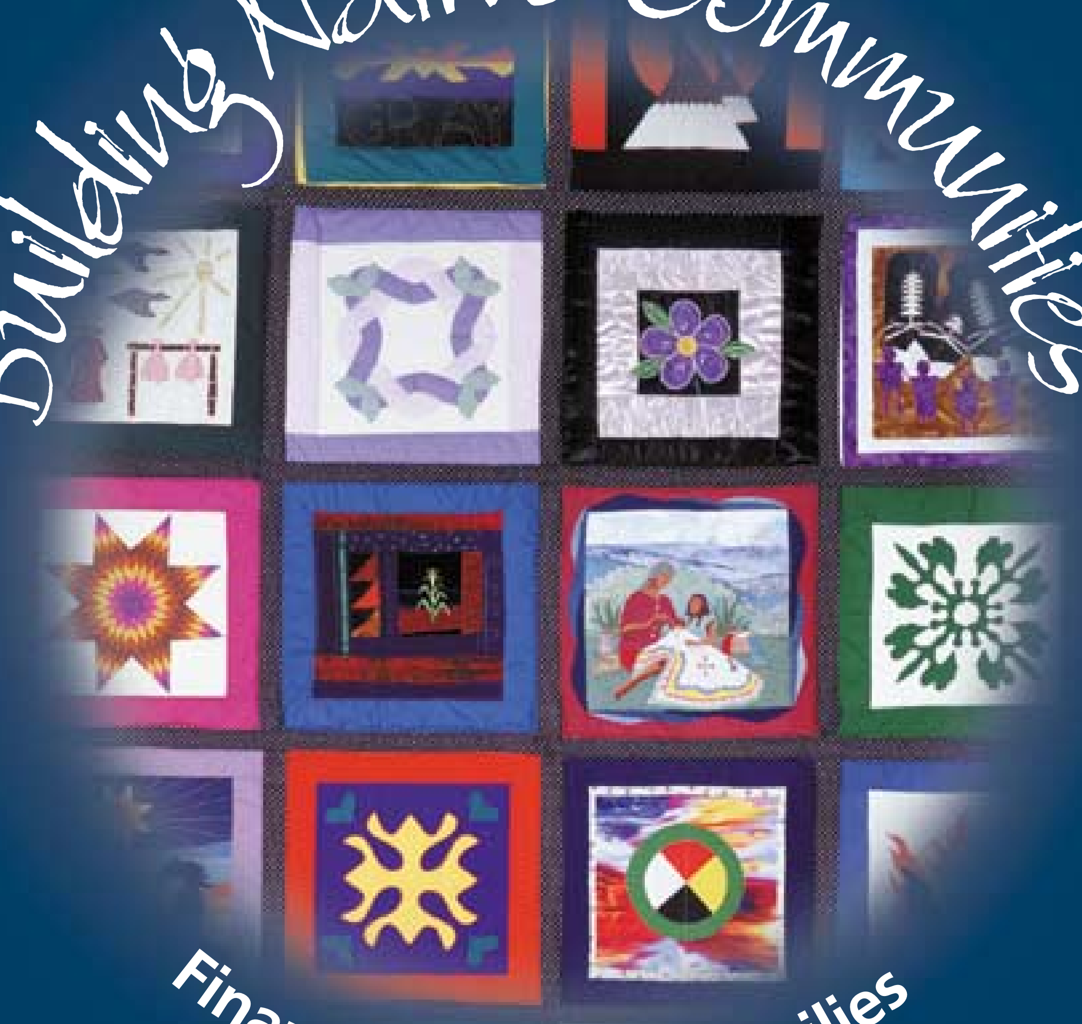
Building Native Communities



Financial Skills for Families

SECOND EDITION

INSTRUCTOR'S GUIDE

First Nations Development Institute

FannieMae FOUNDATION

Building Native Communities

Financial Skills for Families

A Native community is more than the sum of its parts. It embodies the mystique of community, the circle of inclusion. Within each member it generates powerful feelings of cultural solidarity. That precious spirit cannot survive without the underpinnings of economic development. But the development must be for everyone—not for just a few. That is the Native understanding.

This financial skills curriculum is for Native communities. Our purpose is to:

> Enable community members to realize their traditional values by learning financial skills that will help each person make informed financial decisions for themselves, their family, and their community.

FannieMae FOUNDATION

The Fannie Mae Foundation creates affordable homeownership and housing opportunities through innovative partnerships and initiatives that build healthy, vibrant communities across the United States. The Fannie Mae Foundation is committed to preparing the next generation of homeowners by breaking down the barriers to information about financial management and credit that many communities face.

First Nations Development Institute

First Nations Development Institute is a nonprofit organization that helps Native communities build sound, sustainable economies. First Nations helps community members to identify assets and build models to create and retain wealth in ways that reflect the culture and desires of the people in those communities. The strategy coordinates local grassroots projects with national program and policy development initiatives to build capacity for self-reliant economies.

Introduction

Whether members of your community want to start a business, buy a home, or pay off their debt, personal financial literacy is the first step in gaining control over their financial future. That is why First Nations Development Institute and the Fannie Mae Foundation have come together to present you with *Building Native Communities: Financial Skills for Families*.

Native people have always managed resources wisely, whether it was catching salmon, harvesting wild rice, or herding sheep. This curriculum is designed to help Native communities and their members adapt their traditional skills to the wise management of financial resources.

This program includes all of the information you need to facilitate group discussions and promote learning about the following personal financial skills topics:

- Building a healthy economy
- Developing a spending plan
- Working with checking and savings accounts
- Understanding credit and your credit report
- Accessing credit

To ensure that these materials are useful and relevant, please complete and return the evaluation at the end of this guide. In addition to comments about the curriculum, please share creative and effective ways you have used these materials with Native learners.

Thank you for investing your time and energy to teach *Building Native Communities: Financial Skills for Families* and for helping to build self-reliant, economically healthy communities now and for future generations.

Curriculum Mission and Philosophy

There is no single "economic" answer to the problems confronting Native communities. The answers lie with Native people themselves, and given the opportunity and resources to explore and develop their own answers, Native people will create unique, culturally relevant, and sustainable economic development strategies and programs.

This curriculum is dedicated to promoting economic understanding and personal financial literacy among Native people. All Native people should recognize the knowledge they have about themselves, their family, and their community, and we should encourage self-discovery and the sharing of knowledge. Financial literacy is perceived as technical and intimidating. However, when presented in the context of one's own culture and daily life, it becomes relevant and useful. As community members learn personal financial skills, they will also discover that their everyday decisions and actions can help support the economy of their local community.

Curriculum Development

This curriculum was initiated through a partnership between First Nations Development Institute and the Fannie Mae Foundation.

First Nations and the Fannie Mae Foundation engaged an advisory council composed of specialists in Native education and financial literacy to review and pilot the materials. Joanna Donahoe (Department of Housing and Urban Development), Bryan Jon Maciewski (Fond du Lac Tribal and Community College), Thomas Moore (Federal Reserve of Minneapolis), and Vickie Oldman (Navajo, New Mexico Community Development Loan Fund) deserve special thanks for their invaluable contributions. In addition, we would like to thank Deborah Schwartz (Adult Literacy Resource Institute) for her thoughtful comments that helped make this a better product.

Using These Materials

The audience for these materials is Native adult learners. Although all participants want to learn personal financial skills, it is important to recognize that they will bring to the session different needs, expectations, and experiences. Also keep in mind that any cross section of adults will feel varying degrees of familiarity and comfort within a workshop setting. Some adults quickly become involved, others may need time to feel at ease, and some may have to be "drawn out" with questions and encouragement.

The best way to reach your audience is to ask and encourage questions. Asking questions and encouraging participants to do the same will get people involved and will increase the workshop's effectiveness. The following tips may assist you:

- Ideally, determine participants' interests, needs, and skill level before the sessions begin. Speak to community representatives who have a sense of members' personal financial skills.
- Word your questions clearly.
- Address most questions to the group as a whole in order to stimulate thinking by all group members. When participants question you, occasionally redirect a question to the group or to a specific participant. Repeat the participants' questions and answers clearly to be sure that everyone has heard the question and the response.
- Try to acknowledge each participant's contribution to the group discussion by agreeing with it, clarifying it, or relating or redirecting it to the topic at hand.

- Allow time for participants to develop their answers. It may be difficult to wait in silence for more than a few seconds, but pausing a little longer will result in more and better interaction.
- Finally, get to know the participants in the course of your presentation. Try to determine their needs and expectations at the beginning and build on their experience throughout the session.

Traditional Elements

Each session opens with an optional traditional prayer. As the instructor, you will need to decide if this is appropriate given the participants' community. Strive to create a situation in which the participants feel comfortable and open to learning.

This curriculum uses traditional Native practices as the foundation for building personal financial literacy. The sessions will be most effective if you are prepared to use the community's history and stories as illustrations. Take the time to gather this information by talking with elders and community historians.

Certificate of Completion

Each participant workbook includes a certificate of completion for this curriculum. Collect the certificates from each workbook. Present each participant with a signed certificate at the end of the course.

Workshop Site

The session site should be conveniently located for workshop participants and should provide a comfortable and informal learning atmosphere. Community centers, church halls, schools, or libraries may offer a good setting.

The room should be large enough to accommodate the total group, with tables or desk space for note taking available to each participant. A flipchart and an overhead projector will be used for instructions and should be visible to all. Circular or U-shaped seating arrangements are preferable because they are more conducive to group discussion and group cohesiveness.

If possible, provide snacks for the participants. You may even want to encourage a potluck meal, depending on the time of the session.

Questions and Comments

If you have any questions or comments as you work through this material, please do not hesitate to call First Nations Development Institute at (540) 371-5615.

To receive your free *Building Native Communities: Financial Skills for Families* teaching program, call 1-800-659-7557.

Introduction

Table of Contents

Session 1:

Building a Healthy Economy

Time:	2–3 hours
Format:	Group exercises and discussion
Materials:	• Prepared overheads • Overhead projector • Blank flipchart • Session 1 participant handouts • Participant calculators

Overview

Native people have always managed resources wisely. Participants will complete the Circle of Life Exercise and share their community's resource management stories. You will want to know the community's resource management history before you lead this exercise. It is important that participants realize that Native communities' harvest schedules and the quantities of goods saved reflect insight into managing a sustainable economy. Native people were self-reliant and embraced the concepts of "budgeting" and "saving" in order to provide for their community's needs throughout the year. Remind participants of the rich and long history of Native people successfully practicing these skills.

Lead the group through The Local Economy Exercise to illustrate the dollars that are leaking out of the community's economy. Use the Circulating Money in Your Community Exercise to illustrate the positive economic impact of recirculating money in the community. Then discuss the benefits and the importance of community member-owned businesses. Emphasize how community member-owned businesses benefit all members of the community.

To end the session, guide the participants in a brainstorming session to identify actions that will positively affect the community's economy.

Objectives

After completing this session, participants will be able to:

- describe the resource management strategies practiced in their community;
- describe the local economy in terms of who is benefiting from community spending;
- describe the benefits of strengthening the community's economy by buying locally;
- identify personal actions that build their family's and the community's economic self-reliance and health.

Workshop Preparation

- Review all of the materials for this session.
- Review the Circle of Life Exercise on page 9 of the Participant's Workbook and prepare the necessary information for your community. You may want to speak with elders or a community historian to learn stories about the community's natural resource management practices.
- Prepare overheads of the participant materials for Session 1. The following pages of the participant materials may be useful overheads: 2, 4, 5, 6.

This block is my story. My grandmother and I would work on a quilt, and she would tell me stories of our family. She told stories of her childhood in the hills of Kentucky. These stories were my favorites. We spent many hours sewing and creating the fabric of my life. The very being of our family's experiences are woven into me. These are precious to me and hold me steady as roots hold a tree when the winds of life blow.... Making quilts brings me to this place of peace and joy again and again.

Nancy Naranjo
(Eastern Cherokee)

Montagnais fishermen, 1958. St. Augustin, Quebec, Canada. Photo by William F. Stile.

PARTICIPANT PAGE

Session 1:

Building a Healthy Economy

Objectives

In today's session we will discuss:

- Native resource management strategies;
- the flow of money through our community;
- actions we can take to build a healthier community economy.

Circle of Life

Our communities have traditionally demonstrated tremendous skill in managing resources to support the community on an ongoing basis.

For years, our people have understood and practiced the present-day concepts of budgeting and savings. We managed our resources by budgeting so that they lasted throughout the year. We put aside savings for future use.

Consider the planning done by the Canadian Bands, Nit Nat and Sooke, when they prepared for one of their women to marry. They saved for a year to provide a feast and gifts for all of the guests at the ceremony. Traditionally, gifts included blankets, canoes, dried fish, and many kinds of animal skins. If the woman's family was high status, the man's family/community provided them with a number of canoes to demonstrate that they could take care of her. The wedding ceremony required a lot of preparation and planning.

Our people also saved for the purpose of acquiring goods that we could not produce ourselves. By producing more than the community needed, we had goods to trade. For instance, the Northwest Coastal Indians traded a wide variety of products, including smoked or dried fish and venison, as well as tools made from elk, deer, fish, or other indigenous animals.

Budgeting and savings are core skills that enable individuals and families to contribute to the economy. In the modern economy, having these skills allows you to make informed financial decisions.

Our people have successfully practiced resource management skills for generations. Now we call upon their example to strengthen our own abilities.

Complete the exercise on the following page based on the circle of life in your community.

This block is my story. My grandmother and I would work on a quilt, and she would tell me stories of our family. She told stories of her childhood in the hills of Kentucky. These stories were my favorites. We spent many hours sewing and creating the fabric of my life. The very being of our family's experiences are woven into me. These are precious to me and hold me steady as roots hold a tree when the winds of life blow... Making quilts brings me to this place of peace and joy again and again.

Nancy Nacompe
(Eastern Cherokee)

Montagnais fishermen, 1958. St. Augustin, Quebec, Canada. Photo by William F. Sille

Session 1 Outline

Welcome and Introductions (5–10 minutes)

1. **Facilitate introductions.** If appropriate, encourage participants to open with a traditional prayer. Start by introducing yourself. Go around the room and ask participants to introduce themselves by answering the questions. You may want to share some information about your organization.

   [Use a traditional prayer to open the session, if appropriate.]

   Hi. Thank you for joining us today. Let's get started by going around the room and answering the questions I've put up front.
   [Write the following questions on a blank flipchart.]
   - *What is your name?*
   - *Who are you named after?*
   - *What would you like to be called?*
   - *I am here because…*
   - *What I expect to learn from this session…. I'll start.*

2. **Thank participants.**

Workshop Purpose, Schedule, and Learning Objectives (10–15 minutes)

3. **Explain the purpose of the workshop series.**

   We are here because you're interested in strengthening your financial skills. This curriculum was created to enable community members to realize their traditional values by learning financial skills that will help each person make informed financial decisions for themselves, their family, and their community.

4. **Describe the workshop series.**

   There are six sessions in this series.
   - *Session 1: Building a Healthy Economy*
   - *Session 2: Developing a Spending Plan*
   - *Session 3: Working with Checking and Savings Accounts*
   - *Session 4: Understanding Credit and Your Credit Report*
   - *Session 5: Accessing Credit, Part I*
   - *Session 6: Accessing Credit, Part II*

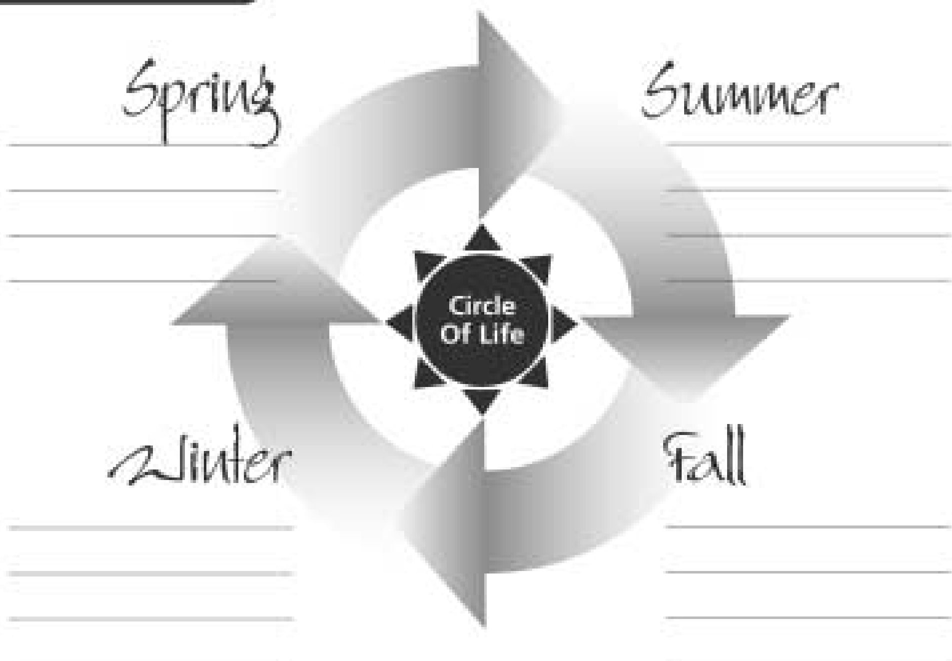
5. **Explain the schedule and facility logistics.**

6. **Explain the general objectives.** Refer to prepared overhead.

   At the end of today's session you will understand:
   - *successful Native resource management strategies used by our community;*
   - *the flow of money through our community;*
   - *actions we can take to affect the flow of money and build a healthier, more self-reliant community.*

PARTICIPANT PAGE

Circle of Life Exercise



On the diagram above, list what your ancestors (elders) would harvest throughout the year. *(Example: In the winter to early spring, Northwest tribes harvested venison such as deer and elk. They stopped in the early spring, when the young animals were born, to protect the survival of the herd.)*

Use the following questions to help you:

- Did your people preserve/save any resources to be used year round? What?
- How did they budget resources to be used throughout the year?
- Why do you think they developed this type of schedule?
- What types of goods did they trade? Were goods specifically put aside for the purpose of trading?

2

Circle of Life Exercise (25–30 minutes)

7. **Introduce the Circle of Life exercise.** Refer to prepared overhead.

   Our communities have traditionally demonstrated tremendous skill in managing their resources to support the entire community on an ongoing basis.

   For years, our people have understood and practiced budgeting and savings. We harvested resources and budgeted so that they lasted throughout the year. We put aside savings for the future.

   Let's complete the Circle of Life Exercise for our community, thinking back to your grandparents and great-grandparents.

   What resources were saved to be used year round? How did they budget these resources and when did they use them?

   Why do you think your ancestors developed this type of schedule?

   What goods did they trade? Were goods saved for the purpose of trading?

   Consider the planning done by the Canadian Bands, Nit Nat and Sooke, when they prepared for one of their women to marry. They saved for a year to provide a feast and gifts for all guests at the ceremony. Traditionally, gifts included blankets, canoes, dried fish, and many kinds of animal skins. If the woman's family was high status, the man's family/community provided them with a number of canoes to demonstrate that they could take care of her. The wedding ceremony required a lot of preparation and planning.

   Our people also saved for the purpose of acquiring goods that we could not produce ourselves. By producing more than the community needed, we had goods to trade. For instance, the Northwest Coastal Indians traded a wide variety of products, including smoked or dried fish and venison, as well as tools made from elk, deer, fish, or other indigenous animals.

   [Discuss the Circle of Life Exercise and share information you have gathered about the community.]

8. **Connect the Circle of Life with the concepts of economic self-reliance, budgeting, and savings.**

   The purpose of this exercise is to remind us that traditional Native communities were self-reliant. We managed resources by budgeting and saving to care for our people's needs.

   Budgeting and savings are core skills that enable individuals and families to contribute to a healthier economy. In the modern economy, having these skills allows you to make informed financial decisions.

   Our people have successfully practiced resource management skills for generations. Now we call upon their example to strengthen our own abilities.

The Local Economy

An economy is the way a society organizes to meet the physical needs of its people. There are local, regional, and international economies. Our economy is made up of businesses that serve our needs. When you make a purchase, you contribute to the economy by supporting a business owner. A successful business owner contributes to the economy by providing goods or services that people want to purchase. A business owner also contributes by employing community members, being a role model for youth, and making purchases at other businesses.

Think about who owns the businesses where you buy things. Do you make purchases from businesses owned by community members? the Tribe? non-Native-owned businesses?

[illegible]/Tlingit hat. Woven and painted spruce root 41.6 x 17.8 cm. Photo by David Heald

Assessing the Local Economy (25–30 minutes)

9. Define an economy.

Does anyone know the definition of an economy?

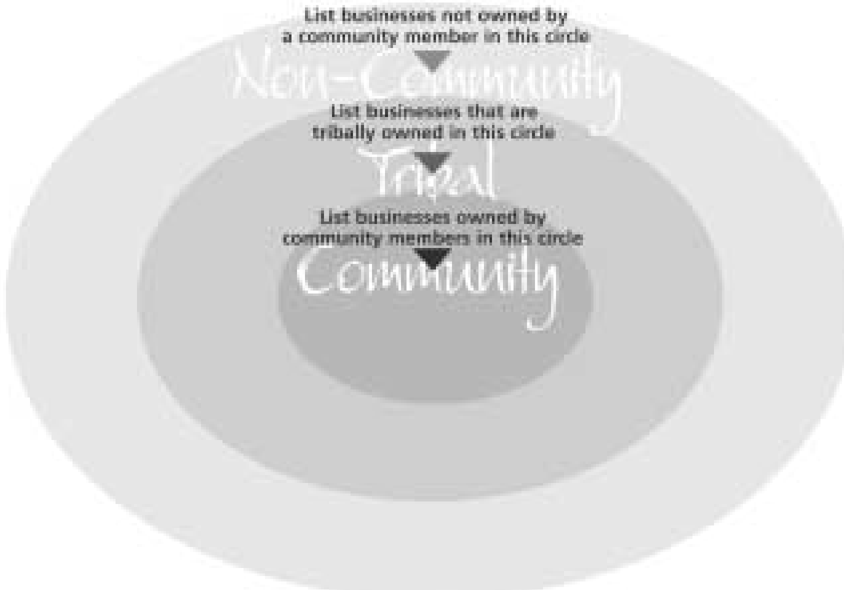
An economy is the way a society organizes to meet the physical needs of its people. There are local, regional, and international economies. Our economy is made up of businesses that serve our needs. When you make a purchase you contribute to the economy by supporting a business owner. A successful business owner contributes to the economy by providing goods or services that people want to purchase. A business owner also contributes by employing community members, being a role model for youth, and making purchases at other businesses. Think about who owns the businesses where you buy things.

Do you make purchases from businesses owned by community members? the Tribe? non-Native-owned businesses?

PARTICIPANT PAGE

The Local Economy Exercise

List some of the businesses that serve the community (e.g., gas station, grocery store, movies, restaurant, car dealer, plumber, landlord) in the appropriate circle.



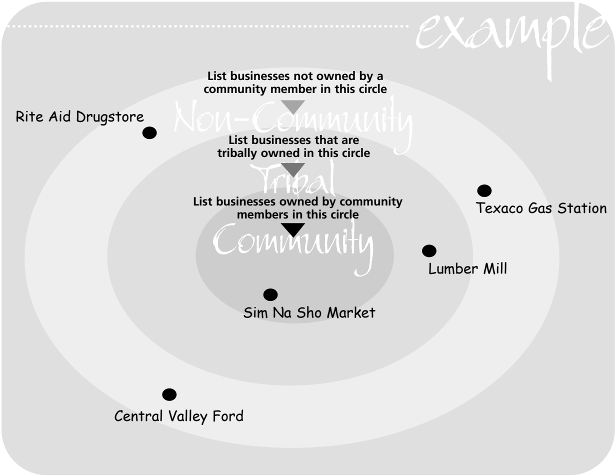
What does this diagram say about our economic self-reliance?

The majority of Native communities spend their money in surrounding communities. Money is leaking out of Native communities and into non-tribally owned businesses. When this occurs, we do not retain or build our wealth.

10. Illustrate the dynamics of the local economy by drawing on a blank sheet of flipchart paper.

Let's draw a picture that describes how our community meets its needs. In the inside circle, we will list businesses owned by tribal members. In the middle circle, we will list businesses owned by the tribe that employ tribal members. In the outside circle, we will list businesses not owned by anyone in this community.

What are some of the businesses that serve this community (e.g., gas station, grocery store, clothing store, movies, restaurant, car dealer, plumber, landlord)? Where should we list them?



11. Discuss the local economy diagram.

DISCUSSION QUESTION:
Who owns the majority of businesses serving this community?
Who makes money when one of us purchases something at these businesses?

DISCUSSION QUESTION:
What does this say about our self-reliance? What are our children's role models for employment in our community?

The majority of Native communities spend their money in surrounding communities. Money is leaking out of Native communities and into non-tribally owned businesses. When this occurs, we do not retain or build our wealth.

Plugging the Leaking Economy

A total of $110 was spent in the community and supported three local businesses.

The economic impact of spending your money at businesses owned by community members or the tribe is significant. The diagram above illustrates that when money circulates between community or tribally owned businesses, it has the same effect as bringing in new dollars to the community.

Let's say you came home with $40 from your off-reservation job. You spent $30 at the grocery store owned by a community member and $10 at a supermarket owned by a corporation. Then the grocer spent $25 at a restaurant owned by a community member and $5 at a gas station that is part of a national chain. Then the restaurant owner spent $15 at a gas station owned by a community member and $10 at a video store not owned by a community member.

At the end of this cycle, your $40 has had the same impact to our local economy as 110 new dollars from outside of the community. As it was spent, it supported three businesses owned by community members. If that same $40 had been spent at businesses not owned by community members, the community would have lost out!

Plugging the Leaking Economy (35–45 minutes)

12. **Explain the financial effect of dollars leaking out of the community.** Refer to prepared overhead. Discuss the positive effect of money that is spent at community member and tribally owned businesses versus money that is spent on businesses not owned by community members or the tribe.

    Let's talk about what happens when there are a number of businesses owned by community members or the tribe. Look at this diagram.

    The economic impact of spending your money at businesses owned by community members or the tribe is significant. The diagram illustrates that when money circulates between community or tribally owned businesses, it has the same effect as bringing in new dollars to the community.

    [Insert participant's name] came home with $40 from your off-reservation job. You spent $30 at the grocery store owned by a community member and $10 at a supermarket owned by a corporation. Then the grocer spent $25 at a restaurant owned by a community member and $5 at a gas station that is part of a national chain. Then the restaurant owner spent $15 at a gas station owned by a community member and $10 at a video store that is not owned by a community member.

    At the end of this cycle, [participant's name], $40 has had the same impact to our local economy as 110 new dollars into the community. As it was spent, it supported three businesses owned by community members. If those $40 had all been spent at businesses not owned by community members, the community would have lost out!

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Circulating Money in Your Community Exercise

Complete the following exercise:

What is your community's annual budget, or how much is your monthly budget?

How much do you think is spent at businesses owned by community members?

How much do you think is spent at businesses not owned by community members?

The more money we can circulate between community-owned businesses, the less money we need to bring in from outside resources to support ourselves.

Kuna men building a house, 1924. San Blas, Colon, Panama. Photo by A. Hyatt Verrill.

Circulating Money in Your Community Exercise (10-15 minutes)

13. Apply this concept to the community. Use a community or household example and calculate the amount of money that can be recirculated through the community in a few transactions. Use prepared overhead.

Now let's apply this concept to our community. Does anyone know what the tribal government's annual budget is? [If this information is available, share it with the group. If this information is not available, then have participants use their monthly budget.]

In a rural economy, a certain amount of money will leak out of the local community because we have to bring in some goods and services from outside. We know that we cannot stop leakage, but we can control and minimize it. The more money we circulate between businesses owned by the community and the tribe, the less new money we need to bring in from the outside to support ourselves.

Strengthening the Local Economy

What are the community benefits of strengthening our local economy?

Taking Action

There are short- and long-term actions we can take to strengthen our community's self-reliance and build our local economy. List some short- and long-term actions we can take as a community and as individuals.

Short-Term	Long-Term

Strengthening the Local Economy

14. Reinforce the benefits of building a stronger local economy.

DISCUSSION QUESTION:
In addition to economic growth, there are many other community benefits that come from strengthening our local economy. For instance, it increases our community self-determination, develops role-models for our children, . . .what else?

List participants' ideas. You might include the following:
- increases sense of community self-determination;
- decreases need for outside aid;
- creates role models for youth;
- increases community wealth;
- supports Native values;
- creates role models for future businesses;
- increases community ability to attract outside capital;
- develops leadership, management, and financial skills for future community leaders.

Taking Action Discussion (15–20 minutes)

15. Discuss short- and long-term personal and community actions to strengthen the local economy.

To realize these community benefits, there are short- and long-term actions that each of us can take to strengthen our community's self-reliance and build the local economy.

DISCUSSION QUESTION:
What are some actions we can take as a community and as individuals?

List participants' responses. You want to include the following:
- Encourage community to buy locally.
- Create a pro-business environment.
- Educate small business owners.
- **Educate members and increase financial skills. Financial literacy is the first step to taking control of your family's and the community's financial future.**

Summary Points

In this session, we discussed the following:
- Traditional Native communities were self-reliant. They understood and respected natural resources. They managed resources by budgeting and saving to care for our people's needs.
- Money is leaking out of Native communities and into non-tribally owned businesses.
- Purchasing from Native-owned businesses retains our wealth and increases our self-reliance.
- Take control of your family's and the community's financial future by strengthening your personal financial skills.

Session 2:

Developing a Spending Plan

Time: 3 hours

Format: Lecture, group exercises, and discussion

Materials:
- Prepared overheads
- Overhead projector
- Blank flipchart
- Session 2 participant handouts
- Participant calculators

Overview

A spending plan is a tool to manage financial resources. Native people have practiced sustainable resource management for generations. Portions of the harvest were regularly stored for future consumption. These same budgeting skills are necessary to manage financial resources.

To establish an incentive to develop a spending plan, participants create savings goals. Take notes and use participants' savings goals as examples for teaching the steps of the spending plan.

Discuss the concept of a spending plan. Be sensitive to participants' fear of too much structure or tracking. Lead participants through the series of exercises to develop their spending plan. Participants will likely be practicing new skills and will need you to answer questions, define terms, and remind them of the benefits of the process. Take the time to make sure that participants understand how to use each of the worksheets.

Once a basic plan has been created, address participants' concerns about using and sticking to their plan. Most important, give participants an opportunity to brainstorm solutions together.

Objectives

After completing this session, participants will be able to:
- identify savings goals;
- describe Native resource management skills;
- develop a spending plan;
- identify their concerns around using a spending plan;
- identify solutions to their issues.

Workshop Preparation

- Before you hold the workshop, read through the entire session.
- Create a spending plan for yourself. Go through the worksheets so that you have personal examples to share with the participants. If you feel uncomfortable sharing personal information, develop a fictional case study to illustrate the spending plan process.
- Research traditional resource management practices for the community.
- Research appropriate examples specific to the participants' life experience to illustrate the spending plan process.
- Create a wallet-size version of the Money Tracker Worksheet. Shrink the worksheet on a photocopy machine.
- Prepare overheads of the participant materials for Session 2. The following pages of the participant materials may be useful overheads: 9, 13, 17, 18, 19, 20, 21, 26, 27.

Precious

This is the Morning Star of the Lakota people. I choose this to honor my mother, who passed away September 23, 1991. My mother said we are just a common people—the ike wicasa. She stressed that the home is the most important in our lives. From there we learn our culture, language, and get our strength. She also taught me that the Great Spirit is our strength when all is gone and when you have no one, Tunkashila is all there is. From these teachings I picked the colors and the symbols to use to tell my story.

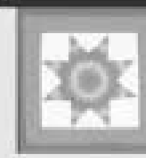
Lula Red Cloud
(Oglala Lakota)

Handprints installation, Banff, Alberta, Canada. From This Path We Travel: Celebrations of Contemporary Native American Creativity. *Photo by Walter Bigbee.*

PARTICIPANT PAGE

Session 2:

Developing a Spending Plan

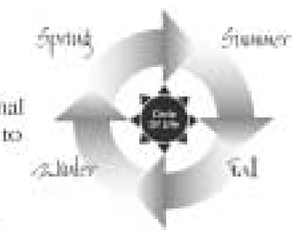


Objectives

In today's session we will discuss how to:

- develop savings goals;
- develop a spending plan;
- use your spending plan to meet your financial needs and goals.

Illustrating the Circle of Life Exercise



Budgeting and saving were important skills in a traditional economy. The community masterfully put aside savings to ensure that needs were met year round.

Draw a picture that describes the annual cycle of what was harvested, saved, and consumed (used) during each season of a traditional economy. You may want to:

- *illustrate the harvest;*
- *illustrate the foods/materials that were saved during each season;*
- *illustrate the foods/materials that were consumed (used) during each season.*

Handprint installation, Banff, Alberta, Canada. From This Path We Travel: Celebrations of Contemporary Native American Creativity. Photo by Walter Bigbee.

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Lula Red Cloud
(Oglala Lakota)

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Session 2 Outline

Welcome and Introductions (5 minutes)

1. **Facilitate introductions.**

   [Use a traditional prayer to open the session, if appropriate.]

   Hi. Thank you for joining us today. Welcome back for those of you who attended the previous session. Let's start by going around the room and introducing ourselves. Also share with the group what you would do if you had $500 in your savings account.

   [Introductions]

2. **Thank participants.**

Workshop Purpose and Learning Objectives (3 minutes)

3. **Explain the purpose and objectives of the session.** Refer to prepared overhead.

   Today we are going to talk about developing a spending plan. At the end of today's session you will understand how to:
   - *develop savings goals;*
   - *develop a spending plan;*
   - *devise strategies to use the spending plan to accomplish your goals.*

   We want to help you get on your way to saving that extra $500 in your savings account.

4. **Discuss the Illustrating the Circle of Life Exercise.** Use prepared overhead. Participants may complete the exercise on their own, or you can facilitate by drawing their ideas on a blank flipchart.

   [If participants recently completed the Circle of Life Exercise in Session 1, you may want to skip this exercise. Instead, review the concepts that were discussed during the Circle of Life Exercise and emphasize the importance of budgeting and savings in a traditional economy.]

   In the first session, we discussed how budgeting and savings were important skills in a traditional economy. The community masterfully saved resources and budgeted their use to ensure that needs were met year round. Complete the Illustrating the Circle of Life Exercise to describe your community's resource management skills.
   - *What did the community harvest during each season?*
   - *What was saved for future consumption or use?*
   - *What was used during each season? How did people know how much to save or use?*

PARTICIPANT PAGE

Creating Savings

In today's economy, you can still create savings for your family. However small, there is almost always a difference between what is earned and what is consumed. You can build wealth by putting aside small amounts on a regular basis. Over time, your savings will grow into a substantial and useful quantity. Native people understand this concept. We know the value of an acorn. A few acorns might be meaningless, but a five-gallon basket of acorns can make enough flour to last for weeks. A few individual grains of rice might appear worthless, but many can feed a family through the winter.

Savings are built over time by managing how much you consume and putting aside the small amount that is left over. Having savings creates opportunities to improve your family's quality of life.

Pomo three-stick coiled basket. Sedge root, willow, meadowlark, mallard, and quail topknot feathers, and clam and abalone shell. California. 3.7 x 20.2 cm. Photo by David Heald.

6. **Discuss the ability to create savings in the modern economy.**

In today's economy, you can still create savings for your family. However small, there can almost always be a difference between what is earned and what is consumed. You can build wealth by putting aside small amounts on a regular basis. Over time, your savings will grow into a substantial and useful quantity. Native people understand this concept. We know the value of an acorn. A few acorns might be meaningless, but a five-gallon basket of acorns can make enough flour to last for weeks. A few individual grains of rice might appear worthless, but many can feed a family through the winter.

DISCUSSION QUESTION:

What are some examples of saving that you've seen in your life?

Savings are built over time by managing how much you consume and putting aside the small amount that is left over. Having savings creates opportunities to improve your family's quality of life.

Savings Goals

Savings goals are statements about things you wish you could afford. You can accomplish these goals if you manage your finances and put aside money (savings) on a regular basis.

Example:

Elouise's savings goal is to buy a car. She carefully watches how much she spends and puts $30 each month into her savings account. In less than four years, she saves enough money to buy a car without taking out a loan.

John's savings goal is to pay off his credit card debt. He stops using his credit card to make purchases. He manages his weekly expenses so that at the end of the each month he has $50 to pay down his debt.

Savings Goals Worksheet

List some things that you would like to be able to afford.

Short-term goals: Identify a few things that you can save enough money for in a few weeks or months.

Long-term goals: Identify a few things that you can save enough money for in a few years.

Short-term goals		Long-term goals	
Item	Approximate Cost	Item	Approximate Cost

Savings Goals Exercise (10 minutes)

7. Explain the savings goals exercise.

Let's do another quick exercise. Turn to the Savings Goals Worksheet in your materials. Savings goals are statements about things you wish you could afford. You can accomplish these goals if you manage your finances and put aside money (savings) on a regular basis.

Take a few minutes to list at least two savings goals. Try to make one a short-term goal (something that can be achieved in the next one to six months) and at least one long-term goal (something that can be achieved in the next six months to five years).

[Five minutes]

Does anyone want to share his or her goals? Developing and using a spending plan will help you reach your goals. So let's get started!

Developing a Spending Plan

You can reach your savings goals by using a spending plan. A spending plan is a strategy for saving and spending money.

Why is it important to develop a spending plan?

A spending plan is a guide to help you track how much money comes into your household and how it needs to be divided to meet expenses and savings goals.

Developing a spending plan is a four-step process. It can take a number of months to create a plan that will meet your family's needs and goals. The spending plan process is similar to managing resources in a traditional Native community. Every year our ancestors estimated the community's needs based on what was used in previous years (Track). They compared the available harvest to the community's needs (Assess). Then they planned what portion of the harvest to set aside for the community's future needs (Save). Finally, they put the plan into motion (Take action). This resource management process successfully supported our communities for generations.

Use this same process to develop a spending plan:

1. Track
2. Assess
3. Save
4. Take action

Developing a Spending Plan (10 minutes)

8. Identify and explain the process of developing a spending plan. Refer to prepared flipchart.

You can reach your savings goals by using a spending plan. A spending plan is a strategy for saving and spending money.

DISCUSSION QUESTION:
Why is it important to develop a spending plan?

[List participant ideas on the prepared flipchart. You may want to suggest the following benefits if participants do not mention them.]

- *A spending plan can help you put aside money to reach your savings goals.*
  If your goal is to save money for some purpose (e.g., travel to a powwow, buy a car) but you find yourself without any extra dollars at the end of the month, a spending plan can help you reach your goal.

- *A spending plan can help you prepare for expenses.*
  There are some expenses that occur on a weekly or monthly basis (e.g., groceries, rent, gas) and others that occur once or twice a year (e.g., ceremony supplies, car insurance). If you have anticipated these expenses ahead of time, you can prepare by setting money aside on a regular basis.

- *A spending plan can help you prepare for unexpected expenses.*
  While it is hard to predict all expenses, such as fixing your car, you can use your spending plan to set aside a little extra money each month for unexpected needs.

- *A spending plan can help you take control of how you spend your money.*
  As you pay more attention, you may realize that you are spending a significant amount of money without thinking about it. For instance, a $2.00 coffee latte (or two cans of pop) each day on your way to work adds up to more than $520 per year. [Substitute a relevant experience if this one is inappropriate.] A good spending plan helps you make decisions about how to spend your money so that you get the things you want.

A spending plan is a guide to help you track how much money comes into your home and how it needs to be used to meet your expenses and savings goals.

Developing a spending plan is a four-step process. It can take a number of months to create a plan that will meet your family's needs and goals. The spending plan process is similar to managing resources in a traditional Native community. Every year our ancestors estimated the community's needs based on what was used in previous years (Track). They compared the available harvest to the community's needs (Assess). Then they planned what portion of the harvest to set aside for the community's future needs (Save). Finally, they put the plan into motion (Take action). This process of resource management successfully supported our communities for generations.

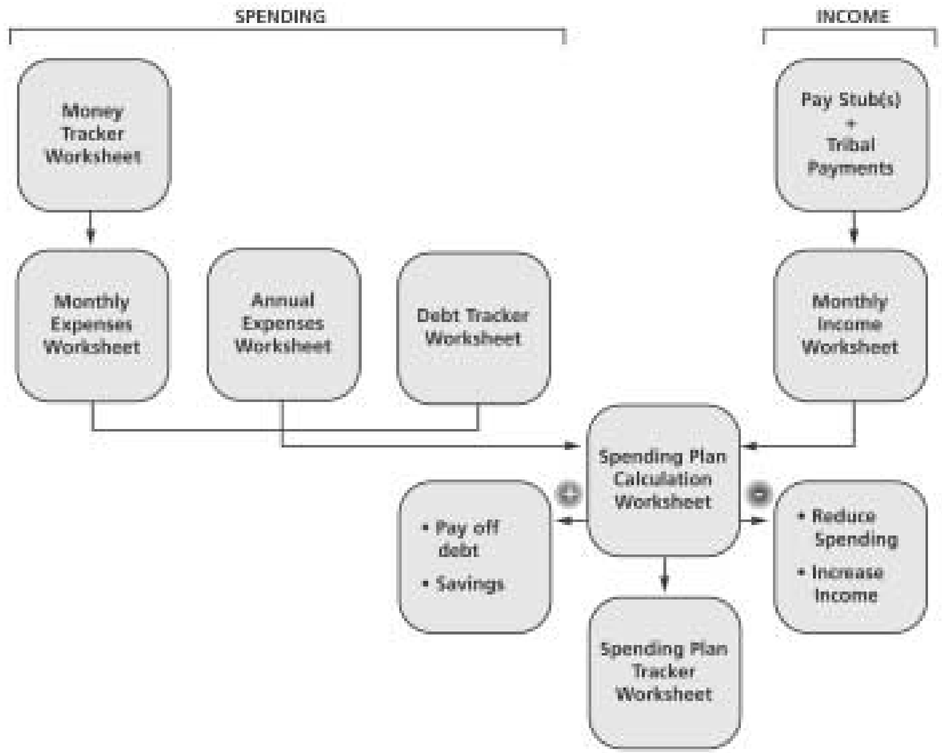
Use this same process to develop a spending plan:

1. *Track*
2. *Assess*
3. *Save*
4. *Take action*

Spending Plan Worksheet Flow Chart

This flow chart is an overview of the worksheets we will use to develop a spending plan. In this process, you will need to assess both your spending and your income. On the left-hand side of the flow chart are the worksheets we will use to estimate your spending. On the right-hand side of the flow chart are the worksheets we will use to estimate your income. To develop your spending plan you will complete the following worksheets:

- **Money Tracker Worksheet** helps you assess your daily spending.
- **Monthly Expenses Worksheet** helps you summarize the information you collect using the **Money Tracker Worksheet**.
- **Annual Expenses Worksheet** helps you assess money spent on an annual basis.
- **Debt Tracker Worksheet** helps you assess your total debt and determine how much you will payoff each month.
- **Monthly Income Worksheet** helps you estimate your monthly income.
- **Spending Plan Calculation Worksheet** helps you calculate the difference between your income and expenses.
- **Spending Plan Tracker Worksheet** helps you manage your spending plan on an ongoing basis.



Spending Plan Worksheet Flowchart (5–10 minutes)

9. **Provide an overview of the spending plan worksheets.** This explanation is optional. Use prepared overhead.

We are going to use a number of worksheets to work our way through the process. Take a minute to look at the Spending Plan Worksheet Flow Chart so we can see how this process fits together. To develop a spending plan you will need to assess both your spending and your income. On the left-hand side of the flow chart are the worksheets we will use to estimate your spending. On the right-hand side of the flow chart are the worksheets we will use to estimate your income.

Let's start by looking at the worksheet used to estimate spending. The Money Tracker Worksheet can be used over a month-long period to assess your daily spending. You summarize this information on the Monthly Spending Worksheet. Then you complete the Annual Expenses Worksheet to assess money spent at different times throughout the year. Next is the Debt Tracker Worksheet to help you assess your total revolving debt and determine how much you would like to pay off each month. The estimated totals from the Monthly Spending, Annual Expenses, and Debt Tracker Worksheets are added together on the Spending Plan Calculation Worksheet to arrive at your estimated spending per month.

You will estimate your monthly income by completing the Monthly Income Worksheet. Your estimated total monthly income is also recorded on the Spending Plan Calculation Worksheet. Once you have both sides of the equation, you are able to calculate the difference.

If the "difference" is a positive number, you may want to consider paying off your debt more quickly and putting more aside for savings. If it is a negative number, you know that you need to reduce spending and/or increase your income.

The Spending Plan Tracker Worksheet is then a tool for you to manage your spending plan on an ongoing basis.

I think you will see that this process is not as complicated as it looks once we walk through it.

PHASE I: TRACK

Sometimes we spend money without even thinking about it. **Tracking** is becoming aware of the flow of money in and out of your household.

Kyle Takes Control of His Finances

Kyle is Lakota and lives on the Cheyenne River Sioux reservation. He wants to start his own business and he knows that the first step is to take control of his finances. He decides to develop a spending plan. He begins by tracking his spending and income. He uses a number of worksheets to help him.

He keeps a record of his daily spending on a ***Money Tracker Worksheet****. In fact, he uses a photocopy machine to shrink the worksheet down to wallet size so he can carry it with him and write things down throughout the day. At the end of the week, he studies the* ***Money Tracker Worksheet*** *and evaluates whether he needed everything that he bought. Using the* ***Money Tracker Worksheet*** *helps Kyle to become more aware of how much money he is spending on a daily basis.*

Kyle uses three worksheets to track his monthly spending—the ***Monthly Expenses Worksheet****, the* ***Annual Expenses Worksheet****, and the* ***Debt Tracker Worksheet****. He uses the* ***Monthly Expenses Worksheet*** *to track items that he purchases regularly each month. If he does not know how much he is spending on a particular item per month, he pays attention to his* ***Money Tracker Worksheets*** *and then records the total. He uses the* ***Annual Expenses Worksheet*** *to track expenses that occur once or twice a year. In order to avoid being hit with a large bill, Kyle tries to put aside money each month to save for these annual expenses. He also uses a* ***Debt Tracker Worksheet*** *to keep a list of his debt. On this worksheet he tracks how much he owes and the minimum payment required. It is in Kyle's financial best interest to repay his debt as quickly as possible. Kyle tries to repay more than the minimum payment each month. This worksheet helps him calculate the amount to spend on debt repayment each month. As Kyle saves money in other areas, he regularly increases the amount of money he spends to repay his debts.*

After he completes all of these worksheets, Kyle calculates his total monthly spending on the ***Spending Plan Calculation Worksheet****.*

Kyle also completes a ***Monthly Income Worksheet*** *each month. He uses it to track his regular monthly income as well as any seasonal earnings. At the end of the month he calculates his total monthly income.*

At first Kyle thought that the tracking process was annoying and confusing, but now he thinks it is downright useful. Kyle is learning how money flows in and out of his household. He is beginning to take control of his finances.

The first step to develop a spending plan is **tracking** how much you spend on a daily basis. For the next few weeks, use the **Money Tracker Worksheet** to keep track of everything you spend each day.

Phase I: Track (5 minutes)

10. Discuss the first step in the spending plan process—tracking.

Sometimes we spend money without even thinking about it. Tracking is becoming aware of the flow of money in and out of your household.

Kyle Takes Control of His Finances

Kyle is Lakota and lives on the Cheyenne River Sioux reservation. He wants to start his own business and he knows that the first step is to take control of his finances. He decides to develop a spending plan. He begins by tracking his spending and income. He uses a number of worksheets to help him.

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At first Kyle thought that the tracking process was annoying and confusing, but now he thinks it is downright useful. Kyle is learning about how money flows in and out of his household. He is beginning to take control of his finances.

DISCUSSION QUESTION:
Has anyone tried to track the flow of money in and out of your household? What about it felt difficult?

PARTICIPANT PAGE

Money Tracker Worksheet

SUNDAY

What did you buy?	How much did it cost?
	$
	$
	$
	$

Daily Total $ ____________

MONDAY

What did you buy?	How much did it cost?
	$
	$
	$
	$

Daily Total $ ____________

TUESDAY

What did you buy?	How much did it cost?
	$
	$
	$
	$

Daily Total $ ____________

WEDNESDAY

What did you buy?	How much did it cost?
	$
	$
	$
	$

Daily Total $ ____________

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PARTICIPANT PAGE

THURSDAY

What did you buy?	How much did it cost?
	$
	$
	$
	$

Daily Total $ ____________________

FRIDAY

What did you buy?	How much did it cost?
	$
	$
	$
	$

Daily Total $ ____________________

SATURDAY

What did you buy?	How much did it cost?
	$
	$
	$
	$

Daily Total $ ____________________

Week Total $ ____________________

Evaluate your week's spending. Circle items that you could have gone without. Calculate how much money you could have saved by adding all of the circled items and recording the total below.

$ ____________________

Monthly Expenses Worksheet

Use the information you gather on the Money Tracker Worksheet to estimate your monthly expenses. Do not include debt or items you purchase a few times each year. How much do you spend each month on the following items? Add any additional items that you regularly purchase.

HOUSING	
Rent/Mortgage	$
Taxes (property)	$
Gas/electricity	$
Water/Sewer/Garbage	$
Telephone	$
Other	$
FOOD	
Groceries	$
Meals out	$
Other	$
AUTO	
Car payment(s)	$
Gas	$
Maintenance/Repairs	$
Parking	$
Other	$
HEALTH	
Medical	$
Dental	$
Optical	$
Other	$
CLOTHING/PERSONAL	
Clothes for family	$
Shoes	$
Work gear	$
Laundry/Dry cleaning	$
Haircuts	$
Nails	$
Makeup/Cosmetics	$
Toiletries	$
Other	$
ENTERTAINMENT	
Going out	$
Activities	$
Powwows	$
Vacation/Travel	$
Books/Music, etc.	$
Hobbies	$
Cable/Movies/ Movie rental	$
Other	$
FINANCE	
Check cashing	$
Cashier's checks	$
Bank fees	$
Taxes	$
Other	$
OTHER	
Child care	$
Child support	$
Charity/Tithe	$
Education	$
Dues/Subscriptions	$
Pets	$
Allowances	$
Gifts	$
Cigarettes	$
Sporting events	$
Children's activities	$
Other	$
SAVINGS	
Savings account	$
Investments	$
IRA/Pension plan	$
Other	$

Estimated total monthly expenses $ ________________

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Money Tracker Worksheet (10 minutes)

11. Discuss tracking your spending and the Money Tracker Worksheet.
Participants will complete the Monthly Spending Worksheet.

The first step to develop a spending plan process is tracking how much you spend on a daily basis. For the next few weeks, use the Money Tracker worksheets in your handouts to keep track of everything you spend each day.

Take a few minutes and write down everything that you bought today on the Money Tracker worksheet. Did you buy coffee this morning? Did you give your children money for lunch at school? What groceries did you buy? Did you buy gas or lunch for a friend?

[5 minutes]

Tracking is becoming aware of what we are spending. Some people take this sheet and shrink it on a photocopy machine so that they can carry it in their wallet.

Monthly Expenses Worksheet (10–15 minutes)

12. Discuss the Monthly Expenses Worksheet. Use prepared overhead.

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After a month, complete the Monthly Expenses Worksheet to come up with an approximate amount you spend each month.

Take a few minutes and complete the Monthly Expenses Worksheet. Estimate how much you are spending each month on the items listed. This worksheet is for items you purchase each month. Do not include debt or items you only purchase a few times each year. Add any additional items you can think of.

[10 minutes]

Annual Expenses Worksheet

In addition to your monthly spending, you will want to think about those bills that are due every few months. If you do not know how much you spend, then look in your files, call the insurance company, or track the bills as they come in. The following worksheet will help you calculate the amount you need to put aside each month to prepare for these bills. Do not include costs you put on the Monthly Spending Worksheet.

What costs do you have once or twice a year?

Expenses	Total Cost	Divided by 12 (or 6)	Total to be saved each month
Example Expense	$300/year	$300/ 12 months = $25 per month	$25
Car insurance			
Property insurance			
Holiday presents			
Ceremony expenses			
Travel			
Dues/Subscriptions (Tribal newspaper, etc.)			
Taxes			

Total to be put aside for annual expenses each month $ ______________

Annual Expenses Worksheet (10–15 minutes)

13. Discuss the Annual Expenses Worksheet. Participants will complete the Annual Expenses Worksheet. Use prepared overhead.

In addition to your monthly spending, you will want to think about those bills that are due every few months. List them on the Annual Expenses Worksheet. You'll also want to include items that you purchase a few times each year. The Annual Expenses Worksheet is a good way to plan for large expenses by calculating the amount you will need to save each month to prepare for the expense. [Depending on the community, these expenses may vary. Be prepared to offer some suggestions of annual and semiannual expenses that are appropriate to the community.]

Take a few minutes to complete the Annual Expenses Worksheet.

[10 minutes]

Debt Tracker Worksheet

Your spending plan needs to include a strategy for paying off your debt. Some types of debt (i.e., installment credit, such as car loans) require a set monthly payment that will need to be a part of your spending plan. Other types of debt allow you to pay a minimum payment each month (i.e., revolving credit, such as a credit card). Try to repay more than the minimum payment each month.

Example:

If you owe $1,500 on your credit card and are paying 19 percent annual interest, your minimum payment is probably around $30 a month. At this rate it will take you more than eight years to pay off your debt. In addition to your $1,500 original debt, you will pay $1,495 in interest payments. The total cost will be $2,995.

If you increase your monthly payment from $30 to $50 each month, it will only take three and a half years (versus eight years). In addition to your $1,500 original debt, you will pay $550.89 in interest payments. This means that by putting aside an extra $20 a month to pay off your debt, you save $944 in interest payments.

List your debt on the following chart. Record the minimum payment required each month as well as the amount you can afford to repay.

Credit Card/Loans Credit with local business	Total Amount Owed	Annual Interest Rate	Minimum Payment Required	Amount You Can Pay Each Month
Example: Credit card	$1,500	19%	$30/month	$50/month

Estimated total debt payment you can make each month $__________

Debt Tracker Worksheet (10–15 minutes)

14. **Discuss repaying debt.** Participants will complete the Debt Tracker Worksheet. Use prepared overhead.

Your spending plan needs to include a strategy for paying off your revolving debt. Some types of debt (i.e., installment credit, such as car loans) require a set monthly payment that will need to be a part of your spending plan. Other types of debt allow you to pay a minimum payment each month (i.e., revolving credit, such as a credit card). Try to repay more than the minimum payment each month.

You want to pay off your revolving debt as quickly as possible. If you owe $1,500 and are paying 19 percent annual interest, your minimum payment is probably around $30 a month. At this rate it will take you more than eight years to pay off your debt. In addition to your $1,500 original debt, you will pay $1,495 in interest payments. The total cost will be $2,995.

If you put aside $50 instead of $30 each month to pay off this debt, it will only take three and a half years. The total cost will be $2,050.89. In addition to your $1,500 original debt, you will pay $550.89 in interest payments. This means that by putting aside an extra $20 a month to pay off your debt, you save $944 in interest payments.

Take a few minutes to complete the Debt Tracker Worksheet.

[10 minutes]

Calculate Total Monthly Spending

ESTIMATED TOTAL MONTHLY SPENDING

Estimated Total Monthly Expenses (p. 17)	+	Estimated Total Monthly Annual Expenses (p. 18)	+	Estimated Total Monthly Debt Payment (p. 19)	=	Estimated Total Monthly Spending
$______	+	$______	+	$______	=	$______

Income

Once you have identified the money you are spending, it is time to identify the money that comes into your household—your income. List your monthly income on the Regular Monthly Income chart. Then list any annual or seasonal income on the corresponding chart. (For instance, if you harvest and sell corn in the fall, you'll want to be sure to include this as seasonal income.)

Remember to include:

- salary;
- per capita payments;
- food stamps;
- seasonal earnings;
- other money.

Monthly Income Worksheet

List your regular, seasonal, and annual income on the following charts. Then complete the estimated monthly income calculation.

REGULAR MONTHLY INCOME

Salary	$
Per capita payments	$
Food stamps	$
	$
	$
	$
TOTAL	$

Calculate Total Monthly Spending (5–10 minutes)

15. Discuss how to calculate total monthly spending. Use prepared overhead.

Now that you have completed all of the worksheets to track your spending, you can calculate your total monthly spending. Use your totals from the last three worksheets to complete the calculation.

Monthly Income Worksheet (10–15 minutes)

16. Discuss the Monthly Income Worksheet. Participants will complete the Monthly Income Worksheet. Use prepared overhead.

Once you have identified the money you are spending, you'll also want to identify the money you are bringing into your household, otherwise known as income. Think about your family's total monthly income. You'll also want to track seasonal and annual earnings. For instance, if you harvest and sell corn, include this income. Remember to include:

- *salary;*
- *per capita payments;*
- *food stamps;*
- *seasonal earnings;*
- *other money.*

Take a few minutes to complete the Monthly Income Worksheet.

[10 minutes]

ANNUAL AND SEASONAL INCOME

Income	Total Income	Divided by 12 (or 6)	Estimated Monthly Income
Seasonal Earnings			
		Total	$____________________

Calculate total monthly income

ESTIMATED MONTHLY INCOME

Regular Monthly Income Total	+	Seasonal and Annual Income Total	=	Estimated Total Monthly Income
$________________	+	$________________	=	$________________

PHASE II: ASSESS

Kyle Assesses His Finances

After he tracks his income and spending, Kyle moves on to the assessment phase of his spending plan. Using the ***Spending Plan Calculation Worksheet****, he calculates the differences between his total monthly income and his total monthly spending. Because he is faced with a negative number, Kyle knows that he spends more than he makes each month.*

Kyle looks at his ***Monthly Expenses Worksheet****,* ***Annual Expenses Worksheet****, and* ***Debt Tracker Worksheet*** *to understand his spending. He identifies his largest expenses and considers budgeting techniques to decrease them. He carefully examines his "heavy" expenses and thinks about the importance of each purchase—could he do without it? How can he avoid making "heavy" purchases that exceed the money he has available?*

Assessment is the second step in the spending plan process. This step involves calculating the difference between your estimated total monthly income and estimated total monthly spending. Then you examine the difference.

Use the **Spending Plan Calculation Worksheet** to arrive at the difference between your estimated monthly income and your estimated monthly spending.

Calculate Total Monthly Income (5 minutes)

17. **Guide participants to complete their total income calculations.** When you are done with the Monthly Income Worksheet you can calculate your total monthly income.

Phase II: Assess (15 minutes)

18. **Discuss the second step in the spending plan process—assessment.** Select a participant to read "Kyle Assesses His Finances." Use prepared overhead.

    Kyle Assesses His Finances

    After he tracks his income and spending, Kyle moves on to the assessment phase of his spending plan. Using the ***Spending Plan Calculation Worksheet****, he calculates the differences between his total monthly income and his total monthly spending. Because he is faced with a negative number, Kyle knows that he spends more than he makes each month.*

    Kyle looks at his ***Monthly Expenses Worksheet****,* ***Annual Expenses Worksheet****, and* ***Debt Tracker Worksheet*** *to understand his spending. He identifies his largest expenses and considers budgeting techniques to decrease them. He carefully examines his "luxury" expenses and thinks about the importance of each purchase—could he do without it? How can he avoid making "luxury" purchases that exceed the money he has available?*

    Assessment is the next step in the spending plan process. This step involves calculating the difference between your estimated total monthly income and estimated total monthly spending. Then look carefully at the difference.

    Use the Spending Plan Calculation worksheet to determine the difference between your estimated monthly income and your estimated monthly spending.

    [10 minutes]

Spending Plan Calculation Worksheet

Complete the following calculation.

DIFFERENCE BETWEEN MONTHLY INCOME AND MONTHLY SPENDING

Estimated Total Monthly Income (p. 21)	–	Estimated Total Monthly Spending (p. 20)	=	Difference
$__________	–	$__________	=	$__________

Assessing the Difference

When you calculate the "difference" between estimated total monthly income and estimated total monthly spending, you will come up with either a positive or a negative number. A positive number means that you have more income than you spend each month. A negative number means that you spend more than you make.

If the difference is a positive number, that's great. You might consider paying off your debts more quickly and/or putting aside more money toward your savings goals.

If the difference is a negative number, then you know how much you need to cut from your spending each month. If it is a large difference, you might consider ways to increase your income until you can get your spending under control.

To decrease the amount you are spending, consider your different types of expenses.

Expenses can be put into three basic categories:

1. **Fixed expenses** are monthly costs that do not change very much (unless you specifically change circumstances, such as move to a less expensive apartment):
   - Rent
   - Car payments
   - Loans

2. **Flexible expenses** are monthly costs that you control:
   - Groceries
   - Long-distance telephone bill
   - Utilities
   - Gas
   - Car maintenance
   - Credit card payments
   - Savings
   - Ceremony costs

19. Discuss how to assess the "difference" between estimated total monthly income and estimated total monthly spending.

When you calculate the "difference" between estimated total monthly income and estimated total monthly spending, you will come up with either a positive or a negative number. You will learn either that you have more income than you spend each month or that you are spending more than you are making.

If the difference is a positive number, that's great. You may consider paying off your debts more quickly and/or putting aside more money toward your savings goals.

If the difference is a negative number, then you know how much you need to cut back from your spending each month. If it is a large difference, you might consider ways to increase your income until you can get your spending under control.

It may be helpful to consider the different kinds of expenses that you have. Some expenses are more consistent on a month-to-month basis.

Let's break down expenses into three basic categories:

Fixed expenses are monthly costs that do not change very much (unless you specifically change circumstances, such as move to a less expensive apartment):
[Use examples that are relevant to your community.]
- *Rent*
- *Car payments*
- *Loans*

Flexible expenses are monthly costs that you can control:
[Use examples that are relevant to your community.]
- *Groceries*
- *Long-distance telephone bill*
- *Utilities*
- *Gas*
- *Car maintenance*
- *Credit card payments*
- *Savings*
- *Ceremony costs*

3. **Luxury expenses** are monthly costs that you choose:
   - New clothes
   - Going out to eat
   - Entertainment
   - Gifts

If you need to decrease your monthly spending, you will first want to look at lowering your **"flexible"** and **"luxury"** expenses.

It may help to ask yourself the following questions:
- What are your biggest expenses? How might you decrease them?
- What do you purchase in the "luxury" expenses category? Are these purchases less important than your short-term savings goals? If so, then you may want to consider not spending that money.

PHASE III: SAVE

Kyle Learns to Save

As Kyle begins to balance his income and spending, he becomes more serious about reaching his savings goals. He has both short- and long-term goals. In the short term, he wants to save enough money to purchase supplies for his business so that he can start working out of his home. Over the long term, he wants to purchase office space in town. He begins to think of his savings as a bill that he pays to himself each month. In addition to saving to reach his goals, Kyle puts a small amount each month into his emergency reserve fund. While he has no plans to use this money, he likes to know that it exists if he should need it.

The third step in the spending plan process is **saving**. An important aspect of your spending plan needs to be money you put aside each month as savings.

Think about putting aside money in three categories:
1. **Short-term goals**—This is money you put into an account and take out as you are able to afford your goals. You should be able to reach your short-term goals after a few weeks or months of consistent saving.
2. **Emergency reserve fund**—This is money you put into an account and leave there until there is an emergency.
3. **Long-term goals**—This is money you invest or set aside for a larger purchase. It may take a few years of consistent saving to reach your long-term goal.

Luxury expenses are monthly costs that you choose:
[Use examples that are relevant to your community.]
- *New clothes*
- *Going out to eat*
- *Entertainment*
- *Gifts*

If you need to decrease your monthly spending, you will first want to look at lowering your "flexible" and "luxury" expenses.

It may help to ask yourself the following questions:
- *What are your biggest expenses? Can you affect these expenses? How might you decrease them?*
- *How much money are you spending on "luxury" expenses that do not have much value to you?*
- *Are there any expenses that are less important than your short-term savings goals? If so, then you may want to consider not spending that money.*

Phase III: Save (5 minutes)

20. Discuss the third step in the spending plan process—saving. Select a participant to read "Kyle Learns to Save" to the group.

The next step in the spending plan process is saving. An important aspect of your spending plan needs to be money you put aside each month as savings.

Kyle Learns to Save

As Kyle begins to balance his income and spending, he becomes more serious about reaching his savings goals. He has both short- and long-term goals. In the short term, he wants to save enough money to purchase supplies for his business so that he can start working out of his home. Over the long term, he wants to purchase office space in town. He begins to think of his savings as a bill that he pays to himself each month. In addition to saving to reach his goals, Kyle puts a small amount each month into his emergency reserve fund. While he has no plans to use this money, he likes to know that it exists if he should need it.

Think about putting aside money in three categories:
1. *Short-term goals—This is money you put into an account and take out as you are able to afford your goals.*
2. *Reserve emergency fund—This is money you put into an account and leave there until there is an emergency.*
3. *Long-term goals—This is money you invest or set aside for a long time.*

Remember to pay yourself each month as part of your spending plan.

PHASE IV: TAKE ACTION

Taking action is the last phase in the spending plan process.

Kyle Creates a Spending Plan

Through each phase of the spending plan process, Kyle gains skill in managing his financial resources. After a month, he is ready to consolidate the information he has collected into a spending plan he can use on an ongoing basis. He uses the ***Spending Plan Tracker Worksheet****. He starts by setting income goals for himself based on the information he collected on the* ***Monthly Income Worksheet****. Then he sets savings goals based on what he learned during the savings phase of the process. Last of all, he gathers the information from the* ***Monthly Expenses Worksheet****,* ***Annual Expenses Worksheet****, and* ***Debt Tracker Worksheet*** *to list the items he spends money on each month. Then he sets some goals for himself in each spending category.*

Throughout the month, he records his income, savings, and spending. At the end of the month, he calculates his income, savings, and spending. He compares each total with the month's goal or budget. He evaluates what he needs to do to get closer to his goals in each category.

Then Kyle calculates his total income, total savings, and total spending for the month. To be sure that he is spending within his budget, he subtracts his total savings and spending from his total income.

Each month that Kyle uses his ***Spending Plan Tracker Worksheet*** *it gets easier. Sometimes he adjusts his plan goals to account for unexpected expenses, repay more debt, or increase his savings. In six months, Kyle is on his way to accomplishing his goal of starting a business. He begins to purchase supplies and operate out of his house. To manage his business finances, Kyle decides to set up a separate Business Spending Plan. Now that he has practiced using the process, Kyle feels that his spending plans are useful tools for managing his money and working to reach his goals.*

Phase IV: Take Action (5 minutes)

21. Discuss taking action. Select a participant to read "Kyle Creates a Spending Plan" to the group.

Taking action is the last step in the spending plan process.

Kyle Creates a Spending Plan

*Through each phase of the spending plan process, Kyle gains skill in managing his financial resources. After a month, he is ready to consolidate the information he has collected into a spending plan he can use on an ongoing basis. He uses the **Spending Plan Tracker Worksheet**. He starts by setting income goals for himself based on the information he collected on the **Monthly Income Worksheet**. Then he sets savings goals based on what he learned during the savings phase of the process. Last of all, he gathers the information from the **Monthly Expenses Worksheet**, **Annual Expenses Worksheet**, and **Debt Tracker Worksheet** to list the items he spends money on each month. Then he sets some goals for himself in each spending category.*

Throughout the month, he records his income, savings, and spending. At the end of the month, he calculates his income, savings, and spending. He compares each total with the month's goal or budget. He evaluates what he needs to do to get closer to his goals in each category.

Then Kyle calculates his total income, total savings, and total spending for the month. To be sure that he is spending within his budget, he subtracts his total savings and spending from his total income.

*Each month that Kyle uses his **Spending Plan Tracker Worksheet** it gets easier. Sometimes he adjusts his plan goals to account for unexpected expenses, repay more debt, or increase his savings. After six months, Kyle is on his way to accomplishing his goal of starting a business. He begins to purchase supplies and operate out of his house. To manage his business finances, Kyle decides to set up a separate Business Spending Plan. Now that he has practiced using the process, Kyle feels that his spending plans are useful tools for managing his money and working to reach his goals.*

Spending Plan Tracker Worksheet

The Spending Plan Tracker Worksheet is a tool to manage your spending over time. Complete the following steps to use this worksheet:

Income Section

1. Set income goals for yourself. Use the information you collected on the **Monthly Income Worksheet** to set realistic goals.
2. Track your income each week.
3. Calculate your total income at the end of the month. Add the amounts listed under "Total Income for Month."

Savings Section

1. Set savings goals for yourself in each category.
2. Track your savings each week.
3. Calculate your "Total Saved for Month" in each category.
4. Compare your "Savings Goal for Month" with your "Total Saved for Month" in each category.
5. Calculate your total savings for the month. Add the amounts listed under "Total Saved for Month."

Spending Section

1. List the items you tracked on the **Monthly Spending Worksheet**, **Annual Expense Worksheet**, and **Debt Tracker Worksheet**.
2. Set spending goals for yourself. List these goals in the "Amount Budgeted for the Month" column. Be realistic based on the information you collected on your tracking worksheets.
3. Track your spending each week. Remember to include day-to-day expenses.
4. Calculate the "Total Amount Spent for the Month" in each category.
5. Determine if you spent more or less than your spending goals. Subtract the "Amount Spent for the Month" from the "Amount Budgeted for the Month." Record the difference in the "Difference (Budgeted–Spent)" column.
   - If the difference is a negative number, this means that you are spending more than you budgeted. You will need to consider ways to spend less in this category each week.
   - If the difference is zero or a positive number, then you are spending within your budget. Good for you! Consider using extra money left in your budget to increase your debt repayment for the month or increase your savings.
6. Calculate your total monthly spending. Add the amounts listed under "Amount Spent for the Month" in each category.

Assess your Monthly Finances

1. Subtract your total savings and spending from your total income.
   - If the difference is a negative number, this means that you are saving and spending more than your income. You are going into debt. You will need to consider ways to spend less each week. You may need to decrease the amount you are saving until you can manage your spending better.
   - If the difference is zero or a positive number, then you are saving and spending within your income. Good for you! Use extra money to increase your debt repayment or savings.

Spending Plan Tracker Worksheet (10–15 minutes)

22. Explain how to use the Spending Plan Tracker Worksheet to develop a spending plan.
Use prepared overhead.

The Spending Plan Tracker Worksheet is a tool to manage your spending over time. Complete the following steps to use this worksheet:

Income Section

1. Set income goals for yourself. Use the information you collected on the **Monthly Income Worksheet** to set realistic goals.
2. Track your income each week.
3. Calculate your total income at the end of the month. Add the amounts listed under "Total Income for Month."

Savings Section

1. Set savings goals for yourself in each category.
2. Track your savings each week.
3. Calculate your "Total Saved for Month" in each category.
4. Compare your "Savings Goal for Month" with your "Total Saved for Month" in each category.
5. Calculate your total savings for the month. Add the amounts listed under "Total Saved for Month."

Spending Section

1. List the items you tracked on the **Monthly Spending Worksheet**, **Annual Expense Worksheet**, and **Debt Tracker Worksheet**.
2. Set spending goals for yourself. List these goals in the "Amount Budgeted for the Month" column. Be realistic based on the information you collected on your tracking worksheets.
3. Track your spending each week. Remember to include day-to-day expenses.
4. Calculate the "Total Amount Spent for the Month" in each category.
5. Determine if you spent more or less than your spending goals. Subtract the "Amount Spent for the Month" from the "Amount Budgeted for the Month." Record the difference in the "Difference (Budgeted–Spent)" column.
   - If the difference is a negative number, this means that you are spending more than you budgeted. You will need to consider ways to spend less in this category each week.
   - If the difference is zero or a positive number, then you are spending within your budget. Good for you! Consider using extra money left in your budget to increase your debt repayment for the month or increase your savings.
6. Calculate your total monthly spending. Add the amounts listed under "Amount Spent for the Month" in each category.

Assess your Monthly Finances

1. Subtract your total savings and spending from your total income.
   - If the difference is a negative number, this means that you are saving and spending more than your income. You are going into debt. You will need to consider ways to spend less each week. You may need to decrease the amount you are saving until you can manage your spending better.
   - If the difference is zero or a positive number, then you are saving and spending within your income. Good for you! Use extra money to increase your debt repayment or savings.

Spending Plan Tracker Worksheet

	Income Goal for Month	Week 1	Week 2	Week 3	Week 4	Total Income for Month	
Income							
Other $							

TOTAL INCOME ____________

	Savings Goal for Month	Week 1 Saved	Week 2 Saved	Week 3 Saved	Week 4 Saved	Total Saved for Month	
Savings							

TOTAL SAVINGS ____________

	Amt Budgeted for Month	Week 1 Spent	Week 2 Spent	Week 3 Spent	Week 4 Spent	Total Spent for Month	Difference (Budgeted–Spent)
Spending							

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	Amt Budgeted for Month	Week 1 Spent	Week 2 Spent	Week 3 Spent	Week 4 Spent	Total Spent for Month	Difference (Budgeted–Spent)
Spending							

TOTAL SPENDING ____________

Assess Your Monthly Finances

Total Income		Total Savings		Total Spending		
$__________	–	$__________	–	$__________	=	$__________

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Using Your Spending Plan

As with Kyle, your spending plan can become a tool to help you accomplish your goals and manage how much you spend. It should not feel confining or unrealistic. A spending plan is a tool to help you practice resource management skills and realize your goal. Consider the following approach to spending:

- Buy what you need.
- Play with a little.
- Save the rest.

List some challenges to using a spending plan:

List several actions you can take to accomplish your spending plan goals:

Using Your Spending Plan (5 minutes)

23. Discuss using your spending plan.

As with Kyle, your spending plan can become a tool to help you accomplish your goals and manage how much you spend.

It shouldn't feel confining or unrealistic. A spending plan is a tool to help you practice and realize traditional resource management skills and realize your goals. Consider the following approach to spending:

- *Buy what you need.*
- *Play with a little.*
- *Save the rest.*

Spending Plan Challenges (20 minutes)

24. Discuss the reality of sticking to a savings plan.

DISCUSSION QUESTION:
Once we develop a plan, everyone sticks to it, right?

Of course not—it's hard. Why is it so hard?

List participant ideas/reasons on the flipchart. Think about some reasons that are appropriate to your community. You might want to suggest the following reasons:

- *Unexpected expenses. If your car breaks down and needs repair, you may not have enough money to cover other expenses.*
- *Putting off bill payments can affect your family budget for months to come because of interest payments.*
- *A number of ceremonies around the same time of year may require more money than you have put aside for that purpose.*
- *It takes too much time and is inconvenient to track the money you spend.*

25. Lead participants in a brainstorming session to develop solutions to their own challenges. Use the other side of the flipchart to record participant solutions.

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Tips for Managing Spending

Include the whole family in your spending plan. It is important that your entire family be involved in this process. Set aside some time to go over your spending plan with the members of your family. Discuss financial goals such as buying a house, paying off debt, buying new basketball shoes, or paying for college. Suggest ways that everybody can contribute to the family's success by sticking to the spending plan. For instance:

- Turn off the lights in rooms that are unoccupied to save money on the electric bill.
- Wait for sales before making purchases.
- Set weekly or monthly allowances for spending and keep track of money spent.
- Buy only things you really need, versus things you want.
- Eat at home. Take your lunch to work or school.
- Label envelopes with weekly expenses (e.g., gas, groceries). Put only the cash you want to spend in each envelope. When the money runs out, spend no more until your next paycheck.
- Make a shopping list before you go to the grocery store and buy *only* those items on the list. Pay with cash. Use coupons.
- Avoid check-cashing stores, pawnshop loans, and rent-to-own stores. They can cost you a lot of money in fees and high interest charges.
- Freeze your ATM and credit cards in a container of water. This will definitely give you time to think before you make a purchase.
- Use direct deposit to have your paycheck automatically put into your checking account.

Honest family discussions about money can be very difficult. It may be helpful to focus your family on three to five specific goals for a set period of time.

Cahuilla buffware pottery jar. California. 40.8 cm. Photo by David Heald

Clearly, we all recognize a number of challenges to sticking to a spending plan. Let's brainstorm some possible approaches/solutions to these issues.

[Go through each identified challenge and list participant suggested solutions. If the following ideas are appropriate, you can share them with the group.]

Include the whole family. It is important that your entire family be involved in this process. Set aside some time to go over your spending plan with the members of your family. Discuss financial goals such as buying a house, paying off debt, buying new basketball shoes, or paying for college. Suggest ways that everybody can contribute to the family's success by sticking to the spending plan. For instance:

- *Turn off the lights in rooms that are unoccupied to save on the electric bill.*
- *Wait for sales before making purchases.*
- *Set weekly or monthly allowances for spending and keep track of money spent.*
- *Buy only things you really need, versus things you want.*
- *Eat at home. Take your lunch to work or school.*
- *Label envelopes with weekly expenses (e.g., gas, groceries). Put only the cash you want to spend in each envelope. When the money runs out, spend no more until your next paycheck.*
- *Make a shopping list before you go to the grocery store and buy only those items on the list. Pay with cash. Use coupons.*
- *Avoid check-cashing stores, pawnshop loans, and rent-to-own stores. They can cost you a lot of money in fees and high interest charges.*
- *Freeze your ATM and credit cards in a container of water. This will definitely give you time to think before you make a purchase.*
- *Use direct deposit to have your paycheck automatically put into your checking account.*

Honest family discussions about money can be very difficult. It may be helpful to focus your family on three to five specific goals for a set period of time.

Summary Points

In this session, we discussed the following:

- For generations, our community provided for its own needs by saving and budgeting resources.
- Savings goals are statements about things you would like to be able to afford. You accomplish these goals by managing your spending and regularly putting money aside to reach your goals.
- A spending plan helps you manage your money. There are four steps to develop a plan—track, assess, save, and take action.
- A spending plan works only if you use it. Work with the members of your household to set goals, develop a realistic plan, and stick to it.

Session 3:

Working with Checking and Savings Accounts

Time:	3 hours
Format:	Lecture, group exercises, and discussion
Materials:	• Prepared overheads • Overhead projector • Blank flipchart • Session 3 participant handouts • Blank paper, participant calculators

Overview

This session is about checking and savings accounts. While these types of accounts are usually the safest and least expensive way to manage money, many people do not understand how they work. In addition, people are uncomfortable approaching or working with their local financial institution. In this session, you will explain how to use checking and savings accounts. It may be useful to invite a representative from a local financial organization (bank, loan fund, credit union) to participate in the session.

Some people may have considerable experience with checking and savings accounts. Assess the group at the beginning of the session. To start, discuss the connection between historical resource management and money management. In both cases, people make choices about the best ways to conserve and preserve resources (natural or financial) to benefit the community.

Explore ways that participants currently manage their finances. Help participants to identify the advantages and disadvantages of their practices.

Then, introduce checking and savings accounts. Discuss the process of opening an account, managing regular transactions, and account maintenance. Discuss ways that these accounts can be used as a tool to manage a person's money. Make sure to draw special attention to the impact that bounced checks have on local businesses.

To maintain participants' interest during this session, you may want to present the content in terms of discussion questions and a game. You may want to break the participants into teams and award points for correct answers. You will need to elaborate on participants' answers during the game. Use their ideas as a springboard to share information about checking and savings accounts. If possible, provide the winning team with prizes at the end of the session.

Objectives

After completing this session, participants will be able to:

- describe the purpose and benefits of checking and savings accounts;
- describe the process of opening a checking/savings account;
- identify the questions to ask when opening an account;
- complete a deposit slip;
- endorse a check;
- write a check;
- use a check register to balance their account;
- read a checking/savings account statement;
- balance their checkbook;
- manage an account on an ongoing basis.

The design on this quilt square represents the cultural life of many Alaska Native groups, and specifically the Yup'ik Eskimo people of Southwest Alaska.

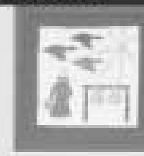
The salmon are hanging on a fish rack, a traditional way of drying and smoking salmon. The woman is wearing a "qaspeq" or cloth parka. Qaspeqs are worn on a daily basis in this region. The bucket the woman is carrying signifies the importance of gathering berries and greens from the tundra. Finally, there is the sun, which shines for long hours, allowing the fish to dry, berries to grow, and giving light to people through the busy summer months.

Anastasia Cooke Hoffman (Yup'ik)

Nampeyo (Hano Pueblo), making pottery, ca. 1920. Arizona. Photo by Charles M. Wood.

Session 3:

Working with Checking and Savings Accounts



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The salmon are hanging on a fish rack, a traditional way of drying and smoking salmon. The woman is wearing a "qaspeq" or cloth parka. Qaspeqs are worn on a daily basis in this region. The bucket the woman is carrying signifies the importance of gathering berries and greens from the tundra. Finally, there is the sun, which shines for long hours, allowing the fish to dry, berries to grow, and giving light to people through the busy summer months.

Anastasia Cooke Hoffman (Yup'ik)

Objectives

In today's session we will discuss:

- the purpose and benefits of checking and savings accounts;
- how to open an account;
- activities invoved in using and managing an account.

Resource and Money Management

Traditionally, Native communities managed resources to provide for both present and future needs. For instance, in the traditional economy of Alaska Natives, the spring fish run was an important time for the community. A good catch was followed by a number of activities. Some fish were eaten fresh, some fish were smoked or dried for the future.

Traditional life involved choices about when and how to use and save resources. Native people used what was needed, then preserved the rest for the future. Choices were made about the best ways to use and save resources so that they provided for the community's needs throughout the year.

In today's society, money is a resource used to meet the needs of our family and our community. How you manage your money affects your ability to meet your family's present and future needs.

Workshop Preparation

- Before you hold the workshop, you will want to read through the entire session.
- Identify participants at the beginning of the session to read the short stories on pages 33 and 36 of the participant materials.
- If you decide to invite a representative from a local financial institution, prepare for the visit. Brainstorm with participants questions to ask the representative. Assign different participants questions to ask during the visit.
- If you decided to use a game format to maintain participants' interest, then write the following rules on a blank flipchart:
  - Each team takes turns answering questions.
  - A team receives five points for a correctly answered question.
  - If a team answers a question *incorrectly,* the other team has an opportunity to answer the question and earn the points.
  - Each member of a team must take a turn presenting the team's answers to the questions.
  - [OPTIONAL] Each team has____ minutes to answer a question.
- There are some exercises and questions that may be best understood if you review them as a group. Based on participants' skill levels, you can decide which questions should be awarded points or discussed.
- Prepare overheads of the participant materials for Session 3. The following pages of the participant materials may be useful overheads: 34, 38, 39, 40, 41, 42, 44, 46, 48, 49, 50.

Session 3 Outline

Welcome and Introductions (3 minutes)

1. **Facilitate introductions.** Start by introducing yourself.

   [Use traditional prayer to open session, if appropriate.]

   Hi. Thank you for joining us today. Welcome back for those of you who have attended previous sessions. Let's start by going around the room and introducing ourselves.

   [Introductions]

2. **Thank participants.**

Workshop Purpose and Learning Objectives (3 minutes)

3. **Explain the purpose and objectives of the session.**

   In today's session we will discuss:
   - *the purpose and benefits of checking and savings accounts;*
   - *how to open an account;*
   - *activities involved in using and managing an account.*

Resource and Money Management (5 minutes)

4. **Draw a connection between traditional resource management and money management choices.**

   DISCUSSION QUESTION:
   To review, traditionally what natural resources were used by this community?
   How did we decide how much to use and when to use it?

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Managing Your Money

Each of us handles our money differently. How do you manage your money? Answer the following questions to get a sense of your money management practices.

1. When you want to purchase something and you do not have the cash—what do you do?

2. When you have extra money—where do you keep it?

3. How do you pay your monthly expenses (e.g., check, money order)?

4. Where do you cash checks (e.g., paychecks)?

5. What works well about your approach to managing your money?

6. What does not work well for you?

[Use the following examples to help participants come up with examples from their own communities.]

For instance, in the traditional economy of Alaska Natives, the spring fish run was an important time for the community. A good catch was followed by a number of activities. Some fish were eaten fresh and some fish were smoked or dried for the future.

Similarly, the Crow people gathered berries in the spring. Some berries were eaten fresh. Some were dried. Some were chopped and mixed with fat and nuts to preserve them for future use.

Traditionally, Native communities managed resources to provide for both present and future needs.

Traditional life involved choices about when and how to use and save resources. Native people used what was needed, then preserved the rest for the future. Choices were made about the best ways to use and save resources so that they provided for the community's needs throughout the year.

In today's society, money is a resource used to meet the needs of our family and our community. How you manage your money affects your ability to meet your family's present and future needs.

Saving, Purchasing, and Payment (15–20 minutes)

5. **Discuss ways that participants have made large purchases, saved money, paid bills, and cashed checks.** Use prepared overhead.

   [If participants prefer to write down their experiences, pass out blank paper/index cards. Give participants a five-minute break while you collect their responses and write them on a blank flipchart. Then share participants' experiences with the group. (Remember that different services are available on and off-reservation as well as in urban and rural settings).]

   Let's discuss how you currently manage money.

   [If participants need ideas, use the bulleted items listed under each question to encourage conversation]

DISCUSSION QUESTION:
When you want to purchase something and you do not have the cash, what do you do?
- Use the credit system at the local trading post.
- Sell something at the pawnshop.
- Organize a raffle. Family and community members donate items to be raffled.
- Trade something you have for something you want.

DISCUSSION QUESTION:
When you have extra money, where do you keep it?
- Hide money around the house (e.g., under the mattress).
- Deposit money in a bank account.

DISCUSSION QUESTION:
How do you pay your monthly expenses (e.g., check, money order)?
- Pay bills using money orders.
- Write checks.

DISCUSSION QUESTION:
Where do you cash checks?
- Cash checks at a check-cashing store.
- Use banking services.
- Use local store (e.g., grocery store).

PARTICIPANT PAGE

Lucy's Money Management Tools

Before European contact, each Native community provided for its own needs and acquired additional goods by trading with surrounding communities. In recent history, Native people have used a local trading post or other venues to interact with the money economy. As Native communities move further away from a subsistence lifestyle and become more economically engaged in the world economy, there is a need for additional tools to manage opportunities. Checking and savings accounts are tools to manage your money. For example:

> *Lucy works at Northwest Indian College. She uses both a checking and a savings account to manage her money. Each month she deposits money into a savings account to contribute to her savings goal of buying a new car. She deposits the rest of her money into her checking account. She uses her checking account to manage her monthly expenses. She writes checks and withdraws cash from her account. She keeps track of how much she has and how much she spends by using her check register.*
>
> *Today, Lucy received her paycheck. On the way home, she went to the bank to deposit it. She put $50 into her savings account and the rest into her checking account. Then she decided to take out $20 in cash from her checking account to purchase groceries. Before leaving the bank, she entered the transaction into her check register.*
>
> *On her way home, Lucy stopped at the store and bought $20 worth of groceries. When she arrived home, Lucy decided to pay some bills. She wrote a check to the phone company and another to the cable company. She recorded these transactions in her check register and calculated her new balance.*

There are different accounts for different purposes. Lucy uses her checking and savings accounts to meet different needs.

When you make choices about managing your money, it is important to consider all of your options. Sometimes, we do not consider something because we do not have any information or experience with it. Checking and savings accounts are often not used in Native communities. Generally, these accounts are the safest, most secure, and least expensive way to manage money. Why do you think that our people are hesitant about opening an account at a financial institution?

____

____

____

____

____

DISCUSSION QUESTION:
What works well about your approach to managing your money?

- I am paid interest by the financial institution for keeping my money in a checking or savings account.
- I can always find a way to get what I need.
- The trading post keeps track of my money and it is available whenever I need it.
- The pawnshop is convenient.
- When I keep my money at home I always know where it is.
- I don't like dealing with cash so I barter/trade for everything I need.
- Money orders are easy to buy.
- I can get my checks cashed without being hassled or questioned.

DISCUSSION QUESTION:
What does not work well for you?

- Cash is not safe if it is kept in your house. Someone can steal from you.
- Using money orders and check cashing services is expensive. If you pay three to five bills each month and cash at least one check, you probably spend more than $20 a month for these services.
- If you keep your money at home, at the trading post, or at a pawnshop, you are not earning any interest.
- Loans from a pawnshop are often overcollateralized. This means that you pawn something that is irreplaceable or worth thousands of dollars in order to receive a loan for only several hundred dollars. If you are unable to repay the debt, you may lose your item.
- The pawn industry is not regulated. Therefore, there is little protection for people who borrow from pawnshops.

Lucy's Money Management Tools (5–10 minutes)

6. **Provide an overview of the process by describing how Lucy uses her accounts.**

Before European contact, each Native community provided for its own needs and acquired additional goods by trading with the surrounding communities.

In recent history, Native communities have used a local trading post or other venues to interact with the money economy. As Native communities move further away from a subsistence lifestyle and become more economically active, there is a need for additional tools to manage opportunities. Checking and savings accounts are tools to manage your money. Let's read about how Lucy uses a checking and savings account to manage her money:

[Ask pre-identified participant to read the following story.]

Lucy's Money Management Tools
Lucy works at Northwest Indian College. She uses both a checking and a savings account to manage her money. Each month she deposits money into a savings account to contribute to her savings goal of buying a new car. She deposits the rest of her money into her checking account. She uses her checking account to manage her monthly expenses. She writes checks and withdraws cash from her account. She keeps track of how much she has and how much she spends by using her check register.

Today, Lucy received her paycheck. On the way home, she went to the bank to deposit it. She put $50 into her savings account and the rest into her checking account. Then she decided to take out $20 in cash from her checking account to purchase groceries. Before leaving the bank, she entered the transaction into her check register.

On her way home, Lucy stopped at the store and bought $20 worth of groceries. When she arrived home, Lucy decided to pay some bills. She wrote a check to the phone company and another to the cable company. She recorded these transactions in her check register and calculated her new balance.

When you make choices about managing your money, it is important to consider all of your options. Sometimes, we do not consider a choice because we do not have any information or experience with it. Checking and savings accounts are often not treated as choices. Generally, these accounts are the safest, most secure, and least expensive way to manage money.

Checking and Savings Accounts

Financial institutions offer checking and saving accounts so that you have a safe and secure place to keep your money. You can deposit and withdraw money from both checking and savings accounts. Checking accounts also allow you to write checks. When someone cashes a check you have written, money is withdrawn from your checking account.

Some checking accounts have fees and others do not. There are often different types of checking accounts that come with specific services (e.g., free check writing when your balance stays above $350). You will want to investigate the types of accounts and associated fees before you open an account.

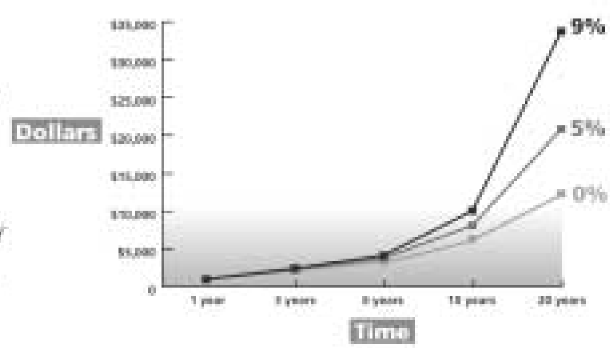
A financial institution will pay you for keeping your money in an account at that institution. This payment is called interest. The interest you receive is calculated as a percentage of the total funds you have in your account. If you do not take money out of your account, the balance continues to grow. For example:

If you deposit $50 at the beginning of each month and do not withdraw any money:

Interest rate	1 year ($50 x 12 months)	3 years	5 years	10 years	20 years
0%	$600	$1,800	$3,000	$6,000	$12,000
3%	$610	$1,886	$3,240	$7,005	$16,456
5%	$617	$1,946	$3,414	$7,796	$20,637
7%	$623	$2,008	$3,601	$8,705	$26,198
9%	$630	$2,073	$3,799	$9,748	$33,645

The first row (0% interest rate) illustrates how much money you will accumulate by saving $50 at home each month. The rest of the chart illustrates the amount of money you can save by putting aside $50 each month in an account that pays you interest. For example, if you put aside $50 each month at home, after three years you will save $1,800. If you deposit the same amount of money in an account that earns 5 percent interest, in three years you will save $1,946. The financial institution will pay you $146 for keeping your money in an account. As you can see, an interest-earning account helps your money to grow.

The following graph is another way of illustrating that you can save significantly more money over the same period of time by keeping your money in an account that pays you interest. Assuming that you deposit $50 each month into an account, observe how much more money you will earn over time in an account that pays you 5 percent interest or 9 percent interest.



DISCUSSION QUESTION:
It is uncommon for Native people to have checking or savings accounts. Why do you think that our people are hesitant about opening an account?

[List on flipchart for later reference. Use the list as a guide to discuss why it may be beneficial or not be appropriate to have an account.]

I will try to address these issues during today's session. Keep in mind that checking and savings accounts are not for everyone. By the end of this session, I want you to have the information you need to determine what's right for you.

Checking and Savings Accounts (5–10 minutes)

7. **Describe checking and savings accounts and the significance of earning interest.** Use prepared overhead.

If you do not have an account, this session is an opportunity to pretend that you want one…. Maybe by the end of this session you will!

[If you are going to make a game out of this session, this is the time to introduce it.]

To learn about checking and savings accounts, we are going to play a game. We are going to divide into teams. Your team will earn points for answering questions about the checking and savings account process correctly.

Financial institutions offer checking and savings accounts so that you have a safe and secure place to keep your money. You can deposit and withdraw money from both checking and savings accounts. Checking accounts also allow you to write checks. When someone deposits or cashes a check you have written, money is withdrawn from your checking account.

Some checking accounts have fees and others do not. There are often different types of checking accounts that come with specific services (e.g., free check writing when your balance stays above $350). You will want to investigate the types of checking accounts offered and assorted fees before you open an account.

A financial institution will pay you for keeping your money in an account at that institution. This payment is called interest. The interest you receive is calculated as a percentage of the total funds you have in your account. If you do not take money out of your account, the balance continues to grow. For example:

If you deposit $50 at the beginning of each month and do not withdraw any money:

Interest rate	1 year ($50 x 12 months)	3 years	5 years	10 years	20 years
0%	$600	$1,800	$3,000	$6,000	$12,000
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7%	$623	$2,008	$3,601	$8,705	$26,198
9%	$630	$2,073	$3,799	$9,748	$33,645

The first (0% interest rate) row demonstrates how much money you will accumulate by saving $50 at home each month. The rest of the chart illustrates the amount of money you can save by putting aside $50 each month and keeping it in an account that pays you interest. For example, if you save $50 each month, after three years you will have saved $1,800. If you deposit the same amount of money in an account that earns 5 percent interest, in three years you will have $1,946. The financial institution will pay you $146 for keeping your money in an account. As you can see, an interest-earning account helps your money to grow.

Interest Earning Exercise

Use the chart on page 34 to answer the following questions.

1. How much money will you have in five years if you deposit $50 each month, earn 5 percent interest, and withdraw no money from your account?
   $______________

2. What could you purchase with this amount of money?
   ____
   ____
   ____

3. How much money will you have in 10 years if you deposit $50 each month, earn 3 percent interest, and withdraw no money from your account?
   $______________

4. What could you purchase with this amount of money?
   ____
   ____
   ____

Benefits of Checking and Savings Accounts

List some benefits to having a checking or savings account:

____
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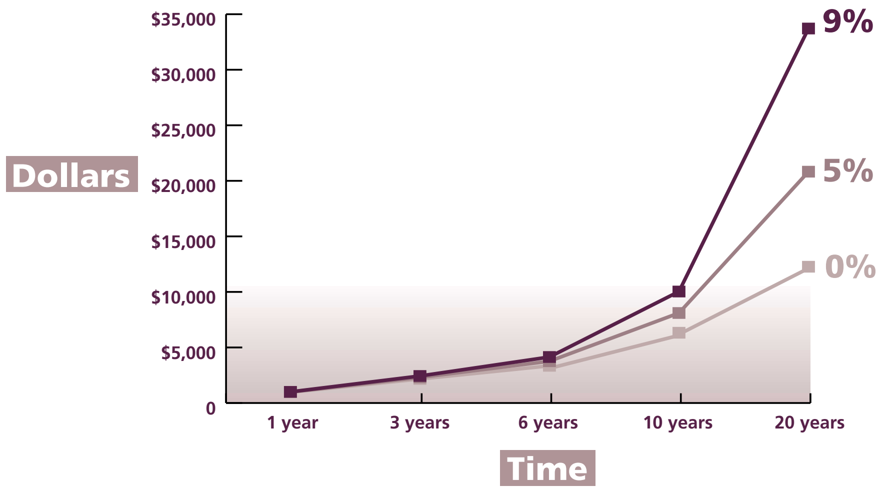
The following graph is another way of illustrating that you can save significantly more money over the same period of time by keeping your money in an account that pays you interest. Assuming that you deposit $50 each month into an account, observe how much more money you will earn over time in an account that pays you 5 percent interest or 9 percent interest.



DISCUSSION QUESTION:
How much money will you have in five years if you deposit $50 each month, earn 5 percent interest, and withdraw no money from your account?
Answer: $3,414

DISCUSSION QUESTION:
What could you buy with $3,414?

DISCUSSION QUESTION:
How much money will you have in 10 years if you deposit $50 each month, earn 3 percent interest, and withdraw no money from your account?
Answer: $7,005

DISCUSSION QUESTION:
What could you buy with $7,005?

Benefits of Checking and Savings Accounts (15–20 minutes)

8. **Discuss the benefits of checking and savings accounts.** You may want to list participant ideas on a blank flipchart.

DISCUSSION QUESTION:
Now that we have discussed the purpose of checking and savings accounts, tell me some benefits to having a checking or savings account.

[Make sure that the following benefits are discussed:]

- *Checking and savings accounts are safe places to keep your money.*
  — Instead of carrying money around or keeping it someplace in your house, a bank account is a secure home for your savings.

- *Checking and saving accounts help you stick to your spending plan.*
  — You can keep your money in an account and spend it only on things that fit into your spending plan.

PARTICIPANT PAGE

Dan and Vickie Open an Account

Dan and Vickie live on the Tulalip reservation in western Washington. They have three children and work at the Tulalip Casino. Their jobs give them a steady income for the first time. Dan and Vickie want to find a way to keep track of their money. They decide to look into opening checking and savings accounts.

They have been told that different financial institutions offer different products and services. For instance, at some banks if you keep a certain amount of money, known as a "minimum" balance, in your account there is no monthly fee. They decide to do some research and learn about the different interest rates, balance requirements, fees, and rules. Vickie wants to find a financial institution that will let her use her tribal identification to cash checks and make deposits for her children. They call around to the different financial institutions in the nearby city of Marysville and ask a lot of questions.

They learn that there really are differences—for instance, the amount of money they have to keep in their account to avoid fees, the amount that is charged for a bounced check, the number of withdrawals that can be made each month, the number of ATMs that can be used at no cost. They pay attention to where they receive the best customer service and feel welcome asking questions.

Dan and Vickie decide to open checking and savings accounts at Example Bank. They drive to the branch in Marysville to open their accounts. A banker helps them through the process. First, Dan and Vickie decide to open joint accounts. This means that both of their names will be on the same account. They will both be depositing and withdrawing money from the account. It also means that they both need to provide information to identify themselves as the account holders. They provide their names, address, Social Security numbers, and other requested information. The bank will use this information to protect them from unauthorized people gaining access to their accounts. Vickie is pleased that the bank accepts her tribal identification. The bank makes a copy of her and Dan's IDs for the bank file. They open accounts for their three children. Vickie is identified as their trustee because they are all under 18 years of age. This means that her children will need her approval before they can withdraw money from their accounts. Both Dan and Vickie sign signature cards for the bank file. The bank will use these cards to validate their signatures when they come to conduct business in the future. This will also protect them from unauthorized people withdrawing money from their accounts.

Dan gives the banker their recent paychecks as the first deposit into their accounts. They put $100 into their savings account and the rest into their checking account. The banker gives them temporary checks until their personalized checks arrive in the mail. This month they will write checks to pay their bills. Before they leave, the banker gives them each a folder of reading material and information about their accounts. They are advised to read the customer agreement to understand all of the costs and features of their accounts.

- *Checking and saving accounts allow you to earn interest on the money you keep in your account.*

- *Checking and saving accounts are inexpensive ways to cash and write checks.*
  — If you currently use check cashing services or money orders, you will probably save money by having a bank account. At most banks/credit unions, you can open an account to deposit and write checks at little or no cost to you.

- *Checking and saving accounts help you establish a relationship with a financial institution.*
  — When you manage an account well, you establish a good relationship with your financial institution. This demonstration of savings and financial responsibility may help you get approved for a credit card or loan at a later date.

Dan and Vickie Open an Account (20 minutes)

9. Discuss the process of opening an account.

[Select a participant to read this section prior to the session.]

Dan and Vickie live on the Tulalip reservation in western Washington. They have three children and work at the Tulalip Casino. Their jobs give them a steady income for the first time. They want to find a way to keep track of their money. They decide to look into opening checking and savings accounts.

They have been told that different financial institutions offer different products and services. For instance, at some banks if you keep a certain amount of money, known as a "minimum balance," in your account there is no monthly fee. They decide to do some research and learn about the different interest rates, balance requirements, fees, and rules. Vickie wants to find a financial institution that will let her use her tribal identification to cash checks and make deposits for her children. They call around to the different financial institutions in the nearby city of Marysville and ask a lot of questions.

They learn that there really are differences among various financial institutions—for instance, the amount of money they have to keep in their account to avoid fees, the amount that is charged for a bounced check, the number of withdrawals that can be made each month, the number of ATMs that can be used at no cost. They pay attention to where they receive the best customer service and feel welcome asking questions.

Dan and Vickie decide to open checking and savings accounts at Example Bank. They drive to the branch in Marysville to open their accounts. A banker helps them through the process. First, Dan and Vickie decide to open joint accounts. This means that both of their names will be on the same account. They will both be depositing and withdrawing money from the account. It also means that they both need to provide information to identify themselves as the account holders. They provide their names, address, Social Security numbers, and other requested information. The bank uses this information to protect them from unauthorized people gaining access to their accounts. Vickie is pleased that the bank accepts her tribal identification. The bank makes a copy of her and Dan's IDs for the bank file. They open accounts for their three children. Vickie is identified as their trustee because they are all under 18 years of age. This means that her children will need her approval before they can withdraw money from their accounts. Both Dan and Vickie sign signature cards for the bank file. The bank will use these cards to validate their signatures when they come to conduct business in the future. This will protect them from unauthorized people withdrawing money from their accounts.

Dan gives the banker their recent paychecks as the first deposit into their accounts. They put $100 into their savings account and the rest into their checking account. The banker gives them temporary checks until their personalized checks arrive in the mail. This month they will write

PARTICIPANT PAGE

Opening an Account Exercise

Use Dan and Vickie's or your own personal experiences to answer the following questions.

1. List three questions you might ask before choosing a financial institution.

____

____

____

2. What information did Example Bank need from Dan and Vickie to open an account?

____

____

____

____

____

3. What is a signature card, and why did the banker ask both Dan and Vickie to sign one?

____

____

____

4. Did Dan and Vickie put money into their account to open it? ____________________

5. What kind of information is contained in the customer agreement?

____

____

____

6. Why do you think they open accounts for their children? What might be the pros and cons of doing this?

____

____

____

checks to pay their bills. Before they leave, the banker gives them each a folder of reading material and information about their accounts. They are advised to read the customer agreement to understand all of the costs and features of their accounts.

Let's use Dan and Vickie's experience or your own personal experiences to complete the Opening an Account Exercise in your materials.

[Give participants 10 minutes to complete the exercise. Then review the exercise together.]

DISCUSSION QUESTION:
List three questions you might ask before choosing a financial institution.

[All questions are acceptable. Make sure that participants are aware that the following questions are good to ask.]

- *Will you accept my tribal card/identification as a valid form of ID? (If you have a state driver's license and a Social Security number, this may not be a relevant question.)*
- *How much money do I need to open an account?*
- *How much money do I need to keep in my account to avoid fees?*
- *What is the monthly service charge?*
- *How many checks can I write before extra fees are charged?*
- *What is the fee for a bounced check?*
- *Will canceled checks be returned to me? If not, how much does it cost to get a copy?*
- *How many withdrawals can I make each month?*
- *Does this account pay interest? What is the rate?*
- *Does an ATM or debit card come with this account? If so, how many ATMs are there in the area and where are they?*
- *Will I be charged a fee to use the ATM or debit card at this institution? At other institutions?*
- *Are there any other fees?*
- *Is there any other information I should know about your account options?*

DISCUSSION QUESTION:
What information did Example Bank need from Dan and Vickie to open an account?

[Make sure that participants are aware of the following needed information.]

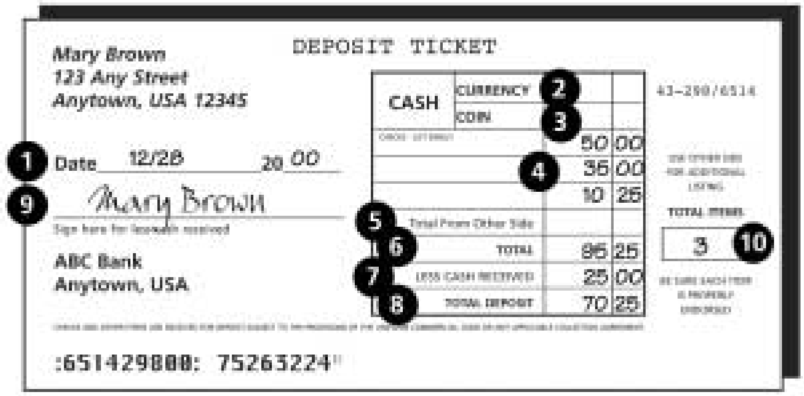
- *Their name, address, and phone number*
- *Their Social Security number*
- *Photo identification or tribal identification card—some institutions may not accept tribal ID as a valid form of identification.*
- *Type of account—individual or joint. If they select a joint account they will need to provide the above information for both individuals. Then they will have equal access to the money in their account.*
- *Name of trustee for accountholder under 18 years of age. This person will need to approve any withdrawals from the account.*

DISCUSSION QUESTION:
What is a signature card and why did the banker ask both Dan and Vickie to sign one?

The financial institution has you sign a signature card so that it can validate your signature in the future. This helps to protect you from unauthorized people withdrawing money from your account.

DISCUSSION QUESTION:
Did Dan and Vickie put money into their account to open it?

Making a Deposit



Making a deposit is putting money into your account. Each time you make a deposit into your account you will need to complete a deposit slip. You will find a deposit slip in the back of your checkbook or at your financial institution.

1. Write the date that you are making the deposit.
2. If you are depositing currency (paper bills), write the total amount.
3. If you are depositing coins, write the total amount.
4. Write the amount of each check.
5. If you are depositing more checks than can be listed on the front, list your checks on the back and total them. Write that total in the space provided on the front.
6. Add currency (paper bills), coin, and all checks, and record the total.
7. If you want to deposit a portion of your money and receive some cash back, write the amount of cash you would like to receive.
8. Write your final total deposit. You will want to subtract the amount of cash you received back (step 7) from your subtotal (step 6).
9. If you choose to receive cash back, sign in this space while the teller watches.
10. Write the total number of items you are depositing into your account.

You will be asked to make an initial deposit to open your account. The amount of money needed to open an account will depend on the financial institution and the type of account you have selected.

DISCUSSION QUESTION:
What kind of information is contained in the customer agreement?

The customer agreement explains all the costs and features of your account. You will receive a customer agreement and other paperwork after you open your account. While it may be boring or confusing, take the time to read through the information. If you have any questions, do not hesitate to ask someone. You might consider asking someone in the tribe's education, finance, or economic development department to explain the information. [Identify tribal contact if possible.]

DISCUSSION QUESTION:
Why do you think they open accounts for their children? What might be the pros and cons of doing this?

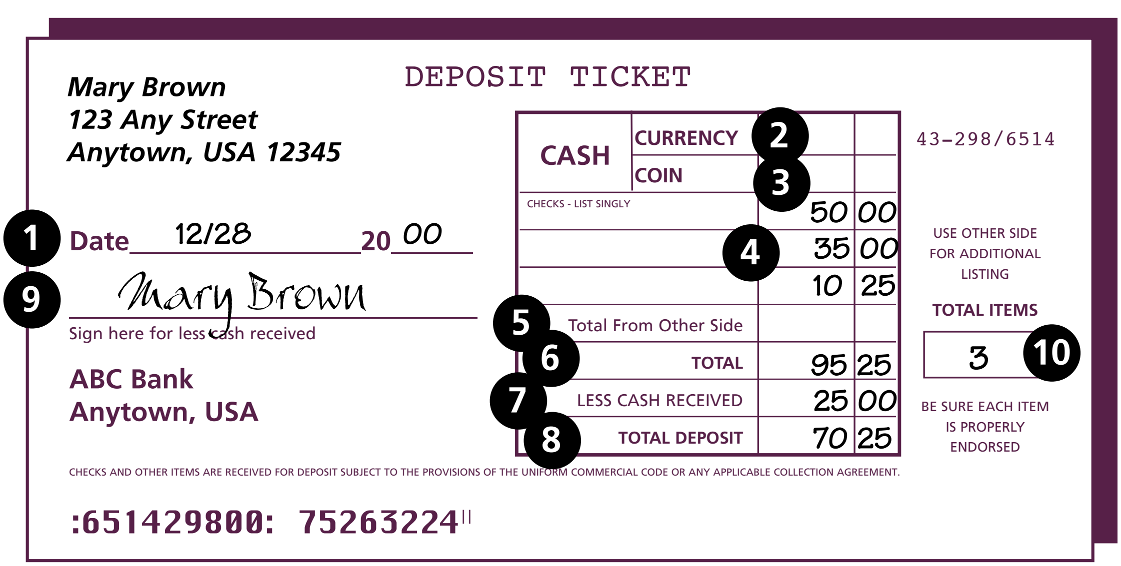
Because her children are under 18 years of age, Vickie is identified as their trustee. This means that her children will need her approval before they can withdraw money from their accounts.

Making a Deposit (10 minutes)

10. **Explain the process of making a deposit.** The number of each step corresponds to the example check deposit diagram. Use prepared overhead.

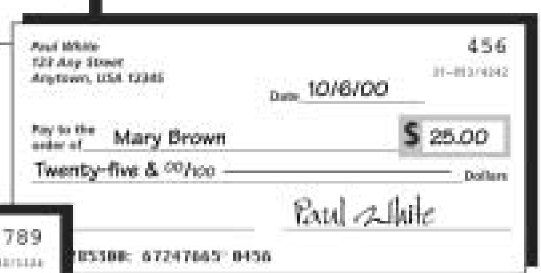
Making a deposit is putting money into your account. Each time you make a deposit into your account you will need to complete a deposit slip. You will find a deposit slip in the back of your checkbook or at your financial institution. Follow along with me in your materials as I walk through the steps. You will see that each step corresponds to a number on the diagram.

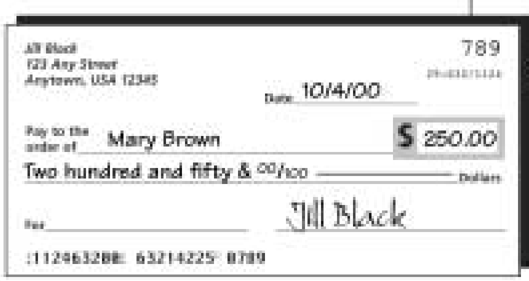
1. *Write the date that you are making the deposit.*
2. *If you are depositing currency (paper bills), write the total amount.*
3. *If you are depositing coins, write the total amount.*
4. *Write the amount of each check.*
5. *If you are depositing more checks than can be listed on the front, record your checks on the back and total them. Write that total in the space provided on the front.*
6. *Add currency (paper bills), coin, and all checks, and record the total.*
7. *If you want to deposit a portion of your money and receive some cash back, write the amount of cash you would like to receive.*
8. *Write your final total deposit. You will want to subtract the amount of cash you received back (step 7) from your subtotal (step 6).*
9. *If you choose to receive cash back, sign in this space while the teller watches.*
10. *Write the total number of items you are depositing into your account.*



Deposit Slip Exercise

Mary Brown goes to the bank. She needs to deposit three checks and would like to get $20 in cash.





Complete the deposit slip for Mary Brown.

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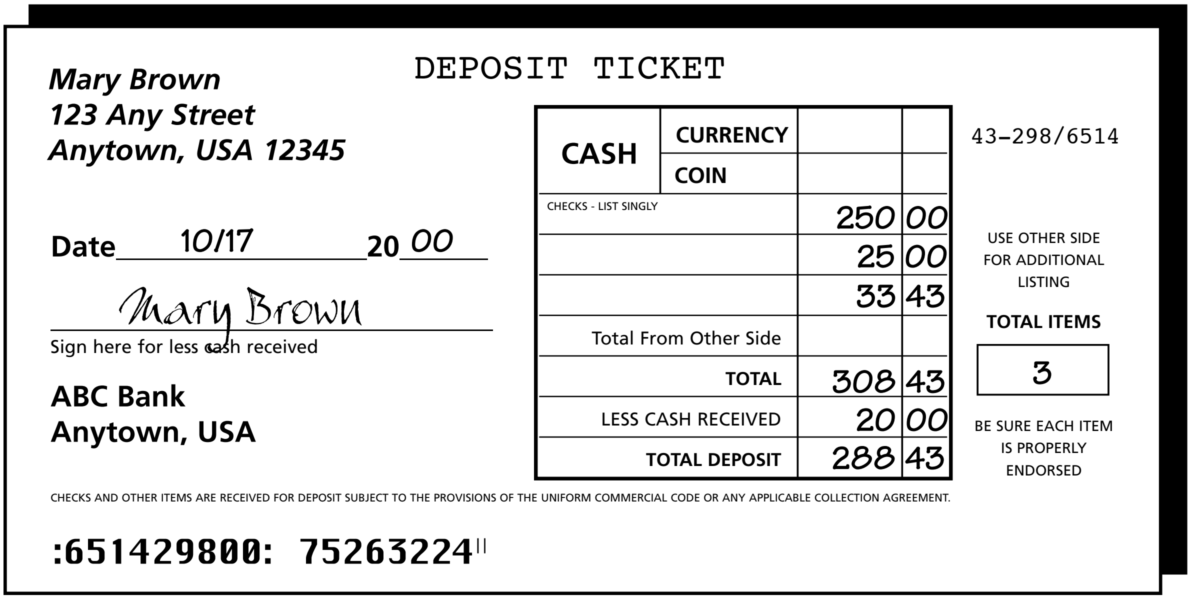
Deposit Slip Exercise (10 minutes)

11. Help participants demonstrate how to complete a deposit slip. Use prepared overhead.

Take a few moments to complete the Deposit Slip Exercise in your materials. Then we will go over it as a group.

[Give participants 5 minutes to complete the exercise.]



DEPOSIT TICKET

Mary Brown
123 Any Street
Anytown, USA 12345

Date 10/17 **20** 00

Mary Brown

Sign here for less cash received

ABC Bank
Anytown, USA

CASH	**CURRENCY**		
	COIN		
CHECKS - LIST SINGLY		250	00
		25	00
		33	43
Total From Other Side			
TOTAL		308	43
LESS CASH RECEIVED		20	00
TOTAL DEPOSIT		288	43

43-298/6514

USE OTHER SIDE FOR ADDITIONAL LISTING

TOTAL ITEMS

3

BE SURE EACH ITEM IS PROPERLY ENDORSED

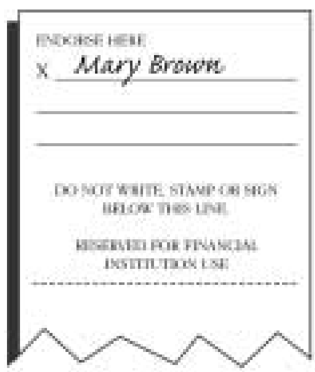
CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE OR ANY APPLICABLE COLLECTION AGREEMENT.

:651429800: 75263224ll

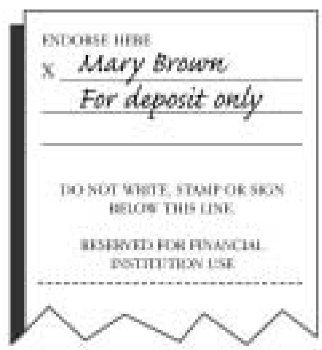
Endorsing a Check

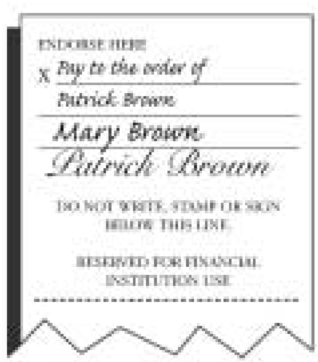
Endorsing a check is signing the back of a check that is made out to you to release the funds. You will need to endorse all checks that you deposit. You should sign your name exactly as it is listed on the front of the check. There is a space for your signature on the back of all checks. How you endorse a check affects who is allowed to cash the check. There are three types of endorsements:

Blank endorsements: This is when you sign the back of the check and provide no instructions. Once you have signed the back, anyone can cash the check.



Specific endorsements: This is when you identify a purpose for the check (e.g., "deposit only"). It is a good idea to use this type of endorsement when you are depositing a check—especially if you are using an ATM.





Two-party checks/transfer endorsements: This is when you transfer a check that has been written to you to another person. After you endorse a check, only the person who is named in the endorsement can cash or deposit the check (e.g., Pay to the order of Patrick Brown). In this example, Patrick Brown will be asked to sign the back of the check and possibly show ID when he cashes or deposits the check.

Endorsing a Check (10 minutes)

12. **Explain how to endorse a check.** Use prepared overhead.

Endorsing a check is signing the back of a check that is made out to you to release the funds. You will need to endorse all checks that you deposit. You should sign your name exactly as it is listed on the front of the check. There is a space for your signature on the back of all checks. How you endorse a check affects who is allowed to cash the check.

Look in your materials at the three types of check endorsements:

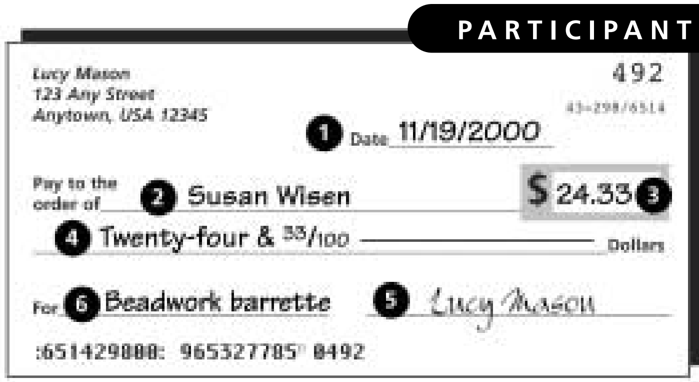
Blank endorsements: *This is when you sign the back of the check and provide no instructions. Once you have signed the back, anyone can cash the check.*

Specific endorsements: *This is when you identify a purpose for the check (e.g., "deposit only"). It is a good idea to use this type of endorsement when you are depositing a check—especially if you are using an ATM.*

Two-party checks/transfer endorsements: *This is when you transfer a check that has been written to you to another person. After you endorse a check, only the person who is named in the endorsement can cash or deposit the check (e.g., Pay to the order of Patrick Brown). In this example, Patrick Brown will be asked to sign the back of the check and possibly show I.D. when he cashes or deposits the check.*

DISCUSSION QUESTION:
Which type of endorsement would you use to deposit money into your checking account at a local ATM?

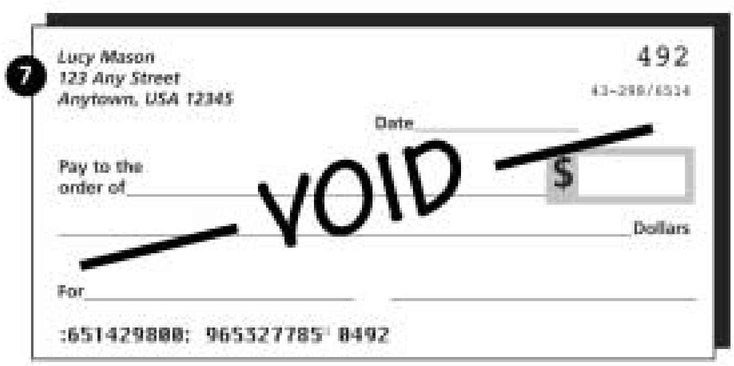
You use either a blank endorsement or a specific endorsement. A specific endorsement is the safest way to ensure that the check may only be deposited into your account.



Writing a Check

If you have a checking account, you can write checks. Checks are used for paying bills and making purchases when you do not want to use cash. Checks allow you to use the money in your account to pay for things without having to withdraw cash.

1. Write the date.
2. Write the name of the person or company you are paying.
3. Enter the dollar amount of the check in numbers (in this example, $24.33).
4. Write out the dollar amount of the check in words. Follow the dollar amount with the number of cents written as a fraction over 100. If there are no cents, you can write 00/100. Draw a line from the end of your writing to the end of the line so that there is no room for anyone to insert words or numbers.
5. Sign your check the same way you signed your signature card.
6. Write the purpose of the check. If you are paying a bill, you may need to write your account or invoice number here.
7. If you make a mistake writing a check, you may need to write a new one. In this situation, write VOID in large letters across the incorrect check to ensure that no one can cash it. Tear it up and throw it into the garbage.



Writing a Check (5–10 minutes)

13. Explain how to write a check. Use prepared overhead.

DISCUSSION QUESTION:
What are checks used for?

If you have a checking account, you can write checks. Checks are used for paying bills and making purchases when you do not want to use cash. Checks allow you to use the money in your account to pay for things without having to withdraw cash.

Let's walk through how to write a check.

1. *Write the date.*
2. *Write the name of the person or company you are paying.*
3. *Enter the dollar amount of the check in numbers (in this example, $24.33).*
4. *Write out the dollar amount of the check in words. Follow the dollar amount with the number of cents written as a fraction over 100. If there are no cents, you can write 00/100. Draw a line from the end of your writing to the end of the line so that there is no room for anyone to insert words or numbers.*
5. *Sign your check the same way you signed your signature card.*
6. *Write the purpose of the check. If you are paying a bill, you may need to write your account or invoice number here.*
7. *If you make a mistake writing a check, you may need to write a new one. In this situation, write VOID in large letters across the incorrect check to ensure that no one can cash it. Tear it up and throw it into the garbage.*

Check Writing Exercise

Complete the following exercise.

1. Write check number 220 in the amount of $65.70 to Larry's Auto to fix your muffler. Use today's date.
2. You learn that the cost of fixing your car is actually $71.20. What should you do to check number 220? Do it.
3. Write check number 221 in the amount of $71.20 to Larry's Auto.

Your Name
Your Street
Your Town, USA 12345

220
67-3941/2229

Date________________

Pay to the
order of________________________________ $

______________________________________ Dollars

For____________________ ____________________

:232939410: 0123456789' 0220

Your Name
Your Street
Your Town, USA 12345

221
67-3941/2229

Date________________

Pay to the
order of________________________________ $

______________________________________ Dollars

For____________________ ____________________

:232939410: 0123456789' 0221

Check Writing Exercise (5-10 minutes)

14. Help participants to write a check. Use prepared overhead.

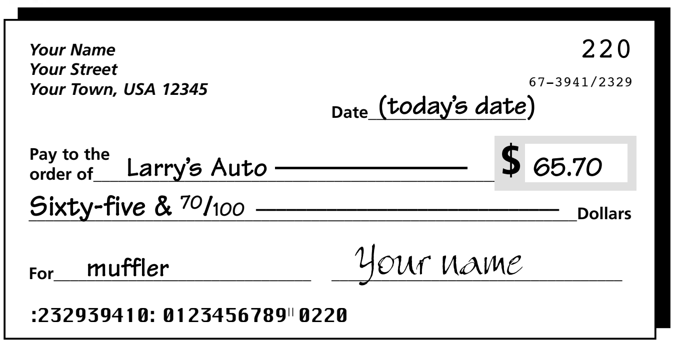
Take five minutes and complete the Check Writing Exercise in your materials. Then we will talk through the answers as a group.

[5 minutes]

Check Writing Exercise

1. Write check number 220 in the amount of $65.70 to Larry's Auto to fix your muffler. Use today's date.
2. You learn that the cost of fixing your car is actually $71.20. What should you do to check number 220? Do it.
3. Write check number 221 in the amount of $71.20 to Larry's Auto.

1



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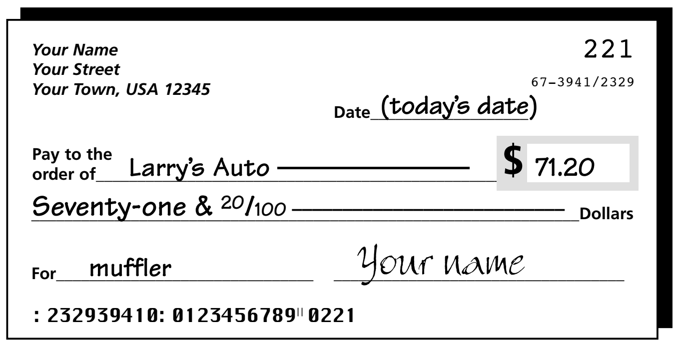

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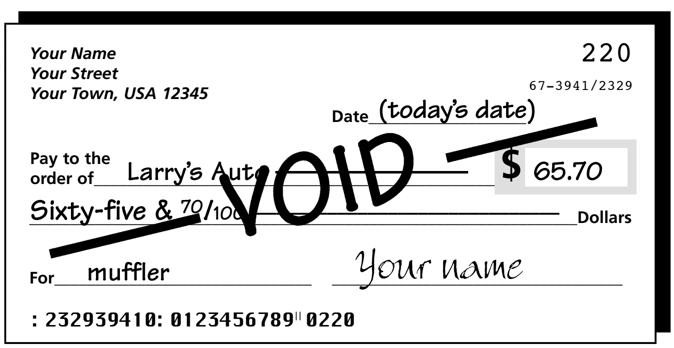


PARTICIPANT PAGE

Preventing Forgery

Forgery is when a person purposefully tries to withdraw money from your account by pretending to be you.

If for any reason you think that someone has taken one of your checks, immediately call your financial institution. Explain the situation and request that they cancel the check before anyone has an opportunity to cash it. This is called a stop-payment. There may be a fee for placing a stop-payment on a check, but it is better than having someone rob you of your savings.

List some ways to prevent forgery:

___

___

___

___

___

Inupiaq (Eskimo) man making snow shoes, entitled, "The Old Snow-Shoe Maker," ca. 1900, Nome, Alaska. Photo by the Lomen Bros. Company.

Preventing Forgery (5 minutes)

15. Discuss forgery.

You may have read or heard stories on TV about checkbook theft. People steal a check or someone's checkbook and try to withdraw money from their account. This is called forgery. If, for any reason, you think that someone has taken one of your checks, immediately call your financial institution. Explain the situation and request that it cancel the check before anyone has an opportunity to cash it. This is called a stop-payment. There may be a fee for placing a stop-payment on a check, but it is better than having someone rob you of your savings.

What are some ways that you can prevent forgery?

[Make sure that the following suggestions are discussed.]

There are steps that you can take to prevent people from forging your checks.

- *Use a ballpoint pen to write your checks. This way no one can erase your writing and increase the amount of the check.*
- *If you make a mistake on a check, write "VOID" in big letters across the check. Tear it up and throw it into the garbage.*
- *Write in cursive on your checks. Cursive is more difficult to imitate than printing.*
- *Don't sign blank checks. Wait until a check is filled out to sign it.*
- *Don't leave any extra room on the line where you write out the dollar amount of the check. Use a line to eliminate blank space.*
- *Keep your checkbook in a safe place.*

Any questions about forgery before we move on?

Using a Check Register

A check register is a tool for keeping track of the daily balance in your checking account. When you have a checking account, it is VERY important that you keep track of how much money is in your account. You NEVER want to write a check for more money than you have in your account.

You should use your check register to record ALL account transactions, such as check payments, deposits, fees, and ATM withdrawals. This way you will know how much is in your account at all times.

Using Roger's Check Register Exercise

Roger is a member of the Kickapoo tribe and well known as a competitive dancer at powwows. He works at the tribe's smokeshop and has a checking account at a nearby bank in Oklahoma City. This is Roger's check register:

Check Register

Date	Check #	Description	Addition (Deposit)	Subtraction (Debit)	Balance
		Starting Balance			***$175.25***
6/5	300	K Mart		$50.25	$125.00
6/5		Nonbank ATM (cash)		$20.00	$105.00
		ATM fee		$1.50	$103.50
6/6	301	Lucky Mart groceries		$12.65	$90.85
6/10	302	Acme Gas		$15.00	$75.85
6/12	303	Lucky Mart groceries		$11.75	$64.10
6/15		Paycheck – ABC Company	$400.00		$464.10
6/15		ATM (cash)		$30.00	$434.10
6/16		ATM (cash/regalia repair)		$100.00	$334.10

Using a Check Register (10–15 minutes)

16. Explain how to use a check register. Use prepared overhead.

A check register is a tool for keeping track of the daily balance in your checking account. When you have a checking account, it is VERY important that you keep track of how much money is in your account. You NEVER want to write a check for more money than you have in your account.

DISCUSSION QUESTION:
What kinds of transactions should be recorded in your check register?

You should record ALL account transactions, such as check payments, deposits, fees, and ATM withdrawals. This way you will know how much is in your account at all times.

Let's walk through "Using Roger's Check Register Exercise" together.

Using Roger's Check Register Exercise
Roger is a member of the Kickapoo tribe and well known as a competitive dancer at powwows. He works at the tribe's smokeshop and has a checking account at a nearby bank in Oklahoma City.

Using Roger's check register, answer the following questions:

1. How much did Roger start with in his checking account?

   ____

2. To whom did Roger write check #301? How much was the check for?

   ____

   ____

3. What transactions did Roger complete on 6/15? For how much?

   ____

   ____

4. What was the new checking account balance after Roger wrote check #303?

   ____

5. Record the following transactions on the check register on page 44. Then calculate the new account balance.

Date	Check #	Transaction	Amount
6/16	305	Wrote check to Power Company to pay bill	$32.75
6/17		Withdrew money at a nonbank ATM	$20
6/17		Service fee for nonbank ATM use	$1.50
6/28	306	Wrote check to ABC Credit to pay credit card bill	$60.00
6/30		Deposited paycheck from ABC Company	$400.00
7/1	307	Made error on check so did not use it	
7/1	308	Wrote check to Lucky Mart for groceries	$25.50
7/2		Received account statement – account fees	$3.00

What is Roger's new balance? ________________

1. *How much did Roger start with in his checking account?*
   Answer: $175.25

2. *To whom did Roger write check #301? How much was the check for?*
   Answer: Lucky Mart for $12.65

3. *What transactions did Roger complete on 6/15? For how much?*
   Answer: Deposit for $400.00 and an ATM cash withdrawal for $30.00

4. *What was the checking account balance after Roger wrote check #303?*
   Answer: $64.10

5. *Record the following transactions on the check register below. Then calculate new account balance.*

Date	Check #	Description	Addition (Deposit)	Subtraction (Debit)	Balance
		Starting Balance			***$175.25***
6/5	300	K Mart		$50.25	$125.00
6/13		Nonbank ATM (cash)		$20.00	$105.00
		ATM fee		$1.50	$103.50
6/6	301	Lucky Mart groceries		$12.65	$90.85
6/10	302	Acme Gas		$15.00	$75.85
6/12	303	Lucky Mart groceries		$11.75	$64.10
6/15		Paycheck	$400.00		$464.10
6/15		ATM (cash)		$30.00	$434.10
6/16		ATM (cash/regalia repair)		$100.00	$334.10
6/16	305	Power Company		$32.75	$301.35
6/17		Nonbank ATM (cash)		$20.00	$281.35
6/17		ATM fee		$1.50	$279.85
6/28	306	ABC Credit		$60.00	$219.85
6/30		Deposited paycheck – ABC Company	$400.00		$619.85
7/1	307	VOID check			$619.85
7/1	308	Lucky Mart for groceries		$25.50	$594.35
7/2		Account fees		$3.00	$591.35

ANSWERS

What is Roger's new balance? $591.35

Reading Your Account Statement

At the end of each month you will receive an account statement. Your account statement is a record of your account activity over a specific period of time.

9 1-800-000-0000 ABC Bank

Foster Wilson
Anywhere Avenue
Someplace, WA 98103

2 **Statement Period** 1/1/00 to 1/31/00
1 **Account Number** 1234566

3	**Beginning balance**	$50.00
4	**Total Deposits**	$450.00
5	**Total Withdrawals**	$196.50
8	**Ending Balance**	$303.50

6 ***Withdrawals from Account***

Date	Check #	Amount
1/5/00	101	$75.00
1/10/00	102	$35.00
1/21/00	104*	$40.00
1/26/00	ATM	$40.00
1/26/00	Non-ATM fee	$1.50
1/31/00	Service charge	$5.00

7 ***Deposits to Account***

Date	Amount
1/1/00	$300.00
1/7/00	$100.00
1/25/00	$50.00

1. Your Account Number. If you have multiple accounts, you will want to make sure to keep your records separate.
2. Statement Period. The period of time covered by the statement.
3. Beginning Balance. The amount of money in your account at the beginning of the time period.
4. Total Deposits. The amount of money that you deposited into your account during the time period.
5. Total Withdrawals. The amount of money that was withdrawn from your account during the time period.
6. Withdrawals from Account. Every withdrawal from your account is listed for the time period. Each check will be identified by a check number. An asterisk * is used to identify a break in the check sequence. This may mean that the recipient did not cash the check during the account statement time period.
7. Deposits to Account. All deposits into your account are listed. Automatic deposits, ATM deposits, and interest are all included.
8. Ending Balance. The amount of money in your account at the end of the account period. This will become the beginning balance for the next time period.
9. A customer service number is always listed in case you have any questions about your statement. Do not hesitate to call and ask any questions related to your account.

Reading Your Account Statement (10–15 minutes)

17. Explain how to read an account statement. Use prepared overhead.

At the end of each month you will receive an account statement. Your account statement is a record of your account activity over a specific period of time.

Let's walk through the example in your materials.

1. *Your Account Number. If you have multiple accounts, you will want to make sure to keep your records separate.*
2. *Statement Period. The period of time covered by the statement.*
3. *Beginning Balance. The amount of money in your account at the beginning of the time period.*
4. *Total Deposits. The amount of money that you deposited into your account during the time period.*
5. *Total Withdrawals. The amount of money that was withdrawn from your account during the time period.*
6. *Withdrawals from Account. Every withdrawal from your account is listed for the time period. Each check will be identified by a check number. An asterisk * is used to identify a break in the check sequence. This may mean that the recipient did not cash the check during the account statement time period.*
7. *Deposits to Account. All deposits into your account are listed. Automatic deposits, ATM deposits, and interest are all included.*
8. *Ending Balance. The amount of money in your account at the end of the account period. This will become the beginning balance for the next time period.*
9. *A customer service number is always listed in case you have any questions about your statement. Do not hesitate to call and ask any questions related to your account.*

Balancing Your Checkbook

Balancing your checkbook is comparing the personal records you have kept in your check register with your account statement. It is also called reconciling your checkbook with your account statement. After all financial transactions have been recorded in both places, the balances should be the same.

Balance your checkbook each month to ensure that you know where and how you spend your money. One of the most often overlooked "withdrawals" is bank service charges or other "automatic" withdrawals. Make sure to record all transactions in your check register. Neglecting to balance your checkbook can result in bounced checks and inaccurate balances.

Balancing Rebecca's Checkbook Exercise

Rebecca is a member of the Fond du Lac Band of Lake Superior Chippewa. She works at Fond du Lac Tribal College and also weaves sweet grass baskets for the Black Bear Casino gift shop. Using the following four-step process, reconcile Rebecca's checkbook with her account statement.

Step 1: Compare the account statement with the check register.

Step 2: Revise the check register to include all financial transactions listed on the account statement. Calculate the new check register balance

Step 3: Revise the account statement balance to reflect all financial transactions listed in the check register. Calculate the new account statement balance.

Step 4: Compare the new check register balance with the new account statement balance.

Balancing Your Checkbook (5 minutes)

18. Explain how to balance a checkbook. Use prepared overheads.

Balancing your checkbook is comparing the personal records you have kept in your check register with your account statement. It is also called reconciling your checkbook with your account statement. After all financial transactions have been recorded in both places, the balances should be the same.

Balance your checkbook each month to ensure that you know where and how you spend your money. One of the most often overlooked "withdrawals" is bank service charges or other "automatic" withdrawals. Make sure to record all transactions in our check register. Neglecting to balance your checkbook can result in bounced checks and inaccurate balances.

Let's walk through the four steps involved in balancing your checkbook by completing the exercise in your materials together.

Balancing Rebecca's Checkbook Exercise (20–25 minutes)

Rebecca is a member of the Fond du Lac Band of Lake Superior Chippewa. She works at Fond du Lac Tribal College and also weaves sweet grass baskets for the Black Bear Casino gift shop. Using the following four-step process, reconcile Rebecca's checkbook with her account statement.

Check Register

Date	Check #	✓	Description	Addition (Deposit)	Subtraction (Debit)	Balance
1/1			Opening Deposit	500.00		500.00
1/3	101		Grocery Store		75.00	425.00
1/4	102		Electric bill		35.00	390.00
1/7			Deposit/paycheck	250.00		640.00
1/20	103		VOID check/made error writing			640.00
1/20	104		Craft supplies		40.00	600.00
1/25			Deposit/craft sales	150.00		750.00
1/26			ATM withdrawal		40.00	710.00
1/30	105		Rent		300.00	410.00
2/1			Deposit/bonus	50.00		460.00

Account Statement

1-800-000-0000 **ABC Bank**

Rebecca Raven
Happiness Lane
Cloquet, MN 55720

Statement Period 1/1/00 to 1/31/00
Account Number 1234566

Beginning balance	$0.00
Total Deposits	$900.00
Total Withdrawals	$196.50
Ending Balance	$703.50

Withdrawals from Account

Date	Check #	Amount
1/5/00	101	$75.00
1/10/00	102	$35.00
1/21/00	104*	$40.00
1/26/00	ATM	$40.00
1/26/00	Non-ATM fee	$1.50
1/31/00	Service charge	$5.00

Deposits to Account

Date	Amount
1/1/00	$500.00
1/7/00	$250.00
1/25/00	$150.00

Goal: Rebecca's check register and account statement should have the same balance after all financial transactions have been recorded in both places.

Step 1: Begin by comparing the account statement with the check register. This allows you to determine which items are missing from the account statement and the check register.

a. Place the account statement and the check register next to each other.
b. Place a check mark next to transactions that are listed in the account statement and the check register. Make sure to place a check mark next to the item in both places.

Step 2: Next, revise the check register to include all financial transactions listed on the account statement. Complete this step by calculating a new check register balance.

a. Are there any transactions that are not check-marked on Rebecca's account statement? Yes
b. List the items that are not check-marked on the account statement. Include any bank fees under withdrawals.

Withdrawals from Account

Date	Check #	Amount
1/26/00	Non-ATM fee	($1.50)
1/31/00	Service Charge	($5.00)
		( )
		( )
		( )

Deposits to Account

Date	Check #	Amount
		( )
		( )
		( )
		( )

c. Add these items to Rebecca's check register. Items listed under "Withdrawals from Account" should be subtracted from Rebecca's balance. Items listed under "Deposits to the Account" should be added to Rebecca's balance.
d. Place a check mark next to each item after you enter it into the check register. Make sure to mark the item on the account statement as well. Now these transactions are recorded in both the check register and the account statement.
e. Calculate Rebecca's new check register balance. $ 453.50

Goal: Rebecca's check register and account statement should have the same balance after all financial transactions have been recorded in both places. Follow the four-step process to determine if the balances are the same.

Step 1: Begin by comparing the account statement with the check register.

a. Place the account statement and the check register next to each other.

b. Place a check mark next to transactions that are listed in the account statement and the check register. Make sure to place a check mark next to the item in both places.

Step 2: Next, revise the check register to include all financial transactions listed on the account statement. Complete this step by calculating a new check register balance.

a. Are there any transactions that are not check-marked on Rebecca's account statement?______

b. List the items that are not check-marked on the account statement. Include any bank fees under withdrawals.

Withdrawals from Account

Date	Check #	Amount
		( )
		( )
		( )
		( )
		( )

Deposits to Account

Date	Check #	Amount
		( )
		( )
		( )
		( )

c. Add these items to Rebecca's check register. Items listed under "Withdrawals from Account" should be subtracted from Rebecca's balance. Items listed under "Deposits to the Account" should be added to Rebecca's balance.

d. Place a check mark next to each item after you enter it into the check register. Make sure to mark the item on the account statement as well. Now these transactions are recorded in both the check register and the account statement.

e. Calculate Rebecca's new check register balance. $______________

Step 3: Next, revise the account statement balance to reflect all financial transactions listed in the check register. Complete this step by calculating a new account statement balance.

a. Write the ending balance shown at the top of the account statement. $ 703.50

b. Are there any transactions that are not check-marked on Rebecca's check register? Yes

c. List the items that are not check-marked on the check register.

Date	Check #	Description	Addition	Subtraction
1/30	105	Rent		$300.00
2/1		Bonus	$50.00	

d. Calculate the new account statement balance. Add and/or subtract the listed items in part c from the ending account statement balance listed in part a.

Account statement ending balance (part a)
+/-
Items that were not check-marked in the check register (part c)
=
New account statement balance
$ 453.50

Step 4: The last step is to compare the new account statement balance with the new check register balance. If they are equal, it means that the transactions have been recorded correctly. If not, go back and check your calculations at each step in the process.

a. Write the new check register balance from Step 2 part e. $ 453.50

b. Write the new account statement balance from Step 3 part c. $ 453.50

c. Compare the ending balances. Are they the same? Yes

Step 3: Next, revise the account statement balance to reflect all financial transactions listed in the check register. Complete this step by calculating a new account statement balance.

a. Write the ending balance shown at the top of the account statement.
$______________

b. Are there any transactions that are not check-marked on Rebecca's check register?
____

c. List the items that are not check-marked on the check register.

Date	Check #	Description	Addition	Subtraction

d. Calculate the new account statement balance. Add and/or subtract the listed items from part c from the ending account statement balance listed in part a.

Account statement ending balance (part a)
+/-
Items that were not check-marked in the check register (part c)
=
New account statement balance
$____________

Step 4: The last step is to compare the new account statement balance with the new check register balance. If they are equal, it means that the transactions have been recorded correctly. If not, go back and check your calculations at each step in the process.

a. Write the new check register balance from Step 2 part e. $______________
b. Write the new account statement balance from Step 3 part d. $_____________
c. Compare the ending balances. Are they the same? _______

Using an Automated Teller Machine (ATM)

Many people use ATMs to handle their financial transactions. The services provided by each ATM vary. Many ATMs allow you to electronically do the same transactions you do at a financial institution, such as:

- Withdraw cash
- Make a deposit
- Check account balances
- Receive a copy of your statement
- Transfer money between accounts

Some ATMs will even let you do special services such as purchase stamps.

Using an Automated Teller Machine (ATM) (10 minutes)

19. Discuss the purpose of an ATM.

Up to now we've been talking about traditional services offered by financial institutions such as checking and savings accounts. Now let's talk about other tools that people use to manage their financial resources, such as ATMs and debit cards.

DISCUSSION QUESTION:
How many of you are familiar with ATMs?

[Wait for a show of hands.]

DISCUSSION QUESTION:
What can you use an ATM for?

[Listen to participant comments.]

Make sure that the following uses are mentioned:
The services provided by each ATM vary. Many ATMs allow you to electronically do the same transactions you do at a financial institution, such as:

- *Withdraw cash*
- *Make a deposit*
- *Check account balances*
- *Receive a copy of your statement*
- *Transfer money between accounts*

Some ATMs will even let you do special services such as purchase stamps.

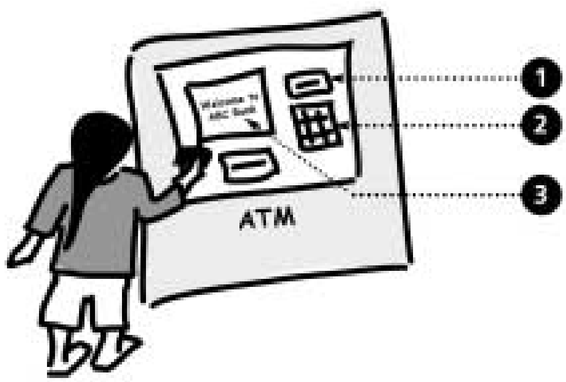
DISCUSSION QUESTION:
What are the pros and cons of using an ATM?

[Listen to participant comments.]

The following ideas may be mentioned:

- Sometimes people with limited income prefer not to have an ATM card to avoid withdrawing cash.
- Sometimes ATM accounts are the least expensive bank account available at a financial institution.
- Sometimes ATMs are the only available "financial institution" in rural areas.
- Using an ATM that is NOT affiliated with your bank can result in a significant fee.
- If you do not keep track of cash withdrawals from ATMs, you may be unable to balance your checkbook or you may even overdraw your account.

An ATM allows you to access your account 24 hours a day by using your ATM card and Personal Identification Number (PIN). Your PIN is your password to your account. Your financial institution will either assign you a PIN or let you choose one for yourself. Either way, it is important to keep your PIN a secret so that no unauthorized person has access to your account.



There are three steps to using an ATM card:

1. Insert your ATM card into the slot on the machine.
2. Enter your PIN.
3. Follow the directions on the screen.

ATM Fees

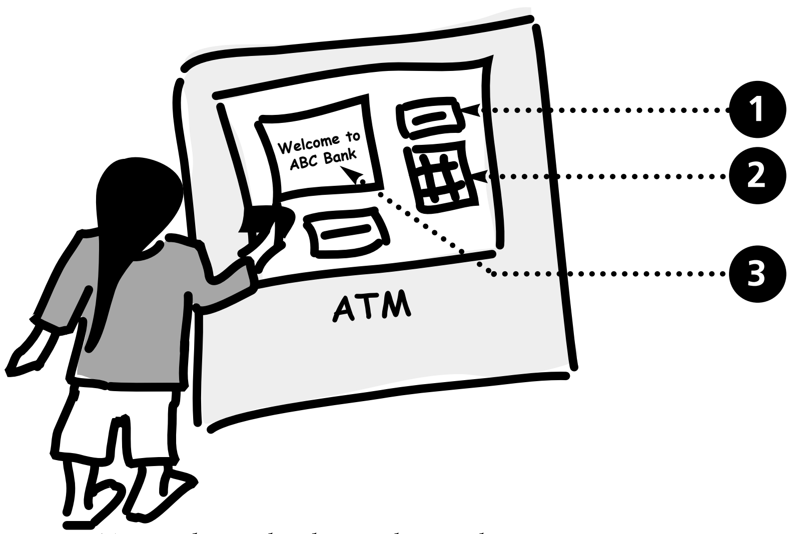
Ask your financial institution about fees for using an ATM card. If it does not charge a fee, the best way to avoid ATM fees is to use machines that are owned by your financial institution. Common fees include:

- Monthly or yearly fee to use the card.
- Fee to use the card at another financial institution's ATM.
  - Often, you are charged a fee for using another financial institution's ATM.
  - Sometimes when you use another financial institution's ATM, both your own financial institution and the ATM owner's financial institution charge you. For example, Sarah has an ATM card from W credit union. One day she needs some cash and the only ATM nearby is owned by Z bank. Sarah withdraws $20 and is charged $1.50 by Z bank. On her next credit union account statement, there is also a $1.50 charge by the W credit union for the same transaction. It cost Sarah $3 to withdraw $20 from her account.
- Fee to use the card at your own financial institution's ATM.

20. Discuss how to use an ATM.

An ATM allows you to access to your account 24-hours a day by using your ATM card and your Personal Identification Number (PIN). Your PIN is your password to your account. Your financial institution will either assign you a PIN or let you choose one for yourself. Either way, it is important that you keep your PIN a secret so that no unauthorized person has access to your account.

There are three steps to using an ATM card:



1. *Insert your ATM card into the slot on the machine*
2. *Enter your PIN number*
3. *Follow the directions on the screen.*

21. Discuss the fees associated with using an ATM.

DISCUSSION QUESTION:
In your experience, when have you been charged fees for using ATM services?

[Listen to responses.]

Ask your financial institution what fees will apply to using an ATM card. If it does not charge a fee, the best way to avoid ATM fees is to use machines that are owned by your financial institution. Common fees include:

- *Monthly or yearly fee to use the card.*
- *Fee to use the card at another financial institution's ATM.*
  - *Often, you are charged a fee for using another financial institution's ATM.*
  - *Sometimes when you use another financial institution's ATM, both your own financial institution and the ATM owner's financial institution charge you. For example, Sarah has an ATM card from W credit union. One day she needs some cash and the only ATM nearby is owned by Z bank. Sarah withdraws $20 and is charged $1.50 by Z bank. On her next credit union account statement, there is also a $1.50 charge by the W credit union for the same transaction. It cost Sarah $3 to withdraw $20 from her account.*
- *Fee to use the card at your financial institution's ATM.*

ATM Safety Tips

Using an ATM can be a very convenient way to access financial services. If you use ATM services, make sure to:

- Sign the back of your card as soon as you get it. Read all the information that comes with your card.
- Memorize your PIN. Do not write it on your card or keep it in your wallet.
- Keep all ATM receipts and record transactions in your checking or savings account register. Remember to subtract fees.
- Do not bend or scratch your card.
- Keep your card away from hot or magnetic surfaces.
- Avoid using ATM machines at night or in unlit areas.
- If your ATM card is lost or stolen, call your financial institution immediately. If you report your card missing before someone else uses it, you will not be held responsible. If you report your card missing after an unauthorized party uses it, you will be held responsible for an amount depending on the time that has elapsed since you lost it. If you report your card missing:
  - Within two business days after you learn of the loss—you will be held responsible for no more than $50 in unauthorized withdrawals.
  - After two business days, but within 60 days after the institution sends you a statement showing an unauthorized withdrawal—you could lose up to $500.
  - After 60 days—you could lose all the money that was taken from your account.

Using a Debit Card

A debit card is a plastic card that can be used at an ATM to conduct financial transactions or at a Point of Sale terminal (POS) to buy something. Some businesses allow you to obtain additional cash from your account when you make a purchase at a POS with a debit card.

Debit cards are also called check cards. When you use a debit card, money is immediately withdrawn from your checking account. Each time you use your debit card, you should immediately enter the transaction into your check register.

You should treat your debit card the same way you treat your ATM card, following the safety practices we just discussed.

Managing Your Account

As you use your account to manage money, there are a number of issues to keep in mind.

Timing

Timing is very important. Many people get confused about the timing of checking account deposits and withdrawals. When you deposit money into your account, there is usually a delay before you can access the funds. Federal law sets the time limits for "holds" on funds and your access to them. The following chart explains the different types of deposits and when you have access to those funds. You will want to check with your financial institution to understand its policies on availability of funds.

22. Discuss ATM safety tips.

DISCUSSION QUESTION:

Does anyone have any tips about using ATMs to share?

Using an ATM can be a very convenient way to access financial services. If you use ATM services, make sure to:

- *Sign the back of your card as soon as you get it. Read all the information that comes with your card.*
- *Memorize your PIN. Do not write it on your card or keep it in your wallet.*
- *Keep all ATM receipts and record transactions in your checking or savings account register. Remember to subtract fees.*
- *Do not bend or scratch your card.*
- *Keep your card away from hot or magnetic surfaces.*
- *Avoid using ATM machines at night or in unlit areas.*
- *If your ATM card is lost or stolen, call your financial institution immediately. If you report your card missing before someone else uses it, you will not be held responsible. If you report your card missing after an unauthorized party uses it, you will be held responsible for an amount depending on the time that has elapsed since you lost it. If you report your card missing:*
  - *Within two business days after you learn of the loss—you will be held responsible for no more than $50 in unauthorized withdrawals.*
  - *After two business days, but within 60 days after the institution sends you a statement showing an unauthorized withdrawal—you could lose up to $500.*
  - *After 60 days—you could lose all the money that was taken from your account.*

Using a Debit Card (10 minutes)

23. Discuss the purpose of a debit card.

DISCUSSION QUESTION:

Does anyone know what a debit card is and how it can be used?

A debit card is a plastic card that can be used at an ATM to conduct financial transactions or at a Point of Sale terminal (POS) to buy something. Some businesses allow you to obtain additional cash from your account when you make a purchase at a POS with a debit card.

Debit cards are also called check cards. When you use a debit card, money is immediately withdrawn from your checking account. Each time you use your debit card, you should immediately enter the transaction into your check register.

You should treat your debit card the same way you treat your ATM card, following the safety practices we just discussed.

Managing Your Account (20 minutes)

24. Discuss timing around fund availability. Make sure to elaborate on participant answers.

As you use your checking account to manage money, there are a number of issues you need to keep in mind.

Timing is very important. Many people get confused about the timing of checking account deposits and withdrawals. When you deposit money into your account, there is usually a delay before you can access the funds. Federal law sets the time for "holds" on funds and your access to them. The following chart explains the different types of deposits and when you have access to those funds. You will want to check with your financial institution to understand its policies on availability of funds.

When will your money be available?

TYPE OF DEPOSIT	WHEN AVAILABLE
Direct deposit of federal benefits	Morning of deposit
Electronic payments	Next business day (Mon-Fri)
First $100 of any non-next day check deposited	Next business day (Mon-Fri)
Cash (deposited in person)	Next business day (Mon-Fri)
U.S. Treasury checks (deposited in person or at ATM owned by your financial institution)	Next business day (Mon-Fri)
U.S. Postal Service money orders (deposited in person)*	Next business day (Mon-Fri)
State or local government checks (deposited in person)*	Next business day (Mon-Fri)
Cashier's, certified, or teller's checks (deposited in person)*	Next business day (Mon-Fri)
Checks and other money orders drawn on another account at the same bank	Next business day (Mon-Fri)
Federal Reserve Bank and Federal Home Loan Bank checks (deposited in person)*	Next business day (Mon-Fri)
Checks and non-U.S. Postal Service money orders from local banks	Second business day (after the day of deposit)
Deposits of items noted by "*" made at an ATM owned by your bank	Second business day (after the day of deposit)
Checks and non-U.S. Postal Service money orders from outside your Federal Reserve office area	Fifth business day (after the day of deposit)
Deposits made at an ATM not owned by your financial institution	Fifth business day (after the day of deposit)

Table adapted from *Helping People in Your Community Understand Basic Financial Services*, developed by the Financial Service Education Coalition.

When you write a check, your account balance will not be affected until the check is cashed. Therefore, your account balance may appear higher than you expect. Be careful not to spend money that you have already committed in a written check. Use your check register to keep track of your account balance.

Bouncing Checks

A check bounces when there is not enough money in your account to cover a check you have written and it "bounces" back. As you manage your checking account, it is very important to keep enough money in your account to cover all of the checks you have written. The financial institution will charge you a significant penalty fee ($15 to $50) for bouncing a check. This charge will appear on your statement as NSF (non-sufficient funds). You may also receive a letter from your financial institution stating that it is charging your account a fee for a bounced check. The financial institution usually does not pay the person/business that tried to cash the check. It will send the check back to the person who tried to cash it and indicate that there was not enough money in your account to cover the sum.

When will your money be available?

TYPE OF DEPOSIT	WHEN AVAILABLE
Direct deposit of federal benefits	Morning of deposit
Electronic payments	Next business day (Mon-Fri)
First $100 of any non-next day check deposited	Next business day (Mon-Fri)
Cash (deposited in person)	Next business day (Mon-Fri)
U.S. Treasury checks (deposited in person or at ATM owned by your financial institution)	Next business day (Mon-Fri)
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State or local government checks (deposited in person)*	Next business day (Mon-Fri)
Cashier's, certified, or teller's checks (deposited in person)*	Next business day (Mon-Fri)
Checks and other money orders drawn on another account at the same bank	Next business day (Mon-Fri)
Federal Reserve Bank and Federal Home Loan Bank checks (deposited in person)*	Next business day (Mon-Fri)
Checks and non-U.S. Postal Service money orders from local banks	Second business day (after the day of deposit)
Deposits of items noted by "*" made at an ATM owned by your bank	Second business day (after the day of deposit)
Checks and non-U.S. Postal Service money orders from outside your Federal Reserve office area	Fifth business day (after the day of deposit)

Table adapted from *Helping People in Your Community Understand Basic Financial Services*, developed by the Financial Services Education Coalition.

When you write a check, your account balance will not be affected until the check is cashed. Therefore, your account balance may appear higher than you expect. Be careful not to spend money that you have already committed in a written check. Use your check register to keep track of your account balance.

DISCUSSION QUESTION:
When you deposit money into your account, can the financial institution delay giving you access to the money? Why?

Yes. The financial institution is waiting for the check to clear.

DISCUSSION QUESTION:
When you write a check, is the money immediately withdrawn from your account?

No. Your account balance will not be affected until the check you have written is cashed.

DISCUSSION QUESTION:
If you have checks, does it mean that you have money in your account?

No. Having checks does not mean that you have money in your account. You need to keep careful records to know how much money you actually do have.

In addition to bank fees, a business will often charge you a fee or penalty for bouncing a check. Because the business did not receive payment from the financial institution, it will want you to pay your bill. Many businesses will keep track of people who have written bad checks. In the future, they will not accept these people's checks. This is understandable, particularly for community businesses, because they depend on customer payments to meet their own expenses. Support the businesses in your community by providing on-time and complete payments.

Managing Your Account Exercise

Answer the following questions about managing your account.

1. When you deposit money into your account, can the financial institution delay giving you access to the money? Why?

   ____

   ____

   ____

2. When you write a check, is the money immediately withdrawn from your account?

   ____

   ____

   ____

3. If you have checks, does it mean that you have money in your account? __________

4. What does it mean to bounce a check?

   ____

   ____

   ____

5. What kinds of fees or additional costs are involved when you bounce a check?

   ____

   ____

   ____

25. Discuss the significance of bouncing checks.

A check bounces when there is not enough money in your account to cover a check you have written and it "bounces" back. As you manage your checking account, it is very important to keep enough money in your account to cover all of the checks you have written. The financial institution will charge you a significant penalty fee ($15 to $50) for bouncing a check. This charge will appear on your statement as NSF (non-sufficient funds). You may also receive a letter from your financial institution stating that it is charging your account a fee for a bounced check. The financial institution usually does not pay the person/business that tried to cash the check. It will send the check back to the person who tried to cash it and indicate that there was not enough money in your account to cover the sum.

If you bounce too many checks, a financial institution may close your account. The financial institution usually reports the account closure to a national organization that tracks this information. Most financial institutions screen your account history before they allow you to open a new account. Many will insist that you wait at least five years after a forced account closure to open a new account.

In addition to bank fees, a business will often charge you a fee or penalty for bouncing a check. Because the business did not receive payment from the financial institution, it will also want you to pay your bill. Many businesses will keep track of people who have written them bad checks. In the future, they will not accept these people's checks. This is understandable, particularly for community businesses, because they depend on customer payments to meet their own expenses. Support the businesses in your community by providing on-time and complete payments.

DISCUSSION QUESTION:
What does it mean to bounce a check?

Bouncing a check is when there is not enough money in your account to cover a check you have written. The best way to avoid this situation is to not write checks for which funds are not available.

DISCUSSION QUESTION:
What kinds of fees or additional costs are involved when you bounce a check?

The financial institution reacts in two ways:

1. *It sends your check back to you.*
2. *It charges you a significant fee ($15 to $50) for bouncing a check.*

In addition to bank fees, the business you were paying will often charge you a fee for bouncing a check. Because the business did not receive payment from the financial institution, it will also want you to pay your bill. Many businesses will keep track of people who have written them bad checks. In the future, they will not accept these people's checks

Summary Points

In this session, we discussed the following:

- Checking and savings accounts are generally the safest, most secure, and least expensive way to manage your money.
- A financial institution will pay you interest for keeping money in an account.
- Interest is calculated as a percentage of the total funds you have in your account.
- Talk to a number of financial institutions before you select one.
- Practice the skills necessary to use your account.
- Record ALL transactions in your check register.
- Reconcile your checkbook each month to be sure that you are working from an accurate account balance.
- ATMs allow you to electronically access your accounts at financial institutions. Pay attention to ATM fees that apply to your account.
- Managing your account means keeping good records, paying attention to the timing of funds availability, and always making sure that you have enough money in your account before you write a check.

Session 4:

Understanding Credit and Your Credit Report

Time:	2–3 hours
Format:	Lecture, group exercises, and discussion
Materials:	• Prepared overheads • Blank flipchart • Session 4 participant handouts • Blank paper or index cards

Overview

This session is an introduction to credit and credit reports. Create a context for the discussion by establishing the importance of credit to the development of a healthy economy. Begin with a discussion of traditional seasonal migration patterns. Historically, communities moved throughout the year to be close to the natural resources that supported their needs. Being restricted to reservations, Native communities were no longer able to travel to their resources. Communities were forced to bring resources to their people.

Credit is necessary to bring resources to the community so that the community continues to grow. It enables people to purchase the resources necessary to build houses, start businesses, and conduct daily commerce.

Traditional people balanced the cost and benefits of their actions to ensure that natural resources were available for future generations. A similar assessment should take place about using credit. Discuss the differences between "wants" and "needs" as a way to determine the best reasons to use credit.

Once the importance of credit is established, discuss the types of credit available. Then explain the importance of a person's credit history and how credit reports are used. Demonstrate how to read a credit report. Present steps that participants can take to request a copy and/or correct errors on their credit report. If time allows, lead a discussion about building, maintaining, and rebuilding a person's credit history. Focus on each individual's power to affect his or her credit record and active steps people can take to improve their situation.

Three Fires Confederacy

The three fires represent the Three First Nations, the Ojibway, the Odawa, and the Potawatomi. We are nations whose languages are similar, whose cultures and teaching are close, and whose lands we often share....In these times of stress and turmoil, it is of utmost importance that we remember and practice the direction that was given to us by the Creator.

As a member of the Ojibwe First Nation and believing in the responsibility placed on me as a woman, mother, and grandmother, I have and will continue to promote and preserve this special relationship and harmony with my extended kinship in the Odawa and Potawatomi First Nations.

Rita Corbiere
(Ojibwe)

Moccasins and other footwear from the NMAI collection. From All Roads Are Good: Native Voices on Life and Culture*. Photo by David Heald.*

Objectives

After completing this session, the participants will be able to:

- describe the transition from a traditional Native subsistence economy to a market economy;
- understand the importance of credit to community development;
- define credit;
- describe the advantages and disadvantages of using credit;
- describe how to use credit responsibly;
- describe the different types of credit;
- explain the importance of a person's credit history and how credit reports are used;
- read a credit report;
- request a copy of their credit report;
- identify steps to correct errors in a credit report;
- identify personal actions that can build, maintain, or rebuild a person's credit history.

Workshop Preparation

- Review all of the materials for this session.

- Order a copy of your own credit report. This way you will be able to speak about the process of ordering a credit report.

- Bring index cards or blank paper to the session for gathering participant feedback.

- Research credit resources in your area. Prepare a participant handout listing local numbers for a consumer credit counseling service agency and any local credit bureaus. Credit bureau phone numbers can be found in the phone book yellow pages under "Credit Reporting Agency."

- Prepare overheads of the participant materials for Session 4. The following pages of the participant materials may be useful overheads: 61, 63, 65, 68, 69.

Pomo three-stick coiled basket. Sedge root, bulrush root, willow, with shell beads and quail topknot feathers. California. 13.5 x 30 cm. Photo by David Heald.

Session 4 Outline

Welcome, Introductions, and Schedule (10–15 minutes)

1. **Facilitate introductions.** Start by introducing yourself. You may want to share some information about your organization.

   [Use a traditional prayer to open the session, if appropriate.]

   Hi. Thank you for joining us today. Let's get started by going around the room and introducing ourselves.

2. **Thank participants.**

Workshop Purpose and Learning Objectives (5 minutes)

3. **Explain the purpose and objectives of the session.**

   We are here because you're interested in learning about credit and your credit report. At the end of today's session you will understand:
   - *the purpose of credit;*
   - *the importance of your credit history;*
   - *how to read and analyze a credit report;*
   - *steps you can take to correct errors on your credit report;*
   - *steps you can take to build, maintain, and rebuild your credit history.*

PARTICIPANT PAGE

Session 4:

Understanding Credit and Your Credit Report

Three Fires Confederacy

The three fires represent the Three First Nations, the Ojibway, the Odawa, and the Potawatomi. We are nations whose languages are similar, whose cultures and teaching are close, and whose lands we often share....In these times of stress and turmoil, it is of utmost importance that we remember and practice the direction that was given to us by the Creator.

As a member of the Ojibwe First Nation and believing in the responsibility placed on me as a woman, mother, and grandmother, I have and will continue to promote and preserve this special relationship and harmony with my extended kinship in the Odawa and Potawatomi First Nations.

Ella Corbiere
(Ojibwe)

Objectives

In today's session we will discuss:

- the purpose of credit;
- the importance of your credit history;
- how to read and analyze a credit report;
- steps you can take to correct errors on your credit report;
- steps you can take to build, maintain, and rebuild your credit history.

Traditional Migration Patterns

For generations, Native communities migrated throughout the year to be near the natural resources that supported the community. Our people lived in a subsistence economy where the community was able to provide for its own needs.

History has forced Native communities to transition from people who could provide for their own needs (**subsistence economy**) to a situation where the majority of goods and services must be purchased from others (**market economy**). The raw materials used to make most of the things we consume no longer come from places that are within walking distance. This means that we need financial resources to purchase the goods that we use.

Moccasins and other footwear from the NMAI collection. From All Roads Are Good: Native Voices on Life and Culture. Photo by David Heald.

Traditional Migration Patterns (30–40 minutes)

4. **Discuss the community impact of being located on a reservation.**

   For generations, Native communities migrated throughout the year to be near the natural resources that supported the community. Our people lived in a subsistence economy where the community was able to provide for its own needs.

   DISCUSSION QUESTION:
   Can anyone tell me when our people stopped migrating seasonally?

   In the 19th century, most tribes ceased their seasonal migration lifestyle because they were forced to give up their land and move on to reservations.

   DISCUSSION QUESTION:
   What impact do you think this change had on how we provided for our people's needs?

   Reservation life meant that the community had to change. No longer were people able to travel to resources and meet their community's basic needs. Instead, resources had to be brought to the people. The independence and self-determination of traditional life were no longer possible. Instead, the community was forced to use money to purchase food and shelter to care for its members.

   DISCUSSION QUESTION:
   Think about what you have eaten today. Do you know where it came from? Do you know where the clothes you are wearing were made?

   *History has forced Native communities to make the transition from being communities who could provide for their own needs (**subsistence economy**) to a situation where the majority of goods and services must be purchased from others (**market economy**). The raw materials used to make most of the things we consume no longer come from places that are within walking distance. This means that we need financial resources to purchase the goods that we use.*

Importance of Credit

In the present market economy, credit helps a community to develop. It is one of the best ways for a community to grow without having to accumulate tremendous savings in advance.

Credit is when you borrow funds with the intent to repay them. Any time a bank, a family member, or a business lends you money and you agree to pay it back at a later date, you are using credit. In most cases there is a charge for borrowing the money. The charge is in the form of either fees or interest.

Credit is used to start businesses, build or buy houses, and conduct daily commerce. It is the lifeblood of a community. Credit helps a community to grow if the net gain of borrowing is greater than the cost of the debt.

Our ancestors were constantly evaluating the consequences of their actions. They weighed the costs and benefits of their decisions before they took action. Similarly, credit has both costs and benefits. The costs include interest payments and fees. The benefits include using credit as a tool to make purchases. Before you use credit, determine if the benefits are greater than the costs.

Importance of Credit (10 minutes)

5. Explain the importance of credit to community development.

In the present market economy, credit helps a community's economy to develop. It is one of the best ways for a community to grow without having to accumulate tremendous savings in advance.

DISCUSSION QUESTION:
Does anyone know the definition of credit?

Credit is when you borrow funds with the intent to repay them. Any time a bank, a family member, or a business lends you money and you agree to pay it back at a later date, you are using credit. In most cases there is a charge for borrowing the money. The charge is in the form of either fees or interest.

Credit helps a community to grow if the net gain of borrowing is greater than the cost of the debt.

DISCUSSION QUESTION:
Do you know anyone who has tried to open his or her own business? Did they need capital (money) to get the business started? To purchase supplies, and so forth?

[Listen to participant experiences. If people share negative experiences about applying for credit, suggest that this session is meant to help participants understand the credit process and increase their access to capital.]

Most people gain access to capital in the form of credit. Credit is used to start businesses, build or buy houses, and conduct daily commerce. It is the lifeblood of a community. It is a way to capitalize on opportunities.

DISCUSSION QUESTION:
Our ancestors were constantly evaluating the consequences of their actions. They weighed the costs and benefits of their decisions before they took action. Can anyone share an example of the kinds of decisions they made?

[Listen to participant examples.]

Similarly, credit has both costs and benefits. The costs include interest payments and fees. The benefits include using credit as a tool to make purchases. Before you use credit, determine if the benefits are greater than the costs.

Advantages and Disadvantages of Using Credit

List some reasons you might use credit.
List some reasons you might not want to use credit.

Advantages of using credit

Disadvantages of using credit

Advantages and Disadvantages of Credit (10 minutes)

6. **Discuss the advantages and disadvantages of using credit.** Start by discussing the advantages. Encourage participants to brainstorm with you based on their life experience. As participants share advantages, list them on the blank flipchart.

   Let's discuss the advantages and disadvantages of using credit.

   DISCUSSION QUESTION:
   Tell me some advantages of using credit.

   [If you think that the participants would prefer not sharing their ideas out loud, pass out index cards/blank paper. Ask participants to list one or two advantages and disadvantages of using credit. Then send the participants on a five-minute break. Write the participants' examples on a blank flipchart. Go over participants' ideas with the group.]

   [If participants do not mention the following advantages, please share them with the group.]

   - Credit allows you to purchase large items that you might not have cash on hand to pay for, such as a car, a house, or a college education. Sometimes household items will go on sale or be needed at a time when you do not have cash available. You can use credit to make these purchases. Then you can use the item while you take some time to pay for it.

   - Credit is a good tool in emergency situations. Faced with an expensive medical situation, for instance, credit enables you to spread the cost over a period of time.

   - Credit is convenient. Using a credit card is a way to pay for things without having to carry large amounts of cash. Also, your monthly credit card statement provides you with a record of your purchases.

7. **Discuss the disadvantages of using credit.** List participants' responses on the blank flipchart.

   DISCUSSION QUESTION:
   Now let's talk about some disadvantages of using credit. What disadvantages to using credit have you observed?

   [If participants do not mention the following disadvantages, please share them with the group.]

   - Credit costs money. There is usually a significant charge for spreading payments over a period of time.

   - Because using credit can be easy, you may be tempted to spend more than you might otherwise. Also, it is tempting to buy things that you do not need.

   - When you make a purchase using credit, you take on a debt. Debt is when you owe people money. You commit to using your future income to pay them back. It means that you will have less money in the future to spend on other things.

   - Mismanaging your credit can have a number of negative consequences. If you are unable to repay the lender, the lender may need to repossess, or take back, the item you purchased.

   - If you mismanage your credit, it is recorded, and this can affect your ability to get additional credit, get a job, rent an apartment, or buy a house in the future. A number of bureaus keep a record of how you manage your credit with professional lenders. This is called your credit report. We'll talk in greater detail about credit reports in a little while.

Using Credit

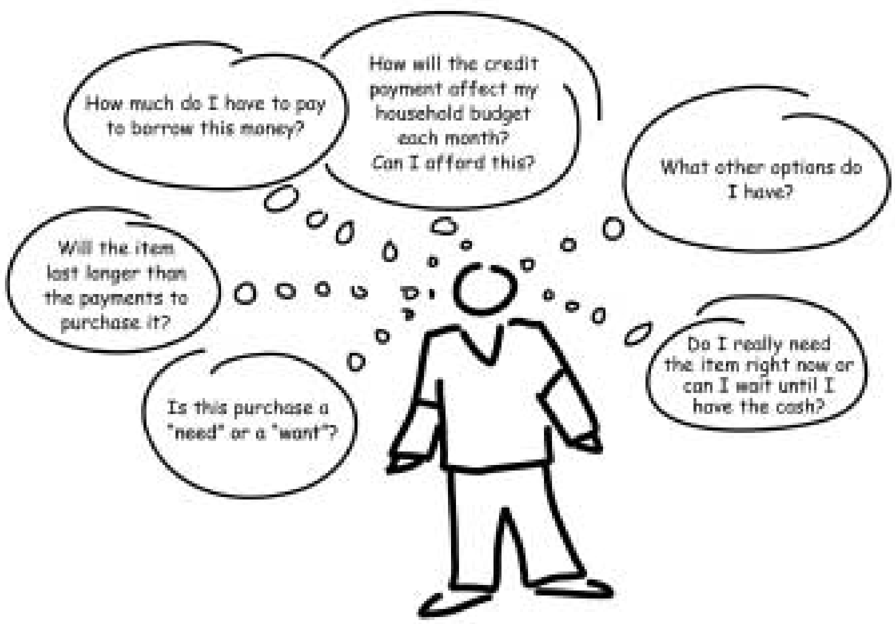
In the circle of life, traditional resource management teaches us that our actions today affect the resources that we will have available in the future.

Historically, Native communities did not hunt deer in the spring when the doe were giving birth to new fawns. Native communities worked within the natural cycle so that future generations could enjoy the deer and their gifts. In the fall, our people hunted what they needed to support the community. Hunting practices demonstrated an understanding of the costs and benefits of working within the natural cycle. The benefit of fresh meat year round did not justify the cost.

Use traditional resource management skills to manage credit wisely. When you spend money, there is an impact on the financial resources you will have available in the future. You want to balance purchasing what you need with conserving financial resources for the future.

Before you make a purchase, ask yourself if the item is a "need" or a "want." Needs are items that are essential based on your lifestyle and values. Housing and education might qualify as needs. Wants are items that you desire, but that are not necessary, such as a snack or expensive clothes. Because credit generally costs money, it is best to use it for "need" type purchases. Satisfy your "wants" with cash that you save over time.

Try asking yourself the following questions before you use credit for a purchase:



Using Credit (20 minutes)

8. Discuss the difference between "want" and "need."

In the circle of life, traditional resource management teaches us that our actions today affect the resources that we have available in the future.

Historically, Native communities did not hunt deer in the spring when the doe were giving birth to new fawns. Native communities worked within the natural cycle so that future generations could enjoy the deer and their gifts. In the fall, our people hunted what they needed to support the community. Hunting practices demonstrated an understanding of the costs and benefits of working within the natural cycle. The benefit of fresh meat year round did not justify the cost.

Use traditional resource management skills to manage credit wisely. When you spend money, there is an impact on the financial resources you will have available in the future. You want to balance purchasing what you need with conserving financial resources for the future.

Before you make a purchase, ask yourself if the item is a "need" or a "want." Needs are items that are essential based on your lifestyle and values. Housing and education might qualify as needs. Wants are items that you desire but that are not necessary, such as a snack or expensive clothes. Because credit generally costs money, it is best to use it for "need" type purchases. Satisfy your "wants" with cash that you save over time.

Try asking yourself the following questions before you use credit for a purchase:

- *Is this purchase a "need" or a "want?"*
- *Will the item last longer than the payments to purchase it?*
- *How much do I have to pay to borrow this money?*
- *How will the credit payment affect my household budget each month? Can I afford this?*
- *What other options do I have?*
- *Do I really need the item right now or can I wait until I have the cash?*

9. Introduce the Using Credit Exercise. Use prepared overhead.

Take a few minutes to complete the Using Credit Exercise in your materials. There are no right or wrong answers. The important thing is that you ask yourself the right questions before you decide how to pay for your purchases.

[Give participants approximately 3–5 minutes to complete the worksheet.]

Please pair up and quickly go through your responses and the reasons you chose your answers.

[Give participants approximately 5 minutes to share the answers.]

We need to ask ourselves, given our own financial situation, what is the best way to pay for a purchase.

Does anyone have any questions before we move on?

Using Credit Exercise

Review the following situations. Based on what we have discussed, would you use credit for any of these purchases? Mark your answer. There are no right or wrong answers. List your reason in the space provided. Remember to ask yourself the questions on the previous page before you make a decision!

Should you use credit for this purchase?

Item/ Situation	Yes	No	Maybe	Reason
A friend's birthday present				
Weekly groceries				
College education				
New basketball shoes when current shoes are still good to wear				
New refrigerator because yours broke				
A snack				
Materials for a beadwork project				
Medical procedure that the doctor told you to have done immediately				
Overdue bills				
Fixing a car				
Attending a powwow				

Using Credit Exercise Suggested Answers

Item/ Situation	Yes	No	Maybe	Reason
A friend's birthday present		X		It is best to buy a present that fits within your budget since it is not a necessary item.
Weekly groceries		X		The cost of groceries should be a part of your monthly budget.
College education	X			A college education is a significant expense that is most often spread over a period of time to make repayment more manageable.
New basketball shoes when current shoes are still good to wear		X		Basketball shoes are not a needed item. They should be purchased only when you have saved enough money in your savings account.
New refrigerator because yours broke	X			This was an unplanned expense, and repayment may be completed over a period of time.
A snack		X		Snacks are not needs. They should be purchased only with savings or if you have extra cash after paying your monthly expenses.
Materials for a beadwork project			X	It would depend on whether the end product is for resale. You will want to consider when the sale will be made. Will it be in time to repay the debt?
Medical procedure that the doctor told you to have done immediately	X			This was an unplanned expense, and repayment will need to become a part of your monthly budget for a period of time.
Overdue bills		X		It is best to avoid paying debt by acquiring new debt. There will be additional new expenses, in the form of interest and/or fees, to pay for this new debt.
Fixing a car			X	It depends. If you need your car to get to work each day, you may need to use credit and fix it right away. If you have multiple cars or other ways of getting around, you may want to put money aside each week until you can afford the cost.
Attending a powwow		X		Savings should be used to pay for trips. Choose a destination that fits within your budget.

Types of Credit

When used wisely, credit can be an effective tool to make purchases. There are a number of different types of credit. The most common types of credit are:

Revolving credit

This type of credit allows you to borrow money at any time up to a set limit. As you pay back the borrowed money, it becomes available again to borrow. The lender allows you to pay back the money in a lump sum or over an extended period of time. If you pay back the debt over time, you are charged a fee each month on the amount that you owe. This fee is called interest.

The most common types of revolving credit are credit cards, such as VISA or Mastercard, department store cards, and gasoline cards.

Installment credit

This type of credit allows you to borrow a specific amount of money at one time for a defined purpose. You establish a payment plan with your lender to repay the loan on a regular basis over a period of time. The amount of interest that you will pay during this time is determined in advance and calculated into your set monthly payments.

This type of credit is common for larger purchases such as a car, a home, or education.

Noninstallment or service credit

Some businesses and utility companies offer this type of credit. It allows you to pay for a used service at a later date. Often, if you pay the complete sum within a specified period of time, usually 30 to 60 days, you do not have to pay fees or interest. If you are unable to make the payment within the specified time, there is usually a penalty charge that will be added to your debt.

Secured and Unsecured Credit

Most types of credit can be obtained in two forms—*secured* or *unsecured* credit.

Secured credit

This is when you are asked to provide something of value as a guarantee that you will repay your debt. If you fail to repay, the lender takes your item as repayment. Personal valuables such as cash or a car are used to secure loans.

Unsecured credit

This is when a guarantee is not required.

Types of Credit (20–25 minutes)

10. Explain the different types of credit. Use prepared overhead. You may want to make notes on the overhead highlighting important aspects of each type of credit.

When used wisely, credit can be an effective tool to make purchases. There are a number of different types of credit. I would like to go through each of them.

*Let's start with **revolving credit**. This type of credit allows you to borrow money at any time up to a set limit. As you pay back the borrowed money, it becomes available to borrow again. The lender allows you to pay back the money in a lump sum or over an extended period of time. If you pay back the debt over time, you are charged a fee each month on the amount that you owe. This fee is called interest.*

The most common types of revolving credit are credit cards such as VISA or Mastercard, department store cards, and gasoline cards.

*Another type of credit is **installment credit**. This is when you borrow a specific amount of money at one time for a defined purpose. You establish a payment plan with your lender to repay the loan on a regular basis over a period of time. The amount of interest that you will pay during this time is determined in advance and calculated into your set monthly payments.*

This type of credit is common for a larger purchase, such as a car, a home, or education.

*The last type of credit we'll talk about today is **noninstallment** or **service credit**. Some businesses and utility companies offer this type of credit. It allows you to pay for a used service at a later date. Often, if you pay the complete sum within a specified period of time, usually 30 to 60 days, you do not have to pay fees or interest. If you are unable to make the payment within the specified time, there is usually a penalty charge that will be added to your debt.*

Does anyone have any questions?

Secured and Unsecured Credit (10 minutes)

11. Explain how secured and unsecured credit applies to the three types of credit.

*Most types of credit can be obtained in two forms—**secured** or **unsecured** credit.*

Secured credit is when you are asked to provide something of value as a guarantee that you will repay your debt. If you fail to repay, the lender takes your item as repayment. Personal valuables such as cash or a car are often used to secure loans. Unsecured credit does not require any guarantee.

Does anyone have any questions about the different kinds of credit or about securing a debt?

Types of Credit Overview Exercise

Complete the following exercise, which describes the types of credit, by filling in the missing words.

R_________ c________ allows you to borrow money at any time up to a s_______ limit. As you pay back the borrowed money, it becomes available again to b_________. If you pay back the money over time, you are charged i__________ each month on the amount that you owe.

When you borrow a specific amount of money for a defined purpose and term, you are using i____________ c__________. You establish a p___________ plan with your lender to repay the loan on a r____________ basis over a set period of time. The amount of interest you will pay is determined in a__________ and calculated into your monthly p___________. I______________ c____________ is usually used for l______________ purchases such as a house or ____________.

Some businesses and utility companies offer n________________ or s__________ credit. This type of credit allows you to use a service n_____ and pay for it l_______. If you are unable to make the p___________ within the specified time, there is usually a p________ c________ that is added to your debt.

All three types of credit are available on a s____________ and u___________ basis. S____________ credit is when you provide something of value as a guarantee that you will r________ your debt. When no guarantee is required, it is called u__________ credit.

Types of Credit Overview Exercise (10 minutes)

12. Help participants to complete the Types of Credit Overview Exercise. Use prepared overhead.

Before we move on, I would like you to complete a short exercise about the types of credit we just discussed. Please turn to the Types of Credit Overview Exercise in your materials. Take a few moments to fill in the blanks.

[Give participants approximately 5 minutes to complete the worksheet. Then read through the completed exercise below. The words in bold italics should have been added by participants to complete the exercise. Read slowly and emphasize the words in bold italics.]

Let's walk through the answers.

R**evolving** c**redit** allows you to borrow money at any time up to a s**et** limit. As you pay back the borrowed money, it becomes available again to b**orrow** . If you pay back the money over time, you are charged i**nterest** each month on the amount that you owe.

When you borrow a specific amount of money for a defined purpose and term, you are using i**nstallment** c**redit** . You establish a p**ayment** plan with your lender to repay the loan on a r**egular** basis over a set period of time. The amount of interest you will pay is determined in a**dvance** and calculated into your monthly p**ayment** . I**nstallment** c**redit** is usually used for l**arger** purchases such as a house or **car/education/etc.**

Some businesses and utility companies offer n**oninstallment** or s**ervice** credit. This type of credit allows you to use a service n**ow** and pay for it l**later** . If you are unable to make the p**ayment** within the specified time, there is usually a p**enalty** c**harge** that is added to your debt.

All three types of credit are available on a s**ecured** and u**nsecured** basis. S**ecured** credit is when you provide something of value as a guarantee that you will r**epay** your debt. When no guarantee is required, it is called u**nsecured** credit.

Your Credit Report

When you apply for credit, your success will be highly influenced by how you have handled credit in the past. A record of this information is kept by organizations called *credit bureaus*. They get their information from a variety of sources such as banks, department stores, medical providers, and credit card companies. This record indicates whether you have repaid your bills on time. It is called a *credit report*.

Credit reports are used for many purposes. They are an important part of your loan application. Landlords and employers use them to evaluate your reliability and your ability to manage your finances.

Therefore, it is very important that you maintain a good credit history and that it is accurately reflected on your credit report.

Because mistakes do happen, you should review a copy of your credit report each year. There are three major credit bureaus. You should order a copy of your credit report from each of the bureaus. Credit bureaus are required by law to provide a report to you, and to include any corrections you have. The credit bureau will usually charge you a small fee for sending you the report.

Equifax
P.O. Box 105873
Atlanta, GA 30348
1-800-685-1111
www.equifax.com

Trans Union Corporation
P.O. Box 390
Springfield, PA 19064-0390
1-800-916-8800
www.transunion.com

Experian
P.O. Box 2350
Chatsworth, CA 91313-2350
1-888-EXPERIAN (397-3742)
www.experian.com

Your Credit Report (10 minutes)

13. Explain to participants the importance of their credit history.

When you apply for credit, your success will be highly influenced by how you have handled credit in the past. A record of this information is maintained by organizations called credit bureaus. They get their information from a variety of sources such as banks, department stores, medical providers, and credit card companies. This record indicates whether you have paid your bills on time. It is called a credit report.

Credit reports are used for a variety of purposes. They are an important part of your loan application. Landlords and employers use them to evaluate your reliability and your ability to manage your finances.

Therefore, it is very important that you maintain a good credit history and that it is accurately reflected on your credit report.

Because mistakes do happen, you should review a copy of your credit report each year. There are three major credit bureaus. You should order a copy of your credit report from each of the bureaus. Credit bureaus are required by law to provide a report to you, and to include any corrections you have.

You can request a copy of your credit report by calling or writing any of the organizations listed in your materials. The credit bureau will usually charge you a small fee for sending you the report.

PARTICIPANT PAGE

Reading Your Credit Report

Review the following credit report and answer the questions.

ID Section
Your name, current address, and other identifying information reported by your creditors

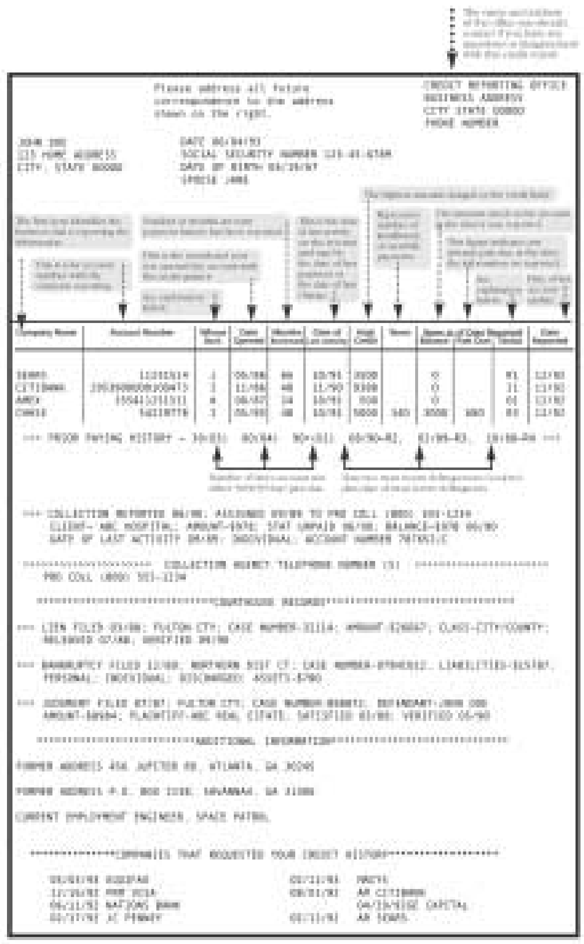
Credit history section
List of both open and closed accounts

Collection accounts
Accounts that your creditors turned over to a collection agency

Courthouse records
Public record items obtained from local, state, and federal courts

Additional information
Primarily consists of your former addresses and employments reported by your creditors

Inquiry section
List of businesses that have received your credit report in the last 24 months



WHOSE ACCOUNT

Indicates who is responsible for the account and the type of participation you have with the account.

J = Joint
I = Individual
U = Undesignated
A = Authorized user
T = Terminated
M = Maker
C = Co-Maker/Co-Signer
B = On behalf of another person
S = Shared

THE FOLLOWING INQUIRIES ARE NOT REPORTED TO BUSINESSES:

PRM—The type of inquiry means that only your name and address were given to a credit grantor so they could offer you an application for credit. (PRM inquiries remain for six months.)

AM or AR—These inquiries indicate a periodic review of your credit history by one of your creditors. (AM and AR inquiries remain for six months.)

EQUIFAX, ACIS or UPDATE—These inquiries indicate Equifax's activity in response to your contact with us for either a copy of your credit report or a request for research.

PRM, AM, AR, EQUIFAX, ACIS, and UPDATE inquiries do not show on credit reports that businesses receive, only on copies provided to you.

STATUS

Type of Account
O = Open (entire balance due each month)
R = Revolving (payment amount variable)
I = Installment (fixed number of payments)

Timeliness of Payment
0 = Approved not used
1 = Paid as agreed
2 = 30 days past due
3 = 60 days past due
4 = 90 days past due
5 = 120 days past due or collection account
7 = Making regular payments under wage earner plan or similar arrangement
8 = Repossession
9 = Seriously delinquent/bad debt (paid or unpaid); charged-off account

The name and address of the office you should contact if you have any questions or disagreement with this credit report

ID section

Your name, current address, and other identifying information reported by your creditors

```
                              Please address all future          CREDIT REPORTING OFFICE
                              correspondence to the address      BUSINESS ADDRESS
                              shown on the right.                CITY STATE 00000
                                                                 PHONE NUMBER

JOHN DOE                         DATE 06/04/93
123 HOME ADDRESS                 SOCIAL SECURITY NUMBER 123-45-6789
CITY, STATE 00000                DATE OF BIRTH 04/19/67
                                 SPOUSE JANE
```

The first item identifies the business that is reporting the information.

This is your account number with the company reporting.

Number of months account payment history has been reported.

This is the month and year you opened the account with the credit grantor.

See explanation below.

This is the date of last activity on the account and may be the date of last payment or the date of last change.

The highest amount charged or the credit limit.

Represents number of installment or monthly payments

The amount owed on the account at the time it was reported.

This figure indicates any amount past due at the time the information ws reported.

See explanation below.

Date of last account update.

Credit history section

List of both open and closed accounts

Company Name	Account Number	Whose Acct.	Date Opened	Months Reviewed	Date of Last Activity	High Credit	Terms	Items as of Date Reported: Balance	Past Due	Status	Date Reported
SEARS	11251514	J	05/86	66	10/91	3500		0		R1	12/92
CITIBANK	2953900000100473	I	11/86	48	11/90	9388		0		I1	11/92
AMEX	355411251511	A	06/87	24	10/91	500		0		01	12/92
CHASE	54229778	I	05/85	48	10/91	5000	340	3000	680	R3	12/92

```
>>> PRIOR PAYING HISTORY - 30(03)  60(04)  90+(01)  08/90-R2,  02/89-R3,  10/88-R4 <<<
```

Number of times account was either 30/60/90 days past due.

Date two most recent delinquencies occurred plus date of most severe delinquency.

Collection accounts

Accounts that your creditors turned over to a collection agency

```
>>> COLLECTION REPORTED 06/90; ASSIGNED 09/89 TO PRO COLL (800) 555-1234
    CLIENT- ABC HOSPITAL; AMOUNT-$978; STAT UNPAID 06/90; BALANCE-$978 06/90
    DATE OF LAST ACTIVITY 09/89; INDIVIDUAL; ACCOUNT NUMBER 787652JC

>>>>>>>>>>>>>>>>>>>>>  COLLECTION AGENCY TELEPHONE NUMBER (S)  <<<<<<<<<<<<<<<<<<<<<<
   PRO COLL (800) 555-1234
```

Courthouse records

Public record items obtained from local, state, and federal courts

```
  ****************************COURTHOUSE RECORDS******************************

>>> LIEN FILED 03/88; FULTON CTY; CASE NUMBER-32114; AMOUNT-$26667; CLASS-CITY/COUNTY;
    RELEASED 07/88; VERIFIED 09/90

>>> BANKRUPTCY FILED 12/89; NORTHERN DIST CT; CASE NUMBER-079HC012, LIABILITIES-$15787;
    PERSONAL; INDIVIDUAL; DISCHARGED; ASSETS-$780

>>> JUDGMENT FILED 07/87; FULTON CTY; CASE NUMBER-898872; DEFENDANT-JOHN DOE
    AMOUNT-$8984; PLAINTIFF-ABC REAL ESTATE; SATISFIED 03/89; VERIFIED 05/90
```

Additional information

Primarily consists of your former addresses and employments reported by your creditors

```
  *************************ADDITIONAL INFORMATION****************************

FORMER ADDRESS 456 JUPITER RD, ATLANTA, GA 30245

FORMER ADDRESS P.O. BOX 2138, SAVANNAH, GA 31406

CURRENT EMPLOYMENT ENGINEER, SPACE PATROL
```

Inquiry section

List of businesses that have received your credit report in the last 24 months

```
 *************COMPANIES THAT REQUESTED YOUR CREDIT HISTORY*****************

      05/03/93 EQUIFAX                           02/12/93   MACYS
      12/16/92 PRM VISA                          08/01/92   AM CITIBANK
      06/11/92 NATIONS BANK                      04/29/92   GE CAPITAL
      02/17/92 JC PENNEY                         02/12/92   AR SEARS
```

WHOSE ACCOUNT

Indicates who is responsible for the account and the type of participation you have with the account.

- J = Joint
- I = Individual
- U = Undesignated
- A = Authorized user
- T = Terminated
- M = Maker
- c = Co-Maker/Co-Signer
- B = On behalf of another person
- S = Shared

THE FOLLOWING INQUIRIES ARE NOT REPORTED TO BUSINESSES:

PRM—This type of inquiry means that only your name and address were given to a credit grantor so they could offer you an application for credit. (PRM inquiries remain for six months.)

AM or AR—These inquiries indicate a periodic review of your credit history by one of your creditors. (AM and AR inquiries remain for six months.)

EQUIFAX, ACIS or UPDATE—These inquiries indicate Equifax's activity in response to your contact with us for either a copy of your credit report of a request for research.

PRM, AM, AR, EQUIFAX, ACIS, and UPDATE inquiries do not show on credit reports that businesses receive, only on copies provided to you.

STATUS

Type of Account

- O= Open (entire balance due each month)
- R = Revolving (payment amount variable)
- I = Installment (fixed number of payment)

Timeliness of Payment

- 0 = Approved not used
- 1 = Paid as agreed
- 2 = 30 days past due
- 3 = 60 days past due
- 4 = 90 days past due
- 5 = 120 days past due or collection account
- 7 = Making regular payments under wage earner plan or similar arrangement
- 8 = Repossession
- 9 = Seriously delinquent/bad debt (paid or unpaid); charged-off account.

Reading Your Credit Report Exercise

Answer the following questions.

1. Whose credit report is this?

2. What is his Social Security number?

3. What is the date of the report?

4. Has he had any accounts turned over to a collection agency?

5. When?

6. What was the company to which he owed money?

7. How much did he owe?

8. Does he have any public record items that might be of interest to a potential lender? If yes, what are they?

9. Would you make a loan to him? Why? Why not?

Reading Your Credit Report (30 minutes)

14. Explain to participants how to read their credit report. Use prepared overhead. Discuss the accompanying questions.

Now, let's talk about how to read your credit report. Look at the sample credit report in your materials. On the left are explanations of the various sections. While credit reports produced by different bureaus may look a little different, the same basic sections of information are contained in each one.

The sections on a credit report are:

- ***ID section:*** *the person's name, address, and other identifying information.*
- ***Credit history section:*** *a list of both open and closed accounts.*
- ***Collection accounts section:*** *a list of the accounts that your creditors have turned over to a collection agency.*
- ***Courthouse records section:*** *all public record items obtained from local, state, and federal courts.*
- ***Additional information section:*** *primarily consists of your former addresses and employments reported by your creditors.*
- ***Inquiry section:*** *a list of businesses that have received your credit report in the last 24 months.*

Let's answer the following questions based on the information in the credit report.

1. Whose credit report is this?
Answer: John Doe

2. What is his Social Security number?
Answer: 123-45-6789

3. What is the date of the report?
Answer: 6/04/93

4,5,6,7. Has he had any accounts turned over to a collection agency? When? What was the company to which he owed money? How much did he owe?
Answer: Yes. As of 6/90 he owes $978 to ABC Hospital.

8. Does he have any public record items that might be of interest to a potential lender? If yes, what are they?
Answer: He has filed bankruptcy as well as having a lien and a judgment filed against him.

9. Would you make a loan to him? Why? Why not?
Answer: No. [Discuss reasons.]

Correcting Errors on Your Credit Report

Sometimes there are errors on credit reports. When you receive your credit report, read it carefully and be sure that it is correct. Directions for correcting mistakes will come with the copy of your credit report. Use the sample letters on the following pages to help you contact your credit bureau.

If you identify an error on your credit report, you will want to take the following steps:

- Copy your credit report.
- Highlight the error.
- Write a letter of dispute that includes an explanation of the error (example on page 68).
- Locate and copy any additional information that can help establish that the item is an error (e.g., a canceled check used for payment).
- Send the highlighted copy of your credit report, the letter of explanation (example on page 69), and the copy of additional information to the credit bureau.

When the credit bureau receives your letter, it will contact the creditor to investigate your claim. If you are correct, the credit bureau will remove the incorrect item from your credit report. If the creditor does not believe that it is a mistake, you will need to address the issue with the creditor. Until the issue is resolved, you will want to have the credit bureau include a statement of explanation on your credit report. A sample letter asking the credit bureau to include a statement of explanation on your credit report is on page 69.

The following are common errors that occur on credit reports:

Duplicate information

Sometimes accounts will appear more than once on your credit report. If this happens, take the steps listed above to correct the error.

Uninvited inquiries

Everyone that has looked at your credit report over the past two years is listed in the inquiry section of your credit report. A lender will look at the number of inquiries that were made for the purpose of acquiring additional credit. Too many inquiries for this purpose can work against you when you apply for a loan. If someone has looked at your report without your permission, take the steps listed above to correct the error.

Items that should no longer be listed

Items stay on your credit report for a specific amount of time.

- Inquiries stay on your credit report for two years.
- Delinquencies, garnishments, repossessions, court orders, evictions, and unpaid child support stay on your credit report for seven years.
- Bankruptcy stays on your credit report for 10 years.

If an item stays on your credit report longer than it should, take the steps listed above to correct the error.

Correcting Errors on Your Credit Report (15–20 minutes)

15. Discuss how to address errors on your credit report.

Sometimes there are errors on credit reports. When you receive your credit report, read it carefully and be sure that it is correct. Directions for correcting mistakes will come with the copy of your credit report. Use the sample letters on the following pages to help you contact your credit bureau.

If you identify an error on your credit report, you will want to take the following steps:

- *Copy your credit report.*
- *Highlight the error.*
- *Write a letter of dispute that includes an explanation of the error.*
- *Locate and copy any additional information that can help establish that the item is an error (e.g., a canceled check used for payment).*
- *Send the highlighted copy of your credit report, the letter of explanation, and the copy of additional information to the credit bureau.*

When the credit bureau receives your letter, it will contact the creditor to investigate your claim. If you are correct, the credit bureau will remove the incorrect item from your credit report. If the creditor does not believe that it is a mistake, you will need to address the issue with the creditor. Until the issue is resolved, you will want to have the credit bureau include a statement of explanation on your credit report. A sample letter asking the credit bureau to include a statement of explanation on your credit report is included in your materials.

The following are common errors that occur on credit reports:

Duplicate information
Sometimes accounts will appear more than once on your credit report. If this happens, take the steps listed above to correct the error.

Uninvited inquiries
Everyone that has looked at your credit report over the past two years is listed in the inquiry section of your credit report. A lender will look at the number of inquiries that were made for the purpose of acquiring additional credit. Too many inquiries for this purpose can work against you when you apply for a loan. If someone has looked at your report without your permission, take the steps listed above to correct the error.

Items that should no longer be listed
Items stay on your credit report for a specific amount of time.

- *Inquiries stay on your credit report for two years.*
- *Delinquencies, garnishments, repossessions, court orders, evictions, and unpaid child support stay on your credit report for seven years.*
- *Bankruptcy stays on your credit report for 10 years.*

If an item stays on your credit report longer than it should, take the steps listed above to correct the error.

Working with credit bureaus can be frustrating and take a long time. Stick with it. It is worth the effort to correct your credit report. It could make the difference in whether you are approved for a loan, are allowed to rent an apartment, or get a job you desire.

Included in your materials are some sample letters that you can use to correct credit report errors. If you have any questions about how to complete the letters, please ask me.

example

Example Letter of Dispute

If you find an error on your credit report, you can complete and send the following letter to the credit bureau:

[Date]

TO: *[Name of credit reporting agency]*

ATTN: Consumer Relations

RE: *[Your name]*
[Address]
[Telephone]
[Social Security number]
[Date of birth]

I recently obtained a copy of my credit report and found items to be in error. Please begin an immediate investigation of the item(s) listed below and highlighted on the attached copy of my credit report.

Identified errors [List errors and provide an explanation.]

1. *[Merchant name]* *[Account number]* *[Date reported]*

   [Explain the error]

Please remove any unverifiable or inaccurate information from my credit file. Please send me a new copy of my credit report at the conclusion of your investigation.

Thank you for your help and prompt attention to this matter.

Respectfully,

[Your signature]
[Your name typed]

example

Example Statement of Explanation

If you would like the credit bureau to include an explanation of an item on your credit report, you can complete and send the following letter:

[Date]

TO: *[Name of credit reporting agency]*

ATTN: Consumer Relations

RE: *[Your name]*
[Address]
[Telephone]
[Social security number]
[Date of birth]

In accordance with the Fair Credit Reporting Act, please include the following statement in my credit report. It should be positioned with the disputed account.

Disputed account
[Merchant name] *[Account number]* *[Date reported]*

Statement of explanation

[Insert your own explanation of no more than 100 words. The following is an example:

On July 4,1995, I was involved in an automobile accident. I was sent to the hospital. The medical bills were sent to my insurance company. Because the other party was responsible for paying the bills, my insurance company did not pay the hospital. The hospital sent my account to collections. About 90 days later my insurance company paid the hospital bills. Unfortunately, the hospital's collection agency refused to reflect the circumstances that resulted in a late payment on my record.]

Please send me a copy of my updated credit report after the above statement has been added.

Thank you for your prompt attention to this matter.

Respectfully,

[Your signature]
[Your name typed]

Tips for Creating, Maintaining, and Reestablishing Your Credit History

Whether you are in the position of establishing, maintaining, or reestablishing your credit record, there are a number of steps you can take to accomplish your goal. The following are some suggestions. Can you think of others?

After each tip is space for you to list actions to support the suggestion.

Tip #1 Pay your bills on time.

This is one of the best steps to achieve a good credit record. Even if you have no credit history at this time, you can establish a positive record through timely payment of your bills (e.g., rent, utilities).

What action can you take to remind yourself to pay your bills on time?

Tip #2 Contact lenders immediately if you expect to have a payment problem.

Sometimes there are unusual or unforeseen circumstances that make it very difficult or impossible to pay your bills on time. If you find yourself in this situation, it is important that you immediately contact the organization to which you owe money. Often you can set up an adjusted payment schedule that will work for you. Working with the organization can help you avoid additional fees and having your overdue bills turned over to a collection agency.

What risks do you take by contacting your lender if you think there may be a payment problem? What are the benefits?

Tip #3 Borrow no more than you can comfortably pay back.

What action can you take to make sure you borrow only what you can comfortably pay back?

Tips for Creating, Maintaining, and Reestablishing Your Credit History (15–20 minutes)

[If you are under time constraints, participants can read this information on their own. If you think that participants will benefit, you can discuss these tips and actions participants can take to follow them. You may want to choose a few favorites to discuss with the group.] Use prepared overheads.

16. Introduce ways that participants can positively affect their credit history.

Whether you are in the position of establishing, maintaining, or reestablishing your credit record, there are a number of steps you can take to accomplish your goal.

After we read through each tip, see if you can come up with an action that answers the question and supports the goal.

Tip #1 Pay your bills on time.

This is one of the best steps to achieve a good credit record. Even if you have no credit history at this time, you can establish a positive record through timely payment of your bills (e.g., rent, utilities).

What action can you take to remind yourself to pay your bills on time?

- *You can set a time each week, such as Sunday night, to pay bills.*
- *You can mark on your calendar the day that a bill is due.*

Tip #2 Contact lenders immediately if you expect to have a payment problem.

Sometimes there are unusual or unforeseen circumstances that make it very difficult or impossible to pay your bills on time. If you find yourself in this situation, it is important that you immediately contact the organization to which you owe money. Often you can set up an adjusted payment schedule that will work for you. Working with the organization can help you avoid additional fees and having your overdue bill turned over to a collection agency.

What risks do you take by contacting your lender if you think there may be a payment problem? What are the benefits?
While many people perceive that there are risks, lenders appreciate having you communicate with them. When you contact your lender, you can work out a payment plan that meets the lender's and your personal needs.

Tip #3 Borrow no more than you can comfortably pay back.

What action can you take to make sure you borrow only what you can comfortably pay back?

- *You can review your monthly budget with your lender or someone who understands financial management. Discuss how large a loan payment you can afford each month. Do not let anyone talk you into borrowing more than you are comfortable with.*

Tip #4 Don't bounce checks.

Do not write checks that exceed the funds available in your checking account. The cost for bouncing a check can range from $15 to $50, and it is a waste of money. A bounced check can make your bill payment late so that it is reported to the credit bureau.

What action can you take to make sure that you do not bounce checks?

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Tip #5 Read and understand loan terms and agreements before you sign anything.

It is important that you understand your loan terms and agreements to avoid committing to payments that you cannot afford. If you are unable to repay a loan, it negatively affects your credit report and your future access to credit.

What action can you take to make sure that you understand your loan terms and agreements?

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Tip #6 Be cautious about co-signing or guaranteeing loans for others.

Always consider a person's intention, commitment, and ability to repay a debt before you agree to co-sign or guarantee a loan. When you co-sign or guarantee a loan for someone, you are agreeing to take responsibility for repaying that person's debt if he or she is unable to do it. Additional debt can significantly affect your budget. If you are unable to make the payment, the debt negatively affects your credit report.

What actions should you take before you co-sign or guarantee loans for others?

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Tip #7 Apply for a secured credit card.

A secured credit card is when you deposit a certain amount of cash in a savings account and use it to guarantee your credit card. After you consistently repay your balance each month, your credit limit will be increased. Secured credit cards are a great way to build a credit history and demonstrate that you can responsibly handle a credit card.

Tip #4 Don't bounce checks.

Do not write checks that exceed the funds available in your checking account. The cost for bouncing a check can range from $15 to $50, and it is a waste of money. A bounced check can make your bill payment late so that it is reported to the credit bureau.

What action can you take to make sure that you do not bounce checks?

- *You can keep a detailed record of how much is available in your checking account. This record should keep track of all transactions that are withdrawn from your checking account (checks, ATM withdrawals and fees, and debit card transactions). Always check your balance before you write a check.*

Tip #5 Read and understand loan terms and agreements before you sign anything.

It is important that you understand your loan terms and agreements to avoid committing to payments that you cannot afford. If you are unable to repay a loan, it negatively affects your credit report and your future access to credit.

What action can you take to make sure that you understand your loan terms and agreements?

- *You can ask your lender to explain what the terms and agreements mean. What is your monthly payment? How long will it take to pay off the loan? What will the total cost be for the loan? We will discuss good questions to ask before you sign any loan agreements in a later session. For now, do not be embarrassed to ask lots of questions. You may even want to bring a friend or relative who understands financial issues with you to the lender.*

Tip #6 Be cautious about co-signing or guaranteeing loans for others.

Always consider a person's intention, commitment, and ability to repay a debt before you agree to co-sign or guarantee a loan. When you co-sign or guarantee a loan for someone, you are agreeing to take responsibility for repaying that person's debt if he or she is unable to do it. Additional debt can significantly affect your budget. If you are unable to make the payment, the debt negatively affects your credit report.

What actions should you take before you co-sign or guarantee loans for others?

- *You can help your family member or friend work through their credit issues by suggesting community resources that can help them.*

Tip #7 Apply for a secured credit card.

A secured credit card is when you deposit a certain amount of cash in a savings account and use it to guarantee your credit card. After you consistently repay your balance each month, your credit limit will be increased. Secured credit cards are a great way to build a credit history and demonstrate that you can responsibly handle a credit card.

What action can you take to apply for a secured credit card?

- *You can visit your local bank or credit union and collect information about the credit card. Determine if there are any costs associated with the credit card and whether it meets your needs.*

What action can you take to apply for a secured credit card?

Tip #8 Avoid excessive inquiries into your credit report.

Too many inquiries into your credit report can work against you when you apply for a loan. Be aware of situations, such as shopping for a car, where a business may check your credit without your realizing it. Be particular about whom you give permission to check your credit report.

What action can you take to avoid excessive inquiries into your credit report?

Tip #9 Review your credit report at least once a year and correct any inaccurate information it may contain.

Sometimes there are errors on credit reports. Make sure that your credit report accurately reflects your credit history. If you know that you are going to apply for a loan, review your credit report at least three months ahead of time. Remember to check all three credit bureaus, because their reports may differ.

What action can you take to ensure that your credit report accurately reflects your credit history?

Tip #10 Create a nontraditional credit history.

If you do not have an established credit history, you can create a nontraditional credit history for yourself. You will be able to use it to apply for credit in the future. To build a nontraditional credit history:

- Keep copies of your paid bills.
- Keep copies of the canceled checks used to pay your bills.
- Ask those people/organizations to whom you pay bills to write a letter stating how long you have been a customer and paid your bills on time.
- Consider getting a secured credit card. When you use the card, be sure to make payments on time each month.

Show the information you have collected to lenders when you apply for credit.

Tip #8 Avoid excessive inquiries into your credit report.

Too many inquiries into your credit report can work against you when you apply for a loan. Be aware of situations, such as shopping for a car, where a business may check your credit without your realizing it. Be particular about whom you give permission to check your credit report.

What action can you take to avoid excessive inquiries into your credit report?

- *You can choose whom you give permission to run a credit check on you. Ask them how many inquiries will result from their check.*
- *Write to the credit bureaus and request that they not send out your credit report without receiving your permission.*

Tip #9 Review your credit report at least once a year and correct any inaccurate information it may contain.

Sometimes there are errors on credit reports. Make sure that your credit report accurately reflects your credit history. If you know that you are going to apply for a loan, review your credit report at least three months ahead of time. Remember to check all three credit bureaus, because their reports may differ.

What action can you take to ensure that your credit report accurately reflects your credit history?

- *You can call or write credit bureaus to obtain a copy of your credit report. Make sure to get a copy of your report from all of the major credit bureaus because not all creditors report to the same agency.*

Tip #10 Create a nontraditional credit history.

If you do not have an established credit history, you can create a nontraditional credit history for yourself. You will be able to use it to apply for credit in the future.

What action can you take to build a nontraditional credit history?

- *Keep copies of your paid bills.*
- *Keep copies of the canceled checks used to pay your bills.*
- *Ask those people/organizations to whom you pay bills to write a letter stating how long you have been a customer and paid your bills on time.*
- *Consider getting a secured credit card. When you use the card be sure to make payments on time each month.*

Show your bills, payments, and letters to lenders when you apply for credit.

Tip #11 Think long term.

Establishing or reestablishing your credit takes time. It may take a couple of years of paying bills on time to establish a strong enough credit history to qualify for a car loan. It may take even longer to qualify for a mortgage. If you are reestablishing your credit, it may take several years of consistent bill payment before a lender will give you another chance. Stick with it. A good credit history is worth working for.

What action can you take to remind yourself that establishing, reestablishing, or maintaining credit is a long-term process?

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Rose Owens (Navajo, 1929–94), round rug, 1981. Ganado, Arizona. Handspun wool. 109 cm. diam. Gift of Gloria F. Ross.

Tip #11 Think long term.

Establishing or reestablishing your credit takes time. It may take a couple of years of paying bills on time to establish a strong enough credit history to qualify for a car loan. It may take even longer to qualify for a mortgage. If you are reestablishing your credit, it may take several years of consistent bill payment before a lender will give you another chance. Stick with it. A good credit history is worth working for.

What action can you take to remind yourself that establishing, reestablishing, or maintaining good credit is a long-term process?

- *You can cut out a picture of a house or a car that you would like and keep it where you can see it. When you look at it you are reminded of the long-term goal that is motivating you to work toward a good credit history.*

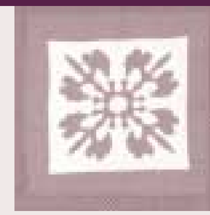
Summary Points

In this session, we discussed the following:

- Credit is when you borrow funds with the intent to repay them. Any time a bank, a family member, or a business lends you money and you agree to pay it back at a later date, you are using credit. In most cases there is a charge for borrowing the money. The charge is in the form of either fees or interest.
- It is best to use credit for things you need versus things you want.
- Revolving credit allows you to borrow money at any time up to a set limit. As you pay back the borrowed money, it becomes available again to borrow. The most common type of revolving credit is a credit card.
- Installment credit allows you to borrow a specific amount of money at one time for a defined purpose. You repay the money in set monthly payments.
- Noninstallment or service credit allows you to pay for a used service at a later date.
- Secured credit is when you provide something of value to guarantee that you will repay a debt.
- Unsecured credit is when you do not provide a guarantee for a loan.
- A credit report is a record of your bill repayment history.
- Review a copy of your credit report each year to make sure that it accurately reflects your credit history. Address any mistakes on your credit report immediately.
- Repairing a poor credit history takes time, but it is worth the effort.

Session 5:

Accessing Credit, Part I



"Taro"

The taro plant, with its ruffled, heart-shaped leaf and starch-filled corm (underground stem), …is the staple in the diet of the Hawaiian people.

The taro growth cycle reflects that of a family unit. Generation after generation descends from a single root. The small buds that shoot from the taro's corm is called "oha." After the mature corm is cut off and set aside for cooking, the "huli" (stalk) and "oha" on the very top of the corm are saved and replanted, yielding a new crop of taro. "Ohana" means family or offshoot. To grow taro you must have a "huli"—that same single root!

Harriet Soong
(Hawaiian)

Time:	3 hours
Format:	Lecture, group exercises, and discussion
Materials:	• Prepared overheads • Overhead projector • Blank flipchart • Session 5 participant handouts • Participant calculators

Overview

This session is about the lending process. Credit is not a traditional Native concept. However, Native people have a long history of using new ideas and technology to benefit the community. Credit helps to bring resources to a community so that it continues to grow. Learning to access credit benefits the community.

Explain the basic structure of financial institutions to help participants understand their role in the lending process. Help participants to understand that lending decisions are made based on an applicant's ability to repay a loan. Discuss the 5 Cs of credit to explain how financial institutions evaluate loan applications. The Evaluating a Loan Application Exercise is an opportunity for participants to practice looking at a loan application from a lender's perspective. Help participants to understand the components of a good loan application through this process.

Discuss the loan application process. Walk through completing a loan application and the interview process that follows. Briefly explain credit scoring. Conclude by discussing common reasons for credit denials and strategies for strengthening participants' loan applications.

Objectives

After completing this session, participants will be able to:

- describe the lending process;
- explain the five Cs of credit;
- plan for a strong loan application;
- address weaknesses in their loan application.

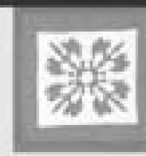
Workshop Preparation

- Before you hold the workshop, you will want to read through the entire session.
- Identify a participant at the beginning of the session to read the short story on page 70 of the participant materials. Make sure that participant is comfortable reading out loud.
- Review the Adopting New Ideas to Benefit the Community section and prepare relevant information about your community. You may want to speak with elders or a community historian to learn stories about the community.
- Prepare overheads of the participant materials for Session 5. The following pages of the participant materials may be useful overheads: 77, 79, 86.

PARTICIPANT PAGE

Session 5:

Accessing Credit, Part I



Objectives

In today's session, we will discuss:

- the lending process;
- the five Cs of credit;
- planning a strong loan application;
- completing a loan application.

Adopting New Ideas to Benefit the Community

Throughout history, Native communities have used new ideas to benefit the community. For instance, many years ago the Lakota people lived in central Minnesota west of the Great Lakes. They were skilled fishermen and gatherers and successfully supported their people. Population growth eventually pushed them out onto the plains. Exploring these new lands, they came into contact with French and Native traders. These traders exposed them to guns and horses. The Lakota quickly learned how to use these tools to benefit their community. They became some of the best horsemen on the plains and soon provided even greater bounty for their people.

What new ideas have your people adopted to benefit the community?

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"Taro"

The taro plant, with its ruffled, heart-shaped leaf and starch-filled corm (underground stem), ...is the staple in the diet of the Hawaiian people.

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Harriet Soong
Hawaii

Nanticoke children playing "hoop in ring," ca. 1911. Delaware. Photo by Frank G. Speck

Session 5 Outline

Welcome and Introductions (10–15 minutes)

1. **Facilitate introductions.** Start by introducing yourself. You may want to share some information about your organization.

   [Use a traditional prayer to open the session, if appropriate.]

   Hi. Thank you for joining us today. Welcome back for those of you who have attended previous sessions. Let's start by going around the room and introducing ourselves.

   [Introductions]

2. **Thank participants.**

Objectives (3 minutes)

3. **Explain the purpose and objectives of the session.**

   Today, we are going to talk about getting a loan and, more specifically, about accessing credit. We will discuss:
   - *the lending process;*
   - *the five Cs of credit;*
   - *planning a strong loan aplication;*
   - *completing a loan application.*

   At the end of the session, you will have a better understanding about how to access credit.

Adopting New Ideas to Benefit the Community (5–10 minutes)

4. **Describe how Native communities have historically adopted new ideas to meet community needs.**

   Throughout history, Native communities have used new ideas to benefit the community. For instance, many years ago the Lakota people lived in central Minnesota west of the Great Lakes. They were skilled fishermen and gatherers and successfully supported their people. Population growth eventually pushed them out onto the plains. Exploring these new lands, they came into contact with French and Native traders. These traders exposed them to guns and horses. The Lakota quickly learned how to use these tools to benefit their community. They became some of the best horsemen on the plains and soon provided even greater bounty for their people.

   DISCUSSION QUESTION:
   What new ideas or practices have we adopted to benefit our community?

   [Share stories and information you discovered in your research.]

5. **Introduce credit as a new idea that can be used to benefit the community.**

   It is our cultural practice to incorporate and use ideas that will benefit our people. Although credit is not a traditional tool, when it is used responsibly it promotes community growth. By understanding the lending process we can gain access to credit to benefit and build our community.

Karla's Catering Business

Karla Sweetrain is a secretary for the tribal administration. Each month she places a number of catering orders at an off-reservation restaurant. She realizes that the tribe is spending hundreds of dollars each month to cater its meetings. To top it off, she knows she cooks better than the restaurant!

Karla talks to a few members of the tribal council and they agree that her cooking is better than the local restaurant's. She's pretty sure they will hire her to cater their meetings. All Karla needs is a few hundred dollars to purchase some supplies to get started.

One afternoon in the community library, a story in the tribal newspaper catches Karla's attention. It is about a Warm Springs woman who took out a small loan to start her own restaurant. The restaurant specialized in Native foods such as fry bread, huckleberry jam, salmon, and baked camas root. The restaurant was successful and now employs three people, including youth and elders who shared an interest in preserving their culture and eating good food.

The article inspired Karla to learn about the lending process. A small loan could help her open a catering business. If successful, the business had the potential to support her family and positively affect other people in the community.

What ideas have you or your friends had that might be possible if you had access to a small amount of money?

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Using Credit to Build Native Communities

As we discussed in Session 4, credit is when you borrow money with the intent to repay it. Any time a financial institution, a family member, or a business gives you access to money and you agree to pay it back at a later date, you are using credit. In most cases there is a charge for borrowing the money. This charge is in the form of either fees or interest.

Credit is not a traditional Native tool. However, it is Native culture to incorporate and use ideas that will benefit our people. When it is used responsibly, credit promotes community growth. By understanding the lending process, we can gain access to credit to benefit and build our community.

Karla's Catering Business (10–15 minutes)

6. **Provide an overview of the lending process.**

   [Ask a pre-selected participant to read the following story out loud.]

   Karla Sweetrain is a secretary for the tribal administration. Each month she places a number of catering orders at an off-reservation restaurant. She realizes that the tribe is spending hundreds of dollars each month to cater its meetings. To top it off, she knows she cooks better than the restaurant!

   Karla talks to a few members of the tribal council and they agree that her cooking is better than the local restaurant's. She's pretty sure they will hire her to cater their meetings. All Karla needs is a few hundred dollars to purchase some supplies to get started.

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   The article inspired Karla to learn about the lending process. A small loan could help her open a catering business. If successful, the business had the potential to support her family and positively affect other people in the community.

   DISCUSSION QUESTION:
   What ideas have you or your friends had that might be possible if you had access to a small amount of money?

   [Write participants' ideas on a blank flipchart.]

   Ideas might include:
   - beadwork business
   - grocery store
   - auto mechanic shop
   - gas station
   - hair salon
   - restaurant
   - construction company
   - manufacturing

Using Credit to Build Native Communities

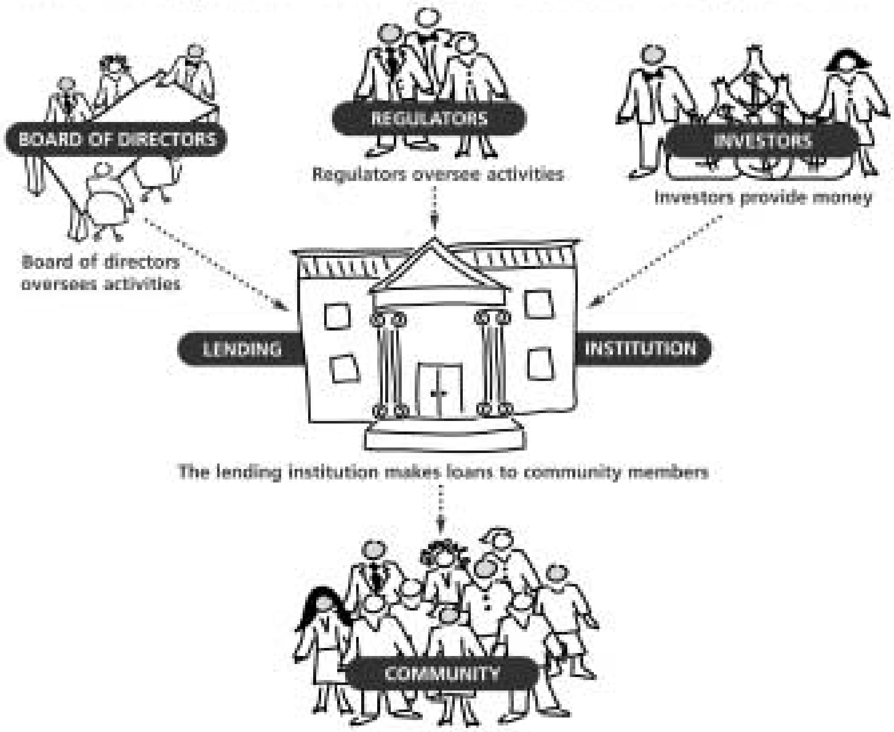
7. **Discuss how credit can be used to benefit the community.**

   As we discussed in Session 4, credit is when you borrow money with the intent to repay it. Any time a financial institution, a family member, or a business gives you access to money and you agree to pay it back at a later date, you are using credit. In most cases there is a charge for borrowing the money. This charge is in the form of either fees or interest.

   Credit is not a traditional Native tool. However, it is Native culture to incorporate and use ideas that will benefit our people. When it is used responsibly, credit promotes community growth. By understanding the lending process, we can gain access to credit to benefit and build our community.

Credit Systems

People gain access to credit from many sources, such as banks, loan funds, credit unions, and pawnshops. Working with a lending institution (e.g., a bank, a loan fund, a credit union) provides you more consumer protection than an informal source of credit (e.g., a pawnshop, a finance company). Lending institutions' activities are monitored by outside organizations to ensure fair lending practices. The following diagram describes how lending institutions work.



While different lending institutions offer different types of products and services, they also have some things in common. Lending institutions are:

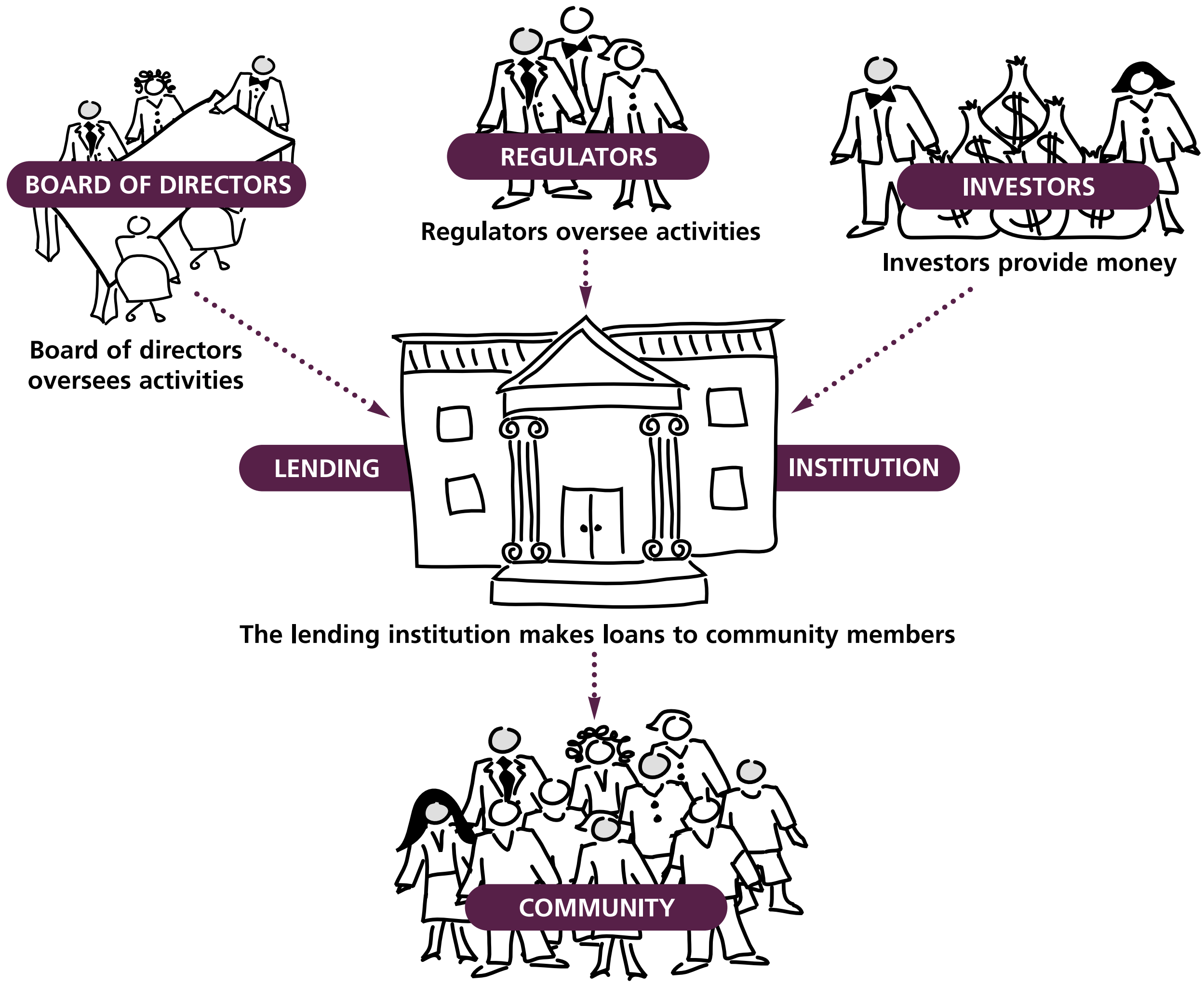
- accountable for their activities. Most lending institutions' activities are overseen by at least one outside organization. The regulating and oversight organizations (e.g., government regulators, boards of directors, and investors) make sure that the lending institution makes loans that will be repaid. They also monitor the lending institution so that it does not take advantage of borrowers.
- dependent on borrowers' loan repayment to stay in business. Lending organizations need to be repaid in order to have money to lend to other community members as well as to repay their own debts to investors.

Whether you seek credit from a bank, a community loan fund, a community credit union, or a car dealer, the important thing to remember is that lending decisions are made based on an applicant's ability to repay the loan.

Credit Systems (10–15 minutes)

8. **Explain that lending organizations need to select borrowers who can repay loans.** Describe how financial institutions function. Use prepared overhead.

People gain access to credit from many sources such as banks, loan funds, credit unions, pawnshops, and car dealers. Working with a lending institution (e.g., a bank, a loan fund, a credit union) provides you more consumer protection than an informal source of credit (e.g., a pawnshop, a finance company). Lending institutions' activities are monitored by outside organizations to ensure fair lending practices. The following diagram describes how lending institutions work.



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Whether you seek credit from a bank, a community loan fund, a community credit union, or a car dealer, the important thing to remember is that lending decisions are made based on an applicant's ability to repay the loan.

Evaluating a Loan Application

When a financial institution evaluates a loan application, it is are assessing an applicant's ability to repay a loan. This process is often referred to as evaluating the five Cs of credit—character, capacity, capital, collateral, and conditions.

Character

Lenders look at a person's credit report as well as the person's checking and savings accounts to assess how well the person handles financial obligations. An applicant's credit history is one of the most important factors in establishing his or her ability to repay a loan. If a person does not have any established credit, lenders will look at a nontraditional credit history. To build a nontraditional credit history:

- Keep copies of your paid bills.
- Keep copies of the canceled checks used to pay bills.
- Ask those people/organizations to whom you pay bills to write a letter stating how long you have been a customer and paid your bills on time.

If a person has a poor credit history, it is important to take steps to repair it. In addition, an applicant can assemble a nontraditional credit history to demonstrate improved ability to handle financial obligations.

Lenders also consider as part of character the length of time someone has lived at his or her current residence. Lenders often feel most comfortable lending to people who have demonstrated stability in their residence.

Capacity

Lenders look at the amount a potential borrower can afford to pay. This aspect of the evaluation will assess your current income and expenses. Lenders will consider all verifiable sources of income, including employment checks, government checks, and alimony. Expenses include all outstanding loans, credit card debt, child support, and any other expenses you pay each month.

A lender assesses an applicant's capacity by calculating the relationship between the applicant's debt and income. The loan officer will divide the applicant's total debt by his or her total income to come up with a debt-to-income ratio (total debt/total income = debt-to-income ratio). The acceptable debt-to-income ratio depends on the type of lending institution and the type of loan. It is generally accepted that a person's total debt should not exceed 45 percent of the person's total income each month. For example:

Keith earns $1,000 a month. He lives in tribal housing and pays $150 a month for rent. His car payment is $175 a month. He pays his ex-wife $200 a month alimony and the minimum payment of $35 on each of two credit cards.

Total monthly debt = $150 + $175 + $200 + $35 + $35 = $595

Total monthly income = $1,000

Debt-to-income ratio = $595/$1,000 = 59%

Keith's debt-to-income ratio is too high for most lenders to feel comfortable lending to him. A lender will not want to place any additional financial burden on Keith's monthly income. He will likely need to pay off some of his debt before a lender is willing to make him a loan.

Evaluating a Loan Application (15–20 minutes)

9. **Discuss how banks and other lending organizations evaluate loan applications.**

   DISCUSSION QUESTION:
   If you were a lending organization that needed to be repaid to stay in business, how would you decide whether to lend someone money? What would you want to know about the person? What questions might you ask?

   [Write participant ideas on a blank flipchart.]

10. **Explain the five Cs of credit and how lenders use them to evaluate loan applications.** Use prepared overhead.

   When a financial institution evaluates a loan application, it is assessing an applicant's ability to repay a loan. This process is often referred to as evaluating the five Cs of credit—character, capacity, capital, collateral, and conditions.

   Character
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   >
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Debt-to-Income Ratio Exercise

Kelly earns $1,500 a month. She pays $300 a month for rent. She pays her entire credit card bill each month and does not owe any money. She pays $50 a month for her car payment and $50 a month to repay a student loan. Calculate Kelly's debt-to-income ratio.

Total monthly debt = ______________________
Total monthly income = ____________________
Debt-to-income ratio = $_______ / $_______ = ___%
debt *income*

Based on Kelly's debt-to-income ratio, do you think a lender will feel comfortable making Kelly a loan? _____________

Capital

Depending on the type of loan, lenders are interested in how much of your own money you plan to invest in a purchase. In addition, lenders consider all items of value owned by the loan applicant. They are interested in the applicant's resources in case there is a problem repaying the loan. From the lender's perspective, someone who owns property or items of value can sell them to repay a loan.

People assess value differently in different communities. It is important to educate lenders about items that are valuable within a Native context. It is also important to become aware of what lenders consider "capital." The lender is interested in all items that you might sell to repay the loan. Talk to your lender to come to an understanding of "capital" from both of your perspectives.

Collateral

Lenders often ask a borrower to commit something of value to guarantee repayment of a loan. If a borrower is unable to repay a loan, the lender accepts ownership of the item as repayment. When evaluating a loan application, lenders look at the value of the borrower's collateral. Often borrowers use their home, car, or savings account as collateral for a loan. A lender never wants to repossess a borrower's collateral. Repossession is the last resort.

Like capital, the value of collateral may be different in a Native context. The lender is interested in items that can be sold to repay a loan. Help your lender to understand the value of your collateral by identifying an amount and a market for items that are culturally significant. Also, understand that some lending institutions have requirements that define the items that they can accept as collateral.

Conditions

Lenders are interested in any conditions that may affect the applicant's ability to repay the loan (e.g., change in the economy, loss of a job, emergency medical bills). The consistency of an applicant's employment is quite important in this part of the evaluation. If you have been at a job for less than two years, you may be asked to provide additional information about your work history.

Take a moment to complete the Debt-to-Income Ratio Exercise.

Debt-to-Income Ratio Exercise

Kelly earns $1,500 a month. She pays $300 a month for rent. She pays her entire credit card bill each month and does not owe any money. She pays $50 a month for her car payment and $50 a month to repay a student loan. Calculate Kelly's debt-to-income ratio.

Total monthly debt = $300 + $50 + $50 = $400
Total monthly income = $1,500
Debt-to-income ratio = $400 / $1,500 = 26.6 %
debt *income*

Based on Kelly's debt-to-income ratio, do you think a lender will feel comfortable making Kelly a loan? Yes

Capital

Depending on the type of loan, lenders are interested in how much of your own money you plan to invest in a purchase. In addition, lenders consider all items of value owned by the loan applicant. They are interested in the applicant's resources in case there is a problem repaying the loan. From the lender's perspective, someone who owns property or items of value can sell them to repay a loan.

People assess value differently in different communities. It is important to educate lenders about items that are valuable within a Native context. It is also important to become aware of what lenders consider "capital." The lender is interested in all items that you might sell to repay the loan. Talk to your lender to come to an understanding of "capital" from both of your perspectives.

Collateral

Lenders often ask a borrower to commit something of value to guarantee repayment of a loan. If a borrower is unable to repay a loan, the lender accepts ownership of the item as repayment. When evaluating a loan application, lenders look at the value of the borrower's collateral. Often borrowers use their home, car, or savings account as collateral for a loan. A lender never wants to repossess a borrower's collateral. Repossession is the last resort.

Like capital, the value of collateral may be different in a Native context. The lender is interested in items that can be sold to repay a loan. Help your lender to understand the value of your collateral by identifying an amount and a market for items that are culturally significant. Also, understand that some lending institutions have requirements that define the items that they can accept as collateral.

Conditions

Lenders are interested in any conditions that may affect the applicant's ability to repay the loan (e.g., change in the economy, loss of a job, emergency medical bills). The consistency of an applicant's employment is quite important in this part of the evaluation. If you have been at a job for less than two years, you may be asked to provide additional information about your work history.

Evaluating a Loan Application Exercise

As a loan officer for the Sitting Bear Loan Fund, you make recommendations to the loan committee about who should receive a loan. This month the following applications are on your desk and it is time for you to make your recommendations. Use the five Cs of credit to assess the following applicants.

1. Wanda Bell is a 25-year-old mother of one. She works at the reservation trading post and makes $13,000 a year. She has been at this job for three years. She also makes beadwork barrettes and sells them to a local store for $850 a year. She has managed to save $600, which she keeps in an account at the trading post. She has one credit card with a nearby department store. She uses the credit card to purchase large items such as her refrigerator. She has made all of her credit card payments on time and does not owe the store any money. Her monthly debt/expenses are $400.

   Wanda would like to borrow $300 to buy beadwork supplies and increase her production. She will use the money in her savings account at the trading post as collateral for the loan.

   A. *Using the five Cs of credit, what observations can you make about Wanda's ability to repay a loan?*

      Character:

      ____

      ____

      Capacity:

      ____

      ____

      Capital:

      ____

      ____

      Collateral:

      ____

      ____

      Conditions:

      ____

      ____

Character: credit history

Capacity: repayment sources, debt-to-income ratio

Capital: personal investment, alternative repayment sources

Collateral: personal valuables to guarantee repayment

Conditions: situations that affect repayment

Evaluating a Loan Application Exercise (60 minutes)

11. Explain to participants how to complete the Evaluating a Loan Application Exercise.

Now it is your turn to make some loan decisions. Break into small groups and complete the Evaluating a Loan Application Exercise. Go through each example and decide as a group whether you would make a loan to the potential borrower.

[Give participants 30–45 minutes to complete the exercise. Walk around the room and offer participants assistance and suggestions as they complete the exercise. Discuss the exercise, allowing each small group to share their recommendations. Ideas are provided below to assist you with the discussion. For negative recommendations, ask participants what actions the potential borrower can take to strengthen his or her application.]

Evaluating a Loan Application Exercise

As a loan officer for the Sitting Bear Loan Fund, you make recommendations to the loan committee about who should receive a loan. This month the following applications are on your desk and it is time for you to make your recommendations. Use the five Cs of credit to assess the following applicants.

[Some possible answers are provided below to assist with the discussion.]

1. Wanda Bell is a 25-year-old mother of one. She works at the reservation trading post and makes $13,000 a year. She has been at this job for three years. She also makes beadwork barrettes and sells them to a local store for $850 a year. She has managed to save $600, which she keeps in an account at the trading post. She has one credit card with a nearby department store. She has made all of her credit card payments on time and does not owe the store any money. Her monthly debt/expenses are $400.

   Wanda would like to borrow $300 to buy beadwork supplies and increase her production. She will use the money in her savings account at the trading post as collateral for the loan.

   A. *Using the five Cs of credit, what observations can you make about Wanda's ability to repay a loan?*

      Character:
      - Good credit history.
      - Good work history (3 years at job).

      Capacity:
      - Total monthly debt = $400
      - Total monthly income = $13,000 + $850 / 12 months = $1,154.16 per month
      - Debt-to-income ratio = $400 / $1,154 = 34.6%

      Capital:
      - $600 in account at trading post.

      Collateral
      - $600 in account at trading post.
      - Any current beadwork inventory.

      Conditions
      - Overproduction could decrease the market for beadwork.
      - Good work history indicates a consistent source of income.

B. What questions would you like to ask Wanda?

____

____

____

C. Given what you know, would you recommend a loan to Wanda? ___________

2. Rocky Thomson is a 40-year-old single man. His ex-wife lives in a nearby community with their 10-year-old son. He makes $12,000 a year working at the local gas station. He has been at this job for one year. He has no savings. He pays his ex-wife $200 for child support each month. He pays $300 for rent each month. He owes $600 on his credit card debt and pays the minimum $20 payment each month.

   Rocky would to like to borrow $1,500 to purchase mechanic's tools so that he can start his own car repair business. There are no car repair shops on Rocky's reservation. He plans to keep his current job and use his home business to earn additional income.

   A. Using the five Cs of credit, what observations can you make about Rocky's ability to repay a loan?

   Character:

   ____

   ____

   Capacity:

   ____

   ____

   Capital:

   ____

   ____

   Collateral:

   ____

   ____

   Conditions:

   ____

   ____

Character: credit history

Capacity: repayment sources, debt-to-income ratio

Capital: personal investment, alternative repayment sources

Collateral: personal valuables to guarantee repayment

Conditions: situations that affect repayment

B. *What questions would you like to ask Wanda?*

- Do other people make similar beadwork?
- How are you pricing your end-product—are you taking into consideration time, skill, and supplies?

C. *Given what you know, would you recommend a loan to Wanda?* Yes

- Good record of paying bills on time.
- Demonstrates strong financial management skills (savings).

2. Rocky Thomson is a 40-year-old single man. His ex-wife lives in a nearby community with their 10-year-old son. He makes $12,000 a year working at the local gas station. He has been at this job for one year. He has no savings. He pays his ex-wife $200 for child support each month. He pays $300 for rent each month. He owes $600 on his credit card debt and pays the minimum $20 payment each month.

   Rocky would to like to borrow $1,500 to purchase mechanic's tools so that he can start his own car repair business. There are no car repair shops on Rocky's reservation. He plans to keep his current job and use his home business to earn additional income.

   A. *Using the five Cs of credit, what observations can you make about Rocky's ability to repay a loan?*

   Character:

   - Not enough information about credit history to make a judgement.

   Capacity:

   - Total monthly debt = $200 + $20 + $300 = $520
   - Total monthly income = $1,000.
   - Debt-to-income ratio = $520 / $1,000 = 52%

   Capital:

   - No savings.
   - No information about other valuables.

   Collateral

   - No possible collateral identified.

   Conditions

   - He has held his current job for one year, so additional work information would be helpful.

B. What questions would you like to ask Rocky?

____

____

____

C. Given what you know, would you recommend a loan to Rocky? ___________

3. Sandy Nighthorse is 33 years old. She is a single mother of two children. She has held three different jobs in the past year because her car continues to break down and leave her with no transportation. She spends $100 fixing the car each time it breaks down. Currently, she is working part-time at a local grocery store making $6.50 an hour. She lives in reservation housing and pays the minimum rent payment each month. Sandy's total debt/expenses each month are around $200. Her total monthly income is around $350. In the past six months she has bounced three checks buying groceries for her family.

   Sandy would like to borrow $1,000 to buy a car. She feels that a more reliable car will help her stabilize her employment and get her finances under control.

   A. Using the five Cs of credit, what observations can you make about Sandy's ability to repay a loan?

Character:

____

____

Capacity:

____

____

Capital:

____

____

Collateral:

____

____

Conditions:

____

____

Character: credit history

Capacity: repayment sources, debt-to-income ratio

Capital: personal investment, alternative repayment sources

Collateral: personal valuables to guarantee repayment

Conditions: situations that affect repayment

B. *What questions would you like to ask Rocky?*
- What is Rocky's credit history?
- Does Rocky have the business skills to run a business?
- Where will the customers come from?
- What collateral can you provide to secure the repayment of the loan?

C. *Given what you know, would you recommend a loan to Rocky?* No/Maybe
- Debt-to-income ratio is high (52%). Rocky may not be able to handle additional debt right now.

3. Sandy Nighthorse is 33 years old. She is a single mother of two children. She has held three different jobs in the past year because her car continues to break down and leaves her with no transportation. She spends $100 fixing the car each time it breaks down. Currently, she is working part-time at a local grocery store making $6.50 an hour. She lives in reservation housing and pays the minimum rent payment each month. Sandy's total debt/expenses each month are around $200. Her total monthly income is around $350. In the past six months she has bounced three checks buying groceries for her family.

   Sandy would like to borrow $1,000 to buy a car. She feels that a more reliable car will help her stabilize her employment and get her finances under control.

   A. *Using the five Cs of credit, what observations can you make about Sandy's ability to repay a loan?*

   Character:
   - Credit history reflects bounced checks.

   Capacity:
   - Total monthly debt = $200
   - Total monthly income = $350
   - Debt-to-income ratio = $200 / $350 = 57%

   Capital:
   - No savings
   - No information about other valuables.

   Collateral
   - No collateral identified.

   Conditions
   - She has not demonstrated a stable work history.

B. *What questions would you like to ask Sandy?*

____

____

____

C. *Given what you know, would you recommend a loan to Sandy?*___________

4. Sharon and Ron Colman recently retired and returned from Seattle to their home reservation. Together they raised two of Sharon's children from her first marriage and three of their own. They always paid their bills on time. A few years ago, their oldest son asked them to co-sign a loan for him. He had a job and wanted to buy his first car. Sharon and Ron agreed to help. They were unaware of any problem until they received a notice from the bank indicating that their son had fallen behind on his car loan payments. The bank asked them, as co-signers on the loan, to pay the overdue balance. Unfortunately, Sharon and Ron did not have the needed cash. Ultimately, the car was repossessed. Sharon and Ron are not familiar with the lending process. They do not realize that a record of the repossession exists on their credit report and negatively affects their ability to get credit.

Sharon and Ron would like to borrow $1,000 to replace their oven and stovetop. Their monthly debt/expenses are $200 and their income is $700 a month.

A. *Using the five Cs of credit, what observations can you make about Sharon and Ron's ability to repay a loan?*

Character:

____

____

Capacity:

____

____

Capital:

____

____

Collateral:

____

____

Conditions:

____

____

Character: credit history

Capacity: repayment sources, debt-to-income ratio

Capital: personal investment, alternative repayment sources

Collateral: personal valuables to guarantee repayment

Conditions: situations that affect repayment

B. *What questions would you like to ask Sandy?*
- Do you have a spending plan?
- Is your spending plan possible with an additional debt payment?
- What collateral can you provide to secure the repayment of the loan?

C. *Given what you know, would you recommend a loan to Sandy?* No/Maybe
- Financial management skills need improvement.
- Debt-to-income ratio is too high at 57%.

4. Sharon and Ron Colman recently retired and returned from Seattle to their home reservation. Together they raised two of Sharon's children from her first marriage and three of their own. They always paid their bills on time. A few years ago, their oldest son asked them to co-sign a loan for him. He had a job and wanted to buy his first car. Sharon and Ron agreed to help. They were unaware of any problem until they received a notice from the bank indicating that their son had fallen behind on his car loan payments. The bank asked them, as co-signers on the loan, to pay the overdue balance. Unfortunately, Sharon and Ron did not have the needed cash. Ultimately, the car was repossessed. Sharon and Ron are not familiar with the lending process. They do not realize that a record of the repossession exists on their credit report and negatively affects their ability to get credit.

   Sharon and Ron would like to borrow $1,000 to replace their oven and stovetop. Their monthly debt/expenses are $200 and their income is $700 a month.

   A. *Using the five Cs of credit, what observations can you make about Sharon and Ron's ability to repay a loan?*

   Character:
   - Credit history indicates a repossession due to loan default.
   - Overall, paid bills on time.

   Capacity:
   - Total monthly debt = $200
   - Total monthly income = $700
   - Debt-to-income ratio = $200 / $700 = 28%

   Capital:
   - Not enough information about capital sources.

   Collateral
   - No possible collateral identified.

   Conditions
   - Not enough information to determine their source of income. Therefore, it is unclear what conditions could affect their ability to repay the loan.

B. What questions would you like to ask Sharon and Ron?

C. Given what you know, would you recommend a loan to Sharon and Ron?

Preparing for a Loan Application Exercise

Now that you've evaluated other people's loan applications, how can you prepare a strong application for yourself? Under each of the five Cs of credit, list some actions that will help you develop a strong loan application.

Character:

Capacity:

Capital:

Collateral:

Conditions:

Character: credit history

Capacity: repayment sources, debt-to-income ratio

Capital: personal investment, alternative repayment sources

Collateral: personal valuables to guarantee repayment

Conditions: situations that affect repayment

B. *What questions would you like to ask Sharon and Ron?*
   - What is your source of income?
   - What are your debts?
   - Are you aware of the significance of your son's default on your credit report?
   - What collateral can you provide to secure the repayment of the loan?

C. *Given what you know, would you recommend a loan to Sharon and Ron?*
   Sharon and Ron's credit history and debt-to-income ratio indicate that they are likely to repay a loan. Yet, the answers to the above questions would highly influence the loan approval process.

Preparing for a Loan Application Exercise (10 minutes)

12. Review actions that potential borrowers can take to position themselves to receive a loan.

DISCUSSION QUESTION:
Now that you've evaluated other people's loan applications, how can you prepare a strong application for yourself? Using the five Cs of credit as a guide, let's brainstorm actions that will help develop a strong loan application.

[The following are some ideas to integrate into the discussion.]

Character:
- Establish a good credit history by paying bills on time.
- Establish a credit history by opening a secured card account, a store credit card, etc., and pay bills on time.

Capacity:
- Maintain a stable residence.
- Pay off debts.

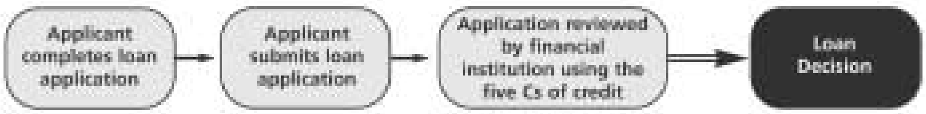
Capital:
- Open a checking and/or savings account.
- Save money each month.

Collateral
- Establish/know the value of your possessions.

Conditions
- Maintain stable employment.
- If you are applying for a business loan, educate your lender about potential markets for your product.

Applying for a Loan

There are a number of steps in the loan application process. The following diagram outlines the steps to arriving at a loan decision.



Completing a Loan Application

To gain access to credit from a lending institution, you must complete a loan application. Lenders use loan applications to collect information about applicants. They collect information that will help them evaluate the applicant using the five Cs of credit and help them feel comfortable that the applicant will repay the loan. This information usually includes:

- Loan purpose: What is the applicant going to use the money for?
- Repayment history: What is the applicant's credit history?
- Repayment sources: How is the applicant going to repay the loan? What is the applicant's income? Savings? Are there any co-applicants who will be pooling resources?
- Other debts: Does the applicant owe any other money? Are there any other loans that the applicant will be paying off at the same time, using the same repayment sources?

Loan applications can take some time to complete. Every loan application asks for similar information, as well as authorization to get a copy of your credit report.
The following information is necessary to complete a loan application:

- name and Social Security number;
- address and length of time at the current address;
- place of employment and length of time on the job;
- monthly income from all verifiable sources;
- monthly expenses;
- all debts (e.g., loans, credit cards), including the lender's name and the account number.

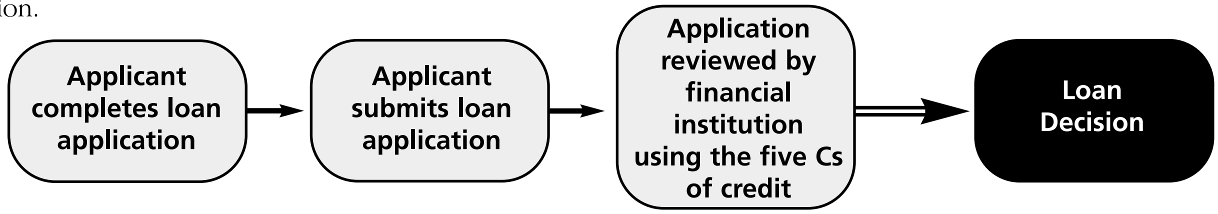
Some additional information may also be requested during the loan application process, such as:

- pay stubs covering the past 30 days;
- copies of your income tax returns for the last two years;
- Paperwork that shows the cost of what you are buying, if you are borrowing to make a purchase.

When you complete your application, be honest and forthcoming. Provide complete and accurate information. A lender will verify all of the information that you provide on your loan application. If you have had credit problems or other difficulties, share them with the lender and explain steps you have taken to correct the situation. If you have credit problems that you have not addressed, discuss actions you can take to deal with them. It is the lender's job to gather information that proves that you will repay a loan.

Applying for a Loan

There are a number of steps in the loan application process. The following diagram outlines the steps to arriving at a loan decision.



Completing a Loan Application (15–20 minutes)

13. Discuss the information that potential borrowers are asked to provide when they apply for a loan.

DISCUSSION QUESTION:
Has anyone here applied for a loan? What type of information do lenders collect on a loan application? If you have not applied for a loan, think about the general information the lender will want to understand about the applicant.

[Listen to participant ideas. Make sure that the following information is discussed:]

The first step to apply for a loan is completing a loan application. Lenders collect information that will help them evaluate the applicant using the five Cs of credit. Lenders want both general and specific information about the applicant. The general information includes:

- *Loan purpose: What is the applicant going to use the money for?*
- *Repayment history: What is the applicant's credit history?*
- *Repayment sources: How is the applicant going to repay the loan? What is the applicant's income? Savings? Are there any co-applicants who will be pooling resources?*
- *Other debts: Does the applicant owe any other money? Are there any other loans that the applicant will be paying off at the same time, using the same repayment sources?*

DISCUSSION QUESTION:
Does anyone know the personal information that is required to complete a loan application?

[Make sure that participants are aware that the following information is required on loan applications:]

The following information is necessary to complete a loan application:

- *name and Social Security number;*
- *address and length of time at the current address;*
- *place of employment and length of time on the job;*
- *monthly income from all verifiable sources;*
- *monthly expenses;*
- *all debts (e.g., loans, credit cards), including the lender's name and the account number.*

Some additional information may also be requested during the loan application process, such as:

- *pay stubs covering the past 30 days;*
- *copies of your income tax returns for the last two years;*
- *paperwork that shows the cost of what you are buying, if you are borrowing to make a purchase.*

Loan applications can take some time to complete. Every loan application asks for similar information. Be honest and forthcoming. Provide complete and accurate information. If you have had credit problems or other difficulties, share them with the lender and explain steps you have taken to correct the situation. If you have credit problems that you have not addressed, discuss actions you can take to deal with them.

Lenders will want to know details about your financial situation. They will want you to authorize them to get a copy of your credit report. They will verify all of the information that you provide on your loan application. Remember what it was like to be a loan officer for the Sitting Bear Loan Fund. It is the lender's job to gather information that proves that you will repay a loan.

The following is an example of a loan application:

Consumer Loan Application

ABC Bank

Purpose: ☐ Auto Loan Make ________ Model ________ Year ____ Amount Requested: $ ________
☐ Boat Loan Insurance Co. ________
☐ Other________ Term Requested: ☐ 1 yr. ☐ 2 yrs. ☐ 3 yrs. ☐ 4 yrs. ☐ 5 yrs. Other: ________

APPLICANT INFORMATION

FULL NAME: FIRST	MIDDLE INITIAL	LAST	DATE OF BIRTH / /	SOCIAL SECURITY NO.
PRESENT HOME ADDRESS: STREET	CITY	STATE ZIP	HOW LONG THERE YRS. MOS.	PHONE ( )
PREVIOUS ADDRESS (IF ABOVE IS LESS THAN TWO YEARS)				HOW LONG THERE YRS. MOS.
HOME ☐ OWN ☐ RENT OTHER ________	MORTGAGE/RENTAL PAYMENT (INCLUDE PITI AND CONDO FEES) $	MTG. HOLDER OR LANDLORD		
NAME, RELATIONSHIP, ADDRESS AND PHONE NUMBER OF CLOSEST RELATIVE NOT LIVING WITH YOU				
NAME AND ADDRESS OF CURRENT EMPLOYER				
OCCUPATION OR POSITION	HOW LONG THERE YRS. MOS.	BUSINESS PHONE ( )	PRESENT EARNINGS GROSS MONTHLY $	NET MONTHLY $
NAME AND ADDRESS OF PREVIOUS EMPLOYER (IF ABOVE IS LESS THAN TWO YEARS)			OCCUPATION OR POSITION	HOW LONG THERE YRS. MOS.
NOTICE: Alimony, child support or separate maintenance payments need not be revealed if you do not wish to have it considered as a basis for repaying this obligation. OTHER INCOME $ PER	SOURCES OF OTHER INCOME			
CHECKING ACCOUNT #	INSTITUTION	SAVINGS ACCOUNT #	INSTITUTION	

JOINT APPLICANT INFORMATION

FULL NAME: FIRST	MIDDLE INITIAL	LAST	DATE OF BIRTH / /	SOCIAL SECURITY NO.
PRESENT HOME ADDRESS: STREET	CITY	STATE ZIP	HOW LONG THERE YRS. MOS.	PHONE ( )
NAME, RELATIONSHIP, ADDRESS AND PHONE NUMBER OF CLOSEST RELATIVE NOT LIVING WITH YOU				
NAME AND ADDRESS OF CURRENT EMPLOYER				
OCCUPATION OR POSITION	HOW LONG THERE YRS. MOS.	BUSINESS PHONE ( )	PRESENT EARNINGS GROSS MONTHLY $	NET MONTHLY $
NAME AND ADDRESS OF PREVIOUS EMPLOYER (IF ABOVE IS LESS THAN TWO YEARS)			OCCUPATION OR POSITION	HOW LONG THERE YRS. MOS.
NOTICE: Alimony, child support or separate maintenance payments need not be revealed if you do not wish to have it considered as a basis for repaying this obligation. OTHER INCOME $ PER	SOURCES OF OTHER INCOME			
CHECKING ACCOUNT #	INSTITUTION	SAVINGS ACCOUNT #	INSTITUTION	

CREDIT REFERENCES

AUTO(S) (YR., MAKE, MODEL)	FINANCED BY (NAME AND ADDRESS)	ACCOUNT NO.	BALANCE REMAINING	MO. PAYMENT

CREDIT REFERENCES: list all debts currently outstanding and/or paid off. (Include credit cards, home mortgages and amount due other banks, finance companies, credit unions, alimony, child support, separate maintenance payments, etc. Attach extra sheets if necessary.) **Please list separately any credit references you may have in a name other than the one above.**

CREDITORS NAME AND ADDRESS	ACCOUNT NO.	BALANCE REMAINING	MO. PAYMENT
		$	$
		$	$
		$	$
		$	$

APPLICANT'S SIGNATURE ________ DATE ________ CO-APPLICANT'S SIGNATURE ________ DATE ________

CREDIT INSURANCE INFORMATION

☐ I (we) would like Credit Life Insurance
☐ I (we) would like Credit Life Insurance and Disability Insurance

Credit Life Insurance or Disability Insurance is optional and is not a condition for approval of your application. The insurance premium will vary based on the amount of the loan for which you apply and the state in which you live. If insurance is elected, the premium will be included in your monthly payments. Disability Insurance is not available jointly.

APPLICANT'S SIGNATURE ________ CO-APPLICANT'S SIGNATURE ________

7105-0199

14. Explain how to complete the sample loan application. Use prepared overhead.

Let's walk through the loan application in your materials. I want to be sure that everyone is clear about the information that is being requested. Please stop me if you have any questions about the specific information the applicant is being asked to provide.

[Read through each section and make sure that participants are clear about the information that is being requested.]

Consumer Loan Application

ABC Bank

Purpose: ☐ Auto Loan Make ________ Model ________ Year ____ Amount Requested: $ ________

☐ Boat Loan Insurance Co. ________

☐ Other________ Term Requested: ☐ 1 yr. ☐ 2 yrs. ☐ 3 yrs. ☐ 4 yrs. ☐ 5 yrs. Other: ________

APPLICANT INFORMATION

FULL NAME: FIRST	MIDDLE INITIAL	LAST		DATE OF BIRTH / /	SOCIAL SECURITY NO.
PRESENT HOME ADDRESS: STREET	CITY	STATE	ZIP	HOW LONG THERE YRS. MOS.	PHONE ( )
PREVIOUS ADDRESS (IF ABOVE IS LESS THAN TWO YEARS)					HOW LONG THERE YRS. MOS.
HOME ☐ OWN ☐ RENT OTHER ________	MORTGAGE/RENTAL PAYMENT (INCLUDE PITI AND CONDO FEES) $	MTG. HOLDER OR LANDLORD			
NAME, RELATIONSHIP, ADDRESS AND PHONE NUMBER OF CLOSEST RELATIVE NOT LIVING WITH YOU					
NAME AND ADDRESS OF CURRENT EMPLOYER					
OCCUPATION OR POSITION	HOW LONG THERE YRS. MOS.	BUSINESS PHONE ( )	PRESENT EARNINGS GROSS MONTHLY $	NET MONTHLY $	
NAME AND ADDRESS OF PREVIOUS EMPLOYER (IF ABOVE IS LESS THAN TWO YEARS)			OCCUPATION OR POSITION		HOW LONG THERE YRS. MOS.
NOTICE: Alimony, child support or separate maintenance payments need not be revealed if you do not wish to have it considered as a basis for repaying this obligation. OTHER INCOME $ PER	SOURCES OF OTHER INCOME				
CHECKING ACCOUNT #	INSTITUTION	SAVINGS ACCOUNT #	INSTITUTION		

JOINT APPLICANT INFORMATION

FULL NAME: FIRST	MIDDLE INITIAL	LAST		DATE OF BIRTH / /	SOCIAL SECURITY NO.
PRESENT HOME ADDRESS: STREET	CITY	STATE	ZIP	HOW LONG THERE YRS. MOS.	PHONE ( )
NAME, RELATIONSHIP, ADDRESS AND PHONE NUMBER OF CLOSEST RELATIVE NOT LIVING WITH YOU					
NAME AND ADDRESS OF CURRENT EMPLOYER					
OCCUPATION OR POSITION	HOW LONG THERE YRS. MOS.	BUSINESS PHONE ( )	PRESENT EARNINGS GROSS MONTHLY $	NET MONTHLY $	
NAME AND ADDRESS OF PREVIOUS EMPLOYER (IF ABOVE IS LESS THAN TWO YEARS)			OCCUPATION OR POSITION		HOW LONG THERE YRS. MOS.
NOTICE: Alimony, child support or separate maintenance payments need not be revealed if you do not wish to have it considered as a basis for repaying this obligation. OTHER INCOME $ PER	SOURCES OF OTHER INCOME				
CHECKING ACCOUNT #	INSTITUTION	SAVINGS ACCOUNT #	INSTITUTION		

CREDIT REFERENCES

AUTO(S) (YR., MAKE, MODEL)	FINANCED BY (NAME AND ADDRESS)	ACCOUNT NO.	BALANCE REMAINING	MO. PAYMENT

CREDIT REFERENCES: list all debts currently outstanding and/or paid off. (Include credit cards, home mortgages and amount due other banks, finance companies, credit unions, alimony, child support, separate maintenance payments, etc. Attach extra sheets if necessary.) **Please list separately any credit references you may have in a name other than the one above.**

CREDITORS NAME AND ADDRESS	ACCOUNT NO.	BALANCE REMAINING	MO. PAYMENT
		$	$
		$	$
		$	$
		$	$

APPLICANT'S SIGNATURE ________ DATE ________ CO-APPLICANT'S SIGNATURE ________ DATE ________

CREDIT INSURANCE INFORMATION

☐ I (we) would like Credit Life Insurance
☐ I (we) would like Credit Life Insurance and Disability Insurance

Credit Life Insurance or Disability Insurance is optional and is not a condition for approval of your application. The insurance premium will vary based on the amount of the loan for which you apply and the state in which you live. If insurance is elected, the premium will be included in your monthly payments. Disability Insurance is not available jointly.

APPLICANT'S SIGNATURE ________ CO-APPLICANT'S SIGNATURE ________

7105-0199

Credit Interview

After you complete a loan application, you will go through an interview with a loan officer. It is the loan officer's job to review the loan application with you and be sure that it is complete. The loan officer will probably ask you some specific questions about your loan request. For example, the officer will want to know how you will use the money. It is the loan officer's responsibility to establish that the loan will be used for a legal purpose. Be cooperative and provide all of the information requested.

Credit Scoring

After a loan application is complete, the lender uses a credit scoring process to evaluate the application. Large lending institutions, such as banks and credit card companies, use computer programs. Smaller lenders may score applications on an individual basis. The credit scoring system is based on the lending organization's historical experience with borrowers. An applicant's score is calculated by assigning points to the amount of income and debt, length of time at residence, whether the applicant owns a house or rents and the other information included on the loan application. The better an applicant's score, the more comfortable the lender is that the applicant will repay the loan.

Lenders do not provide applicants with specifics about their scoring system. They do not want to influence how an applicant completes the application.

Credit Denials

Sometimes credit applications are not approved. Some common reasons that loan applications are denied are:

- Poor credit history: Lenders review an applicant's credit history to evaluate his or her record of paying bills on time. A credit history is seen as a good indicator of whether someone will repay a loan. Take the time to review your credit report and correct any mistakes.
- Too many open credit cards: Credit cards may be viewed as opportunities for the applicant to acquire additional debt. If the account stays open, the lender considers the credit available to the applicant. Discuss with a lender whether closing out old credit cards will positively affect your credit applicaiton.
- Too much debt: Lenders compare the applicant's debt and income. If a lender feels that an applicant is carrying too much debt relative to income, the lender is not likely to make a loan and add to the applicant's debt burden. Pay off some debt.
- Employment history: To a lender, steady employment signifies an income stream to repay a loan. Stay in your job or a job in a similar field for a number of years.
- Loan request is too high: An applicant's financial situation determines the size of the loan that will be approved. If an applicant requests more than this amount, the application will be denied. Discuss an appropriate loan size with your lender.
- Too many credit report inquiries: When someone asks to see a credit report, it is noted on the report as an inquiry. Lenders look at the number of inquiries on a credit report within a six-month period. Too many inquiries signify that an applicant may be trying to

Credit Interview (5 minutes)

15. Discuss the loan application interview process.

After you complete a loan application, the next step is an interview with a loan officer. It is the loan officer's job to review the loan application with you and be sure that it is complete. The loan officer will probably ask you some specific questions about your loan request. For example, the officer will want to know how you will use the money. It is the loan officer's responsibility to establish that the loan will be used for a legal purpose. Be cooperative and provide all of the information requested.

Credit Scoring (5–10 minutes)

16. Explain the use of credit scoring to evaluate loan applications.

After a loan application is complete, the lender uses a credit scoring process to evaluate the application. Large lending institutions, such as banks and credit card companies, use computer programs. Smaller lenders may score applications on an individual basis. The credit scoring system is based on the lending organization's historical experience with borrowers. An applicant's score is calculated by assigning points to the amount of income and debt, length of time at residence, whether the applicant owns a house or rents, and the other information included on the loan application. The better an applicant's score, the more comfortable the lender is that the applicant will repay the loan.

Lenders do not provide applicants with specifics about their scoring system. They do not want to influence how an applicant completes their application.

Credit Denials (10 minutes)

17. Discuss reasons that credit is denied.

Sometimes credit applications are not approved. This can happen for any number of reasons.

DISCUSSION QUESTION:
Why do you think that lenders deny loan applications?

[Make sure that the following possible reasons are discussed.]

- *Poor credit history: Lenders review an applicant's credit history to evaluate his or her record of paying bills on time. A credit history is seen as a good indicator of whether someone will repay a loan. Take the time to review your credit report and correct any mistakes.*
- *Too many open credit cards: Credit cards are viewed as opportunities for the applicant to acquire additional debt. If the account stays open, the lender considers the credit available to the applicant. Close out old credit cards that you no longer use.*
- *Too much debt: Lenders compare the applicant's debt and income. If a lender feels that an applicant is carrying too much debt relative to income, the lender is not likely to make a loan and add to the applicant's debt burden. Pay off some debt.*
- *Employment history: To a lender, steady employment signifies an income stream to repay a loan. Stay in your job or a job in a similar field for a number of years.*
- *Loan request is too high: An applicant's financial situation determines the size of the loan that will be approved. If an applicant requests more than this amount, the application will be denied. Discuss an appropriate loan size with your lender.*
- *Too many credit report inquiries: When someone asks to see a credit report, it is noted on the report as an inquiry. Lenders look at the number of inquiries on a credit report within a six-month period. Too many inquiries signify that an applicant may be trying to get credit from a number of places. Lenders worry that*

get credit from a number of places. Lenders worry that people are either denying the applicant credit or the applicant is amassing credit from a number of sources. Either way, the lender sees the inquiries as increasing the risk associated with lending the applicant money. Do not authorize anyone to run a credit check on you unless you are going to make a purchase. Check your credit report for unauthorized inquiries and have them removed.

If you are denied credit, the lending organization must provide you with a reason for the denial within 30 days. If the reason is at all unclear, ask the lender to explain it.

Getting to YES

Lenders are in the business of making loans that will be repaid. Applying for credit can be a frustrating process. Recognize that credit denials and requests for additional information may not be acts of bias or discrimination. Try to understand how the credit decision is being made and what you can do to satisfy the lender's criteria. Most lenders will be very willing to work with you and discuss ways that you can strengthen your loan application. For example:

Cindy applied for a $13,000 car loan. Her credit application was denied. When she spoke with her lender, he explained that she did not make enough money to support the debt. Cindy and her lender then discussed how much money she could afford to borrow. Ultimately, the lender made Cindy a $5,000 car loan. Cindy was able to buy a used model of the car she wanted.

Dan applied for a $5,000 business loan. His credit application was denied. When he discussed the application with his lender, he was told that his credit report showed a number of late payments and too many open credit cards. Dan explained that his son had been hurt in a car accident and the insurance money did not come on time to pay the hospital. Everything had been dealt with and there were no other late payments on his report. At the lender's suggestion, Dan closed three of his credit card accounts that he did not use. Dan was able to borrow the $5,000 he requested.

people are either denying the applicant credit or the applicant is amassing credit from a number of sources. Either way, the lender sees the inquiries as increasing the risk associated with lending the applicant money. Do not authorize anyone to run a credit check on you unless you are going to make a purchase. Check your credit report for unauthorized inquiries and have them removed.

If you are denied credit, the lending organization must provide you with a reason for the denial within 30 days. If the reason is at all unclear, ask the lender to explain it.

Getting to YES (15 minutes)

18. Discuss the importance of working with a lender to create a viable loan.

Lenders are in the business of making loans that will be repaid. Applying for credit can be a frustrating process. Recognize that credit denials and requests for additional information may not be acts of bias or discrimination. Try to understand how the credit decision is being made and what you can do to satisfy the lender's criteria. Most lenders will be very willing to work with you and discuss ways that you can strengthen your loan application. For example:

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If you are having trouble getting a loan, you might want to discuss with a lender how the following actions might strengthen your loan application:

- Use collateral to secure your loan. Collateral is something of value that the lender can take and sell if you are unable to repay the loan.
- Put a substantial down payment on your purchase. Your personal investment is important to a lender. A significant down payment can improve your chances of receiving a loan. For instance, if you want to make a $6,000 purchase and are able to make a $3,000 down payment, it may improve your chances of getting the loan.
- Request a friend or a family member with good credit to co-sign or be a co-applicant with your loan. Make sure you can repay the loan before you consider asking someone to co-sign and put his or her own credit history at risk.
- Establish a nontraditional credit history. To build a nontraditional credit history:
  - Keep copies of your paid bills.
  - Keep copies of the canceled checks used to pay bills.
  - Ask those people/organizations to whom you pay bills to write a letter stating how long you have been a customer and paid your bills on time.
  - Clean up your credit history. If you have a poor credit history, no one can make it go away. Yet, there are steps you can take to rebuild your credit report:
    - Pay your bills on time.
    - Stay at your job and in your home for an extended period of time.
    - Pay down existing debts.
    - Open a checking or savings account.
    - Open a secured card or take out a secured loan from a local lender and repay it. This will begin to establish a positive repayment history.
    - Be patient. Reestablishing your credit takes time.

If you are having trouble getting a loan, you might want to discuss with a lender how the following actions might strengthen your loan application:

- *Use collateral to secure your loan. Collateral is something of value that the lender can take and sell if you are unable to repay the loan.*
- *Put a substantial down payment on your purchase. Your personal investment is important to a lender. A significant down payment can improve your chances of receiving a loan. For instance, if you want to make a $6,000 purchase and are able to make a $3,000 down payment, it may improve your chances of getting the loan.*
- *Request a friend or a family member with good credit to co-sign or be a co-applicant with your loan. Make sure you can repay the loan before you consider asking someone to co-sign and put his or her own credit history at risk.*
- *Establish a nontraditional credit history. To build a nontraditional credit history:*
  - *Keep copies of your paid bills.*
  - *Keep copies of the canceled checks used to pay bills.*
  - *Ask those people/organizations to whom you pay bills to write a letter stating how long you have been a customer and paid your bills on time.*
  - *Clean up your credit history. If you have a poor credit history, no one can make it go away. Yet, there are steps you can take to rebuild your credit report:*
    - *Pay your bills on time.*
    - *Stay at your job and in your home for an extended period of time.*
    - *Pay down existing debts.*
    - *Open a checking or savings account.*
    - *Open a secured card or take out a secured loan from a local lender and repay it. This will begin to establish a positive repayment history.*
    - *Be patient. Reestablishing your credit takes time.*

Summary Points

In this session, we discussed the following:

- Native communities have a long history of adopting new ideas to benefit the community. Credit is a nontraditional tool that can be used to promote community growth.
- Financial institutions are the safest, most reliable place to get a loan.
- Lending decisions are based on an applicant's ability to repay the loan.
- Financial institutions use the five Cs of credit—character, capacity, capital, collateral, and conditions—to evaluate loan applications.
- To complete a loan application you must provide the financial institution with the information it needs to assess your ability to repay the loan.
- If you are denied a loan, work with your lender to understand how you can strengthen your loan application.

Session 6:

Accessing Credit, Part II

Time:	2–3 hours
Format:	Lecture, group exercises, and discussion
Materials:	• Prepared overheads • Overhead projector • Blank flipchart • Session 6 participant handouts • Participant calculators

Overview

Native people developed one of the first known economic systems and trade networks. Take some time to appreciate this heritage and encourage participants to share their knowledge about Native economic systems before European contact.

Talk to participants about the differences between financial institutions and discuss services available in the area. Explain the importance of evaluating loan rates, terms, and fees by discussing how each affects the cost of credit. Stress the importance of understanding all of the costs involved, as well as one's personal financial situation, before taking out a loan.

Despite the honesty of most financial institutions, it is important that participants be aware of predatory lenders. Discuss how to identify suspicious offers as well as ways to avoid them.

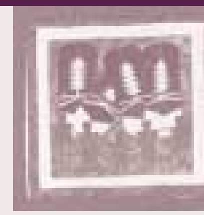
To conclude, bring participants back to a discussion about the circle of life. Emphasize that personal financial skills are tools to strengthen community and to facilitate economic development. Introduce insurance as an additional set of tools that can benefit the family and the community.

Objectives

After completing this session, participants will:
- be aware of different types of financial institutions;
- understand how to evaluate loan rates, terms, and fees;
- understand ways to identify and avoid predatory lending;
- understand the importance of insurance.

Workshop Preparation

- Before you hold the workshop, you will want to read through the entire session.
- Review the *financial systems before European contact* section. Be prepared to share examples from your community. Speak with elders or a community historian about the community's traditional economic systems. Was the community involved in trade networks? How did they function?
- Enter the session prepared to discuss local financial institutions. Provide participants with the names and locations of local institutions when you present the Financial Institutions Table on page 179.
- Invite representatives from local lending institutions to visit the class. Brainstorm questions with participants before the representatives' visit.
- Research the community's economic system. Be prepared to discuss traditional trade networks in the area.
- Prepare overheads of the participant materials for Session 6. The following pages of the participant materials may be useful as overheads: 92, 93, 94, 95, 96, 97, 98, 99.



Symbolism—Seven Generations

Seven generations: the seven tiers of the tree. The white roots of peace go out in four directions, welcoming anyone who wishes to take shelter under the tree.

The people are men and women. Notice the skirt shape on the women. The people are purple because our wampum belts are made of purple and white wampum shells.

The trees are on Eagle feathers. The first one is standing, like years ago when the Haudenosaunee Confederacy was established and peace was brought to the people.

The second feather is falling. The third feather is caught by the people. And the fourth feather is being set upright, in unity and spiritual strength.

Sharee Bonaparte
(Akwesasne Mohawk)

Zuni man drilling shell beads. Zuni Pueblo, New Mexico.

PARTICIPANT PAGE

Session 6:

Accessing Credit, Part II

Objectives

In today's session, we will discuss:

- different types of financial institutions;
- how to evaluate loan rates, terms and fees;
- ways to identify and avoid predatory lending;
- the importance of insurance.

Financial Systems Before European Contact

Long before the modern banking and financial system, there was interaction and trade between Native communities across great distances. For example, the Columbia trade network was a prosperous trade route that included established trade networks and eventually linked Alaska to California and the Pacific Ocean to the Dakotas.

Ivory, furs, fish, stone, hides and meat, shell, edible seeds, and medicinal plant treasures were brought to the mouth of the Columbia River where The Chinook Tribe maintained a busy exchange and trading post. Goods were left with the Chinook and traded with other Native people. Trade was conducted in a common tongue (Chinook Jargon) and used a regulated currency in the form of dentalium shell (harvest of the shell was restricted to prevent inflation). Value of the shells was determined by the size of shells grouped on a six-foot string.

Whom did your community trade with? What was the economic system before European contact?____

____

____

____

We must remember our ancestral experience developing and participating in a complex economic system. We can build on this knowledge and incorporate the tools and resources of the modern economy to benefit our community.

Symbolism...

Seven Generations

Seven generations: the seven tiers of the tree. The white roots of peace go out in four directions, welcoming anyone who wishes to take shelter under the tree.

The people are men and women. Notice the skirt shape on the women. The people are purple because our wampum belts are made of purple and white wampum shells.

The trees are on Eagle feathers. The first one is standing, like years ago when the Haudenosaunee Confederacy was established and peace was brought to the people.

The second feather is falling. The third feather is caught by the people. And the fourth feather is being set upright, in unity and spiritual strength.

Shane Bonaparte (Akwesasne Mohawk)

Zuni man drilling shell beads. Zuni Pueblo, New Mexico

Session 6 Outline

Welcome and Introductions (5 minutes)

1. **Facilitate introductions.** Start by introducing yourself. You may want to share some information about your organization.

   [Insert logistics and prayer if appropriate.]

   Hi. Thank you for joining us today. Welcome back for those of you who have attended previous sessions. Let's start by going around the room and introducing ourselves.

   [Introductions]

2. **Thank participants.**

Objectives (3 minutes)

3. **Explain the purpose and objectives of the session.**

   Today's session is the last in this series. This is Part II of our session Accessing Credit. At the end of the session, you will understand:
   - *different types of financial institutions;*
   - *how to evaluate loan rates, terms, and fees;*
   - *ways to identify and avoid predatory lending;*
   - *the importance of insurance.*

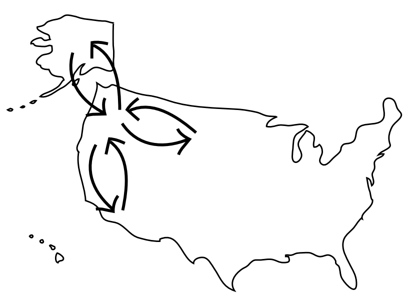
Financial Systems Before European Contact (5–10 minutes)

4. **Discuss the community and regional economy before European contact.**

   I'd like to begin by talking about the strength of the Native economy before European contact.

   Long before the modern banking and financial system, there was interaction and trade between Native communities across great distances. For example, the Columbia trade network was a prosperous trade route that included established trade networks and eventually linked Alaska to California and the Pacific Ocean to the Dakotas.

   Ivory, furs, fish, stone, hides and meat, shell, edible seeds, and medicinal plant treasures converged at the mouth of the Columbia River where the Chinook Tribe maintained a busy exchange and trading post. Goods were left with the Chinook and traded with other Native people. Trade was conducted in a common tongue (Chinook Jargon) and employed a regulated currency in the form of dentalium shell (harvest of the shell was restricted to prevent inflation). Value of the shells was determined by the size of shells grouped on a six-foot string.



   DISCUSSION QUESTION:
   Do you know any stories about your community's economic system before European contact?

   [Listen to participant stories.]

   It is important that we share stories to appreciate our own economic systems. We traded with surrounding communities. We came into contact with new goods and tools and adopted them to benefit our people. We can build on our own knowledge and adopt new tools from other economic systems to benefit our community.

Types of Financial Institutions

Financial institutions are a tool in the modern economy that Native people benefit from understanding. From depository relationships to credit, financial institutions play an important role in our realizing the economic self-sufficiency and community health we desire.

Below is a chart that explains four different types of financial institutions: banks, credit unions, finance companies, and loan funds. In the last column, list local institutions of each type.

Financial Institutions Table

	Mission	Depository Products	Credit Products/ Terms	Insured	List Local Institutions
Banks/ Savings Banks	These for-profit financial institutions are the largest source of deposits and credit in the economy. Business decisions are driven by the desire to make a profit.	Provide depository services to individuals and organizations.	• Deposits are used to make personal, business, and real estate loans. • Fees and interest rates are set by the market.	FDIC*	
Credit Unions	These nonprofit cooperative financial institutions exist to serve their members' financial needs.	Provide members with depository services.	• Provide members with credit services. • Specialize in meeting family credit needs (auto, mortgage, home equity, and emergency loans).	NCUSIF**	
Finance Companies	These for-profit businesses make consumer and commercial loans. They focus on serving borrowers who are considered too risky for banks, such as individuals with poor credit histories.	None	• Consumer finance companies make small installment and home equity loans. • Business finance companies finance assets (e.g., inventory, equipment). • Sales finance companies make loans for large items such as refrigerators, cars, and mobile homes. • Finance companies usually charge higher rates of interest and more fees than other lenders. Terms are often short-term.	No	
Loan Funds	Loan funds are pools of capital established to make loans in situations where conventional sources of financing do not exist. As the loans are repaid, the money is lent out again. Lending practices in these organizations are usually guided by a community development mission.	None	• Provide businesses, nonprofits, and housing organizations with loans. • Prefer lending to organizations that do not have access to capital through mainstream sources. • Structure, terms, and underwriting of loans are more flexible than main-stream sources of capital. • Often seek projects that result in job creation.	No	

** The Federal Deposit Insurance Corporation (FDIC) insures accounts at federal government-regulated financial institutions for up to $100,000 per account.*

***Nations Credit Union Share Insurance Fund (NCUSIF) insures accounts at federal government-regulated credit unions for up to $100,000 per account.*

Types of Financial Institutions (10–15 minutes)

5. Discuss different types of financial institutions. Use prepared overhead.

Financial institutions are a tool in the modern economy that Native people benefit from understanding.

From depository relationships to credit, financial institutions play an important role in realizing the economic self-sufficiency and community health we desire. While there are many different types of financial institutions, today we are going to talk about four—banks, credit unions, finance companies, and loan funds. Let's review the chart to get a better sense of these organizations.

[As you review each type of financial institution, provide a local example. After you present each type of financial institution, ask participants if they have worked with such an institution. For participants who have experience working with financial institutions, ask about the differences they have noticed. Are some more willing to provide technical assistance? Has anyone noticed differences in customer service or the office environment? You may want to use a blank flipchart to record information about other types of financial institutions (e.g., some churches or community organizations make loans).]

Financial Institutions Table

	Mission	Depository Products	Credit Products/ Terms	Insured	List Local Institutions
Banks/ Savings Banks	These for-profit financial institutions are the largest source of deposits and credit in the economy. Business decisions are driven by the desire to make a profit.	Provide depository services to individuals and organizations.	• Deposits are used to make personal, business, and real estate loans. • Fees and interest rates are set by the market.	FDIC*	
Credit Unions	These nonprofit cooperative financial institutions exist to serve their members' financial needs.	Provide members with depository services.	• Provide members with credit services. • Specialize in meeting family credit needs (auto, mortgage, home equity, and emergency loans).	NCUSIF**	
Finance Companies	These for-profit businesses make consumer and commercial loans. They focus on serving borrowers who are considered too risky for banks, such as individuals with poor credit histories.	None	• Consumer finance companies make small installment and home equity loans. • Business finance companies finance assets (e.g., inventory, equipment). • Sales finance companies make loans for large items such as refrigerators, cars and mobile homes. • Finance companies usually charge higher rates of interest and more fees than other lenders. Terms are often short-term.	No	
Loan Funds	Loan funds are pools of capital established to make loans in situations where conventional sources of financing do not exist. As the loans are repaid, the money is lent out again. Lending practices in these organizations are usually guided by a community development mission.	None	• Provide businesses, nonprofits, and housing organizations with loans. • Prefer lending to organizations that do not have access to capital through mainstream sources. • Structure, terms, and underwriting of loans are more flexible than main-stream sources of capital. • Often seek projects that result in job creation	No	

* *The Federal Deposit Insurance Corporation (FDIC) insures accounts at federal government-regulated financial institutions for up to $100,000 per account.*

***Nations Credit Union Share Insurance Fund (NCUSIF) insures accounts at federal government-regulated credit unions for up to $100,000 per account.*

Choosing a Financial Institution

It is important to choose a financial institution that will meet your financial needs. It is equally important to choose someplace where you feel comfortable asking questions and working with the people. If possible, visit a number of financial institutions before you choose one. Ask yourself the following questions about each financial institution you consider working with:

- Does it offer the services I need?
- Are there fees for these services? How much?
- Is it close to home or work?
- Do the hours meet my needs?
- Does it have ATMs? Are they located near where I live, work, or shop? Are there fees for using the ATMs? What are the fees for using other financial institutions' ATMs?
- (If you live on a reservation) How familiar is the institution with tribal law and doing business on trust land?
- Am I eligible to join a credit union?
- Do any of the employees speak my language?
- What kind of identification is accepted?
- Do the employees take the time to answer questions and explain products and services?
- Is the office location a comfortable place to visit?

List financial institutions where you and others have had good experiences. Take the time to share this information with others so that more people will have good experiences managing their finances.

Financial Institution	Contact Person	Comments

Choosing a Financial Institution (5–10 minutes)

6. **Discuss financial services available in the community.** This is an opportunity for participants to share their experiences. Make participants aware of the closest banks, credit unions, and loan funds. Use prepared overhead.

   [List participant responses on a blank flipchart. Be prepared to complete the list with your own research.]

   It is important to choose a financial institution that will meet your financial needs. It is equally important to choose someplace where you feel comfortable asking questions and working with the people. If possible, visit a number of financial institutions before you choose one. Ask yourself the following questions about each financial institution you consider working with:

   - *Does it offer the services I need?*
   - *Are there fees for these services? How much?*
   - *Is it close to home or work?*
   - *Do the hours meet my needs?*
   - *Does it have ATMs? Are they located near where I live, work or shop? Are there fees for using the ATMs? What are the fees for using other financial institutions' ATMs?*
   - *(If you live on a reservation) How familiar is the institution with tribal law and doing business on trust land?*
   - *Am I eligible to join a credit union?*
   - *Do any of the employees speak my language?*
   - *What kind of identification is accepted?*
   - *Do the employees take the time to answer questions and explain products and services?*
   - *Is the office location a comfortable place to visit?*

   DISCUSSION QUESTION:
   Has anyone had a good experience working with a particular financial institution? Is there a particular person who has been good to work with?

   For instance, you might know of a Native banker or a person who understands that a tribal ID can be used as valid identification, or a place where they always take the time to explain everything. It is important that we share this information with each other so that more people will have good experiences working with financial institutions.

   We can list your recommendations on this chart.

   [Write participant recommendations on the prepared overhead. If no one has any, remind them to share their experiences with each other and continue to the next section.]

Types of Financial Institutions Overview Exercise

Complete the following exercise that describes the types of financial institutions by filling in the missing words.

C_________ u_________ are nonprofit cooperative financial institutions. This means that they are owned and run by their members. They focus on serving their members' consumer financial needs and offer deposit and c_________ services. At federal government-regulated financial institutions, accounts at c_________ u_________ are F______ -insured. This means that depositors are insured for up to $100,000 should any situation affect the credit union's ability to return their deposit.

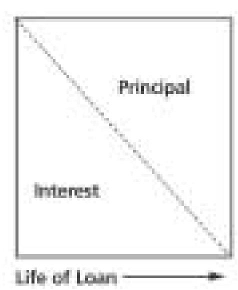
L________ f________ are pools of capital established to make l_________. As loans are repaid, money is l________ out again. They can be either for-profit or nonprofit organizations, and they typically prefer lending to organizations or individuals that do not have access to c__________ through conventional sources of financing. Many times these institutions are more f_________ in the collateral they accept as well as the structure, t________, and underwriting of their loans. They do not offer d_________ services, and they are not government-regulated, so their products and services are not F________-insured.

B_________ are the most common depository institutions and sources of c_______ in the mainstream economy. They offer d_________ and c________ services to individuals and businesses. They are government-regulated, and depository accounts are F________-insured.

Loan Rates, Terms, and Fees

When you borrow money, the lender charges you for using the funds (interest). Usually, the cost of the credit is paid for in small amounts over the life of the loan. Every monthly payment includes repayment of some of the borrowed amount (principal) and some of the cost of borrowing the money (interest).

Monthly payment = Principal payment + Interest



When you start to repay a loan, your monthly payments are mostly the interest and a small amount of the principal, because interest is repaid first. Throughout the life of the loan, your monthly payments become a greater portion principal and less interest.

Types of Financial Institutions Overview Exercise (10–15 minutes)

7. Help participants to complete the Types of Financial Institutions Overview Exercise. Use prepared overhead.

Based on what we just talked about, take a few minutes to complete the Types of Financial Institutions Overview Exercise in your materials. Go through the exercise and fill in the missing words. You may want to use the Financial Institutions Table we reviewed to help you.

[Give participants 5–10 minutes to complete the exercise. Then slowly read through the completed exercise below. The words in bold italics should have been added by participants to complete the exercise. You may want to complete the prepared overhead of the exercise with participants as you read through the answers.]

Types of Financial Institutions Overview Exercise

Complete the following exercise that describes the types of financial institutions by filling in the missing words.

C**redit** u**nions** are nonprofit cooperative financial institutions. This means that they are owned and run by their members. They focus on serving their members' consumer financial needs and offer deposit and c**redit** services. At federal government-regulated financial institutions, accounts at c**redit** u**nions** are F**DIC**-insured. This means that depositors are insured for up to $100,000 should any situation affect the credit union's ability to return their deposit.

L**oan** f**unds** are pools of capital established to make l**oans**. As loans are repaid, money is l**ent** out again. They can be either for-profit or nonprofit organizations, and they typically prefer lending to organizations or individuals that do not have access to c**redit** through conventional sources of financing. Many times these institutions are more f**lexible** in the collateral they accept as well as the structure, t**erms**, and underwriting of their loans. They do not offer d**epository** services, and they are not government-regulated so their products and services are not F**DIC**-insured.

B**anks** are the most common depository institutions and sources of c**redit** in the mainstream economy. They offer d**epository** and c**redit** services to individuals and businesses. They are government-regulated, and depository accounts are F**DIC**-insured.

Understanding the Cost of Borrowing Money (5–10 minutes)

8. Discuss participants' experiences borrowing money.

DISCUSSION QUESTION:
Do you know anyone who has taken out a loan or financed a purchase without understanding the terms? What was their experience?

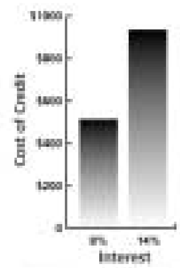
Too often, people agree to loan or financing terms that they do not understand. In order to gain access to money, people accept interest rates and fees that cost more than the loan itself.

I want you to leave this session today with a better understanding of how to evaluate a loan opportunity.

There are several factors that affect the cost of credit and the monthly payment on a loan. These variables are interest rates, terms (including down payment), and fees. Let's look at the examples below to see how the cost of credit can change.

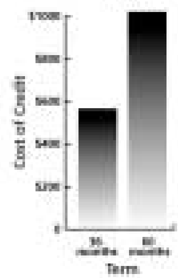
The higher the interest rate, the greater the cost of the credit.

Interest rate	***8%***	***14%***
Loan amount	$3,000	$3,000
Number of monthly payments	48	48
Monthly payment	$73.24	$81.98
Total amount of payment	$3,515.46	$3,935.01
Cost of credit	***$515.46***	***$935.01***



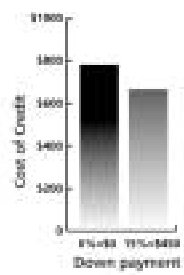
The longer the term of the loan, the lower the monthly payment but the greater the cost of the credit.

Number of monthly payments	***36***	***60***
Loan amount	$3,000	$3,000
Interest rate	12%	12%
Monthly payment	$99.64	$66.73
Total amount of payments	$3,587.15	$4,004
Cost of credit	***$587.15***	***$1,004.00***



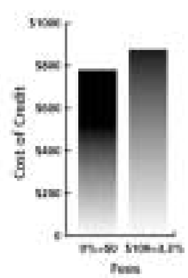
The higher the down payment, the lower the loan amount and the cost of the credit.

Down payment	***0% = $0***	***15% = $450***
Purchase price	$3,000	$3,000
Loan amount	$3,000	$2,550
Interest rate	12%	12%
Number of monthly payments	48	48
Monthly payment	$79.00	$67.15
Total amount of payments	$3,792.07	$3,223.26
Cost of credit	***$792.07***	***$673.26***

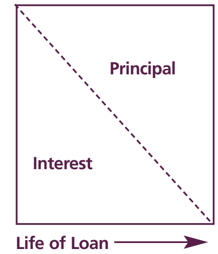


The higher the loan fees, the higher the cost of the credit.

Loan fees	***$0 = 0%***	***$100 = 3.3%***
Loan amount	$3,000	$3,000
Net loan proceeds	$3,000	$2,900 ($3,000 - $100)
Interest rate	12%	12%
Number of monthly payments	48	48
Monthly payment	$79	$79
Total amount of payments	$3,792.07	$3,792.07
Cost of credit	***$792.07***	***$892.07***



Loan Rates, Terms, and Fees (15 minutes)



9. Explain the factors that affect the cost of a loan. Use prepared overhead.

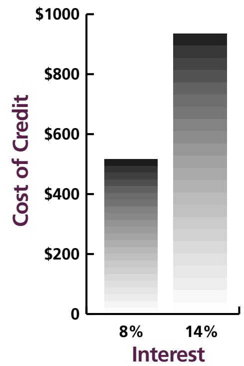
When you borrow money, the lender charges you for using the funds. This is the cost of the credit, known as "interest." Usually, the cost of the credit is paid for in small amounts over the life of the loan. Every monthly payment includes repayment of some of the borrowed amount (principal) and some of the cost of borrowing the money (interest). **Monthly payment = Principal payment + Interest**

When you start to repay a loan, your monthly payments are mostly the interest and a small amount of principal, because the interest is repaid first. Throughout the life of the loan, your monthly payments become a greater portion principal and less interest.

There are several factors that affect the cost of credit and the monthly payment. These variables are interest rates, terms (including down payment), and fees. Let's look at the examples in your materials to see how the cost of credit can change.

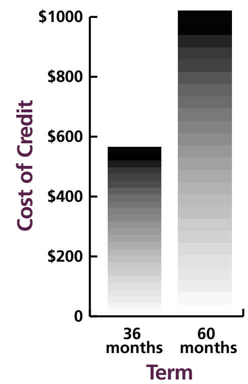
The higher the interest rate, the greater the cost of the credit.

Interest rate	***8%***	***14%***
Loan amount	$3,000	$3,000
Number of monthly payments	48	48
Monthly payment	$73.24	$81.98
Total amount of payment	$3,515.46	$3,935.01
Cost of credit	***$515.46***	***$935.01***



The longer the term of the loan, the lower the monthly payment but the greater the cost of the credit.

Number of monthly payments	***36***	***60***
Loan amount	$3,000	$3,000
Interest rate	12%	12%
Monthly payment	$99.64	$66.73
Total amount of payments	$3,587.15	$4,004
Cost of credit	***$587.15***	***$1,004.00***



The higher the down payment, the lower the loan amount and the cost of the credit.

Down payment	***0% = $0***	***15% = $450***
Purchase price	$3,000	$3,000
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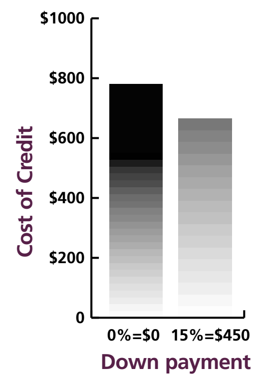

The higher the loan fees, the higher the cost of the credit.

Loan fees	***$0 = 0%***	***$100 = 3.3%***
Loan amount	$3,000	$3,000
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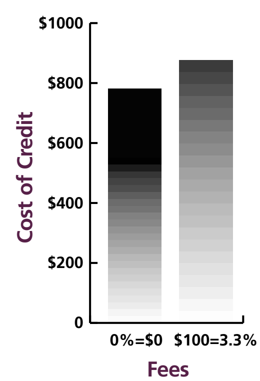
Interest rate	12%	12%
Number of monthly payments	48	48
Monthly payment	$79	$79
Total amount of payments	$3,792.07	$3,792.07
Cost of credit	***$792.07***	***$892.07***



Below is a **Payment Factor Table**. You can use the table to calculate monthly payments and the cost of credit for installment loans (e.g., car loans, boat loans). Look at the example on the following page to understand how to use this table.

Interest Rate	TERM, IN YEARS 1	2	3	4	5	6	7	8	9	10	15	20	25	30
3.00%	0.08469	0.04298	0.02908	0.02213	0.01797	0.01519	0.01321	0.01173	0.01058	0.00966	0.00691	0.00555	0.00474	0.00422
3.50%	0.08492	0.04320	0.02930	0.02236	0.01819	0.01542	0.01344	0.01196	0.01081	0.00989	0.00715	0.00580	0.00501	0.00449
4.00%	0.08515	0.04342	0.02952	0.02258	0.01842	0.01565	0.01367	0.01219	0.01104	0.01012	0.00740	0.00606	0.00528	0.00477
4.50%	0.08538	0.04365	0.02975	0.02280	0.01864	0.01587	0.01390	0.01242	0.01128	0.01036	0.00765	0.00633	0.00556	0.00507
5.00%	0.08561	0.04387	0.02997	0.02303	0.01887	0.01610	0.01413	0.01266	0.01152	0.01061	0.00791	0.00660	0.00585	0.00537
5.50%	0.08584	0.04410	0.03020	0.02326	0.01910	0.01634	0.01437	0.01290	0.01176	0.01085	0.00817	0.00688	0.00614	0.00568
6.00%	0.08607	0.04432	0.03042	0.02349	0.01933	0.01657	0.01461	0.01314	0.01201	0.01110	0.00844	0.00716	0.00644	0.00600
6.50%	0.08630	0.04455	0.03065	0.02371	0.01957	0.01681	0.01485	0.01339	0.01225	0.01135	0.00871	0.00746	0.00675	0.00632
7.00%	0.08653	0.04477	0.03088	0.02395	0.01980	0.01705	0.01509	0.01363	0.01251	0.01161	0.00899	0.00775	0.00707	0.00665
7.50%	0.08676	0.04500	0.03111	0.02418	0.02004	0.01729	0.01534	0.01388	0.01276	0.01187	0.00927	0.00806	0.00739	0.00699
8.00%	0.08699	0.04523	0.03134	0.02441	0.02028	0.01753	0.01559	0.01414	0.01302	0.01213	0.00956	0.00836	0.00772	0.00734
8.50%	0.08722	0.04546	0.03157	0.02465	0.02052	0.01778	0.01584	0.01439	0.01328	0.01240	0.00985	0.00868	0.00805	0.00769
9.00%	0.08745	0.04568	0.03180	0.02489	0.02076	0.01803	0.01609	0.01465	0.01354	0.01267	0.01014	0.00900	0.00839	0.00805
9.50%	0.08768	0.04591	0.03203	0.02512	0.02100	0.01827	0.01634	0.01491	0.01381	0.01294	0.01044	0.00932	0.00874	0.00841
10.00%	0.08792	0.04614	0.03227	0.02536	0.02125	0.01853	0.01660	0.01517	0.01408	0.01322	0.01075	0.00965	0.00909	0.00878
10.50%	0.08815	0.04638	0.03250	0.02560	0.02149	0.01878	0.01686	0.01544	0.01435	0.01349	0.01105	0.00998	0.00944	0.00915
11.00%	0.08838	0.04661	0.03274	0.02585	0.02174	0.01903	0.01712	0.01571	0.01463	0.01378	0.01137	0.01032	0.00980	0.00952
11.50%	0.08862	0.04684	0.03298	0.02609	0.02199	0.01929	0.01739	0.01598	0.01490	0.01406	0.01168	0.01066	0.01016	0.00990
12.00%	0.08885	0.04707	0.03321	0.02633	0.02224	0.01955	0.01765	0.01625	0.01518	0.01435	0.01200	0.01101	0.01053	0.01029
12.50%	0.08908	0.04731	0.03345	0.02658	0.02250	0.01981	0.01792	0.01653	0.01547	0.01464	0.01233	0.01136	0.01090	0.01067
13.00%	0.08932	0.04754	0.03369	0.02683	0.02275	0.02007	0.01819	0.01681	0.01575	0.01493	0.01265	0.01172	0.01128	0.01106
13.50%	0.08955	0.04778	0.03394	0.02708	0.02301	0.02034	0.01846	0.01709	0.01604	0.01523	0.01298	0.01207	0.01166	0.01145
14.00%	0.08979	0.04801	0.03418	0.02733	0.02327	0.02061	0.01874	0.01737	0.01633	0.01553	0.01332	0.01244	0.01204	0.01185
14.50%	0.09002	0.04825	0.03442	0.02758	0.02353	0.02087	0.01902	0.01766	0.01663	0.01583	0.01366	0.01280	0.01242	0.01225
15.00%	0.09026	0.04849	0.03467	0.02783	0.02379	0.02115	0.01930	0.01795	0.01692	0.01613	0.01400	0.01317	0.01281	0.01264
15.50%	0.09049	0.04872	0.03491	0.02808	0.02405	0.02142	0.01958	0.01824	0.01722	0.01644	0.01434	0.01354	0.01320	0.01305
16.00%	0.09073	0.04896	0.03516	0.02834	0.02432	0.02169	0.01986	0.01853	0.01753	0.01675	0.01469	0.01391	0.01359	0.01345
16.50%	0.09097	0.04920	0.03540	0.02860	0.02458	0.02197	0.02015	0.01882	0.01783	0.01706	0.01504	0.01429	0.01398	0.01385
17.00%	0.09120	0.04944	0.03565	0.02886	0.02485	0.02225	0.02044	0.01912	0.01814	0.01738	0.01539	0.01467	0.01438	0.01426
17.50%	0.09144	0.04968	0.03590	0.02911	0.02512	0.02253	0.02073	0.01942	0.01845	0.01770	0.01575	0.01505	0.01478	0.01466
18.00%	0.09168	0.04992	0.03615	0.02937	0.02539	0.02281	0.02102	0.01972	0.01876	0.01802	0.01610	0.01543	0.01517	0.01507
18.50%	0.09192	0.05017	0.03640	0.02964	0.02567	0.02309	0.02131	0.02003	0.01907	0.01834	0.01647	0.01582	0.01557	0.01548
19.00%	0.09216	0.05041	0.03666	0.02990	0.02594	0.02338	0.02161	0.02033	0.01939	0.01867	0.01683	0.01621	0.01598	0.01589
19.50%	0.09240	0.05065	0.03691	0.03016	0.02622	0.02366	0.02191	0.02064	0.01971	0.01900	0.01719	0.01660	0.01638	0.01630
20.00%	0.09263	0.05090	0.03716	0.03043	0.02649	0.02395	0.02221	0.02095	0.02003	0.01933	0.01756	0.01699	0.01678	0.01671
20.50%	0.09287	0.05114	0.03742	0.03070	0.02677	0.02424	0.02251	0.02127	0.02035	0.01966	0.01793	0.01738	0.01719	0.01712
21.00%	0.09311	0.05139	0.03768	0.03097	0.02705	0.02454	0.02281	0.02158	0.02067	0.01999	0.01831	0.01778	0.01760	0.01753
21.50%	0.09335	0.05163	0.03793	0.03124	0.02734	0.02483	0.02312	0.02190	0.02100	0.02033	0.01868	0.01817	0.01800	0.01795
22.00%	0.09359	0.05188	0.03819	0.03151	0.02762	0.02513	0.02343	0.02222	0.02133	0.02067	0.01906	0.01857	0.01841	0.01836
22.50%	0.09384	0.05213	0.03845	0.03178	0.02790	0.02542	0.02374	0.02254	0.02166	0.02101	0.01944	0.01897	0.01882	0.01877
23.00%	0.09408	0.05237	0.03871	0.03205	0.02819	0.02572	0.02405	0.02286	0.02200	0.02135	0.01982	0.01937	0.01923	0.01919
23.50%	0.09432	0.05262	0.03897	0.03233	0.02848	0.02602	0.02436	0.02319	0.02233	0.02170	0.02020	0.01977	0.01964	0.01960
24.00%	0.09456	0.05287	0.03923	0.03260	0.02877	0.02633	0.02468	0.02351	0.02267	0.02205	0.02058	0.02017	0.02005	0.02002
24.50%	0.09480	0.05312	0.03950	0.03288	0.02906	0.02663	0.02499	0.02384	0.02301	0.02240	0.02097	0.02058	0.02046	0.02043
25.00%	0.09504	0.05337	0.03976	0.03316	0.02935	0.02694	0.02531	0.02417	0.02335	0.02275	0.02136	0.02098	0.02088	0.02085
25.50%	0.09529	0.05362	0.04002	0.03344	0.02965	0.02724	0.02563	0.02451	0.02370	0.02310	0.02174	0.02139	0.02129	0.02126

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3.50%	0.08492	0.04320	0.02930	0.02236	0.01819	0.01542	0.01344	0.01196	0.01081	0.00989	0.00715	0.00580	0.00501	0.00449
4.00%	0.08515	0.04342	0.02952	0.02258	0.01842	0.01565	0.01367	0.01219	0.01104	0.01012	0.00740	0.00606	0.00528	0.00477
4.50%	0.08538	0.04365	0.02975	0.02280	0.01864	0.01587	0.01390	0.01242	0.01128	0.01036	0.00765	0.00633	0.00556	0.00507
5.00%	0.08561	0.04387	0.02997	0.02303	0.01887	0.01610	0.01413	0.01266	0.01152	0.01061	0.00791	0.00660	0.00585	0.00537
5.50%	0.08584	0.04410	0.03020	0.02326	0.01910	0.01634	0.01437	0.01290	0.01176	0.01085	0.00817	0.00688	0.00614	0.00568
6.00%	0.08607	0.04432	0.03042	0.02349	0.01933	0.01657	0.01461	0.01314	0.01201	0.01110	0.00844	0.00716	0.00644	0.00600
6.50%	0.08630	0.04455	0.03065	0.02371	0.01957	0.01681	0.01485	0.01339	0.01225	0.01135	0.00871	0.00746	0.00675	0.00632
7.00%	0.08653	0.04477	0.03088	0.02395	0.01980	0.01705	0.01509	0.01363	0.01251	0.01161	0.00899	0.00775	0.00707	0.00665
7.50%	0.08676	0.04500	0.03111	0.02418	0.02004	0.01729	0.01534	0.01388	0.01276	0.01187	0.00927	0.00806	0.00739	0.00699
8.00%	0.08699	0.04523	0.03134	0.02441	0.02028	0.01753	0.01559	0.01414	0.01302	0.01213	0.00956	0.00836	0.00772	0.00734
8.50%	0.08722	0.04546	0.03157	0.02465	0.02052	0.01778	0.01584	0.01439	0.01328	0.01240	0.00985	0.00868	0.00805	0.00769
9.00%	0.08745	0.04568	0.03180	0.02489	0.02076	0.01803	0.01609	0.01465	0.01354	0.01267	0.01014	0.00900	0.00839	0.00805
9.50%	0.08768	0.04591	0.03203	0.02512	0.02100	0.01827	0.01634	0.01491	0.01381	0.01294	0.01044	0.00932	0.00874	0.00841
10.00%	0.08792	0.04614	0.03227	0.02536	0.02125	0.01853	0.01660	0.01517	0.01408	0.01322	0.01075	0.00965	0.00909	0.00878
10.50%	0.08815	0.04638	0.03250	0.02560	0.02149	0.01878	0.01686	0.01544	0.01435	0.01349	0.01105	0.00998	0.00944	0.00915
11.00%	0.08838	0.04661	0.03274	0.02585	0.02174	0.01903	0.01712	0.01571	0.01463	0.01378	0.01137	0.01032	0.00980	0.00952
11.50%	0.08862	0.04684	0.03298	0.02609	0.02199	0.01929	0.01739	0.01598	0.01490	0.01406	0.01168	0.01066	0.01016	0.00990
12.00%	0.08885	0.04707	0.03321	0.02633	0.02224	0.01955	0.01765	0.01625	0.01518	0.01435	0.01200	0.01101	0.01053	0.01029
12.50%	0.08908	0.04731	0.03345	0.02658	0.02250	0.01981	0.01792	0.01653	0.01547	0.01464	0.01233	0.01136	0.01090	0.01067
13.00%	0.08932	0.04754	0.03369	0.02683	0.02275	0.02007	0.01819	0.01681	0.01575	0.01493	0.01265	0.01172	0.01128	0.01106
13.50%	0.08955	0.04778	0.03394	0.02708	0.02301	0.02034	0.01846	0.01709	0.01604	0.01523	0.01298	0.01207	0.01166	0.01145
14.00%	0.08979	0.04801	0.03418	0.02733	0.02327	0.02061	0.01874	0.01737	0.01633	0.01553	0.01332	0.01244	0.01204	0.01185
14.50%	0.09002	0.04825	0.03442	0.02758	0.02353	0.02087	0.01902	0.01766	0.01663	0.01583	0.01366	0.01280	0.01242	0.01225
15.00%	0.09026	0.04849	0.03467	0.02783	0.02379	0.02115	0.01930	0.01795	0.01692	0.01613	0.01400	0.01317	0.01281	0.01264
15.50%	0.09049	0.04872	0.03491	0.02808	0.02405	0.02142	0.01958	0.01824	0.01722	0.01644	0.01434	0.01354	0.01320	0.01305
16.00%	0.09073	0.04896	0.03516	0.02834	0.02432	0.02169	0.01986	0.01853	0.01753	0.01675	0.01469	0.01391	0.01359	0.01345
16.50%	0.09097	0.04920	0.03540	0.02860	0.02458	0.02197	0.02015	0.01882	0.01783	0.01706	0.01504	0.01429	0.01398	0.01385
17.00%	0.09120	0.04944	0.03565	0.02886	0.02485	0.02225	0.02044	0.01912	0.01814	0.01738	0.01539	0.01467	0.01438	0.01426
17.50%	0.09144	0.04968	0.03590	0.02911	0.02512	0.02253	0.02073	0.01942	0.01845	0.01770	0.01575	0.01505	0.01478	0.01466
18.00%	0.09168	0.04992	0.03615	0.02937	0.02539	0.02281	0.02102	0.01972	0.01876	0.01802	0.01610	0.01543	0.01517	0.01507
18.50%	0.09192	0.05017	0.03640	0.02964	0.02567	0.02309	0.02131	0.02003	0.01907	0.01834	0.01647	0.01582	0.01557	0.01548
19.00%	0.09216	0.05041	0.03666	0.02990	0.02594	0.02338	0.02161	0.02033	0.01939	0.01867	0.01683	0.01621	0.01598	0.01589
19.50%	0.09240	0.05065	0.03691	0.03016	0.02622	0.02366	0.02191	0.02064	0.01971	0.01900	0.01719	0.01660	0.01638	0.01630
20.00%	0.09263	0.05090	0.03716	0.03043	0.02649	0.02395	0.02221	0.02095	0.02003	0.01933	0.01756	0.01699	0.01678	0.01671
20.50%	0.09287	0.05114	0.03742	0.03070	0.02677	0.02424	0.02251	0.02127	0.02035	0.01966	0.01793	0.01738	0.01719	0.01712
21.00%	0.09311	0.05139	0.03768	0.03097	0.02705	0.02454	0.02281	0.02158	0.02067	0.01999	0.01831	0.01778	0.01760	0.01753
21.50%	0.09335	0.05163	0.03793	0.03124	0.02734	0.02483	0.02312	0.02190	0.02100	0.02033	0.01868	0.01817	0.01800	0.01795
22.00%	0.09359	0.05188	0.03819	0.03151	0.02762	0.02513	0.02343	0.02222	0.02133	0.02067	0.01906	0.01857	0.01841	0.01836
22.50%	0.09384	0.05213	0.03845	0.03178	0.02790	0.02542	0.02374	0.02254	0.02166	0.02101	0.01944	0.01897	0.01882	0.01877
23.00%	0.09408	0.05237	0.03871	0.03205	0.02819	0.02572	0.02405	0.02286	0.02200	0.02135	0.01982	0.01937	0.01923	0.01919
23.50%	0.09432	0.05262	0.03897	0.03233	0.02848	0.02602	0.02436	0.02319	0.02233	0.02170	0.02020	0.01977	0.01964	0.01960
24.00%	0.09456	0.05287	0.03923	0.03260	0.02877	0.02633	0.02468	0.02351	0.02267	0.02205	0.02058	0.02017	0.02005	0.02002
24.50%	0.09480	0.05312	0.03950	0.03288	0.02906	0.02663	0.02499	0.02384	0.02301	0.02240	0.02097	0.02058	0.02046	0.02043
25.00%	0.09504	0.05337	0.03976	0.03316	0.02935	0.02694	0.02531	0.02417	0.02335	0.02275	0.02136	0.02098	0.02088	0.02085
25.50%	0.09529	0.05362	0.04002	0.03344	0.02965	0.02724	0.02563	0.02451	0.02370	0.02310	0.02174	0.02139	0.02129	0.02126

Example

If you borrow $1,500 at a 9% interest rate and agree to repay the loan over 5 years, the costs are as follows:

Loan amount	*$1,500*
Interest rate	*9%*
Time	*5 years or 60 months*
Payment factor	*.02076*
Monthly loan payment	*$1,500 x .02076 = $31.14*
Total cost of loan	*$31.14 x 60 months = $1,868.40*
Cost of credit	*$1,868.40 - $1,500 = $368.40*

To use the Payment Factor Table:

1. Identify the payment factor for a specific interest rate and terms (in years).
2. Calculate the monthly payment by multiplying the loan amount by the payment factor.
   monthly payment = loan amount x payment factor
3. Calculate the total cost of the loan by multiplying the monthly payment by the number of months of the loan.
   total cost of loan = monthly payment x number of months
4. Calculate the cost of the credit by subtracting the loan amount from the total cost of the loan.
   cost of credit = total cost of loan – loan amount

White Mountain Apache shield cover. Arizona. Deerhide and pigment. 47.6 cm. diam. Photo by David Heald

Example

If you borrow $1,500 at a 9% interest rate and agree to repay the loan over 5 years, the costs are as follows:

Loan amount	*$1,500*
Interest rate	*9%*
Time	*5 years or 60 months*
Payment factor	*.02076*
Monthly loan payment	*$1,500 x .02076 = $31.14*
Total cost of loan	*$31.14 x 60 months = $1,868.40*
Cost of credit	*$1,868.40 - $1,500 = $368.40*

To use the Payment Factor Table:

- Identify the payment factor for a specific interest rate and terms.
- Calculate the monthly payment by multiplying the loan amount by the payment factor.
  monthly payment = loan amount x payment factor
- Calculate the total amount of loan payments by multiplying the monthly payment by the number of months of the loan amount from the total amount of loan payments.
  total cost of loan = monthly payment x number of months
- Calculate the cost of credit by subtracting the loan amount from the total cost of the loan.
  cost of credit = total cost of loan – loan amount

Interest Rates, Loan Terms, and Fees Exercise

Answer the following questions. Use the chart on page 97 and the Payment Factor Table on page 96 to assist you.

1. Ruby is borrowing $5,000 to remodel her house. Credit Union A offers her a loan with an 8% interest rate over 48 months. Credit Union B offers her a loan with a 12% interest rate over 60 months.
   A. Which credit union is offering the loan with least expensive monthly payment? How much less? __________
   B. Which credit union is offering the least expensive loan? _______ How much less? _______
   C. Why might Ruby choose to take out the more expensive loan?_________________

2. Sammy wants to buy a chainsaw that is $150. The store offers him a payment plan of $20 a month for 15 months. If Sammy uses the payment plan to purchase the chainsaw, how much will he pay? _________

3. Lenora wants to buy a $5,000 car. She has saved $300 toward this purchase. The interest rate for her loan is 8%.
   A. If Lenora makes a downpayment of $300, how much money will she need to borrow to purchase the car? __________
   B. Will Lenora's cost for the credit go down if she uses her $300 as a downpayment?____

4. Kala has a credit card with a 26% interest rate. If she pays the total amount due within 30 days of receiving her bill, she is not charged any interest.

   One day Kala charges $71.00 on her credit card. The next day she sends the credit card company a check for the full amount. What percent interest did Kala pay for her purchase? _____%

5. Diane borrows $700 from the Rainflower Loan Fund to start her own florist business. She agrees to pay 10% interest on a five year loan. Using the Payment Factor Table, calculate the cost of Diane's credit.

Loan amount	$____________
Interest rate	10%
Time	5 years or _____ months
Monthly loan payment	$____________

- Identify the payment factor ____________
- Multiply the payment factor by the loan amount

  $_______ x _______ = $________

Total cost of loan	$_______ per month x ______ months = $ ________
Cost of credit	$_______ – $700 = $________

Interest Rates, Loan Terms, and Fees Exercise (10–15 minutes)

10. Help participants to complete the Interest Rates, Loan Terms, and Fees Exercise. Use prepared overhead.

Take a few minutes to complete the Interest Rates, Loan Terms, and Fees Exercise with the person sitting next to you. You will want to use the tables we just discussed as well as your calculator.

Interest Rates, Loan Terms, and Fees Exercise
Answer the following questions.

1. Ruby is borrowing $3,000 to remodel her house. Credit Union A offers her a loan with an 8% interest rate over 48 months. Credit Union B offers her a loan with a 12% interest rate over 60 months.
   A. Which credit union is offering the loan with least expensive monthly payment? B
   How much less? $6.51
   B. Which credit union is offering the least expensive loan? A How much less? $488.16
   C. Why might Ruby choose to take out the more expensive loan?
   Ruby may need a less expensive monthly payment, although she will save $488.16 if she can afford to spend the additional $6.51 per month.

2. Sammy wants to buy a chainsaw that is $150. The store offers him a payment plan of $20 a month for 15 months. If Sammy uses the payment plan to purchase the chainsaw, how much will he pay for it? $300

3. Lenora wants to buy a $5,000 car. She has saved $300 toward this purchase. The interest rate for her loan is 8%.
   A. If Lenora makes a downpayment of $300, how much money will she need to borrow to purchase the car? $4,700
   B. Will Lenora's monthly payment go down if she uses her $300 as a downpayment? Yes

4. Kala has a credit card with a 26% interest rate. If she pays the total amount due within 30 days of receiving her bill, she is not charged any interest.

   One day Kala charges $71.00 on her credit card. The next day she sends the credit card company a check for the full amount. Kala makes no addition purchases using her credit card during the month. What percent interest did Kala pay for her $71.00 purchase? 0 %

   Make sure to read the terms of your own credit agreements so that you understand how interest is being charged on your account.

5. Diane borrows $2,000 from the Rainflower Loan Fund to start her own beauty salon. She agrees to pay 10% interest on a five-year loan. Using the Payment Factor Table, calculate the cost of Diane's credit.

Loan amount	$2,000
Interest rate	10%
Time	5 years or 60 months

Monthly loan payment
- Identify the payment factor .02125
- Multiply the payment factor by the loan amount
  .02125 x $ 2,000 = $ 42.50

Total amount of payments	$42.50 per month x 60 months = $ 2,550
Cost of credit	$ 2,550 - $2,000 = $ 550

Personally Evaluating the Deal

Your financial situation affects your approach to borrowing money. Every borrower needs to evaluate all the costs and terms associated with a potential loan. Borrowers must decide on the best loan product based on their own personal financial situation. For example:

Samantha is Navajo and lives in Whitehorse. She works at the chapter house. Samantha wants to borrow $3,000 to buy a car. After paying her bills each month and accounting for the cost of living, she has exactly $68.50 to put toward a car payment. Lender A offers her a four-year loan at 8% with monthly payments of $73.24. Lender B offers her a five-year loan at 12% with monthly payments of $66.73. Samantha does some basic calculations to evaluate the two offers.

	Lender A	Lender B
Loan amount	$3,000	$3,000
Interest rate	8%	12%
Time	4 years	5 years
Monthly payment	$73.24	$66.73
Total amount of payments	$3,515.46	$4,004.00
Cost of credit	$515.46	$1,004.00

What should Samantha do?____

____

____

While it is exciting to get approved for a loan and gain access to credit, it is important to evaluate the costs. It can be deceiving to focus on any one factor that affects the price of the credit (e.g., interest rate). It is often worthwhile to "shop" for a good deal. This involves talking to a number of lenders about the total cost of borrowing a certain amount of money. Lenders are required by law to disclose the total cost of a loan. A lender may offer an appealing package from one perspective, but the total cost of the credit may not be competitive with that offered by other lenders. Make sure to talk about all of the costs involved and calculate the total cost of the credit.

Beware of loans with a large "balloon payment" at the back end. Balloon loans offer lower interest rates for shorter-term financing, usually five, seven, or ten years. At the end of this term, they require refinancing or paying off the outstanding balance with a lump-sum payment. If the original loan does not guarantee a new loan with reasonable rates, the refinanced loan can cost you even more money because of loan fees and the uncertainty of rates in the future.

Also, pay attention to loan fees. Loan fees increase the cost of credit. A fee is any charge added to the price of the loan. Loan fees vary with each lending institution and may include fees for the application, origination, appraisal, title search, or title insurance, or fees triggered by late loan payments. In most cases, loan fees should not exceed 5 percent of the loan amount unless you are paying for a lower interest rate. If you have any questions, make sure you talk to a trusted adviser who has lending experience before you agree to the cost and terms of a loan.

Personally Evaluating the Deal (5–10 minutes)

11. Discuss the importance of evaluating a loan package based on your personal financial situation.
Use prepared overhead.

Your financial situation affects your approach to borrowing money. Every borrower needs to evaluate all of the costs and terms associated with a potential loan. Borrowers must decide on the best loan product based on their own personal financial situation. For example:

Samantha is Navajo and lives in Whitehorse. She works at the chapter house. Samantha wants to borrow $3,000 to buy a car. After paying her bills each month and accounting for the cost of living, she has exactly $68.50 to put toward a car payment. Lender A offers her a four-year loan at 8% with monthly payments of $73.24. Lender B offers her a five-year loan at 12% with monthly payments of $66.73. Samantha does some basic calculations to evaluate the two offers.

	Lender A	Lender B
Loan amount	$3,000	$3,000
Interest rate	8%	12%
Time	4 years	5 years
Monthly payment	$73.24	$66.73
Total amount of payments	$3,515.46	$4,004.00
Cost of credit	$515.46	$1,004.00

DISCUSSION QUESTION:
What should Samantha do?

Answer: Samantha has a number of options.
1. The package that Lender B has offered works within her current budget so she can accept it.
2. She can see that Lender A's offer will cost her less money over the life of the loan. Samantha can go back to her budget and consider ways to decrease her monthly expenses by $4.74 so that she can afford the larger monthly car payment.
3. Samantha can go back and negotiate with either of the lenders to see if they are able to offer her a more appealing loan package.

As you can see, there is no right or wrong answer. As a borrower, you need to evaluate what makes sense for your personal situation.

12. Explain the importance of looking at all of the costs involved in taking out a loan.

While it is exciting to get approved for a loan and gain access to credit, it is important to evaluate the costs. It can be deceiving to focus on any one factor that affects the price of the credit (e.g., interest rate). It is often worthwhile to "shop" for a good deal. This involves talking to a number of lenders about the total cost of borrowing a certain amount of money. Ask each lender to outline the costs and terms of a loan in the same way Samantha has done. A lender may offer an appealing package from one perspective, but the total cost of the credit may not be competitive with that offered by other lenders. Make sure to talk about all of the costs involved and calculate the total cost of the credit.

Beware of loans with a large "balloon payment" at the back end. Balloon loans offer lower interest rates for shorter-term financing, usually five, seven, or ten years. At the end of this term, they require refinancing or paying off the outstanding balance with a lump-sum payment. If the original loan does not guarantee a new loan with reasonable rates, the refinanced loan can cost you even more money because of loan fees and the uncertainty of rates in the future.

Also, pay attention to loan fees. In most cases, loan fees should not exceed 5 percent of the loan amount unless you are paying for a lower interest rate. If you have any questions, make sure to talk to a trusted adviser who has lending experience.

Predatory Lending

While many lenders conduct honest business, some do not. Predatory lending is when a lender directs a borrower away from loans with more affordable interest rates. Instead, the applicant is offered a loan with a high interest rate, questionable fees, or unnecessary charges. Predatory lenders often target low- and moderate-income persons, people of color, and the elderly.

Predatory lenders have many of the following traits:

- They offer loans based solely on the equity in a home and not on the borrower's ability to repay the loan.
- They charge unusually high interest rates for a loan.
- They add excessive points to the loan without lowering the interest rate.
- They include excessive fees.
- They tack on unnecessary costs such as prepaid single-premium life insurance.

Avoid predatory lenders:

- ***Turn away loan offers from someone who calls you on the telephone or comes to your door without an invitation.*** Throw away mail from companies offering to arrange a loan for you. Advertisements promising easy money should be viewed with caution. Remember, if an offer sounds too good to be true, it probably is.

- ***Be wary of high-pressure sales pitches, such as claims that an offer is good only for a limited time.*** If the offer is good—and legitimate—today, it should still be good tomorrow. Take time to check it out.

- ***If you're thinking about consolidating your debts into a home equity loan, talk to a local nonprofit housing or consumer credit-counseling agency first.*** These agencies have your best interest in mind. They may be able to help you work out credit arrangements to avoid debt consolidation altogether. If debt consolidation is the most appropriate choice, they can help you select the best available options. Without their assistance, you may choose a bad loan and end up losing your home.

- ***Avoid loans that include extras you don't need.*** Loans should not include unnecessary costs. Consult an adviser to discuss any additional costs that are being added to the loan.

- ***Never sign an agreement that you don't completely understand, and don't take a lender's word that an agreement is "standard."*** If the agreement seems unreasonable or uses terms that are unfamiliar to you, ask for a complete copy of the loan agreement. Get a second opinion from someone you trust before you sign the loan agreement. Ask your adviser or local nonprofit housing or consumer credit counselor to review it.

Predatory Lending (15 minutes)

13. Discuss predatory lending

While many lenders value their customers and conduct honest business, some do not. Predatory lending is when a lender directs a borrower away from loans with more affordable interest rates. Instead, the applicant is offered a loan with a high interest rate, questionable fees, or unnecessary charges. Predatory lenders often target low- and moderate-income persons, people of color, and the elderly.

Predatory lenders have many of the following traits:

- *They offer loans based solely on the equity in a home and not on the borrower's ability to repay the loan.*
- *They charge unusually high interest rates for a loan.*
- *They add excessive points to the loan without lowering the interest rate.*
- *They include excessive fees.*
- *They tack on unnecessary costs such as prepaid single-premium life insurance.*

14. Discuss ways to avoid a predatory lender.

DISCUSSION QUESTION:
Have you ever seen an advertisement or been approached by someone you think could be called a predatory lender? What was it like?

[Listen to participant experiences. If participants are not familiar with predatory lenders, share the following:]

When you hear an advertisement such as "Need money? Bad credit? No credit? No problem!" followed by promises of easy money, watch out!

To avoid a predatory lender:

- ***Turn away loan offers from someone who calls you on the telephone or comes to your door without an invitation.*** *Throw away mail from companies offering to arrange a loan for you. Advertisements promising easy money should be viewed with caution. Remember, if an offer sounds too good to be true, it probably is.*

- ***Be wary of high-pressure sales pitches, such as claims that an offer is good only for a limited time.*** *If the offer is good—and legitimate—today, it should still be good tomorrow. Take time to check it out.*

- ***If you're thinking about consolidating your debts into a home equity loan, talk to a local nonprofit housing or consumer credit-counseling agency first.*** *These agencies have your best interest in mind. They may be able to help you work out credit arrangements to avoid debt consolidation altogether. If debt consolidation is the most appropriate choice, they can help you select the best available options. Without their assistance, you may choose a bad loan and end up losing your home.*

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- ***Never sign an agreement that you don't completely understand, and don't take a lender's word that an agreement is "standard."*** *If the agreement seems unreasonable or uses terms that are unfamiliar to you, ask for a complete copy of the loan agreement. Get a second opinion from someone you trust before you sign the loan agreement. Ask your adviser or local nonprofit housing or consumer credit counselor to review it.*

- ***Speak to people who have borrowed money.*** Word of mouth is often the best way to avoid predatory lenders.
- ***Fill in all blank spaces.*** If an answer is not required, write "N/A" (not applicable) in the blank. Do not sign a document until you have completed every space. Someone could fill in the blank later and make you responsible for something without your knowledge or agreement.
- ***Investigate current interest rates. Interest rates vary depending on the financial institution, the type of loan, your credit history, and your ability to repay.*** Call around to a number of financial institutions to discuss the interest rates and loan options that are available. If the interest rate seems excessively high, check with a trusted adviser before you agree to it.

As you investigate loan options, be sure not to agree to anything that you do not understand. Do not hesitate to call upon community resources, such as tribal housing, economic development, and legal departments, as well as nonprofit housing and credit-counseling agencies. Many of these community contacts will provide free services and can be valuable resources.

Insurance

When you borrow money to purchase an item, most lenders will require you to insure the purchase. Insurance can best be understood as a tool to protect your family or community when something goes wrong. It is a tool that can be used to benefit and strengthen the community.

Why is insurance important?

___

___

___

- ***Speak to people who have borrowed money.*** *Word of mouth is often the best way to avoid predatory lenders.*

- ***Fill in all blank spaces.*** *If an answer is not required, write "N/A" (not applicable) in the blank. Do not sign a document until you have completed every space. Someone could fill in the blank later and make you responsible for something without your knowledge or agreement.*

- ***Investigate current interest rates.*** *Interest rates vary depending on the financial institution, the type of loan, your credit history, and your ability to repay. Call around to a number of financial institutions to discuss the interest rates and loan options that are available. If the interest rate seems excessively high, check with a trusted adviser before you agree to it.*

As you investigate loan options, be sure not to agree to anything that you do not understand. Do not hesitate to call upon community resources, such as tribal housing, economic development, and legal departments, as well as nonprofit housing and credit-counseling agencies. Many of these community contacts will provide free services and can be valuable resources.

Insurance (20 minutes)

This section is optional, based on time available. Be sensitive to people's discomfort talking about insurance. For communities that associate this topic with death, skip the discussion about life insurance and focus on the other types of insurance. You may want to encourage participants to review this section on their own.

15. Explain the importance of insurance.

When you borrow money to purchase an item, most lenders will require you to insure the purchase. Insurance can best be understood as a tool to protect your family or community when something goes wrong. Insurance is a tool that can be used to benefit and strengthen the community.

DISCUSSION QUESTION:
Why is insurance important? What types of insurance are you familiar with?

DISCUSSION QUESTION:
What kind of insurance do you have? Have you ever had a reason to use it?

[Listen to participant experiences.]

Types of Insurance

Insurance can be purchased for almost anything. The basic types of insurance are:

Automobile insurance

Automobile insurance is very important and in many states mandatory. It is essential to have enough coverage to fully cover any costs in the event that you cause harm to a person or property. If you do not have adequate insurance, an injured party can gain access to your assets such as savings or property. Everyone who drives a car should have the following types of insurance:

- Bodily injury liability covers injuries suffered by others hurt in an accident while you are driving.
- Property damage liability covers damage done by your car to the property of others.
- Collision coverage pays for damage done to your car in an accident. You will want enough coverage to fully replace your car.
- Comprehensive coverage pays for damage done to your car in an event other than an accident, such as theft or fire.
- Uninsured or underinsured motorist insurance covers your expenses in the event that you are in an accident with someone who either does not have automobile insurance or is underinsured to cover the damages.

Health insurance

Health insurance helps pay the medical bills for everyone who is covered under the plan. The federal government offers free or low-cost medical services through Indian Health Services (IHS) for enrolled members of Native communities. If your employer offers health insurance, consider using it. By using an employer's insurance plan, you make more resources available for people who need IHS assistance. If your community does not offer adequate services or does not cover everyone in your family, you will want to consider purchasing health insurance.

There are two basic types of coverage. A basic plan covers regular medical expenses such as doctor visits and prescriptions. There is usually a set dollar limit on coverage. Major medical coverage covers more expensive procedures.

Homeowner's insurance

Homeowner's insurance protects your housing investment. To receive a traditional mortgage, you will likely need the following:

- Property damage coverage reimburses you for damage or loss to your house and belongings. It usually covers natural disasters (e.g., fire) and man-made disasters (e.g., theft, electric fire). Areas that are prone to certain types of weather may offer policies that exclude common circumstances in that area. In these cases, you will need to purchase a separate policy to cover the possibility of property damage.

16. Explain the types of insurance.

Insurance can be purchased for almost anything. The basic types of insurance are:

Automobile insurance
Automobile insurance is very important and in many states mandatory. It is essential to have enough coverage to fully cover any costs in the event that you cause harm to a person or property. If you do not have adequate insurance, an injured party can gain access to your assets, such as savings or property. Everyone who drives a car should have the following types of insurance:
- Bodily injury liability covers injuries suffered by others hurt in an accident while you are driving.
- Property damage liability covers damage done by your car to the property of others.
- Collision coverage pays for damage done to your car in an accident. You will want enough coverage to fully replace your car.
- Comprehensive coverage pays for damage done to your car in an event other than an accident, such as theft or fire.
- Uninsured or underinsured motorist insurance covers your expenses in the event that you are in an accident with someone who either does not have automobile insurance or is underinsured to cover the damages.

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- Liability insurance protects you from people who might sue you for injuries or property damage. For example, if a dead tree on your property falls and damages the neighbor's property, you may be liable. This type of insurance would help cover the costs of repairing the damage to you neighbor's property.

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Renter's insurance

Renter's insurance is similar to homeowner's insurance. It is for those who do not own their house. This type of coverage will reimburse you for damage or loss of your personal property due to events such as fire, theft, or water damage.

Credit life insurance

This insurance repays the lender for the balance of a loan in the event of the borrower's death or disability. This type of insurance can be purchased from the lender when you take out a loan. Be aware that it will add to the total cost of your loan and make payments higher.

A lender should not ask for a premium to be paid up front. Investigate your options before you choose a policy.

Disability insurance

Disability insurance protects you against a loss of income if you are unable to work for a long time because of injury or illness. Before you purchase this type of insurance, be sure to investigate the coverage you already have, such as employer-provided sick leave, worker's compensation, Medicaid, and Social Security.

Life insurance

A life insurance policy provides money to your beneficiary (typically a surviving spouse or dependents) in the event of your death. If you have dependents or major financial obligations, you might consider purchasing life insurance. Be sure to clearly identify the beneficiary of your plan. The insurance company will only compensate people you identify. You can change your beneficiaries at any time. The following types are available:

- Term insurance offers you coverage for a specific period of time. It is often the least expensive option, but the cost increases as you age.
- Cash-value insurance provides your dependents with a cash pay-off at your death, as well as providing you with a tax-deferred savings program. There are a variety of programs, such as whole life, universal life, and variable life. While the monthly premium is higher than on term insurance, it will never go up for your entire lifetime. Part of the money you pay goes toward insuring your life. The other part is invested by the insurance company and becomes an additional savings account for your use.

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Types of Insurance Exercise

1. What type of insurance protects you against the loss of income if you are unable to work for a long time because of injury or illness? ________________________________

2. What type of insurance provides a tax-deferred savings program where part of the money you pay goes toward insuring your life and the other part is invested by the insurance company and becomes a savings account for your use?
____

3. Which type of automobile insurance coverage pays for damage done by you to the property of others?____________________________

4. What type of automobile coverage pays for damage done to your car in an accident?
____

5. What type of insurance and coverage reimburses you for damage or loss to your house or belongings? ________________________

Before you purchase any type of insurance, be sure to research the options that are available. Call different insurance companies and investigate different types of coverage. If you have any questions or would like more information about a particular type of insurance, you can call the National Insurance Consumer Helpline at 1-800-942-4242.

17. Help participants to complete the Types of Insurance Exercise.

Take a few moments to review the types of insurance by completing the Types of Insurance Exercise.

Types of Insurance Exercise

1. What type of insurance protects you against the loss of income if you are unable to work for a long time because of injury or illness? Disability insurance
2. What type of insurance provides a tax-deferred savings program where part of the money you pay goes toward insuring your life and the other part is invested by the insurance company and becomes a savings account for your use? Cash-value life insurance
3. Which type of automobile insurance coverage pays for damage done by your car to the property of others? Property damage liability insurance
4. What type of automobile coverage pays for damage done to your car in an accident? Collision coverage
5. What type of insurance and coverage reimburses you for damage or loss to your house or belongings? Homeowner's insurance

18. Encourage participants to research their options before they purchase an insurance policy.

Before you purchase any type of insurance, be sure to research the options that are available. Call different insurance companies and investigate different types of coverage. If you have any questions or would like more information about a particular type of insurance, you can call the National Insurance Consumer Helpline at 1-800-942-4242.

Summary Points

In this session, we discussed the following:

- Native communities developed the first complex economic systems on this continent.
- Financial institutions are resources that can provide financial products and services to help Native communities realize a higher level of economic self-sufficiency.
- Banks, credit unions, finance companies, and loan funds are all types of financial institutions that provide depository and credit products and services.
- Loan rates, terms, and fees influence the cost of credit.
- The higher the interest rate, the greater the cost of credit.
- The longer the term of the loan, the lower the monthly payment but the greater the cost of credit.
- The higher the down payment, the lower the loan amount and the cost of the credit.
- The higher the loan fees, the higher the cost of the credit.
- A payment factor table can be used to calculate monthly payments and the cost of credit for installment loans.
- Always evaluate all of the costs involved in taking out a loan. Assess your personal financial situation before you accept a loan package.
- Predatory lenders take advantage of borrowers who do not understand the lending process and persuade them to accept costly loan rates and terms. You can avoid predatory lenders by never signing any documents that you do not understand.
- Many lenders require insurance before they will give you a loan. Insurance is also a tool you can use to protect your family and investments.

Account statement – A record of your account activity over a specific period of time.

Annual percentage rate (APR) – The annual interest rate that reflects all of the costs of financing. This rate probably will be higher than the original interest rate quote, because it includes all other costs of getting credit, such as loan fees.

Assets – Cash or something that can be converted into cash, such as a savings account, stocks, or real estate.

Automated teller machine (ATM) – A machine that provides many of the same services as a financial institution. Many financial institutions own ATMs to provide convenient service to their customers. There are various fees attached to using an ATM for financial transactions.

Available balance – The amount of money immediately available in your account. This amount does not reflect any withdrawals or deposits that have not yet cleared your account.

Balloon loans – Offer lower interest rates for shorter-term financing, usually five, seven, or ten years. At the end of this term, they require refinancing or paying off the outstanding balance with a lump-sum payment.

Bounced check – A check that is returned to you because there is not enough money in your account to cover it.

Canceled check – A check that has been processed and subtracted from the account on which it was written. Canceled checks are often used as proofs of payment in place of receipts.

Cashier's check – A type of check that is as good as cash. To issue a cashier's check, the financial institution will deduct funds from your account and write the check from its own account. There is usually a fee for a cashier's check.

Check register – A tool for keeping track of the daily balance in your checking account and for keeping a description of every check you have written.

Clears – What happens when the amount of the check you write has been withdrawn from your checking account by the financial institution.

Co-borrowers – Two or more persons who legally agree to take out and be responsible for paying off a loan together.

Collateral – Something of value that the borrower commits to guarantee repayment of a loan.

Commitment letter – A formal offer by a lender stating the terms under which a financial institution agrees to lend money. Sometimes called a "loan commitment."

Contingency – A condition that must be met before a contract is "legally binding," that is, before you must legally complete what was agreed to in the contract.

Credit – What a financial institution provides you when you borrow funds with the intent to repay them.

Credit bureau – An organization that keeps records of people's repayment histories (i.e., credit reports).

Credit history – A list of your debts and regular monthly expenses, including how much you owe and how timely you make your payments.

Credit rating – A rating that indicates how good a credit risk you are. Credit ratings are based on your personal credit history.

Credit report – A report that reflects your credit history. The lender orders this report from a credit bureau when you apply for a loan.

Credit score – A process lenders use to evaluate a loan application. A credit scoring system is based on the lending organization's historical experience with borrowers.

Customer agreement – A document provided by financial institutions that describes the costs and features of their accounts.

Debit – A withdrawal from an account. If you write a $25 check, your account will have a debit of $25 when the check clears.

Debts – Money you owe.

Deposit – To put money into your account.

Default – Failure to pay back money. If you do not make agreed-upon payments, you default on your loan.

Direct deposit – Funds deposited directly into your account. With your agreement, payroll earnings, Social Security benefits, retirement earnings, and other checks you receive on a regular basis may be direct-deposited into your account.

Down payment – The part of a purchase price that you pay when you buy an item such as a car or a house. The lender usually seeks a down payment to show that you are willing to invest in a purchase.

Economy – The way a society organizes to meet the physical needs of its people.

Electronic funds transfer (EFT) – Money transactions to or from checking and savings accounts that do not require paper (checks or cash) but use computer technology instead. Examples are direct deposit, automated teller machine (ATM), and debit card transactions.

Endorse – To sign the back of a check that is made out to you in order to release the funds.

Expenses – The amount of money you spend on a regular basis.

FDIC – Federal Deposit Insurance Corporation (FDIC). The FDIC insures accounts at federal government-regulated financial institutions for up to $100,000 per account.

Forgery – When a person purposefully tries to withdraw money from your account by pretending to be you.

Gross annual income – Total yearly income from all sources before taxes are deducted.

Hold – The number of days a financial institution will hold a check before crediting your account.

Insufficient funds – A term meaning that the amount of money in your account is less than the amount you would like to withdraw.

Installment credit – A type of credit that allows you to borrow a specific amount of money at one time for a defined purpose. You repay a set payment each month.

Interest – A fee paid for the use of money. A financial institution will pay you interest for keeping your money. You will pay interest to a financial institution for the use of borrowed funds.

Loan processing – The steps a lender takes to decide if a buyer can qualify for a loan.

Market economy – An economic system in which goods and services must be purchased from others.

Market value – The expected sale price of something.

Minimum balance – Necessary amount of money on deposit to qualify for special services.

Minimum payment – Smallest possible monthly payment.

Monthly statement – Account summary mailed monthly to a customer.

National Credit Union Share Insurance Fund (NCUSIF) – Fund that insures accounts at federal government-regulated credit unions for up to $100,000 per account.

Net income – Your total income after taxes and other withheld items such as Social Security or Medicare are taken out.

Noninstallment or service credit – A type of credit offered by some businesses and utility companies that allows you to pay for a used service at a later date.

Nontraditional credit history – A credit history you can prepare if you do not have credit cards or have never had a loan. It can include receipts and canceled checks from your monthly payments for rent, utilities, and other bills.

Not sufficient funds (NSF) – The expression used when a person tries to withdraw more money from an account than the existing balance.

Overdraft protection – A line of credit to cover insufficient funds.

Overdrawn – When more is withdrawn from an account that the existing balance.

Payment factor table – A table that you can use to calculate monthly payments and the cost of credit for installment loans.

Predatory lender – A lender that directs a borrower away from loans with more affordable interest rates and instead offers the applicant a loan with a high interest rate, questionable fees, or unnecessary charges.

Principal – The amount you can actually borrow.

Purchase and sale agreement – A written contract that the buyer and seller sign. It includes all of the terms and conditions of the sale.

Qualify – To determine how much money you are able to borrow.

Revolving credit – A type of credit that allows you to borrow money at any time up to a set limit. As you pay back the borrowed money, it becomes available again to borrow (e.g., credit cards).

Secured credit – A type of credit requiring that you provide something of value to guarantee repayment of a loan.

Secured credit card – A type of credit card requiring that you deposit a certain amount of cash in a savings account to guarantee your credit card.

Service charge – A fee that financial institutions sometimes charge for specific services. The service charge will vary depending on the type of account you have. Ask about service charges and fees before you select a financial institution or a type of account.

Stop payment – An order by a customer to a financial institution not to release issued funds (i.e., not to cash a check).

Subsistence economy – An economic system in which people provide for their own needs (e.g., agriculture and hunting).

Terms – The conditions of a loan, including the type, size of down payment, amount you can borrow, interest rate, and length of time to repay.

Unsecured credit – A type of credit that does not require you to provide something of value to guarantee repayment of a loan.

First Nations Development Institute
and
Fannie Mae Foundation

are pleased to recognize

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for completing the

Financial Skills Curriculum

____________________ Instructor

____________________ Date

Curriculum Evaluation

This curriculum is intended to strengthen Native peoples' personal financial skills. Please share your experience using these materials so that we can improve them in the future. We greatly appreciate your feedback on the quality and usefulness of the materials.

1. How did you hear about the curriculum? ______________________________

2. Was the curriculum used as a stand-alone course on financial literacy or was it integrated into another instructional program?
   ❏ Stand-alone financial literacy course ❏ Integrated into another program

3. Number of students: ____________

4. How would you describe your students' average level of understanding of financial concepts prior to taking the course?
   ❏ Very limited understanding of financial concepts.
   ❏ Basic understanding of simple financial concepts (e.g., spending, saving, budgeting)
   ❏ Basic understanding of more complex financial concepts (e.g., interest rates, types of credit)
   ❏ Thorough understanding of most of the concepts presented in the curriculum.

5. The curriculum is divided into six sessions. Please rate the quality of the content and presentation of the concepts taught in each session. Please check N/A if you did not use the session.

Session Name	**Excellent**	**Good**	**Fair**	**Poor**	**N/A**
Session 1: Building a Healthy Economy	❏	❏	❏	❏	❏
Session 2: Developing a Spending Plan	❏	❏	❏	❏	❏
Session 3: Working with Checking and Savings Accounts	❏	❏	❏	❏	❏
Session 4: Credit and Your Credit Report	❏	❏	❏	❏	❏
Session 5: Accessing Credit, Part I	❏	❏	❏	❏	❏
Session 6: Accessing Credit, Part II	❏	❏	❏	❏	❏

6. Please rate the extent to which you agree or disagree with the following statements about the curriculum.

	Strongly Agree	**Agree**	**Undecided**	**Disagree**	**Strongly Disagree**
The topics are relevant to my students' lives.	❏	❏	❏	❏	❏
The Native framework helps participants to understand and learn these skills.	❏	❏	❏	❏	❏
My students found the materials easy to use and understand.	❏	❏	❏	❏	❏
The classroom exercises help reinforce the concepts presented.	❏	❏	❏	❏	❏
The materials adequately educate students on most aspects of financial literacy.	❏	❏	❏	❏	❏
My students are now better prepared to manage their finances.	❏	❏	❏	❏	❏
I will recommend this curriculum to other instructors.	❏	❏	❏	❏	❏

7. Were there any Sessions or concepts that your students found particularly difficult?________________________________

8. How could we improve the curriculum? ____

9. Overall, how satisfied are you with the Building Native Communities curriculum as a resource for promoting financial literacy among Native people?

❑ Very Satisfied ❑ Satisfied ❑ Neutral ❑ Dissatisfied ❑ Very Dissatisfied

10. Please rate the extent to which you agree or disagree with the following statements about the Instructor's Guide.

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree
The Instructor's Guide is easy to use.	❑	❑	❑	❑	❑
The Instructor's Guide adequately prepared me to teach the course.	❑	❑	❑	❑	❑
The Instructor's Guide provides a variety of creative teaching ideas and options.	❑	❑	❑	❑	❑

11. Please describe innovative or creative options for teaching the material so that we may share your techniques with other instructors. ____

12. Do you have any additional comments or feedback regarding the curriculum? ________________________________

Please return this assessment form to:

Fannie Mae Foundation
Attention: Targeted Outreach
4000 Wisconsin Avenue NW
North Tower, Suite 1
Washington, DC 20016-2804
Fax (202) 274-8100

The Commemorative Quilt of the National Museum of the American Indian, 1997. This commemorative quilt was made by 20 Native artists in honor of the exhibit, "To Honor and Comfort: Native Quilting Traditions." The purchase of the quilt by the National Museum of the American Indian was made possible by a major grant from the Metropolitan Life Foundation. Native quilters from North America and Hawaii were asked to submit a block of their own design to this unique quilt. Ina McNeil (Hunkpapa Lakota) and Margot Cohen assembled and quilted the blocks.

Each row is numbered from left to right starting with the top left corner.

1. Paula White, Chippewa
2. Mary Bighorse, Osage
3. Ina McNeil, Hunkpapa Lakota
4. Margaret Wood, Navajo/Seminole
5. Anastasia Cooke Hoffman, Yup'ik
6. Gussie Bento, Native Hawaiian
7. Judy Toppings, Ojibwe
8. Share Bonaparte, Akwesasne Mohawk
9. Lula Red Cloud, Oglala Lakota
10. Conrad House, Dinéh/Oneida
11. Nancy Naranjo, Eastern Cherokee
12. Harriet Soong (Hawaiian)
13. Shirley Grady, Mandan/Hidatsa/Sioux/Crow
14. J. Carole Stewart, Creek
15. Alice Olsen Williams, Anishinaabe
16. Rita Corbiere, Ojibwe
17. Marlene Sekaquatewa, Hopi
18. Ollie Napesni, Lakota Sioux
19. Virginia Osceola, Seminole
20. Bernyce (B.K.) Courtney, Wasco/Tlingit

All photos are courtesy of the National Museum of the American Indian.

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