



Welcome

Financial First Aid Workshop

February 21, 2009



Opening Remarks

Presented by:

Anne Benjamin, Chief Operating Officer (COO)



Act Now!

Presented by:

Jose Rivas, Partner Relations Manager
BALANCE Financial Fitness Program



Closing Announcements

Presented by:

Lee Alderman, AVP of Educational
Development



Improve Your Financial Picture: Dig Out of Debt

Presented by:

Craig Durkey, AVP of Consumer Lending

What You Will Learn

- ▲ Ways to improve cash flow
- ▲ What are some potential solutions

The Economic Environment

- ▲ Housing market
- ▲ Rising credit card interest rates
- ▲ Increasing debts
- ▲ Rising monthly payments
- ▲ Unemployment



Improving Cash Flow

- ▲ Cutting costs
- ▲ Make more money
- ▲ Spend less money



Cost Cutting

- ▲ Create better spending habits
- ▲ Prioritize your spending
- ▲ Make more money
- ▲ Spend less money



Make More Money

- ▲ Rent out a room
- ▲ Get a second job
- ▲ Go back to the two income family
- ▲ Sell “toys” (even if at a loss)



Spend Less Money

- ▲ Refinance your car(s)
- ▲ Get a new insurance quote
- ▲ Reduce channels on TV
- ▲ Restrict lattes, burgers, and other things
- ▲ Reduce cell phone service

Try It for One Year

To save money in tough times, try reducing your expenses in these areas for 1 year.

- ▲ Cable TV
- ▲ Starbucks
- ▲ Eating out in restaurants
- ▲ Utilities, such as electricity
- ▲ And many, many more





Potential Solutions

- ▲ Refinancing
- ▲ Loan consolidation
- ▲ Credit counseling



Refinancing

▲ Potential benefits

- Lower interest rate
- Pay-off other debts
- Reduce Payment

▲ Potential risks

- Certain loans contain penalty clauses (early payment)

Loan Consolidation

- ▲ Taking out one loan to pay off others
- ▲ Benefits of consolidation
 - Secure a lower interest rate
 - Secure a fixed interest rate
 - Convenience of one loan payment
- ▲ Potential risks
 - May only treat the symptoms of debt and not the root problem

Credit Counseling

- ▲ Are you knee-deep in debt
- ▲ Do you have more bills per month than money?
- ▲ When debt becomes overwhelming
 - Talk with your creditors
 - You may consult with a certified credit counselor



Credit Counseling

What can a credit counseling agency do?

- ▲ Review your finances and help you set up a budget
- ▲ Review your credit situation
- ▲ Look at the possibility of a Debt Repayment Plan



Credit Counseling

How does DMP work?

- ▲ May reduce interest rates and fees
- ▲ Helps you begin making consistent, on-time payments
- ▲ Payments made to the counseling agency
- ▲ Credit Score/Credit History begins to improve



Credit Counseling Review

- ▲ Is there a fee for their services?
 - What are they?
- ▲ What services does the agency offer?
 - Budget/credit counseling
 - Debt repayment
 - Credit report review



General Information

BALANCE Financial Fitness Program

595 Market St, 16th Fl
San Francisco, CA 94105
888-456-2227 (toll free)

BALANCE partners with credit unions nationwide to reduce losses, develop stronger member relationships, support education, housing and other special credit union initiatives.



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Session Break



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Bankruptcy: What You Need To Know

Presented by:

Erin Ewart, Compliance Manager

What You Will Learn

- ▲ Background on Bankruptcy
- ▲ Overview of the Bankruptcy process
- ▲ The effects of Bankruptcy

Bankruptcy Background

- ▲ Bankruptcy background
- ▲ Purpose of Bankruptcy
 - Designed as a last resort for people who can no longer repay their loans
 - Allows a court to determine what can and can't be paid
 - Created to provide the person with a fresh start

Bankruptcy Process

- ▲ Automatic Stay
- ▲ Submit a detailed list of what you owe and what you own
- ▲ Appointment of Trustee
- ▲ Discharge





Bankruptcy Process

- ▲ Secured loans must be paid in order to keep the security
- ▲ Debts ineligible for discharge
 - Taxes and/or tax loans
 - Education loans
 - Child Support and/or alimony
 - Debts taken out after a previous discharge
 - Fraud



Types of Bankruptcy

- ▲ When filing for Bankruptcy, a chapter must be selected
- ▲ Chapter is selected by the individual with income restrictions
 - Chapter 7: Liquidation
 - Chapter 13: Adjustment of debts
 - Chapter 11: Reorganization



Effects of Bankruptcy: RCU

- ▲ Bankruptcy takes away our ability to work with our Members
- ▲ RCU is a not-for-profit cooperative
 - Debts discharged through bankruptcy are a direct loss to Membership as a whole
 - Results in higher loan rates, higher fees, and lower dividends

Effect of Bankruptcy: You

- ▲ Effect to credit (7-10 years)
 - Credit score is severely impacted
 - Obtaining credit during this period is difficult and costly
 - Targeted by sub-prime lenders
 - Utilities, insurance, and other credit based services are more costly
 - Prospective employers may take this into consideration



Impact on Member

- ▲ Property owned outright can be liquidated
- ▲ Little ability to decide who to pay or not pay
- ▲ Loans cannot be modified after discharge
- ▲ Automatic payments not allowed
- ▲ Communication with lenders is severely restricted
- ▲ RCU's bankruptcy policy





Summary

- ▲ Bankruptcy isn't a solution for everyone
 - Doesn't guarantee that you will keep you home or vehicle
 - Doesn't solve underlying problem
 - Process is expensive
 - There are many other solutions available



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Avoiding Foreclosure & Repossession

Presented by:

Martina Valentine, AVP of Mortgage Lending

What You Will Learn

- ▲ Tough making payments
- ▲ What if you're upside down
 - Workout loan options
- ▲ Cutting cost
- ▲ Scams
- ▲ Seeking advice
- ▲ Choosing to sell



Tough Making Payments

- ▲ Start by talking to your **current** lender
 - Your lender does not want your house
 - They want to help you
 - The sooner you talk to them, the more likely you will find a solution
- ▲ Refinance to lower payment
- ▲ Workout options



Refinance to Lower Payment

- ▲ Look at all savings resources
 - Pull from college funds
 - Pull from IRA's
- ▲ Talk to your family and friends
 - Can they give you a personal loan to help you get through?
 - Would they be willing to “buy” an interest in your house (equity share) in exchange for future appreciation?

Workout Solutions

When refinancing is not an option – ask your lender about these workout solutions

- ▲ Repayment plan
- ▲ Modification of principal
- ▲ Extending term of ARM loan
- ▲ Reducing interest rate or margin
- ▲ Forbearance

Repayment Plan

Adds past-due amount to your monthly payments for a set period of time

- ❑ $\$2,000 \text{ payment} + \$300 \text{ late fee} \times 3 \text{ Months in arrears} = \$6,900 \text{ owed}$
- ❑ $\$6,900 \text{ spread over } 3 \text{ years} = \$192/\text{month}$
- ❑ $\$192 \text{ added to monthly payment} = \text{new payment of } \$2,192 \text{ per month}$

Modification of Principal

Similar to Repayment Plan, adds past-due amount to principal balance for life of loan

- ❑ $\$2,000 \text{ payment} + \$300 \text{ late fee} \times 3 \text{ Months in arrears} = \$6,900 \text{ owed}$
- ❑ $\text{Original loan of } \$400,000 + \$6,900 \text{ owed}$
new balance of $\$406,900$
- ❑ $\text{New monthly payment (interest only)} = \$2,035$

Extending Term of ARM Loan

Lender might extend the initial interest rate for a longer term

- ❑ Loan has initial rate of 6% (\$2,000/month interest only) then resets to 8% (new payment of \$2,666.
- ❑ Lender may allow for rate to remain at 6% for a certain period of time, keeping the payment unchanged.

Reduce Interest Rate/Margin

Lender might agree to reduce the interest rate for a period of time

- ❑ ARM Loan has already reset to 8%, making the new payments of \$2,666 difficult.
- ❑ Lender may allow rate to roll back to 6% rate for a specified period of time.

The background of the slide features a collage of four images: a forest of tall redwood trees on the left, a coastal landscape with a cliff and ocean in the middle, a green agricultural field with rows of crops on the right, and the Golden Gate Bridge spanning a bay on the far right.

Forbearance

Suspends or reduces payments for a specific period of time

- ❑ Suspended payments are added to loan balance and must be repaid on sale or refinance. No increase in payment.
- ❑ Usually only for a temporary hardship situation (loss of job, divorce, etc.)

Know Where Your Money Goes

- ▲ Create a budget and stick to it
- ▲ If you need help setting up your budget, consider consulting with a credit counseling service
- ▲ RCU has budgeting tools to help

Improving Cash Flow

Here are a few ways to improve cash flow.

- ▲ Cutting costs
- ▲ Make more money
- ▲ Spend less money
- ▲ What can you live without for 1 year



Potential Tax Savings

▲ Have your Property Taxes Reassessed

Example:

- Your house is now “assessed” at \$500,000
- Your current taxes = \$6,400/year
- “Comps” in your neighborhood = \$450,000
- Your new taxes would = \$5,600/year
- \$800 a year in your pocket!





Beware of Scams

- ▲ Seek advice from a credible source
- ▲ Don't sign anything with blank lines or spaces
- ▲ Don't make payments to anyone other than your lender



Seek Advice - Agencies

- ▲ HopeNOW
- ▲ Consumer Credit Counseling Service
BALANCE Program
- ▲ The HOPE Foundation
(Homeownership Preservation
Foundation)
- ▲ US Department of Housing & Urban
Development (HUD)



Seek Advice - People

- ▲ Financial Planner
- ▲ Accountant/Tax Advisor
- ▲ Credit Counselor
- ▲ Your Current Lender
- ▲ Loan Officer





Choosing to Sell

Be aware, if you have no equity

- ▲ You could still owe the lender
- ▲ You could owe Uncle Sam
- ▲ You could significantly hurt your credit
 - Foreclosure stays 10 years
 - Bankruptcy stays 7 years
 - Mortgage late payments stay 7 years



Short Sale Issues

- ▲ Lender agrees to accept the proceeds of the sale, even though you owe more than the sales price
- ▲ This is considered “debt relief” and may be taxed by the IRS as income
- ▲ The short sell process is challenging



Foreclosure

- ▲ The bank takes back title to the house due to non-payment
- ▲ Shows up on your credit report for years
- ▲ Potential tax consequences
- ▲ Possible deficiency judgment
- ▲ The foreclosure process is challenging



You Have Choices

Above all:

Think differently!



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What You Will Learn

- ▲ Overview of the Auto Lending Market
- ▲ Having trouble making payment
- ▲ Repossession process

Auto Lending Market

- ▲ Delinquencies on the rise
- ▲ Autos devalued
- ▲ Lenders faced with repossessions

Tough Making Payments

- ▲ Talk to your lender
- ▲ We don't want your car
- ▲ Workout options
- ▲ You could sell yourself

Repossession Process

- ▲ Voluntary and involuntary
- ▲ Effect on credit, now and in the future
- ▲ Deficiency balance



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**Thank You
For Attending!**