

American Saver

You Can Build Wealth

More than 55,000 Savers Enrolled

In March, the 50,000th American Saver was enrolled, and by mid-July, more than 55,000 Savers had adopted a wealth-building goal and plan for achieving that goal.

About 14,000 of these Savers enrolled through national initiatives, such as Military Saves, Black America Saves, and Hispanic America Saves. Nearly all of the remaining 40,000-plus Savers enrolled through one of 30 state or local campaigns in 21 states.

These campaigns span the country: from the West — California, Arizona, Utah, Colorado, and Texas — to the Midwest — Kansas, Missouri, Wisconsin, Illinois, Indiana, and Ohio — to the Southeast — Kentucky, Tennessee, Alabama, Florida, Georgia, North Carolina, and Virginia — to the Northeast — Maryland, Pennsylvania, and New York.

The first local campaign, Cleveland Saves, has enrolled more than 7,000 Savers. Tennessee Saves has enrolled more than 4,000 Savers, and Georgia Saves more than 3,000 Savers. Charlotte Saves, North Carolina Saves, Philadelphia Saves, Utah Saves, and Silicon Valley/South Bay Saves have each enrolled between 2,000 and 3,000 Savers.

"We are gratified at the progress to date," said America Saves National Director Nancy Register. "But we will not be satisfied until we have enrolled hundreds of thousands of Savers who make a serious commitment to personal wealth accumulation."

PHILADELPHIA SAVER

Seeing the Benefit of Baby Steps

Kathleen Lindsay was just doing her job, setting up workshops for participants in the Even Start Family Literacy Program. She didn't realize when she invited Alethia Calback of Philadelphia Saves to give a presentation that it was her own life she was changing.

"Honestly, I thought I brought Alethia in for them, our parents," she said. "Once she started presenting that workshop, I thought, 'Oh my God, that is for me.'"

Lindsay had attended other financial workshops in the past, but they lacked the concrete actions steps that had caused her supervisor to favor Philadelphia Saves. "It's not that I didn't hear it before or see it before," she said. But Calback's practical, "down-to-earth" approach finally got through. "She made it seem doable. For the first time, I could really see myself saving."

Responding to Calback's persuasion, Lindsay signed up on the spot, becoming the 50,000th person to enroll in America Saves in the process. (See related article, this page.) She chose creating an emergency fund as her first goal, she said, because when she'd tried to start saving in the past, "that's what had me strike out many times — something that came up that was unexpected."

Before she could do that, she had to choose a bank account to put her emergency savings in. In the past, when she got her paycheck, she would get it cashed at a check-cashing place, paying \$7 each time. The workshop helped her realize that she could start to save that amount, she said.

So, the next time the credit union came in to give a presentation, she signed up to have her paycheck direct deposited. In addition to the amount she is saving for an emergency fund, she chose to have \$10 from each paycheck deposited into savings, \$5 in a vacation fund, and \$5 in a holiday account. "This workshop has really triggered off a domino effect," she said.



"For the first time, I could really see myself saving."

Kathleen Lindsay,
Philadelphia Saver

Reading the savings tips in the newsletter and brochure and meeting with a financial planner have also made her more conscious of how she can cut back her spending, she said. She drinks water instead of soda, uses coupons at the grocery store, and has cut back on her eating out.

It helps that several people in her office also signed up with Saves when she did, Lindsay said, because they support one another. Between her supervisor, her co-workers, and the people from Philadelphia Saves, "I have support around me. You have like a cheerleading squad — people who know, who are experienced."

One important lesson she's learned from Saves, she said, is that "there's nothing wrong with taking little baby steps." Taking those baby steps has given her a new outlook, she said. "I feel like I've got a little hope, whereas before I couldn't see the light at the end of the tunnel."



Financial Market **facts**

July 2006

Money market account	0.80%
1-year CD	3.84%
5-year CD	4.20%

U.S. Savings Bonds

EE Bond	3.70%
I Bond	2.41%

Mortgage Rates

30-year fixed rate mortgage	6.87%
15-year fixed rate mortgage	6.47%
5-year adjustable mortgage	6.52%

Sources: *The New York Times*, "Data Bank," pg. BU 11, July 16, 2006 and www.savingsbond.gov, July 17, 2006.

Family Wealth **facts**

Mortgage Payment Problems

Difficulty Making Payments

All Households	15%
Under \$35,000	34%

Delinquency Rate

30 days or more	4.7%
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Foreclosure Rate (2005)

1 in every 1,311 U.S. households

Source: RealtyTrac, Mortgage Bankers Association, *CFA Omnibus Consumer Financial Services Survey* (November 2005).

Savings Strategies Preserving Home Equity

For most low- and middle-income homeowners, their home equity is their greatest financial asset. For a growing number of homeowners, however, this asset is jeopardized by their difficulty making monthly mortgage payments.

According to a recent Consumer Federation of America survey, 16 percent of homeowners with mortgages said they were having difficulty making mortgage payments. Among those with incomes under \$50,000, more than 30 percent said they were having difficulty.

Those who end up defaulting on their mortgage suffer a double blow. Not only do they lose their home, but they also lose the wealth they've built up in the form of home equity.

If you are having difficulty making mortgage payments, the following are the most important actions you can take.

Act Quickly

If you are unable to make one monthly payment, or if you make two late payments, take action. The sooner you act, the easier it is to work out a solution that is favorable to you. That is because you will have demonstrated good intentions, and you will have less debt in arrears to figure out how to pay off.

Where To Go For Help

Home owners with mortgage problems are typically advised to contact their mortgage lender first. The idea is that, while their interest is not identical to yours, they will want to help you avoid mortgage default and home foreclosure, because these are usually costly to them. Mortgage lenders are most likely to be flexible in rescheduling payments so they are affordable if they are contacted early, before the problem gets out of hand.

However, we believe most homeowners with serious mortgage payment problems would do best to contact a HUD-approved housing counselor first. You can get a referral to a counselor by calling HUD at 800-569-4287 during business hours or in the early evening.

How Counselors Can Help

Housing counselors can perform several related services either for free or at a modest cost.

First, they can help you assess your long-term financial situation to learn what your best options are.

Second, they can help you work out a budget that increases your chances of

affording monthly mortgage payments.

Third, they can contact your lender and explore your options with them. These options can include restructuring your loan through forbearance, a repayment plan, or mortgage modification. These options can also include the most advantageous sale of your home if your income no longer can cover mortgage payments.

Fourth, they can help you avoid new predatory loans — those that are high-priced and those that you cannot afford.

Fifth, they can help you complete any forms required by your lender or other sources of assistance.

How Others Can Help

If you have an FHA loan, there are additional options available. FHA maintains a National Service Center (888-297-8685) to help those who are having difficulty making monthly payments on these loans.

If your mortgage is insured, you may qualify for an interest-free loan from your mortgage insurance company to bring your account up to date. The repayment of this loan may not be required for several years.

If your home has been damaged by a natural disaster, or you have been called up for active military duty, there may be additional assistance available. Military personnel can call 888-297-8685 during business hours or early evenings to inquire about this assistance.

Avoid Predatory Loans

Perhaps the biggest mistake a homeowner with payment problems can make is to take out a new mortgage loan at a very high price or with terms that are not affordable. High-priced loans may include not only subprime interest rates but also exorbitant fees.

New "exotic" mortgages, especially interest-only loans and option ARMs, also carry risks. In an interest-only loan, you pay only interest for several years but later have to repay both interest and principal at higher levels than in a conventional loan. In an option ARM, you have some ability to reduce your monthly payments. If interest rates increase, however, monthly payments will also rise. And, if you reduce your payments too much, you can face the same risks as with an interest-only loan.

So, while both types of loans can reduce monthly payments initially, payments can later rise to unaffordable levels.

A Quarter **Saved** is a Quarter **Earned**

No one knows better than *Savers* how to find the extra dollar here and quarter there that, over time, add up to substantial savings. Here are a few of their savings tips.

I set up a biweekly payment plan for my mortgage instead of a monthly plan. On a 30-year note, it can pay off seven years sooner and save tens of thousands of dollars.

TIMBERLY FLOWERS
WICHITA, KS

Car pool with friends to school, church, or whatever events you or your children might be in. Take turns driving.

TANYA AFTEM
NEWBURG, ND

You can buy gift cards for your favorite store from websites like www.swapagift.com or www.ebay.com (click on gift certificate category) for a lot less than their original value. This way, you can use them as cash and save additional on your shopping.

RASHMI RAWTANI
CHATHAM, NJ

I spend my change from each week as my next week's snack or tea money at my college. No change, no snack.

ELLEN SCOTT GRABLE
SAN DIEGO, CA

I put any "found" money in a savings account. Found money is anything that I don't expect to receive, like a rebate, savings from coupons, a bonus at work, a birthday check, money from a garage sale or ebay. Found money could also come from savings on insurance or reductions in utility bills. It's amazing how fast found money grows.

CINDY DWIGANS
PRAIRIE VILLAGE, KS

Use old t-shirts, worn out dish rags, and socks to clean messes up, dust, and wash your car (socks are great for this). You can also roll up old t-shirts and old dish towels and place these against your windows in cold weather to insulate your windows.

DONNA R. NEYLON
CLEVELAND, OH

I use an online bank which has a higher interest rate for my savings account and also has online banking. I use their automated system to take out money from my checking account each payday. One way that I save money is paying my automobile insurance every six months instead of every month. My insurance company gives me a break for the lump-sum payment. Instead of being surprised at the sixth month when my big bill comes, my online account saved up enough money to pay that bill. Not only do I earn interest on the money in the account, I also save money from my insurance company.

JON VOSPER
PHOENIX, AZ

I reuse my grocery bags to save five cents for every bag that I take to the grocery store.

CAROL DOWLER
GLENN, MI

I never buy bags of ice. Instead, I freeze water in washed out 2-liter bottles. When I need ice, I score the bottom portion of the bottle with a sharp knife, then I hit the bottle with a hammer. The large chunks last longer in a cooler but can be broken up even more if needed. Not only do I save money on frozen water, but keeping a freezer fuller is more energy efficient.

MICHELLE PARKER
ADAIRSVILLE, GA

Send your savings tips to:

American Saver, c/o Consumer Federation of America, P.O. Box 65686, Washington, D.C. 20035-5686.

If we select your tip for publication, we will send you a \$50 EE Series Savings Bond (initial value \$25). Please include your name, mailing address, and phone number so we can contact you to arrange for your savings bond.

Make it a policy not to attend parties where goods are sold, such as food storage containers, baskets, makeup, etc. Usually such parties rely on subtle pressure and guilt to encourage people to buy high-priced items that they don't need. No matter what your intentions are, you will probably end up spending money that you hadn't planned on. Just say, "No."

CHRISTINE SCHENDZIELOS
MILWAUKEE, WI

American Saver

American Saver is the quarterly newsletter of the America Saves campaign, a national program to encourage and assist Americans to save and build wealth more effectively.

The campaign is coordinated by the non-profit Consumer Federation of America (CFA), supported by national foundations, and advised by dozens of non-profit, government, and business groups. A generous grant from the New Century Financial Corporation supports the publication and distribution of the *American Saver*.

Questions about how to start a local savings campaign in your area should be directed to: Nancy Register, America Saves, c/o CFA, P.O. Box 65868, Washington, D.C. 20035-5686; 202-387-6121 (phone); 202-265-7989 (fax); nregister@consumerfed.org.

American Saver Editor: Barbara Roper

News

FROM LOCAL CAMPAIGNS

Note: This is not an exhaustive list of the activities of all America Saves sites, but rather a sampling of activities from several of the local campaigns. For a more complete list of America Saves campaigns, be certain to visit our website at www.americasaves.org.

Tennessee Saves celebrated its second annual Tennessee Saves Day on Capitol Hill with an exhibit featuring 4-H Club members constructing piggy banks in the Legislative Plaza. State coalition members addressed the state Education Committee regarding new legislation requiring personal finance curricula in high schools. The University of Tennessee Extension service highlighted the event in a news video released to 50 television stations across the state.

Philadelphia Saves recently received grant funding from Beneficial Savings Bank and the Leo Niessen Jr. Charitable Foundation. The funds will be used to provide motivational wealth building workshops and to support community outreach activities throughout the Delaware Valley.

Responding to widespread interest in their campaign, Wheeling Saves has decided to change its name to **Ohio Valley Saves**. The campaign began its pilot June 1. By mid-July they had already

enrolled 24 new Savers.

Military Saves is creating an on-line resource kit to make it easy for military installations, defense credit unions, military banks, and related organizations to participate in Military Saves Week, which is scheduled for the week of February 25, 2007. The kit is expected to be ready by Labor Day at www.MilitarySaves.org.

Earlier this year, eight Extension Agents created community "buzz" about **Kansas Saves** through group presentations, posters, brochure distribution at large events, and numerous newsletter and newspaper articles. Three communities are targeting youth savers, and another three are targeting work site savers. The Sedgwick County Extension Agent presented financial educational classes to 300 people this Spring, and 150 people enrolled as Kansas Savers.

Cleveland Saves has begun planning its fourth annual Roll Your Change Week. This year's county-wide event is scheduled to run during the week of October 12.

The campaign has set a goal of encouraging 4,000 greater Clevelanders to participate. The long-term goal is to train greater Clevelanders to deposit their change annually, during one week, to ease the transaction for both financial institutions and customers. This year's Roll Your Change Week is also being used to set the stage for a new initiative, Cleveland Saves Week, which is scheduled to commence in late winter of 2007.

Charlotte Saves has officially teamed up with Alliance Credit Counseling. Together they will be coordinating local efforts and referring clients to local Saves initiatives throughout the county.

Arizona Saves has developed a partnership with the City of Phoenix. The campaign has been able to reach hundreds of adults and children through a series of workshops conducted at various community centers across the Valley. At these workshops, families learn about healthy money management habits together.

www.AmericaSaves.org

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