbies ____
9. Social activities ____
10. Personal appearance ____

STEP THREE:

Now write the item with the highest number in the space next to number 1. If there is a tie, write the items in the order you would choose. Next, write the item with the second highest value. Continue in this manner until you have completed the entire list. The list reflects the items you consider most important in their order of importance. By knowing your values, you can develop a personal spending plan that will fit your budget. The closer your budget fits your values, the easier it will be to follow.

1. ______________________
2. ______________________
3. ______________________
4. ______________________
5. ______________________
6. ______________________
7. ______________________
8. ______________________
9. ______________________
10. ______________________

Chapter 4

A Savings Plan

In Chapter 4, "A Savings Plan," you will learn the following:

- Why everyone should have a savings plan.
- Types of savings accounts.
- 50 Plus Ways for You and Your Family to Save Money to Make Your Dream of Homeownership a Reality!

A SAVINGS PLAN

An Example of a Past Savings Plan: In the past, many people were taught to save their cash earnings by using the jar method. Each week when they were paid, they would go home, take out jars for the number of items they were saving for and divide their earnings into the right jar.

A sample of possible jars:

Jar 1 - Household: food, shelter, and clothing

Jar 2 - Savings

Jar 3 – Tithing and charitable giving

Jar 4 – Emergencies

Once there was enough money saved, they would pay bills, make any necessary purchases and then buy other items. Most did not have access to credit cards; they had to budget for any purchases they wanted to make and pay in cash or barter for goods and services. By using the barter system, for example, they would buy hay from someone for their animals and then in turn, pay them with eggs, butter and milk.

Today, it is still important to save money:

- To Pay bills
- To Tithe
- For charitable giving
- For Education
- For Emergencies
- For Vacations
- For Retirement

Add to this list other items you would save for:

____

____

____

Unlike some people in the past, today most Americans use banks to save their money. There are several reasons:

Safety: When you keep your money in a bank it is insured by the Federal Deposit Insurance Corporation (FDIC). If you were to keep your money at home in your sock drawer and there was a fire, all your savings would burn and you would have no proof you ever had any money.

Convenience: You have the ability to have your SSI, SSDI earnings and other income direct deposited into your bank account. This saves you the time of having to go to the bank directly. Also, the money is available as soon as it is deposited.

Interest Income: By having a savings account at a bank, the money you have deposited earns interest each month. It may not seem like much; however, over time it adds up. When you keep your money at home, it does NOT earn interest.

Compound interest: When you have a savings account that earns compound interest, it is a win-win situation for you. This means you are earning interest on the balance and on the interest as well. Actually you are earning two sets of interest, and that is why they call it compound interest.

Types of Savings Accounts

Interest-bearing savings accounts: Usually you are required to deposit a minimum of at least $25 to start an account. You can add to it and make withdrawals at any time. However, you will only earn interest on the amount that is in the account at the end of the month. Banks and credit unions pay different interest rates. Make sure you are earning the highest possible rate of interest on your deposits. Research local banks and credit unions by contacting them to find out their rates and fees. Sometimes if the balance falls below a certain amount, banks will charge a fee. Also, select a bank that is located conveniently near your home or workplace.

Passbook savings: In the past, all savings accounts were passbook accounts. When a deposit is made to the savings account, the teller (the bank employee who assists you with making the deposit) records the transaction in a book and gives it back to you. Today, passbooks are only available at a few banks and credit unions. Savings statements are available through monthly or quarterly paper statements sent to you through the mail or through online Internet banking.

Certificates of Deposit (CDs): Banks and credit unions usually offer 3, 6, 12 month CDs and some for longer terms. CDs usually pay higher interest rates than regular savings accounts. You cannot add money to a CD until the term is up. If you make a withdrawal from your CD before the term is up, you will be required to pay a penalty for early withdrawal. Once the term has been completed, you can close the account, withdraw the funds plus the interest, add to it, or simply leave it alone and allow the account to continue to grow plus the added interest.

Money-Market Accounts: These accounts usually pay higher interest rates than regular savings accounts; however, you are limited in the number of monthly transactions you can make. Some people will use a money market account instead of a traditional savings or checking accounts.

50 Plus Ways for You and Your Family to Save Money to Make Your Dream of Home Ownership a Reality!

Gather the family together to discuss everyone's role and responsibilities to help make your new home purchase a reality!!! From the list featured below, have each family member select two to three money-saving ideas they can commit to immediately. You will be surprised how quickly the savings will accumulate once everyone makes the commitment. (As you begin saving, you will also find many other clever ways to save!)

1. Brown bag lunch...take turns packing lunches and do not forget to pack a surprise or note now and then!
2. If you are able, walk or bike to run errands. It will save gas and gives great health benefits too!
3. Cancel the cable...gather the family to go for a walk, read or play games! (This time spent as a family will create wonderful lasting memories.)
4. Rent or trade videos instead of going to the movies, invite friends over, but don't forget the popcorn!
5. Take the family to the local library to select free videos and CDs!
6. Car pool to work, to pick up the kids from school and other activities.
7. Organize all stops needed to run errands in one trip versus several, saving not only gas but also time!
8. Make a shopping list before you leave the house (again saving time & money) and stick to purchasing ONLY the items listed.
9. Make homemade greeting cards and holiday gifts. They will be cherished forever! If you must purchase a gift, set a dollar limit and stick to it!
10. Make your own gift wrap...brown paper bags with raffia bows are beautiful. For children's gifts, buy inexpensive tissue paper and use different colored crayons to write the youth's name and age all over the tissue paper...voila....personalized wrapping paper!
11. If you are able, mow your own lawn or cut service to bi-monthly.
12. Wash your own car. Better yet, wash someone else's car as a gift!
13. Cancel the house cleaning service or limit cleaning to every other week versus weekly.
14. Do your own manicure and pedicure – for fun let your mate paint your toes!
15. Send the kids to visit Gram & Gramps for a night, everyone gets a break.
16. Celebrate milestones, birthdays at home with a special dinner. The leftovers make great lunches too. You will be the envy of your co-workers!
17. Pay off the credit cards. Start with the ones with the highest interest rates first. Once they are paid in full...STOP using them for unnecessary purchases. Ask yourself if the purchase is a "need" versus a "want."
18. Open a savings account...put away as much as possible striving for at least 10 percent of your pay. If that amount is too high right now, start low. Remember something is better than nothing!!!
19. Turn off the lights when not in use, as well as, all electrical appliances (unplug small appliances when not in use for greater savings).
20. Turn the heat thermostat down to 65 degrees during the day and lower to 63 degrees at night.
21. Turn off or lower the air conditioning to 78 degrees when no one is at home.

22. In summer when it is sunny, keep all curtains and blinds closed until the sun passes. In winter on sunny days, open the curtains and close when the sun goes down.

23. Groom your own pet or limit grooming to every other month.

24. Vacations can be as much fun by taking day trips from home. Have breakfast at home, pack a picnic lunch or have a barbeque.

25. Use coupons, have everyone help with clipping. ONLY clip for items that you use!

26. Make a decision to only buy sale items — NEVER PAY FULL PRICE!!! (check online for great bargains in your area via www.craigslist.com)

27. Before you make a purchase, ask yourself is this a "NEED or a WANT"?

28. Never buy a new car...it loses 20 percent of the value once you drive it off the lot!

29. If a new car is a must, review consumer guide books (available FREE at the library) before going to a dealership, check on-line for discounts and book value. Shop at the end of the month for car sales.

30. Contact your local bank to inquire about auto loan rates before going to the dealership, get pre-approved for your car loan, so you will know what your new payment will be.

31. Increase deductibles for all insurance policies to lower premiums.

32. Wash only full loads of clothes using cold water for added savings.

33. Dry clothes outdoors during sunny weather...you will love the fresh smell too!

34. When cooking dinner, make extras to freeze for another meal...tomorrow's lunch.

35. Hair cuts. Go shorter in the summer saving on visits to the hair salon.

36. Limit long distance calls. Use a timer, write letters or e-mail using JUNO for FREE.

37. Make long distance calls during off-peak hours.

38. Change auto oil, filter and air filter yourself.

39. Pump your own gas.

40. Make sure the tires on your car are inflated properly for better gas mileage.

41. Iron your own shirts instead of sending them to the cleaners.

42. Cancel athletic club membership – instead exercise as a family!!! Go for a walk, but do not forget to take the dog!!!

43. Only use Automatic Teller Machines (ATMs) for emergency cash withdrawals.

44. Limit going out to dinner, instead opt to have family and friends take turns getting together monthly at one another's home and have everyone bring their favorite dish to share.

45. Get together with family and friends after dinner for coffee and dessert!

46. Save on babysitting costs. Take turns babysitting for friends who also have little ones.

47. Only use credit cards to make emergency purchases. Commit to using the credit card only when you are certain the balance can be paid in full to avoid the interest charges.

48. Opt to "moonlight" with a second job, until your savings have accumulated sufficiently. You may decide to continue working the second job indefinitely.

49. Enjoy Friday night pizza by making it at home! Every week another member of the family gets to select their favorite toppings!

50. Quit or cut back on cigarettes and alcohol – you will feel better too!

51. Let your family and friends know of your goal of saving for homeownership...you may be surprised at how supportive they may be!!!

52. Please share this list with family, friends and co-workers, and have fun adding to it with your own ideas...good luck!!

Increase the list by adding other money savings ideas:

Chapter 5

Checking Accounts

In Chapter 5, "Checking Accounts," you will learn the following:

- What is a checking account?
- How to manage a checking account.
- What is a debit Automatic Teller Machine (ATM) card?
- Tips on using ATM machines.

CHECKING ACCOUNTS

What is a checking account?

- It is a written promise to pay money from one person, yourself, to another person or a company without using cash.
- It is important to have enough money in your checking account to cover the amount of the check written. This will avoid "overdraft" fees being charged to your account that can be as high as $30-$40.
- You must know the balance in your checking account before you write a check! Calling the bank or going online to find the balance in your checking account is not the safe or wise thing to do. The bank has no idea of how much or how many checks you have written that will be coming into your account to be paid.
- Writing checks without having enough money in your checking account causes extra fees to be charged to your checking account and it is illegal (jail time can be imposed as a sentence).

How to maintain the check register:

- The best way to keep track of your money in a checking account is to carefully use the check register that is given to you when you get new checks or open an account at the bank.
- Add cash that you are depositing such as your paycheck, SSI and SSDI and other sources of income as a plus or credit.
- Subtract the amount of the check written including a brief description of who the check was written to and what the purpose of the check is as a minus or debit. It is important to keep track of all transactions made to the account making sure the math is accurate.

Bank statements:

- Once a month the bank sends a statement of all transactions made to your account.
- Deposits: This is the time to verify that all the deposits you have made over the past month agree with the deposits listed on the statement and that the bank has recorded all of them.
- Checks: Verify that all the checks written have been accurately recorded on both the statement and your check register.
- Once all deposits and checks have been verified, the bank balance and the balance listed in your checkbook should agree.
- If the bank has any errors or the balances do not agree, go directly to your bank and ask for assistance. This is a service that is provided to you free of charge.

What is an Automatic Teller Machine (ATM) Debit Card?

- You can use the debit card instead of writing a check. It is considered a cash transaction.
- An ATM debit card is a card that is tied to your checking or savings account.
- ATM/Debit cards require the use of a Personal Identification Number (PIN) to access your money. (NEVER give your PIN number to someone else to use.) It is considered safer to use an ATM Debit card versus carrying large amounts of cash in your purse or wallet.
- If your card is lost or stolen report it to the bank immediately so they can issue you a new ATM/debit

card and a new PIN.

- It is your responsibility to deduct the purchase(s) made from your check register or save the receipt to balance against your monthly checking account statement.
- Banks immediately deduct the debit from your checking or savings account. Make sure to keep enough of a balance in your account to cover all checks written or ATM debit purchases. Otherwise, your account will be charged overdraft fees of around $30 or more.
- Make sure you know the fees being charged by your bank or credit union and their policies. Usually, if you use your bank's ATM, you are not charged a fee. If you use another bank's ATM, you are charged a fee by that financial institution and also charged by your bank or credit union for the transaction made. The fees can be $1.50-$3.50 per transaction.
- Deposits are also accepted after hours at most ATM machines which is a handy feature.

An Example of excessive use of an ATM debit accounts: You are out with your friends to eat and you need $20. There is a machine right there! You have to pay the babysitter cash and on your way home there is a different bank ATM machine to give you another quick $20. Suppose those two machines charged you a total of $4 to get $40 in cash, is that a good deal? **YES __ NO __.** That is 10 percent interest and not a good deal! The meal out and the babysitter did not cost $40. It is now $40 + 4 = $44. The meal is forgotten and the babysitter went home, but you will be charged $4 on your statement from your bank.

How about paying bills using money orders? Consider the expensive fees! Get a free or low-cost checking account and use it properly. Shop around for the lowest costs.

Tip: If you must use a money order, always keep a copy for your records.

See **"Financial Education Series 2 on Banks, Bankers and Banking"** to help answer any banking questions you may have. There are many services that a bank or credit union can perform for you and it is well worth the time it takes to call around and ask about services and fees.

Chapter 6

Credit and Debt Management

In Chapter 6, Credit and Debt Management," you will learn the following:

- What is credit and why establishing good credit is important?
- Tips for applying for and managing credit.
- What is a predatory lender and why it is important to beware of them?
- About consolidating outstanding debts.
- Auto loan tips.
- About a Home Equity Loan or Line of Credit.

CREDIT AND DEBT MANAGEMENT

When you purchase an item you have choices on how you can pay for it. You can purchase the item and pay for it by using:

- Cash (using dollar bills and change)
- Check, ATM debit card (paid-in-full at the time of purchase is also the same as paying in cash)
- Credit (pay for the item by using a credit card and then make monthly payments until the balance has been paid-in-full)

Establishing good credit is very important for everyone, but essential if you want to become a homeowner. When a lender reviews your credit report they can determine many things about you such as:

- Your name
- Address and how long you have lived there
- Date of birth
- Outstanding debts
- Judgments, bankruptcies, collections
- How you pay your bills (whether or not you make late payments and how often payments are late)

Your credit scores will determine how much you pay for credit. You are charged an interest rate as payment to the credit card company for using credit. A credit score of:

- 300 lowest (poor)
- 620 medium (good)
- 850 highest (excellent)

Most individuals have three credit scores. A lender will typically look at the middle score to determine how much interest you will be charged. For example:

- If your credit score is 400, you may not be able to apply for credit from a lender.
- If your credit score is 560, you will be able to apply, however, you will be charged a higher rate of interest.
- If your credit score is 680 or above, you will be able to apply for credit from many sources and will pay a lower interest rate.

Tips For Applying For Credit

- Apply for a local store credit card with a maximum limit of $250 – 500.
- Apply for credit cards with no annual fee.
- Apply for credit cards with the lowest interest rates. Some credit card companies charge as low as 7 percent or lower and some charge as high as 30 percent and over.
- Call several credit card companies to research current interest rates, fees charged and payment policies.

Tips for Managing Credit

- Carry only one card to use in case of an emergency.
- Determine if a purchase is a need versus a want.
- Try to use credit only when you know you can pay the entire balance in full each month.
- If you cannot pay the balance in full, make sure to pay at least the minimum required monthly payment.
- Make sure payments are made on-time each month, otherwise a late fee will be assessed and the interest rate charged can increase.
- If you have missed a payment due to an oversight, contact the credit card company immediately. If you have a history of making on-time payments, they may not charge a late fee.
- If you make late payments often, consider having the minimum payment taken directly from your checking account so there will not be any other late or missed payment fees charged to your account.

Beware of Predatory Lenders

When seeking information in regard to getting a loan, contact reputable lenders (Refer to **Financial Education Series 2 "Banks, Bankers and Banking"**). Call your bank or credit union or ask someone you trust for a reference: family member, friend, neighbor or co-worker. Anyone can obtain credit. However, your credit scores and who the lender is will determine how much you will have to pay for credit. If your credit scores are low and you have too much outstanding debt, most reputable lenders will deny you credit.

A **predatory lender** is just that, they prey on people who cannot secure credit elsewhere. For example: A buyer is anxious to make a purchase and is not willing to wait until outstanding credit issues have been resolved. Predatory lenders will charge higher than normal interest rates and as a result, the buyer may have a difficult time paying off the debt. The predatory lender may also charge extra fees making themselves even more profit!

The ads on TV want me to consolidate my debt so I have just one monthly payment. Is this a good idea?

Everyone has their own unique situation. When determining how to pay debts there are many considerations:

- Income
- Savings
- Expenses (housing, food, medical & utilities)
- Installment debts (loans that have an end date when they will be paid-in-full)
- Revolving debts (credit cards that you use, pay down then can be used again)

When determining how to pay off debt, consider:

- Beginning by paying the debt with the highest interest rate while paying the minimum required amount on any other outstanding debts.
- Once the first debt has been paid in full, use the amount that was paid on the first debt and add it to the payment of the next debt.
- After all debts have been paid, start adding the extra money to your savings and watch how quickly your savings will grow!

Example: If you have been paying $50 per month as minimum payments to credit card companies and now this money is being deposited into your savings account, after only six months you will have saved $300.

Consolidating debt may work for your budget. Example: If you were to consolidate eight outstanding debts, you would make one monthly payment to a debt consolidating company. The debt consolidator would then make payments to each of the companies. However, beware some of the companies do not pay your bills on-time or pay so little that it can take many years for a small debt to be paid. Again, research the company to make sure this is the best alternative for your situation. Contact the Better Business Bureau in your area to make sure the company is in good standing.

Another TV ad wants to help me fix my credit. Good idea?

Remember these companies are in business to make money. Make sure the company is reputable. Ask about their fees and how long will it take them to repair your credit. Ask them to explain your credit report; it may not be as bad as you think. You may be able to repair it on your own for free or with the assistance of a housing counselor.

Car Lease or Loan

- When you lease a car, remember that when the lease is up you to either:
    - Turn the car back to the dealer paying for any extra mileage or damages.
      or
    - Purchase the car.
      or
    - Lease another vehicle.

When leasing a car you will always have monthly payments. If you purchase the car and make monthly payments, after the loan is paid in full you own the car and do not have the monthly payments. For most of us, purchasing a car is the best option.

Auto Loan Tips

Get pre-qualified from a lender before shopping for a new or used car. (**Beware:** Small used car dealers charge the highest interest rates! They can be predatory lenders! Dealers also make money on the sale when you use their financing.)

Once the car has been paid off, open a dedicated car-savings account and continue making payments to this account. That way you can pay for car repairs from your savings and when you are ready to purchase the next car you will have a sizable down payment.

Review your budget to determine:

- Whether to purchase a new or used car.
- How much you can afford to spend based on your monthly budget.
- Length of time you want to make a car payment (consider purchasing a car using three years maximum for financing).

Research the auto consumer guide books to find which cars have the features you may want that fit into your budget. Keep in mind based on your budget you may not get all the features you would like.

- When shopping between dealers, find out if they have any sales or closeouts.

- Shop at the end of the month when the dealers want to complete the month by offering extra incentives.
- Take a family member or friend with you who has had experience purchasing a car and who can help you negotiate.

Example: I know I cannot afford more than $165 for a monthly payment and I did not want a payment any longer than 5 years. Based on these facts, I am looking at spending a maximum of $10,000. I was able to find a great used car with only 30,000 miles on it, leather seats, moon roof, six CD changer and lots more. The dealer included a new home computer since it was the end of the month and he wanted to make the sale.

Rent-To-Own

Do not do it! Again this is a similar situation to a car lease. You will be making monthly payments, and at the end of the contract the Rent-to-Own company takes back the furniture. Some are also considered predatory lenders as they charge outrageous fees. Instead consider shopping:

- During a sale, if purchasing new
- Estate sales
- Flea markets
- Yard sales
- Internet using Craig's List

Home Equity Loans or Lines of Credit - What are they? Is it ok to use a home equity loan or line of credit to go on the big vacation of a lifetime?

Once you own a home and have made regular monthly payments for a while, you build equity in your home. Equity means that the house is worth more than what is owed on the balance of the mortgage. Your home also builds equity by the increase of the property value.

Example: You purchased your home in 2005 and paid $50,000 for it. Two years later, you have made on-time monthly mortgage payments and a major new company is opening a facility in town. This company will be hiring many new employees at a good salary. This means home values will increase and your home will be worth more than the amount you paid for it. Buyers will have to pay higher prices as the value of the properties have increased. Your home may now be worth $75,000 if you wanted to sell. This means you would have $25,000 worth of equity that you can borrow against. Note: You will not be able to borrow the full amount of $25,000 but rather some fraction of it. Based on lender guidelines, some banks and credit unions allow you to borrow up to 90 percent of the value of your home.

Home equity loan has a fixed:

- Loan amount
- Interest rate for the life of the loan

Home equity line of credit has a/an:

- Maximum loan amount that can be used, then paid back and used again
- Interest rate that may change from month to month
- Supply of checks issued

Use the home equity loan or home equity line of credit for:

- Renovating your home
- Paying for school
- Consolidating debts

Benefits of having and using a home equity loan or line of credit:

- The interest paid is tax deductible annually when the Federal IRS imposes income taxes

Do not use a home equity loan or line for day-to-day living expenses.

P + I + T + I Payment - What is that?

Principle + **I**nterest + **T**axes + **I**nsurance = Total monthly housing payment

Principle + Interest = mortgage payment

Taxes = Property + school taxes (taxes can increase/decrease)

Insurance = homeowners insurance (required by the lender for at least the balance of mortgage)

So **P I T I** sounds like "pity" which is the **total** monthly mortgage payment.

P I T I

Most lenders want to make sure that you pay all your bills and stay living in your house, so they collect all four of the items above every month.

Escrow account: Is a dedicated savings account from which withdrawals cannot be made by you. Every month when the mortgage payment is paid, the amount for property taxes, school taxes and homeowners insurance are deposited directly into the escrow account.

The property and school tax bills are paid directly by the lender when due. School taxes are billed in July and payable in September.

The homeowners insurance bills are paid directly by the lender when due, usually the anniversary month of when the home was purchased.

If there is an increase to taxes and homeowners insurance, then the monthly payment will change.

NOTE: If the lender does not allow escrow accounts for homeowners, the homeowner will be required to provide proof to the lender that the property and school taxes and insurance have been paid annually.

Chapter 7

Your Credit Rating

In Chapter 7, "Your Credit Rating," you will learn the following:

- What is your credit rating and who determines it?
- How do you correct mistakes and why is it important?
- What is identity theft and what to do if you suspect it?
- Tips on building your credit rating.

Your Credit Rating

What is your credit rating?

Once you have established credit by making a purchase using credit (taking a loan to purchase a car, student loans, or credit cards), you are rated on how you pay your debts. This rating system consists of credit scores ranging from lowest score of 300 to the highest of 850.

Who Determines Your Credit Rating?

Credit scores are determined by three different companies:

- Experian
- TransUnion
- Equifax

Credit scores are determined by:

- The number of open accounts
- The number of accounts with outstanding balances
- The length of time you have had the account
- If payments are made on time
- If payments are paid 30/60/90 days late
- The number of times the account has been 30/60/90 days late
- The number of account balances over the limits
- The number of outstanding judgments, collections, or bankruptcies

How do you correct mistakes and why it is important?

- Request a copy of your credit report at least once a year.
- Review the report carefully checking for any errors making sure there are no accounts listed that do not belong to you.
- Check the accuracy of your current and past residences.
- Make sure account balances are accurate. However, the balances may not reflect the most recent payments.
- Any errors must be reported to the credit bureau as soon as possible **in writing (always keep a copy of any documentation sent in your behalf for your records).**
- Be sure to send copies of supporting documents as proof the information is incorrect.

If **identity theft** is suspected, the credit card company affected and the police need to be notified. The police will require a report be taken. Copies of the police report should then be sent with a letter of explanation to the credit bureau. (Send the report "registered return receipt." **Always keep a copy of any documentation sent in your behalf for your records.)**

If there are mistakes on your credit report, they will have a negative impact on your credit scores. We saw in the chapter, "The Basics of Borrowing" that the lower the credit scores, the higher your interest rate will be.

If the credit score is 400 or below, credit will not be given by the creditor. It is very important to correct all mistakes on the credit report. Once all the errors have been corrected, within six months to a year the credit scores should increase.

Credit Repair "My credit is not the shiniest. What do I do?"

- Make sure to pay all debts by the due date which eliminates any late fees.
- Pay as much as possible on the debt with the highest interest rate until it is paid-in-full making on-time payments.
- Pay the minimum required amount on other outstanding debts by the required due date.
- If you have a child or children and pay child-care expenses, save receipts that show you paid on time. Car payments and car insurance payments can be used to establish credit.
- Open a store credit account using it to make purchases.
- Try to pay in full when the bill arrives.
- If you currently do not have any credit, establish an account with your bank or credit union.
- Make sure to pay all debts in a timely manner including rent, utilities, Cable TV and telephone or cell phone bills.
- Make at least the minimum payments on time each month for all accounts, including rent, utilities, day-care, credit cards, and all other debts.
- Pay off all outstanding judgments and collection accounts. Contact the company to make payment arrangements, if needed.
- Once the first debt has been paid in full, take the amount that was paid on the first debt and add it to the payment of the next debt with the highest interest rate. Continue paying outstanding debts using the same method until all outstanding debts have been paid.
- Make a habit of signing your name the same way on every document; it will be more difficult for someone to forge your signature
- Provide proof in writing to the credit bureaus of any errors listed on your credit report.
- Do not apply for new credit.
- Do not close out accounts, unless there is a dispute with an outstanding item.

Once all outstanding debts have been brought current and timely payments have been made for at least six months to a year, your credit scores should increase.

What if I do not currently have any credit or a credit rating? How can I establish credit and a credit rating?

Tips on building your credit rating by using these “alternative credit sources”:

- If you pay rent, make sure the lease agreement is in your name.
- If you rent an apartment, have the utilities listed in your name such as: electric, gas, oil and water.
- If you have a renter’s insurance policy, continue making on-time payments. Having a 12-month history of on-time payments will positively impact credit scores.
- If you have telephone service or a cell phone continue making on-time payments. Having a 12-month history of on-time payments will positively impact credit scores.

Chapter 8

Credit Cards

In Chapter 8, "Credit Cards," you will learn the following:

- How easy it is to get credit card offers and how to compare offers.
- When shopping for a credit card, what to research.
- Tips on using credit cards.
- About transferring credit card balances to new cards being offered.

Credit Cards

How easy is it to get a credit card? They are offered everywhere – in the mail, on television (TV), in stores etc.

Credit card offers are **very** easy to obtain. Once you have one card, the offers for more will continue to bombard your mailbox. Beware!

It is your responsibility to read and understand the credit card terms and conditions. The disclosure statement will outline the facts of the fees and just how they work. However, you may need to get your glasses or magnifying glass to read the small print. They do not make it easy. The disclosures will list facts like the time frame for using the introductory low rate and when the regular higher rate will go into effect. They will also list conditions for transferring the balance of your account to another credit card including the specified time making the transfer is allowed to take advantage of the introductory offer.

When shopping for a credit card you should research:

- Annual fees.
- Maximum balances allowed.
- Late fees.
- Interest rate charged on outstanding balances.

"I make the minimum payments every month. Why can't I get ahead? Why is my credit not getting any better?"

When you make only the minimum monthly payments, the interest that is charged to your account is again added to the balance. Making payments larger than required is the smartest way to pay off the balance. The best habit to get into if using a credit card to make a purchase, is to pay the balance in full when the bill arrives.

Tips on using credit cards:

- If possible, only use them for emergency purposes.
- Only use the credit card when you know you will be able to pay off the balance in full.
- Limit the number of credit cards (maximum should be two – three).
- Do not charge over the limit set by the credit card company. If you do, you may be charged additional fees and the interest rate can increase.
- Review the monthly statements for errors. If there are errors contact the credit card company to dispute as soon as possible.
- If you cannot pay the balance in full when the bill arrives, pay at least the minimum required monthly payment on-time.
- Use any extra money left in your monthly budget to pay down outstanding balances by making extra payments anytime throughout the month.
- Review your credit report at least once a year to make sure all your personal information, open accounts and outstanding balances are accurate.
- Do not let anyone use your credit card to make purchases.

Is it a good idea to transfer credit card balances to a new card being offered? Why not keep doing that again and again since I get so many credit card offers in the mail?

- Check the interest rate your credit card company is charging.
- If you receive 0 percent offers on balance transfers for 1- 2 years, consider taking advantage of these offers. However, it is up to you to keep track of when the offer ends. Make sure you understand the new interest rate when the 0 percent transfer offer expires.
- If you are paying down debts and NOT incurring new debts, take advantage of the 0 percent offers.
- Beware of hidden fees. READ the fine print. Often the new credit card company will charge you 3 percent or so of the balance to be transferred. If you are transferring $1,000 to a new card, immediately you will be charged $30. Ask yourself if this is a better deal than paying finance charges to the old credit card company.
- What is the interest rate for new purchases?

Use credit cards responsibly:

- If you have several open accounts with outstanding balances, **STOP** using the credit cards and make an effort to pay them off as soon as possible.
- Use credit for emergency purchases only. If there is something you **want**, put yourself on a budget and start saving to pay with cash!

Chapter 9

Consumer Rights & Identity Theft

In Chapter 9, "Consumer Rights & Identity Theft," you will learn the following:

- What is identity theft?
- What to do if you lose your wallet or purse?
- Who to contact in case you are a victim of identity theft?

Consumer Rights and Identity Theft

Identity theft is caused when someone uses your personal information (Social Security number, checking, savings or credit card accounts) to purchase goods and services,

- Pretending to be you.
- Pretending you authorized the purchases without your knowledge.

Today, identity theft is a major issue which can be a problem for any of us who become victims. Once you are a victim, it can take years to reverse the negative effects.

Tips which will keep you from becoming an identity theft victim.

- **Always** use the same signature. If your name is John A. Smith, Jr. - **always** sign your name the same way. If you are consistent, your signature will be more difficult to duplicate by a thief.
- **Always** make sure your driver's license and all personal accounts also reflect the correct spelling of your name.
- If there are any inconsistencies, have them corrected as soon as possible.
- Never give out your personal information to someone over the phone or Internet when you did not initiate the call. If a company representative continues to contact you, ask for the name of the representative, the name of the company and the company phone number so you can verify and research the information on your own.
- Keep copies of all your personal account information in a safe place at home. In case of emergency, make sure your spouse, parent, sibling or caretaker knows how to access this information.
- Beware of scams via the mail and Internet offering "FREE" money or merchandise by means of providing your social security number. Mail and Internet scams are problems for more and more people today. If it sounds too good to be true, it usually is!!!

What to do if you lost your wallet or purse?

Once you become aware that you have lost your wallet or purse **immediately**:

- Contact the police and file a report. (Be sure to request a copy for your file.)
- Contact your bank to place a hold or alert on your bank accounts.
- Contact your bank to report any lost and stolen ATM cards. Find out if anyone has tried to gain access to your account since the last time you recall using it or since you were aware the ATM card was missing.
- Contact any credit card companies to notify these companies of any lost or stolen credit cards. Find out if anyone has tried to use your credit card who was not authorized to do so by you. If someone has used your account, you are usually only responsible for the first $50 of purchases. **Know your rights**! Today, many credit card companies will contact you directly if they suspect unusual activity occurring on your account.
- Contact the credit bureaus: TransUnion, Experian, and Equifax, requesting they place an alert on your account. If an alert is placed on your account and a purchase is made, you will be contacted to verify, if in fact, it is a purchase you have authorized.

Chapter 10

Owning Your Own Home

In Chapter 10, "Owning Your Own Home," you will learn the following:

- What is the American Dream?
- The difference between renting and owning a home.
- How to qualify for a mortgage and overview of the steps?
- How long does the mortgage qualification process take?
- What is a closing?
- What about savings and matching fund programs?

Owning Your Own Home

"Home of Your Own" – The American Dream, right? Many things are called the American Dream, but none more often than private homeownership. Whether it is a small cottage, a large ranch house, a condominium or an apartment co-op, most people think of it as their big dream, their big goal in life. This may be true for many, but it can also be a nightmare for individuals not prepared for all of the tasks that go along with homeownership. So you have to ask yourself, "Am I ready for homeownership?"

Let's take a look at renting versus owning a home. Make a list of Pros and Cons thinking about your own situation for each point and deciding which will be better for you:

Renting:

- Usually cheaper.
- May require a security deposit, first and last month's rent.
- All maintenance done by landlord.
- Often you cannot do any significant decorating or landscaping.
- Easier to move to another location.
- May have annoying neighbors living very close by.
- Lack of privacy.
- Rent can go up.
- Cannot build equity. Will not have anything to pass on to your heirs.

Owning:

- May cost more.
- Many closing costs, some come out of your pocket.
- Maintenance and repairs done by you or somebody you hire including snow removal and grass cutting.
- Free to decorate, landscape, and remodel.
- Usually need to sell current home to move to a new location.
- Hopefully annoying neighbors are a yard's width away.
- Mortgage payment is usually fixed, but insurance and taxes can increase.
- Can build equity and will have net worth to pass on to your heirs.

Bottom line: It may look like renting is easier and owning a home more difficult, but there are advantages to owning.

What is the next step if you decide to buy your first house? Maybe you need more information, especially on the cost side to help you decide.

OMRDD's Office of Housing Initiatives and Supports has prepared many booklets and offers HUD-Certified training for first-time homebuyers in locations and times convenient for you. We can provide help to individuals served by OMRDD to reach the goal of homeownership. Keep in mind it will take time to meet all the requirements.

FACT: OMRDD is not a bank; and does not lend money. OMRDD puts together the package of required information for the lender and helps individuals through the homebuying process. But individuals have to be committed, make sacrifices, and have patience too.

How do you qualify for a mortgage? **There are several steps in the process:**

- Have a discussion with yourself, family, friends and Service Coordinator about the possibilities of becoming a first-time homeowner. Follow the Pros and Cons point by point asking, "Am I ready?" or "Does this suit me better?" It might be good to write down on paper your discussion points and draw a conclusion at the end.
- If the answer to "Am I ready?" was yes, then contact OMRDD's Office of Housing Initiatives and Supports to find out about training. This office is the only state agency in the nation to achieve the U.S. Housing and Urban Development (HUD) certification to conduct first-time homebuyer training to people with developmental disabilities.
- Attend the training. You will be filling out a preliminary application to see if your budget is within the range to buy a house based on your income and housing costs for your area.
- You will also give OMRDD's Office of Housing Initiatives and Supports permission to talk to other agencies to prepare your papers and to do a credit check. Often the training requires two days or more to complete, but it can be given over a longer time to make it easier for you.
- What if your credit is not so shiny? Suppose you had a few problems in the past or are struggling now? **Do not give up, we can often help!** We have credit experts on board who can help you repair damaged credit. They will sit down with you and counsel you on the definite steps you need to take.
- Some of their advice may be very harsh like cut up all of your credit cards so you cannot use them until this problem is fixed, but remember your BIG dream to own a home of your own. It will not be easy to go "cold turkey" without those plastic credit cards, but it will be worth the struggle!

How long does the process take?

FACT: The application to get approved for a mortgage will usually take 6-12 months.

The entire process from the first phone call to getting the keys to your home can take as long as 1-2 years (12-24 months).

Obviously you have to have patience. This is a great program to help you achieve your dream of homeownership and a wonderful opportunity for individuals supported by OMRDD. There is a waiting list and there are many steps that need to be completed along the way.

Should I start looking for a house now?

- Do not start the home search until OMRDD has indicated you are ready to begin.
- Do not sign with a realtor and start looking for a house!

This would only cause disaster and frustration due to the length of time that you have to wait. If you had found that perfect house and you had your heart set on moving into it, the seller would be frustrated waiting for promises to be fulfilled. The realtor would be frustrated not to be able to complete the transaction and get paid their commission, and you would be frustrated with everybody!

It makes good sense in the early part of this long process to look over the real estate market in your area and get a feel for what a house will cost. Read the newspapers and drive around areas where you might want to live, jotting down possibilities that you can later research on a realtor's website. If you see an open house on a weekend in a favorable area, go in and look it over, get the price but **DO NOT COMMIT OR SIGN ANY DOCUMENTS!** You need to do your homework. When your mortgage application is approved, it will be for a certain maximum amount and this will be your shopping price range for a home. That is the time to select a realtor to show you possible homes. Ask family and friends who recently purchased a home for recommendations of a realtor.

What is a closing? Will it cost me a lot of money?

A closing is the final settlement between the buyer and the seller, lawyers, realtors, and the bank; and it is where everyone who had a part in the process gets paid. Not everyone attends the closing; usually the bank will send the money to the surveyor, the home inspector, and so forth. The seller has already prepaid property taxes on the house and you will be required to reimburse him or her for those taxes. By the way, from the start, when you make your first payment for the house, you will be paying property taxes ahead for next year into what is called an escrow account **(Refer to Financial Education Series 6 - Credit and Debt Management)**. This account will be held by the bank and you cannot touch it. The bank receives the tax bill and pays it out of this account next year when it is due. Homeowners insurance is paid in the same manner.

Like any settlement with many pieces, a closing will show large sums of money changing hands – may be the largest sums of money that you have ever seen! It is the bank and your lawyer's duty to tell you at least 24 hours prior to closing whether you have to bring any money to the closing. There can be some surprises right before the closing, perhaps the bank insists that a certain repair be made and it might be a cost shared with the seller. Some last minute money may be necessary, but hopefully not a large sum. This is again an excellent reason to have an established savings account where you are saving consistently.

What about savings?

- Banks will look favorably on a mortgage applicant who has an established savings account.
- Some credit counselors will insist that you save regularly for two years as part of your credit repair or a good faith gesture that you really want a home.
- Occasionally a bank will offer matching funds to get you to save at their bank for a house. They will give you $3 or more for every $1 you deposit with them and you will not be able to withdraw this money to spend on anything else. A matched savings account is a wonderful way for a future homeowner to save money. Ask your housing counselor if you qualify and about how you can join!
- A savings account can be a real blessing after you have moved into your home. Do you remember who pays for maintenance and repairs? YES ___ NO ___ You do, so plan on being ready by saving in advance. Be prepared for home repairs by saving!

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