



# Spring Summer 2010

Quarterly

Newsletter

...and read

DMCC

## 3 Money Saving Tips That Really Work

### Personal Budgeting Myths

For many people, budgeting means suffering. But that is a myth. And there are many such myths people believe when it comes to personal budgeting. More than myth, these are excuses for not having a budget. Let's have a look at three of the most common budgeting myths.

Most people like the idea of saving money, but they don't know how to do it. Some people might be disappointed to learn that there isn't a best way to save money. The trick that works for one person might not work for another person.

However, we can suggest three strategies to save a big amount. Select the one that suits your needs, keeping in mind that all the following tips have one thing in common: Spend less than you earn. If you are someone who loves using credit cards, and don't want to reduce the usage, these might be very difficult tips. For others, these are simple, and require only a bit of effort to succeed.

One of the core reasons why we aren't able to save much today is because we all seek instant gratification; purchase that item today without planning how we will pay it back tomorrow. Here are some ideas that could help with your new budget.

### 1. Change Your Approach

Most people complain they don't really understand how and where all their money goes. Only days after we get our paycheck, most of the

money is gone, and many times we do not understand where the money went.

If that's what keeping you from saving money, why don't you change your approach? Instead of trying to save cash till the end of the month, make arrangements to have your money directly deposited into your savings account. Put the money in savings before

you spend it. Alternatively, consider buying yourself an alphabetical index file holder at your local store and start clipping coupons from the Sunday paper. Put these coupons in the index file and pull them out when you are ready to shop. If you are really good with a budget you can deposit the money you saved into your account.

Although it may be a bit difficult initially as you have to lower your spending, we know these methods really work. After a while, you will become accustomed to it and, build your savings over time.

### 2. Reward Yourself

Although we know saving money would help us in the future, we don't receive anything in the present, which keeps us from being motivated to save. As mentioned earlier, we seek instant gratification, so, we obviously get attracted to things that provide us benefits now.

Continues on page 2



### Personal Budgeting Myth #1

*Budgeting is suffering*

How is that? The fact is, you are always on a budget, whether you have formally planned it or not. The problem is that your current budget is not saving you any dollars and not helping you get ahead. Budgeting isn't suffering. In fact, it is an end to your suffering as it helps you to avoid being buried under debts, save for more important things, and be financially independent.

### Personal Budgeting Myth #2

*Budgets are for poor people*

This is another misconception people have. They believe budgets are for people who are facing some financial problems or are just poor. That is far from the truth. Budgets are for everyone. Even the richest person on earth has a budget, it might be managed by someone else, but it still a budget.

### Personal Budgeting Myth #3

*Budgeting involves a lot of paperwork and wastes time*

This is more of a fear than a myth. People are generally lazy about spending a few minutes towards their budget. Over time, this laziness turns into fear, fear of all the paperwork and time a budget requires. The fact is, you can implement budgeting steps without any paperwork and the only time required is the initial time to choose the budgeting steps

Continues on page 2

Here's a possible solution for you. How about rewarding yourself whenever you save some money? If you are able to save \$250 a month (that is \$3,000 a year), reward yourself with dinner out, or a movie ticket. This may seem to be quite contradictory; you save at one end and spend on the other. The ratio of spending to saving, however, is low. You save much more than you spend rewarding yourself. Just remember that whatever rewards you put in place for yourself, it is important that such rewards are moderate.

### 3. Save "Big", Not "Small"

Simply glance through all the personal finance blogs on the Internet and you will realize they suggest saving a small amount every month. However if you save \$50 every month for 10 years, you will only have \$6,000. Now that's not an amount to sacrifice small pleasures in your life for. Besides, we don't think many people would be able to stick to such discipline for such a long time.

A quicker way to save big money is reducing your big ticket expenses. Instead of buying the latest, stylish new car, opt for a used one. Similarly, if you don't need a bigger house, opt for a smaller one.

Doing research before buying such things is the key to saving big money. Research interest rates especially; lower interest rate on a car or mortgage loan could save you thousands over the term of the loan. Combine these savings with your direct deposit savings plan and you could watch your savings grow even faster. Finally, once your car payment is completed, try to put that previous payment amount directly into your savings account immediately before you start to spend it on other things.

There are many ways to save money. Pick the ones that are practical for you. Stay motivated and follow your budget!

debt is there to pay back? A popular request from people purchasing life insurance is that their debt be paid off with the policy. In this case, the pay off amount, will determine the amount of insurance and the cost of the monthly premium.

Individuals, who plan their finances efficiently, do so to prevent their spouse or children to be in financial distress once they pass away. In order to figure out how much money is needed it is necessary to do some calculations that reflect: the amount needed to repay debts, inflation, family's monthly expenses, their savings, etc. In order to get the right amount and policy, it is important to include as many members of the family as possible into the conversation. Invest the time with your spouse and/or children now to discuss this matter.

The amount your family will need can be determined by either the above calculations or by choosing an amount and deducting your family's expenses from it. For instance, would \$800,000 be sufficient?

Finally, do the research. Today, the Internet offers many possible answers to commonly asked questions for people searching for life insurance. An agent or broker can also be the right start to the research; they can not only answer all types of insurance questions but also offer suggestions to make sure the policy fits the individual. Many individuals do not think they need life insurance, but the truth is, even a little can help a lot.

### Personal Budgeting Myth #4

*Budget will deprive you*

Budgeting doesn't mean spending very little or making yourself feel guilty for every purchase that you make. The main purpose of having a budget is to try and save every month; to get on top of your expenses and maintain a positive balance between your income and your expenses. It's not deprivation, it's salvation.

### Personal Budgeting Myth #5

*I don't need a budget for my survival*

Many people feel they can survive without a budget.

But in order to build savings, pay bills, clear debts and have enough for emergencies, a budget is a necessary tool. It becomes a useful financial tool that relieves stress, organizes thoughts, and maintains our daily expenditures in check.

### What is the right amount of life insurance for an individual?

One of the popular questions that haunt people once they get to their middle age is "how much life insurance is needed?" The answer depends on the responses to the following questions: What is the kind of lifestyle you want your family to live after you are gone? How will your death impact your family, financially? Would your family be financially impacted at all if you pass away? Is there any other earning member in your family?

The right amount of life insurance also depends on your existing financial standing. How much



## Tips for Avoiding Mortgage Foreclosure Rescue and Loan Modification Scams

### *Beware of Unethical Mortgage Foreclosure Rescue and Loan Modification Operators*

According to the FDIC, a fairly new and dangerous threat has arisen for homeowners who have fallen behind on their mortgage payments and may be at risk of foreclosure – opportunistic companies. They often refer to themselves as a “foreclosure consultant”, “mortgage consultant,” and market themselves as a “foreclosure service”, “foreclosure rescue agency” or “loan modification company”. They count on homeowners being vulnerable and desperate.

These companies claim they can assist homeowners facing foreclosure with options that allow them to keep their property, refinance or modify an existing mortgage, repair credit or help “buy more time.” In reality, these “options” are intended to convince you to take the wrong steps so they can take your money and possibly your home.

Remember the old saying, “If it’s too good to be true, it probably is.”

Be safe. It is important that you take action by contacting your mortgage lender – or any legitimate financial counselor – to find real options to avoid foreclosure.

### **Watch Out for the Common Foreclosure Rescue and Loan Modification Scams**

According to the Federal Trade Commission (FTC), these are the most prevalent scams:

**Lease-Back or Repurchase Scams** – In this scenario, a promise is made to pay off your delinquent mortgage, repair your credit and possibly pay off credit cards and other debt. However, in order to do this, you must “temporarily” sign your deed over to a “third party” investor. You are allowed to stay in the home as a renter with the option to purchase the home back after a certain amount of time has passed or your financial situation improves. The trouble is once you have signed away your rights in your property, you may not be able to repurchase the property later, even if you can and want to. After the new owner takes ownership of your property, the new owner can evict you. Furthermore, the scammer is under no obligation to sell the house back to you. Typically, after the deed is signed away, the property changes hands numerous times. The scammer may have taken a new mortgage out on your home for hundreds of thousands of dollars more than your mortgage, making it impossible for you to buy back your home.

**The scam operator asks you to give a partial interest in your home to one or more persons.**

interest then files bankruptcy, one after another, without your knowledge. The bankruptcy court will issue a “stay” order each time to stop foreclosure temporarily. However, the stay does not excuse you from making payments or from repaying the full amount of your loan. This complicates and delays foreclosure, while allowing the scam operator to maintain a stream of income by collecting payments from you, the victim. Bankruptcy laws provide important protections to consumers. This scam can only temporarily delay foreclosure, and may keep you from using bankruptcy laws legitimately to address your financial problems.

**Refinance Scams** – While there are legitimate refinancing programs available, look out for people posing as mortgage brokers or lenders offering to refinance your loan so you can afford the payments. The scammer presents you with “foreclosure rescue” loan documents to sign. You are told that the documents are for a refinance loan that will bring the mortgage current. What you don’t realize is that you are surrendering ownership of your home. The “loan” documents are actually deed transfer documents, and the scammer counts on you not actually reading the paperwork. Once the deed transfer is executed, you believe your home has been rescued from foreclosure for months or even years until you receive an eviction notice and discover you no longer own your home. At that point, it is often too late to do anything about the deed transfer.

**Internet and Phone Scams** - Some scam lenders convince you to apply for a low-interest mortgage loan on the phone or Internet. They then extract vital information, such as your social security and bank account numbers. In this scam, the loan is immediately accepted, after which you start faxing the documents and sending wire transfer payments to the phony company without even meeting the lender. Unfortunately, this scam will put you in twice as



much trouble--your personal details have been stolen or sold, putting you at risk of identity theft, and your home is still at risk of foreclosure.

**Phantom Help Scams** - The scam operator presents himself as someone who is able to help a homeowner out of foreclosure or qualify for a government loan modification or refinance program. In exchange for his or her "services," outrageous fees are charged and grand promises are made for robust representation, which never occurs. The "services" performed entail light paperwork or occasional phone calls that you could easily have made yourself. In the end, you are worse off than before, because you have little or no time to save your home, or seek other assistance.

### **Warning Signs That You May Be Dealing With A Mortgage Foreclosure Scam Company:**

- No legitimate organization that works with borrowers to avoid foreclosure or negotiate a loan modification will ever ask for money up front.
- Makes unsolicited offers or "lofty" advertisements, claiming they can help save your home.
- Recommends you break off contact with the lender and any counselor that you may have been working with.
- Advises you to stop making mortgage payments or tells you to send your mortgage payment to anyone other than your loan service.
- Instructs you to transfer ownership of your property.
- Asks you to sign a document that has blank lines or spaces.

### **Protect Yourself**

Know with whom you are dealing with! Before you hand over any money or provide any personal information, check out the company or person. You can check your local Better Business Bureau or state consumer protection office to see if the company or organization is legitimate and if any complaints have been filed.

Contact reputable non-profit housing or financial counselors, such as those you can find by contacting the:

U.S. Department of Housing and Urban Development (HUD) at (800) 569-4287 or  
Talk to a Housing Counselor Homeownership Preservation Foundation  
at (888) 995-HOPE or [www.995hope.org](http://www.995hope.org).

**Know what you are signing.** Read and understand every document you sign. If a document is too complex, seek advice from a lawyer or trusted financial counselor. Never sign documents with blank spaces that can be filled in later. Never sign a document that contains errors or false statements, even if someone promises to correct them later.

**Get promises in writing.** Oral promises and agreements relating to your home are usually not legally binding. Protect your rights with a written document or contract signed by the person making the promise. Keep copies of all documents you sign.

**Make your mortgage payments directly to your lender or the mortgage servicer.** Do not trust anyone else to make mortgage payments for you.

**Never sign over your deed until you clearly understand what will happen to your rights to your home.** Foreclosure scams often require you to "temporarily" sign over ownership of your home to another claiming it would be only as a means to help you. Consult with a HUD-approved homeowner counseling agency.

**Report suspicious activity to the Federal Trade Commission.** Your State Attorney General's Office or your state and local consumer protection agencies. Reporting con artists and suspicious schemes helps prevent others from becoming victims.

*Information in this article was compiled and reprinted from various Federal websites.*

## **Mission Statement**

Our mission is to provide consumers education and budget counseling to improve their financial literacy and assist them in the management of their personal finances. We are committed to providing credit counseling through educational programs and materials, personal budgeting, and debt management plans to financially distressed consumers, while maintaining fiscal integrity and utilizing the highest quality standards in the industry.

### **IRS Treatment of Client Payments to DMCC**

Client payments to DMCC are considered to be equal to the fair market value of debt repayment services provided by DMCC and therefore, do not satisfy the IRS requirements for the donative intent. Please review this with your tax preparer.

## **Certifications**

ISO 9001:2008

NACCC

ASQ

## **Need to Contact Us?**

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The subject matter contained in our educational publications is for information purpose only. We suggest that you consult your financial or other advisors when planning for your specific need or requirements

Dear Client,

Making the decision to eliminate your debt was not easy; however, utilizing our services was a good first step in the right direction toward the financial freedom that you deserve. Sticking to a budget to enable you to successfully complete the program is also a big commitment and requires strength, sacrifice and determination. By staying within your planned budget, you are proving that you can and want to eliminate your debt once and for all. Whenever you feel like giving up, remember your goals and believe they are achievable. If at any time during your program your financial situation changes and you need to update your budget, our counselors are here to help you.

As Executive Director of DMCC, I reaffirm my commitment on behalf of the organization to work on continually improving the services that we provide in order to make this journey easier for you. Over the past few months we have upgraded all of our internal systems to serve you better, including the conversion to state-of-the-art client software, the installation of a new telephone system and the redesign of our website. In connection with these changes, we have also changed some of our operating policies to strengthen the security of your data and ensure the continued receipt of DMP benefits from your creditors. Although some of these changes have been restrictive in nature, they were all made with your best interest in mind.

As always, we ask you to provide us with your comments and suggestions. It is your recommendations that guide us in setting our goals, so please take the time to give us your feedback. Hopefully we can both accomplish all the goals we set for ourselves.

In the event you have any issues or concerns, or simply need to get on target with your budget, you can contact us Monday through Thursday 9:00 am to 5:00 pm and Fridays 9:00 am to 3:00 pm Eastern Daylight Time at 866-619-DEBT (3328).

Sincerely,



Phil Heinemann  
Executive Director

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## Our Policy

**We collect nonpublic personal information about the client from the following sources:**

- \* Information we receive from the client's application.
- \* Information we receive from client's creditors or a consumer reporting agency.

**We may disclose the following kinds of nonpublic personal information about our clients.**

- \* Information we receive from the client, such as client's name, address, social security number, assets and income;
- \* Information about the client's transactions with us or others, such as a client's account balance, payment history, parties to transactions, and credit card usage; and
- \* Information we receive from a consumer reporting agency, such as a client's credit worthiness and credit history.