

MONEY SENSE

Genesis
FINANCIAL MANAGEMENT INC.

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NEW BEGINNINGS, DEBT FREE

Predatory Lending: When Good Loans Go Bad

It's fair to expect that if you've had some recent black marks on your credit history, you're going to be charged a higher interest rate on new loans than someone whose credit history has been spotless. The lender gets a little extra for taking the added risk of lending money to someone with a lower credit rating. You may hear these types of loans referred to as "sub-prime" or "non-prime." However, that doesn't mean that you should allow yourself to be taken advantage of by the "predatory" practices of some lenders who target vulnerable borrowers (those with poor, or no, credit history, minorities and the elderly) with loans designed to keep them in perpetual debt.

Predatory lenders can be found in all segments of the credit industry, from mortgages to payday loans, and they can look and sound very trustworthy. So how can you tell a good loan from a bad one? Here are some things to watch out for:

You're being quoted an interest rate of more than 10-11% even though you have good credit (note that it is normal for some credit cards and finance loans to have rates higher than this. Make sure you shop around to find the most competitive rate.)

The lender wants you to pay several "points" but isn't reducing the interest rate much, if at all—points, when used correctly, are supposed to lower your rate, but some lenders may use them simply to make more money off of you.

Total fees add up to more than 5% of the loan amount

The loan contains a "pre-payment penalty"—this means you'd have to pay a penalty fee (sometimes equaling 6 months or more of interest) if you tried to refinance to get a better rate or if you tried to pay the loan off early.

The lender is unwilling to give you a Good Faith Estimate of the projected loan costs that you can take home before signing the loan, or if the actual fees on the final document differ greatly from the estimate.

There's a significant "balloon" payment due at the end of the loan—this means you'd have to either pay the entire balance off in full at that point or try to refinance, generating more fees for the lender.

The lender attempts to pressure you into signing documents quickly, stressing that a deal is only good "for a limited time."

The lender insists that you purchase

credit life insurance as a part of your loan—this is an unnecessary cost, and you should question this and any other costs you don't understand.

The lender solicits you by phone or by door-to-door contact rather than you seeking them out.

Finally, proceed with caution when borrowing against your home to consolidate other debts and be wary of lenders who urge you to take out consolidation loans. The additional fees associated with these loans could just make your situation worse, and you could be putting your home at risk. Consult with a reputable credit counselor before taking these steps.

Dollar Savers: Food

Save vegetable scraps—If a recipe calls for one cup of something, and you end up with too much, save the rest in the freezer for use in later recipes.

Use coupons wisely—keep them organized and be aware that the cheapest brand isn't always the one with the coupon! Don't be tempted to buy things you wouldn't normally purchase just so you can use a coupon. You're not saving any money.

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Don't forget to let us know about any changes to your mailing address and/or e-mail address so that you won't miss any progress reports or other correspondence related to your account.



Did you know that you could be responsible for a spouse's debts even if your name was not on the credit application? If you live in one of the following *Community Property States* (AZ, CA, ID, LA, NV, NM, TX, WA, WI and AK in some circumstances), most debts, with some exceptions, are considered joint, regardless of who applied for them, if they are obtained during the marriage and before a permanent separation. Debts incurred prior to marriage or after divorce are still the responsibility of the individual.

Done with those 2005 tax returns? Give yourself a pat on the back... and then start planning for next year!

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Your Investing Toolbox: Mutual Funds

Simply defined, a mutual fund is an investment company that pools money from shareholders and invests in a variety of securities, including stocks, bonds and money market securities. Individual investors buy shares of a fund, which means you own bits and pieces of many different types of things. You know the old saying, "Don't put all of your eggs into one basket?" Well, a mutual fund is a great way to avoid doing that.

Some *benefits* of mutual funds include:

Diversification—money gets spread around among multiple investments which reduces the risk of significant loss to an investor.

Variety—No matter what your objectives or your interests, there's a fund for just about everyone.

Experience—Each fund is professionally managed

Easy to start—New investors can often get started for just \$25-50 a month.

You should also consider:

There's more risk—Mutual funds, unlike checking and

savings accounts, are neither insured nor guaranteed, so there is always a risk you could lose what you invest.

There are fees—There may be various costs and fees imposed that can affect the amount you invest as well as the total return you receive.

You can invest directly into an individual fund; you will also commonly find them as options through a 401(k) or IRA plan.

For more good information on mutual funds visit the Mutual Fund Education Alliance at www.mfea.com.

Money Smart Topic of the Month: Tax Planning

Taxes may be the last thing you want to think about right now, but a little planning throughout the year can save you more hard-earned dollars next tax season. Taking the following steps can help you minimize the tax you pay and/or maximize your income:

Adjust your W-4 forms to increase withholding from your paycheck (if you owed too much money) or decrease withholding (if you got a large refund). Large refunds may be nice, but why give the government interest-free use of your money for a year when you could be getting it back in

the form of larger paychecks?

Save your receipts— you never know what types of expenses can count as deductions (student loan interest, mortgage interest, medical costs and wellness programs, un-reimbursed job costs like travel and uniforms, and charitable contributions, to name a few)

Boost your retirement savings— increasing your 401k contributions directly reduces your taxable income, plus you may qualify for a credit for money you put into 401k's or IRA's.

Pay as you go—be aware that if you receive income

from self-employment, being an independent contractor, unemployment compensation, gambling winnings or certain other sources, you may be responsible for ensuring that the appropriate amount of tax is withheld (or paid throughout the year) so that you aren't stuck with a large tax liability at the end of the year.

Research credits— find out if you qualify for things like the Child and Dependent Care credit, the Earned Income Tax Credit or certain education credits. Credits reduce the tax you have to pay dollar for dollar and/or give you money back.

Please Note: We're Here To Help With Money Concerns

We always encourage and welcome your calls when you have concerns about your debt management program, but don't forget that our certified credit counselors can assist you with more than just changing payment dates and adding creditors.

If you've never created a

budget before or need to revise one to meet your current financial needs, we can help with that.

If you're puzzled over the contents of your credit report, we can help with that, too.

If you're seeking advice related to home-buying, rebuilding positive credit,

dealing with specific debts that aren't on the DMP, strategies for saving money or any other financial goals you might have, let us know. We'd be happy to answer your questions and provide you with any resources that might aid you. We are committed to your complete financial well-being.

Check Us Out Online!: www.YourGFM.com