Wi$e Up Teleconference Call  
March 31, 2008  
“What Do I Do Now? Facing Financial Challenges in an Uncertain Economic Environment”  
Questions & Answers

Jane Walstedt: Now I’d like to turn the floor over to our operator, Wendy, to remind us how to ask a question. Wendy--

Coordinator: Thank you. At this time, to ask a question, please press star, followed by a 1 on your touch tone phone. You will be prompted to record your name.

Once again, to ask a question, please press star 1 at this time. Once again, star 1 to ask a question.

Jane Walstedt: Wendy, do we have any questions?

Coordinator: I have a question from E. J. Leslie. You may ask your question.

E.J. Leslie: Good afternoon. Could the - I think it was the second speaker that spoke about when to refinance and when not to--could you go over that again? You said something about $100 or something, and I didn’t catch that whole conver…you know, the calculation--how you come about that.

Lourdes Tsukada: Okay. Sorry, I didn’t know if I was on listening mode or if I could….

Jane Walstedt: No, you’re on an open line.

Lourdes Tsukada: Okay. In general terms, what I advise all of my clients honestly is to look at, okay, the rate may be very good, but how much is the bottom line that I’m actually saving?
So here is where even working with me as a lender, every one of us will actually give you a good faith estimate. What that means is we will actually show you how much of a savings it is per month.

That monthly payment is divided into different segments. There’s the principal and interest, which is the loan portion, and there is taxes, and that is based on assessed value and established by the county.

And then there’s insurance, which is your insurance premium divided by 12, and that’s according to what you’ve actually agreed to with your insurance agent. It’s the principal and interest section or line on the good faith estimate that you should be looking at.

When you’re actually refinancing, you’re looking at how to save money. If I’m not taking money, how am I going to save money with a lower rate? And that’s where I usually advise people, look at $100 or more of savings within that line of principal and interest, which is the loan before you actually refinance.

Because if you are actually looking at only a $50 savings, you’ve got to look at all the closing costs that you are paying to get that change.

In most cases, it takes up to three years to recover all of those closing costs. So here is where you should… my advice is [the monthly savings from refinancing should be] $100 more. Then it’s actually worth it, because within a year and a half, you should be able to recover all the closing costs and be ahead for the future years.

And if I can add to what Lourdes was saying--and this is an important topic today--there are a number of programs today if you have an adjustable rate
mortgage, and if you have one of these exotic or sub-prime mortgages, you may not have to refinance.

Your first step should be to contact your existing mortgage… whoever is holding your mortgage and see about getting a modification.

They have special programs that Mary was talking about to help existing homeowners actually renegotiate or keep their home prior to the reset, which means whatever your original mortgage payment was.

What’s getting a lot of Americans in trouble is actually their adjustable reset in these mortgages, which can go up as much as between $600 to as much as $1000 or $2000 every six months with some of these real bad sub-prime mortgages.

So your first thought might be to see if you can get a modification on your existing mortgage first, and then if that’s not an option you might want to look at refinancing your home if you plan on staying in that home for a while.

Jane Walstedt: Thank you, Kelvin. Any other comments on that, Mary?

Mary Hurlburt: No, I think Kelvin just about covered that. There’s…it just has to be the first order of business that you call the lender or have the counselor who can walk you through the steps and see what’s available in your state.

Lourdes Tsukada: Very important, like everybody said…it’s mainly going back to your lender really and looking at what options are available.

Mary Hurlburt: And oftentimes housing counselors have emergency mortgage assistance that’s available.
E.J. Leslie: I guess I was looking at it a little differently. Can you hear me?

Jane Walstedt: Yes.

E.J. Leslie: Okay, I was looking at it if you were in case, say you already had a 6.75 and you wanted a 5.62. And you wanted to get some equity out of it.

Kelvin Boston: That’s what I’m saying, ma’am. Refinancing is a good opportunity for…if that’s what you want to do.

E.J. Leslie: Right.

Kelvin Boston: We were just talking about some other folks might have another option, but thanks for the clarification.

Lourdes Tsukada: Leslie, that’s a good point, and actually here is where you’d still be looking at the reasons why [you’re refinancing], and if you’re taking out cash, Kelvin has phenomenal ideas of how to build up a little nest egg so that you’re prepared for….

You know, some of us weren’t prepared for this big boom that actually happened. Kelvin has some excellent ideas. I mean he and I were talking a couple, you know, a little bit before [this call], and I read his bios and stuff.

And he could give you right now, Kelvin, some little summary ways.

Kelvin Boston: Well, I think even if you’re going to take money out--and you probably have some reasons why you’re doing that--but for most of us right now we have to save if not six months a year or even a year and a half worth of monthly expenses.
Because many Americans are finding themselves unemployed. And it may take almost two years to get a new job these days. And I hate to say this, but, you know, even the Federal government has laid people off for a few days, not for a long time.

So there’s really no such thing as a guaranteed job in America. So the first thing I want to encourage everybody to do is to put some money aside in a safe place at least six months, that will give you at least six months or a year’s worth of expenses that will be covered so you can sleep at night.

Also then, I do think that this is a good time to think about investing for the long term, and a lot of people are looking at their Thrift Savings Plan. I know we have a lot of government people on the phone.

And they’re wondering, “Well you know, I’ve seen the value of my [Thrift Savings] account go down and what should I do?” Well you should hold the course. Again you may want to stop putting extra money into your equity side right now, maybe move more of that money into the guaranteed side.

And let what’s in there ride, but you don’t want to panic and just sell what you have in the stock market. Likewise this is a great opportunity to be adding shares of publicly-traded companies through a mutual fund or through a savings plan.

Why? Because they are down in value, and that’s when you want to buy shares of publicly-traded companies--when the value is down.

Same as it relates to buying other real estate. This might be a good time to buy that second home if you’re really interested in buying a second home because this is a time for people to buy homes.
So there are a lot of opportunities there, but the most important things to have are a written financial plan so you know why you’re doing what you’re doing and what your expected outcome would be so that you make sure that you reach your particular financial goals.

Jane Walstedt: It’s kind of an interesting question that the speaker asked because from what I’ve been reading, people are in trouble because they’ve pulled so much equity out of their homes.

Kelvin Boston: Well the thing is that the people who purchased their homes three, four, five years ago, they have more equity in their homes. You should keep in mind that the real estate market has gone up for the last ten years.

It has only been recently that it’s gone down. So if people purchased mortgages and they put some equity down, and they’ve had a chance for that real estate to go up in value, they still have a lot of equity in their homes.

And so there are opportunities there for these people to bring the money out. But the thing you have to keep in mind is that the…it’s harder because of credit restrictions today to get that refinance.

So unless you do have a good credit score, a steady job, it’s going to be harder for people just to get the new financing that they used to get. But it’s still opportunity time for…I mean still an opportunity for people who have equity in their homes.

Jane Walstedt: Okay. Thank you. Wendy, do we have another question?

Coordinator: Thank you. Our next question is from Natalie Johnson. Your line is open.
Natalie Johnson: Hi, my name is Natalie, and I was interested in finding out if you don’t have an adjustable rate mortgage, you just have a high interest rate, are there options for you to get a lower interest rate?

Are there any programs available? Thank you.

Kelvin Boston Mary, you want to try this?

Mary Hurlburt: There…you can always go to your lender. It’s going to depend, like Kelvin said, on what your credit is like.

If your interest rate is high because you had poor credit, it’s going to be even more difficult today to get one lower, because credit is far more important today than it was five years ago when they were giving iffy loans.

So the first order of business should be to pull your credit report, and to do that go to www.annualcreditreport.com. Check that over to make sure that everything on there is accurate.

You’ll have to pay for your credit score, but you should know what your credit score is because that’s going to have a bearing on what kind of interest rate you get.

If your credit score is in the 700, 720 range, then you should be able to refinance at a reasonable or a much lower interest rate.

The other thing with this crisis with home buying or foreclosures, I recommend that people go to local lenders. They’re easier to work with if you have a problem.

Jane Walstedt: Okay, anybody…
Kelvin Boston  And the other side of that too is when you’re thinking about refinancing, as 
Lourdes said earlier, it may cost you $5,000 to $10,000 to refinance, 
depending on, you know, what you have to do. 

So you have to raise the question “Do I put that money aside now to get me 
through this crisis in America, whether it’s six months or a year, or do I put 
that money in a refinancing situation? I may have a short-term lower 
mortgage right now. But if an emergency comes, I may not be able to respond 
to it because I used my cash that I would have in savings.” So you may want 
to just weigh that. 

Jane Walstedt: Okay. Thank you very much. Wendy, do we have another question? 

Coordinator: Our next question is from Nancy Granovsky. Your line is open. 

Nancy Granovsky: Thank you. The question that I would like to pose--I’m not sure who 
should answer it. Perhaps Mary--every once in a while someone that I have 
been working with tells me that they’ve been approached by a debt settlement 
company. 

I’d like for you to distinguish for the audience the difference between a debt 
settlement company and a consumer credit counseling agency. 

In some cases people have been advised by debt settlement companies to not 
call their creditors, which to me seems like a very bad idea. 

Mary Hurlburt: Nancy, I’m so glad you asked that question, and you’re quite right, that’s an 
absolutely miserable idea, and that ought to be the first clue that these…this is 
a company they don’t want to deal with.
Obviously they don’t all operate exactly the same way, but here’s how most of the debt settlements work. You send your payments to the debt settlement company, not to your creditor. Meanwhile your credit is becoming more and more damaged. When you fall six to nine months behind, then they will offer to settle for you with your creditor.

That just ruins your credit, may or may not work because the creditors are now aware that this is what’s happening and adjusting some of their policies. But again that depends on who you’re working with.

With a credit counseling service, you pay the credit…. First of all in a reputable one your first appointment will last anywhere from an hour to an hour and a half. You’ll sit down with a credit counselor, certified credit counselor.

They will run through a budget and make sure that you have first enough money to live, because it’s more important to pay your….be able to take care of your family and pay your mortgage and your car payments than it is credit card debt.

If you have a reasonable budget…and we may make suggestions--do you need to pay $97 a month for cable when you really can’t afford to pay your credit card bill? So we may make, counselor may make suggestions.

Then they move on to the credit card debt, and the counselor knows which creditors will be willing to lower your interest rate, to stop late fees and over the limit fees, which are frequently $50 a month each.

After three months of being in a debt management program those fees usually stop, but a credit counseling service knows which banks will stop those fees. Lower the interest rates to something reasonable, anywhere from 6 to maybe 8
or 9%, and you pay the credit counseling service, they pay your creditor, they pay your creditor on time every month as long as you send your payment to the credit counseling service.

That’s known as a debt management program. It’s the quickest way honestly to pay down debt. Remember, if you refinance your home you’re not paying your debt down, you’re simply switching it.

Paying your bills through a debt management program is usually the quickest way to pay down your debt. But you pay your debt in full. From a settlement company you are not paying in full.

Jane Walstedt: Mary, how do you know that some organization is a debt settlement company?

Mary Hurlburt: Well they don’t advertise, but the first thing is they tell you not to talk to your creditor and not to send your creditor any money. That’s your first clue that you’re not talking to someone that you really want to be dealing with.

In a debt management program I will tell you that effective January 1st, 2008, credit counseling services are now required to charge a small fee. They can charge up to $50 a month for the service.

But if you’re paying late fees totaling $200 a month, or interest rates at 26 to 30%, even if the agency chooses to charge as much as $50 a month, the client is still saving money.

And everything should be in writing. It’s a non-binding contract with the settlement companies. Often times they’re not getting contracts. But with a reputable credit counseling service they will.
And they will be getting reports of where their money is going. We are a large agency. Our clients have access to their accounts 24/7 through the phone or the internet.

We send them month…quarterly statements whether they want them or not. We send monthly statements if they prefer to have something in writing.

But it’s…a debt settlement company will do nothing except destroy someone’s credit.

Jane Walstedt: Thank you very much, Mary, and thanks for the question, Nancy. Wendy, do we have another question?

Coordinator: Yes, Susan Channer, you may ask your question.

Susan Channer: Thank you. How does one find a financial…a certified financial planner that is not associated with sales? I live in a small town, and we’re very limited.

Kelvin Boston: Yeah. Well you can go to www.cfp.net, where you can get a list there. And also you should know that many certified financial planners will also give you a free consultation, at least the first time.

And then you can choose. There are some that will charge you a small fee just for the advice. There are some that will charge you a commission. There are some that will charge both.

And I don’t particularly…I’m not against going to a national organization like Ameriprise, which is basically financial planners. But again, I just think what you really want to do is find somebody that you trust.
And the best way to do that is to try to interview a couple of people. And you may have to go to a large town, maybe the largest… the nearest large town to you to find one. I would suggest that people go to seminars.

You should see a lot of them coming up because of tax time. A lot of times you see different financial planning companies have free seminars that you can go to and meet people, or even at your local college there should be some financial planners teaching courses on money management.

Jane Walstedt: Mary or Lourdes, did you want to add anything to what Kelvin said?

Lourdes Tsukada: No, it’s actually excellent what Kelvin is actually bringing up. And he covered even my end because he is right. Most first consultations are actually provided free.

Mary Hurlburt: Right. And I needed to add to mine, by the way, the credit counseling, which is the first session for a reputable credit counselor, is always free. The credit counseling is free.

There is a small fee for debt management programs, but no fee for credit counseling.

Jane Walstedt: Thank you so much. Wendy, do we have another question?

Coordinator: Thank you. Paulette Lewis, you may ask your question.

Paulette Lewis: My question has been answered, thank you.

Coordinator: Thank you. Beverly Farris, you may ask your question.
Beverly Farris: Yes, this is Beverly Farris speaking. I have a loan that I took out that’s called, let’s see, line of credit, in the amount of $18,000 to pay for a roof. I know it’s hard to believe it, but that’s how much it cost.

And I’ve been paying on it a year, and it’s only gone down like maybe a couple hundred dollars.

So I’m just wondering if I should go ahead and get the money from another source with a lower rate and just pay it off, because at this rate, I’ll be paying on it forever, and I’m in my 60s already.

Jane Walstedt: What rate are you paying?

Beverly Farris: Well it’s fixed. I think it’s fixed [at] 8.95 [percent].

Kelvin Boston And for how many years?

Beverly Farris: Oh let’s see. 20.

Kelvin Boston Yeah, that’s an issue. That’s a long time. Yeah, it is. It’s something you may again want to look at. I don’t…first of all, I always like to suggest that you talk to a counselor--a credit counselor or a financial planner.

Beverly Farris: Okay.

Kelvin Boston It looks like something you may want to change, because it is a long-term debt, and at the rate you’re paying, unless there’s something that you can prepay, you’ll be paying it for a long time. And you’ll probably pay double the amount of the actual loan.

Beverly Farris: Right.
Kelvin Boston: And so…but another reason why I’m hesitant, again, is because we’re in some dire economic times…

Beverly Farris: Yeah.

Kelvin Boston: …and so we want you to manage what you’re doing, but more importantly make sure that you have money put aside.

And I’m suggesting people have money put aside for the next two to three years. All of us should be planning what will it take for us and our families to survive financially for the next two to three years.

And once you have that plan in place, you can think about how you want to deal with this particular loan. Because again, none of us know what to expect -- whether you have a political situation that’s ongoing. It’s uncertain.

We don’t know what’s going to happen with the war in Iraq, we don’t know what’s going to happen with the stock market or the overall economy, so right now caution is the road that we all need to take.

But I think it’s something you should look into, but I would suggest that you get some help.

Jane Walstedt: Thank you. Anybody want to add to that, Lourdes or Mary?

Lourdes Tsukada: Kelvin brought up some very good points, but at the same time, Beverly, here’s a couple of things that you can immediately look at. If it’s an equity line of credit and you’re actually paying only the minimum, the reason why you are actually not denting anything in that debt is because you’re only paying the interest for that full amount.
And the minimum would be, again, only interest, and then at the end of the 20-year term, that’s when the full amount of $18,000 would be due. So here again the recommendation given prior to me from Kelvin is actually really worth your time looking into.

Beverly Farris: Okay. Thank you. I was thinking that I could maybe raise the payment.

Lourdes Tsukada: Yes you can, and here I did a quick calculation for you. I don’t…I’m guessing that the minimum [payment] you’re making is $133?

Beverly Farris: Yes, around $150.

Lourdes Tsukada: Okay, so…

Beverly Farris: It grows up. It’s very little minimum. Like I’m paying maybe $19 towards the principal, and the rest in interest.

Lourdes Tsukada: Right.

Kelvin Boston: There’s a place called www.powerpay.org that will go and tell you how quickly you can pay that off by just increasing your…the amount going to the principal.


Kelvin Boston: Yes. And also, again, sit down with someone from Mary’s organization. I think they’ll get it for you as well.

Mary Hurlburt: Yep.
Jane Walstedt: Thank you very much. Wendy, do we have another question?

Coordinator: Yes, once again, for any questions press star 1. Our next question is from Theresa Bansbach. Your line is open.

Theresa Bansbach: Yes, I actually have two questions. The first one is, “So if you have multiple cards with different rates on them, then you’re not recommending to get a consolidation loan because that could be extended for a long period of time?”

Mary Hurlburt: I wouldn’t say carte blanche don’t get a consolidation loan. It depends on what the interest rate is. I’m just saying once you get that loan, don’t…whether it’s on your mortgage or a personal loan, all you’ve done is move the debt.

The debt is still there.

Theresa Bansbach: Okay.

Mary Hurlburt: So before doing anything like that, you need to establish a budget so that you’re spending…if that is indeed the reason, or even if you’ve lost a job and you find a new one, we rarely find new jobs paying as much as the one that we were downsized from.

So a budget is essential so that you know what you can afford to pay, and if the problem really was overuse of credit cards, then you need to stop using them, and you need to give yourself a few months to make sure that you can stop using them.
Statistically they’ll say if you get any kind of consolidation loan through your mortgage or personal loan or even transferring the balances to lower interest rate credit cards--which is not as easy to do today as it was five years ago--if you don’t change your spending habits, within two years you’re going to owe on the old debt and you’re going to have incurred another new debt.

Jane Walstedt: Thanks Mary. Wendy, how many questions do we have in the queue?

Coordinator: I have one final question.

Jane Walstedt: Okay, go ahead.

Coordinator: Patricia Gilpatrick, your line is open.

Patricia Gilpatrick: Hi. Yes. Thank you. My question is about the annual credit reports, and I kind of understood that some of them are free, like so many per year.

Mary Hurlburt: The annual…the Federal government established the website www.annualcreditreport.com. That’s the official website. And there are three credit bureaus. You’re entitled to a free one every year from each of the credit bureaus-- Equifax, TransUnion, Experian.

Patricia Gilpatrick: Okay.

Mary Hurlburt: Don’t go to freecreditreport.com. Do not Google freecreditreport because that website has been around for years and years and years, and their first question is “What is your credit card number?” You know you’ve gone to the wrong place.

Patricia Gilpatrick: Okay.
Mary Hurlburt: Your credit report, by the way, is free. Your credit score you will have to pay for, but a very small amount--$7.95 or less.

Patricia Gilpatrick: Okay, so the annualcreditreport.com is the one to go to.

Mary Hurlburt: Yes. That’s where you go pick it up.

Patricia Gilpatrick: Great. Thank you.

Mary Hurlburt: You’re welcome.