"Be the change you wish to see in the world."

Second Saturdays
December 8, 2007
www.secondsaturdays.net

Usury, from the Medieval Latin usuria, "interest" or "excessive interest", from Latin usura "interest") was defined originally as charging a fee for the use of money. This usually meant interest on loans, although charging a fee for changing money is included in the original meaning. After moderate-interest loans were made more easily available usury became an accepted part of the business world in the early modern age. Today, the word has come to refer to the charging of unreasonable or relatively high rates of interest.

(**http://en.wikipedia.org/wiki/Usury**)

“Fiscal Responsbility”

We all know about fiscal responsibility and how important it is to have a good credit rating. Don’t get into debt, pay your bills on time, don’t use revolving credit…these are all the basics, right?

But do you know what your credit report says? Have you ever requested a copy of it? How accurate is it?

Litigation of industry experts has resulted in some very interesting information about credit ratings – known in the industry as a FICO score – calculated. Witness testimony revealed that FICO scores are notoriously inaccurate, with an error rate between 50% and 90%, and 25% to 50% of errors are serious enough to cause credit denial. Any other business with that high of an error rate would be out of business. In the credit industry, however, they’re protected by legislation and opaque reporting laws.

Meanwhile, the current Administration continues to dig us into an ever-deeper hole at an ever-faster rate. The result has been an economy teetering on the brink, assaulted from multiple directions by rising energy costs, a collapsing currency, an emerging mortgage crisis, skyrocketing healthcare, looming inflation, falling consumer income power, and a quagmire military action in two countries that we cannot afford. As the Administration lectured us about taking responsibility for our finances and warned about a prototypical consumer who buys with abandon and never pays their bills, the United States government “spent more on interest than homeland security, education, and healthcare…combined.” Indeed, they have raided the Social Security Trust Fund to pay the minimum payment on our national debt, a practice first begun by that most fiscally responsible of Presidents, Ronald Reagan.

(Reagan, by the way, accumulated more national debt than the combined debt of all of the presidents who came before him. His ideological heir, George W. Bush, repeated this feat with all the combined debt of presidents had come before him, including Reagan, and despite the surplus when he took office.)

> "The United States economy is like a poker game where the chips have become concentrated in fewer and fewer hands, and where the other fellows can stay in the game only by borrowing.
>
> When their credit runs out the game will stop."
>
> **-- Marriner Eccles, Chairman of the Federal Reserve 1931 -1934**

Bankruptcy Law Reform

In 2005, Congress passed **The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005**. This bill was touted as a significant accomplishment in promoting fiscal responsibility and putting an end to abuse of the bankruptcy law by individuals who were trying to shirk their bills. But is fiscal irresponsibility really the biggest cause of filing for bankruptcy? And how many people does this law really impact, anyway?

Well, between 1994 & 2004, 10 million Americans filed for bankruptcy. This is well before the mortgage crisis began, as well as the huge increases in energy prices and other consumer costs that have accelerated consumer debt. In 2006, more Americans went bankrupt than filed for divorce, graduated from college, or got cancer.

THE TOP REASONS INDIVIDUALS FILE FOR BANKRUPTCY:

1) MEDICAL BILLS (50% of all filings)
2) JOB LOSS
3) DIVORCE

Over 50% of the people filing bankruptcy due to medical bills have insurance, but their insurance does not cover some or all of the costs of their healthcare during a major medical crisis.

Buy Now…Pay Later

A "fresh start" used to be the objective of American bankruptcy law. The law passed in 2005 requires people who earn more than the median income in their state to pay off their debts on a five-year repayment plan. In theory, lower income earners may still avail themselves of Chapter 7's debt-erasing provisions, but they're confronted with all sorts of additional hurdles, including mandatory credit counseling, greater paperwork requirements and rising lawyers' fees. These obstacles make it virtually impossible for lower income people to declare bankruptcy.

– excerpted from **http://www.dailykos.com/storyonly/2006/12/5/05848/0500**

Despite attempts by the Democratic minority at the time to make the bankruptcy bill less punitive, *Republicans defeated every Democratic amendment to the bill*. Among the proposed changes by Democrats that were defeated:

- Limiting the amount of interest that can be charged on any extension of credit to 30 percent. (Amendment #31 proposed by Sen. Mark Dayton of Minnesota)

- Providing a homestead floor for the elderly so that they wouldn't lose their homes. (Amendment #17 proposed by Sen. Russ Feingold of Wisconsin)

- Exempting the men and women fighting for our country in Iraq and Afghanistan from the bankruptcy bill's so-called "means test." (Amendment #23 proposed by Rep. Marty Meehan of Massachusetts)

- Protection for disabled veterans who have developed financial problems due to their combat service. (Amendment #23 proposed by Rep. Marty Meehan of Massachusetts)

- Requiring credit counseling agencies to provide free services to men and women who have recently left the military after serving in combat zones. (Amendment # 12 proposed by Rep. Zoe Lofgren of California)

- Protecting employees and retirees from corporate practices that deprive them of their earnings and retirement savings when a business files for bankruptcy. (Amendment #49 proposed by Senator Dick Durbin of Illinois)

- Assisting people who are forced into bankruptcy as a result of identity theft. Protecting consumers who find themselves with large debts because criminals have stolen their Social Security numbers and other personal identification information. (Amendment #11 proposed by Rep. Adam Schiff of California)

- Protecting people who file bankruptcy because they or a family member are experiencing a serious, costly illness. (Amendment #12 proposed by Rep. Zoe Lofgren of California)

Achieving Financial Security

What you can do to help yourself

The best thing you can do is to make your financial situation as secure as possible. Even on the most limited income, there are steps you can take to start building financial security. The following ideas are taken from Dave Ramsey's "baby steps" concept, which consists of 7 tips for getting out of debt and staying there:

> "winning at money" is 80% behavior and only 20% knowledge
>
> -- Dave Ramsey

1. Build a beginner $1000 emergency fund for little, rainy day emergencies like big car repairs, unexpected vet bills, etc.
2. List all of your debts smallest to largest. Pay the minimum payments on all but the smallest debt and work really hard on paying that smallest debt. When that's paid off, repeat the process with the next smallest and so on, until they're all paid off.
3. Build up your beginner emergency fund by saving for 3 to 6 months' worth of expenses.
4. Invest 15% for retirement.
5. Save for college funding for kids, if applicable.
6. Work toward paying off the house early.
7. Build wealth and give a bunch of it away.

Top Tricks of the Credit Industry and What You Can Do About Them:

Problem: Your credit's bad so you have to take what you can get

Answer: Shop around! Watch out for "low interest" credit scams that tack on big fees for pre-payment, late payment, documents, or credit reports.

Problem: Low Monthly Payments...forever

Answer: Don't base your decisions on low monthly payments alone. paying $100 a month for 24 months costs a lot more than paying $150 a month for 12 months.

Problem: These Are The Rules (...for now)

Answer: Look out for sneaky changes. Loans and credit card companies can simply send you a monthly statement notice that they're changing the terms of your agreement. Missing this small notice can lock you into terms you never agreed to.

Mandatory Reading & Other Resources

Links:

- **Maxed Out** – the official movie website (**http://www.maxedoutmovie.com**)
- **Americans for Fairness in Lending** – consumer advocacy group website (**http://www.affil.org/**)
- **U.S. PIRG** – website of the United States Public Interest Research Groups (**http://www.uspirg.org/**)
- **Memo to Democrats: Repeal Bush's 2005 Bankruptcy Law** – excellent summary of the passage of the bill, as well as a brief history of the change in credit industry lending (**http://www.dailykos.com/storyonly/2006/12/5/05848/0500**)
- **It's Not 1929, But It's the Biggest Mess Since** – article about the current mortgage collapse and the devastating potential it has for the American economy (**http://www.washingtonpost.com/wp-dyn/content/article/2007/12/04/AR2007120402186.html**)