Debt Management Credit Counseling Corp.
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www.dmcccorp.org

Quarterly Newsletter

"Your guide to debt freedom"

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Private Motgage Insurance

Many individuals who have paid off a great amount of their credit card debt may be considering purchasing a home now that mortgage rates are low.

There are many things to consider when purchasing a home; after all, this may be the most important purchase you will ever make. It may also be the most confusing one. But don't let the process scare you. Read along, we have explained the Private Mortgage Insurance part for you.

What is Private Mortgage Insurance?

Private Mortgage Insurance (PMI) is a policy that protects lenders who make loans to individuals who want to buy or refinance a home, but are unable to come up with the required 20% down payment.

Private Mortgage insurance Facts:

-PMI plays a valuable role in expanding home ownership.

-With PMI, families can purchase homes with as little as 3% to 5% down payment on a home.

-Nearly 1 million people buy or refinance a home with PMI

-PMI may cost homeowners $20 to $100 per month or more depending on the loan.

-PMI can be canceled, under certain conditions, when good payment history is met and 20% or more equity is achieved on the cost of the home.

Who benefits from PMI?

PMI allows homeowners to make as little as a 3% to 5% down payment and still qualify for a mortgage. It allows you to buy a larger and more expensive house with the money you have saved up for a down payment.

PMI is insurance that the buyer pays for, but it protects the lenders' interest. If the buyer defaults on his mortgage, this policy guarantees that the lender will receive the principal amount of the loan.

Continued on Page 2

Think You Qualify for the Job?

It is already hard enough to find a position you feel you deserve. With all the competition among college degrees, work experience and other qualifications there is yet another area a potential employer has to find appealing. Believe it or not, it is your credit report. A credit report is issued by an independent agency, such as a credit bureau, which contains certain information concerning a person's credit history and current credit standing. How can your credit report affect how well you perform on the job? Potential employers check your credit report to see how financially responsible you are and to verify identity. This can hurt if you are just out of college and have a hefty student loan weighing you down. Or, perhaps you were a victim of identity theft and your credit reports are not accurate. Continued on Page 4

Save More to Have More

If you scan the Web sites and magazines that dispense advice about personal finance and retirement, you're almost guaranteed to read about people who believe they can close shortfalls in their retirement savings by working a few extra years. For example, a 2009 survey found that more than one in four workers had changed their planned retirement ages; of these, 89% postponed retirement.[1]

But what if you don't want to postpone your retirement a few years or, worse yet, are unable to continue working because of poor health or career problems? Even if you wouldn't mind staying on the job a few extra years, consider the diminishing effects of time: Retirement contributions you make during your last few years of working will have less time to

Continued on Page 2

Continued from Page 1

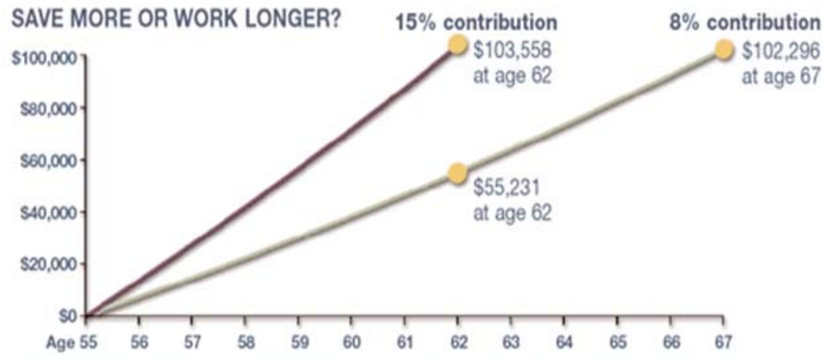
grow than the contributions you made long before retirement.

There's another solution to a retirement savings shortfall that is so simple you might never have given it serious consideration: Set aside more of your current income. Even if you believe that you are currently saving as much as possible toward retirement, you might change your mind after you run the numbers.

Bob Needs More Bucks

A 55-year-old hypothetical investor, Bob, regularly contributes 8% of his salary toward his retirement goals. Bob wants to retire at age 62, but he also would like to have at least another $100,000 saved for retirement before he stops working in order to achieve his goals.

Bob is worried because if he continues to set aside 8% of his income (which is currently $80,000 with a 3% raise every year) and his retirement assets earn a 6% average annual return, he will only be able to accumulate about another $55,000 by age 62. He would need to work until age 67 - an extra five years - to reach his goal of an additional $100,000



This hypothetical example is used for illustrative purposes only and does not represent the performance of any specific investment. It assumes an $80,000 salary (with 3% annual increases), 15% versus 8% investment contributions, and a 6% average annual return. Fees and expenses were not considered and would reduce the performance shown if they were included. Actual results will vary.

(see chart). Aside from working longer, Bob has two other potential options for closing his shortfall.

- He can assume more investment risk in pursuit of a higher average annual return. However, this may not be a wise move. Investments seeking to achieve higher returns also involve a higher degree of risk. Given his proximity to retirement, Bob should be considering lower-risk investments because his portfolio could take years to recover from a significant loss. And, in Bob's case, the difference between a 6% return and an 8% return would be worth only about $1,000 by the time he reaches age 62.

- He can boost his retirement contributions to 15% of income and, if his portfolio continues to earn a 6% annual return, he may be able to accumulate $103,558 by age 62.

Decreasing your current consumption in order to save more for retirement might not sound like much fun, but if you are looking forward to retirement, it could be less painful than working longer. The sooner you meet your retirement savings goals, the more choices you may have about when you will leave work and enter retirement.

1) Employee Benefit Research Institute, 2009

This information was provided by FFES

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Continued from Page 1

What does PMI cost and when do I pay for it?

Depending on the size of the mortgage, interest rate, and the down payment amount, you could pay from $20 to $100 per month or more. This additional cost will be included in your monthly mortgage payment.

Can I cancel PMI?

PMI may no longer be required once you have made two years of on-time payments and your home equity has reached the 20% level. Once you have satisfied the above requirements, you can demonstrate your home has increased in value by getting a home appraisal. This may cost you approximately $200, but first contact your lender to see how you can qualify for these savings.

Few people realize it is the responsibility of the homeowner to notify the lender when their equity surpasses 20%. As a result, many people have paid unnecessary PMI premiums for many years.

The monthly cost varies, depending on the size of the mortgage and the percentage of the down payment. For someone who borrows $150,000 for a $180,000 home with a 17% down payment, PMI could add approximately $45 to the monthly payment.

As a final tip, if you are able to cancel your PMI, you can apply that amount directly to your principal every month and pay off a 30 year mortgage in less time.

CLIENT'S CORNER

Did you know you can add additional creditors at any time? If you have a creditor that you wish to include on the program contact Client Services today at 866-619-3328 to find out how to add an account to the program.

DMCC has a new fax number. Please send faxes to 954-545-4510 going forward.

Please continue to monitor your statements. If you are not getting your statements please contact your creditors and make sure they have the correct address on file and request they mail you your statements.

Certifications

ISO 9001:2008
NACCC
ASQ

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, donot satisfy the IRS requirements for donative intent. Please review this with your tax preparer.

Dear Client,

Now that the holidays have passed, it is wise to remember to keep a close watch over your expenses. Start the year with a refreshed budget so you know exactly what you can afford to spend and set financial limits.

This time of the year also is a time for reflection, introspection and evaluation. A time for each of us to review what we have accomplished and to recommit to goals that have not yet been achieved in preparation for a new year. As the new year unfolds so does the opportunity to establish new goals that take us one step closer to the realization of our financial dreams.

Financially, 2010 has been a difficult year for many of us. Financial markets and retirement accounts are down. We constantly hear of impending layoffs and as a country we are frightened about the future for our families. During these uncertain times it is increasingly important to include emergency funds or savings into your budget. If however, you fall victim to these times, do not give up on the program and jeopardize the headway you have made. Some creditors have adopted a waiting period before they will re-enroll an account on the program; some creditors aren't so forgiving. Send us a letter, an email or give us a call. One of our certified credit counselors will review your account, educate you on your creditor policies and explore your options.

Nevertheless, if you do not understand something, or if you feel the program is not proceeding according to your specifications, please let us know. Give us the opportunity to obtain answers for you and provide solutions to whatever situation you may be encountering. If you are not satisfied with the service you received, I want to know.

You can contact us Monday through Thursday, 9 am until 6 pm, Friday 9 am until 3 pm EDT. at 866-619-3328. Alternatively, you can email us at contact@dmcconline.org.

Sincerely,

Phil Heinemann
Executive Director

Money Saving Tip

Actual Cash Value or Replacement Cost

When you file a homeowners claim, the insurance company calculates how much to pay you by evaluating the cost to replace your property with new property of the same kind and quality. But here is the critical distinction; if your policy covers your personal property (your home's contents) for its actual cash value, the insurance company deducts depreciation from your personal property's overall value before arriving at a figure. Your check will be significantly less than the amount it will cost to restore, repair or replace the damage or loss. However, if you have replacement-cost coverage the insurance company will pay what it costs to repair or replace your damaged possessions at today's prices without deducting for depreciation.
Review your insurance policy and make sure you understand what you are buying. It could save you money if you have to make a claim.

Ask DMCC

I found a few mistakes on my credit report. What is the most effective way of getting them cleared up?

If you have found mistakes on your credit report, you are not alone. It is estimated that up to 80% of credit reports contain mistakes in them. First, write a letter to the credit bureau that reported the erroneous information. In this letter, list the inaccuracies and ask for them to either be removed or investigated. You can view a sample dispute letter on our website. Click on the "Worksheets" link under the "Education" category of our homepage. Send the letter by certified mail, with a return receipt requested.

Keep complete and accurate records of all correspondence with the credit bureau. If you do not receive a response within 60 days, send another request.

If the credit bureau states that the information was verified by a creditor, ask them to give you the name and contact information of the person who deemed the information as correct. The credit bureau is obligated by law to provide you with this information. Contact the person who verified the information and ask them to send you documentation that proves the reporting, such as account history, statements, copies of judgments, etc. if they refuse to comply with your request or if they fail to provide the information within a reasonable time frame, put your request in writing and send it certified mail, with return receipt requested. Ask for the supporting documents or the deletion of the inaccurate information. Send a certified copy of your request to the credit bureau. If the creditor still fails to provide the requested information within 60 days of your latest request, send another letter to the credit bureau asking them to remove the erroneous information from your credit report based upon the creditor's failure to provide you with proof of the inaccurate information. The Fair Credit Reporting Act states that the credit bureau must remove disputed information from your credit report if you do not receive proof from the creditor that the information is accurate.

Also, request that they send you a copy of the corrected credit report. Be patient and persistent and you should be able to get our problem cleared up.

In each newsletter, DMCC will answer a question from one of our clients. If you have a specific question you would like answered, you can submit it to education@dmcconline.org.

Continued from Page 1

Is the candidate responsible?

This is the number one reason employers check credit reports according to Salary.com.

Employers often believe that if you manage your finances responsibly and live within your means, you are more likely to be responsible and practical on the job as well. A good credit report may also demonstrate that you have organizational skills. If you cannot organize your finances, how organized will you be for a meeting? Credit checks were primarily used for positions in such fields as finance, accounting and bookkeeping. Today, credit checks are performed for almost all positions.

Is the candidate honest about their identity?

With the rise of identity theft, you never know what to expect anymore. This is another reason why employers check credit reports. They want to make sure you are who you are claiming to be. They also want to verify your employment history. So if you are trying to show off a resume on steroids, think again.

It is unethical to say you worked somewhere and really did not. However, now you may not even get the chance to explain your little white lie since your employment history may appear on your credit report.

Will the candidate do something unethical while in the workplace?

Companies may not want to hire someone who is drowning in debt. A potential employee's inability to pay off their debt may be a reason for this candidate to commit theft. This is a judgment call made by the employer and according to a survey on Salary.com 46% of businesses check for that reason.

Information you should know

Companies must have a written consent for you to run your credit report during the interview process. If they do not have your consent and still run your report, it is a violation of the Fair Credit Reporting Act.

If you do not give them consent to check your report, chances are, you may not be considered for the position. Therefore, if you really want the job and they ask you for your consent, it may be best to give it to them.

If you are denied the position because of your credit report, the employer must show you a copy of your credit report, explain your Fair Credit Reporting Act rights and inform you what creditors reported negative items.

If you are looking for employment, obtain a free copy of your credit reports from www.annualcreditreport.com . The more time in advance you have to check your credit report before applying for positions the better. This way, if you need to correct inaccurate information, there's time. Check out the section in this newsletter called "Ask DMCC" for information on how to correct mistakes on your credit reports.