

# American Saver

*You Can Build Wealth*

## America Saves Launches Website

America Saves announced in March that it was launching an interactive website and offering individuals free memberships in the national campaign. Located at [www.AmericaSaves.org](http://www.AmericaSaves.org), the website offers a guide to enrolling as a Saver, information and news about the campaign, tips on how to save and build wealth, information on how to organize a local campaign, and, eventually, links to websites for local campaigns. The site also includes a Personal Wealth Estimator that allows individuals to track their savings.

The America Saves membership program offers a way for individuals outside the areas served by local campaigns to enroll as Savers. They can do so either through the website or through an enrollment form that is part of the free Build Wealth Not Debt pamphlet. (To obtain a copy of the pamphlet, send a self-addressed, stamped envelope to America Saves, P.O. Box 12099, Washington, D.C. 20005-0999.)

To become an American Saver, an individual must develop a simple plan to achieve a wealth-building goal. After submitting their plan, the Saver receives free information about savings options and strategies as well as a free subscription to this newsletter.

The Bank of America Foundation supported the development of these two services. It has also funded development of a campaign database, technical assistance to local campaigns, development of an organizing manual that any community can use to plan and operate a campaign, and publication of this newsletter.

## CLEVELAND SAVER

# A Feeling of Trust

Like many Savers, Tony Carmen's story starts with debts — lots of them. During four years of unemployment, he'd relied heavily on his credit cards. Eventually, he said, "the credit card companies caught up with me and took me to the cleaners."

Feeling overwhelmed, he turned to the local Consumer Credit Counseling Service. They helped him develop a plan for paying off his bills. "They put me in a comfort zone," he said. "I felt this great weight lifted off of me of not knowing what to do."

About a year ago, Mr. Carmen paid off his last balance, ahead of schedule. He attributes his success to two factors — his own personality and the help he got from the credit counseling service. "I'm a persistent guy," he explained. "When I have to tackle a problem, I jump on it right away." The credit counseling service helped him get started by developing a plan for tackling the problem, he said.

Because of the faith he had developed in CCCS, Mr. Carmen was ready to take their advice again when they suggested he enroll as a Cleveland Saver. "The bottom line for me is trust," he said. "They did everything they said they were going to do. I didn't feel there was anything going on there that would be against my benefit. It gave me a good feeling of trust to go ahead."

Currently, his goal is to save to help support his current semi-retirement, which includes playing in a band that plays Dixieland and big band music. Although he is 69, the idea of full retirement is unappealing, he said. "Retire to what? Four walls and the rent is paid? There's more to life than that."



*They put me in a comfort zone.*

Tony Carmen

He's also exploring a new business opportunity. Once that takes off, he plans to put more focus on developing an investment plan, using the financial counseling available through Cleveland Saves. "Because the trust has been established, I would be interested in talking to a financial counselor. The decisions will be mine."

Meanwhile, Mr. Carmen is an enthusiastic advocate of the services CCCS and Cleveland Saves can offer individuals seeking to get out of debt. "Let them draw a picture for you of where you're at and then show you how to pay off your debts. It gives you a sigh of relief."



## Savings Strategies

# Paying Off a Home Mortgage

At the beginning of the year, more than two-thirds of American households owned their own homes. These homes not only provided a place to live, they also made it possible for homeowners to build significant personal wealth.

### AN IMPORTANT SOURCE OF WEALTH

For low- and middle-income Americans, home ownership represents the single most important source of wealth. Homeowners build wealth as the value of their property grows — on average, five percent a year in the 1990s — and as they pay off their mortgage.

This home wealth is called home equity. It is simply the current market value of the house minus all mortgage debts. Even before the mortgages are paid off, this home equity represents an important financial asset that can be borrowed on fairly cheaply.

When all mortgages are finally paid off, two good things happen. First, the homeowner has a substantial asset. The average home value for all homeowners is close to \$150,000. Second, with no mortgage to pay, living expenses drop considerably. This makes it possible for many retirees, whose incomes are often lower than before they retired, to have more money to spend.

### BUYING A HOME IS EASIER

The federal government and the housing industry have made it easier than ever before to afford a home. The Federal Reserve Board has helped lower mortgage rates to historically low levels. The tax deductibility of this

mortgage interest has the effect of lowering mortgage rates even more.

The housing industry has done its part mainly by lowering the down payment to three percent or less, even for less affluent households. These low down payments greatly reduce home purchase closing costs.

To obtain a mortgage, however, home purchasers must have a good credit score. Only those who have held a credit card or taken out a loan have a credit score, and only those who have used credit responsibly have a high score. To earn a high score, make credit payments on time and do not carry outstanding balances on many credit cards.

### KEEPING A HOME CAN BE HARD

Homeowners experience two major types of problems that could cause them to get behind on mortgage payments or even lose their home. First, because they make very low down payments, their monthly mortgage payments are relatively large. In the current economic slowdown, payments that seemed affordable before may not be covered by lower incomes.

Second, consumers have been increasing their purchase of high-rate subprime first and second mortgage loans. Compared to current conventional loan rates of around 7 percent, subprime rates almost always are greater than 10 percent and can have effective interest rates well above 20 percent. These predatory loans that are frequently refinanced “strip” equity from homes, thus increasing mortgage debt and even threatening foreclosure.

## Financial Market facts

### March 2002

Money market account	1.09%
1-year CD	2.10%
5-year CD	4.24%

### U.S. Savings Bonds

EE Bond	4.07%
I Bond	4.40%

### Mortgage Rates

30-year fixed rate mortgage	6.82%
15-year fixed rate mortgage	6.32%
1-year adjustable mortgage	5.24%

**Sources:** *The New York Times*, “Data Bank,” pg. BU 15, March 3, 2002 and [www.savingsbond.gov](http://www.savingsbond.gov), March 3, 2002.

## Family Wealth facts

### Home Ownership Rate (2001)

All households	68%
Under 35	42%
Over 65	81%
African American	49%
Hispanic	49%

### Home Equity (1999)

All homeowners	\$ 89,500
Under 35	c \$ 50,000
Over 65	c \$110,000
African American	\$ 59,700
Hispanic	\$ 70,000

**Source:** U.S. Census Bureau; American Housing Survey.

## Where to Get Help

Housing counselors can offer advice if you want to buy a home, if you are facing foreclosure, or if you need help making your payments on your mortgage. To locate a housing counselor in your community who has been approved by the U.S. Department of Housing and Urban Development, call 1-888-466-3487.

In addition, many state and local governments have programs designed to help people purchase their first home. Contact your local or state housing finance agency to see what programs are available in your community.

Fannie Mae Foundation offers a free Home Buying Guide. You can order a copy by calling 1-800-611-9566. If you have access to the Internet, you can learn more at [www.homebuyingguide.org](http://www.homebuyingguide.org) or at [www.freddiemac.com/homebuyers](http://www.freddiemac.com/homebuyers).

Your local Legal Aid or Legal Services office may be able to offer assistance if you are facing foreclosure on your home. Contact your local office and ask if they provide foreclosure prevention services.

# A Quarter **Saved** is a Quarter **Earned**

**N***o one knows better than Savers how to find the extra dollar here and quarter there that, over time, add up to substantial savings. Here are a few of their savings tips.*

Buy your children's clothes at department stores' end of season clearance sales. In other words, buy winter clothes in the Spring. Just estimate what size your child will wear next year and store the clothes until the appropriate season. By doing this, you can save 50 to 70 percent or more on the regular retail price of clothes.

LAURA C. FAZIO  
CLEVELAND, OH

Transfer some of your money from your checking account into a savings account (where you are less likely to spend it on day-to-day expenses).

GALINA ROZINA  
MAYFIELD HEIGHTS, OH

Reassess the deductibles on your insurance policies. If you can afford to raise the deductibles, your premiums will drop.

MALIK DICKERSON-MCKINNEY  
KANSAS CITY

Save several dollars per month by removing unnecessary features on your telephone. If you remove Caller ID, at about \$9 per month, call waiting at about \$3 per month, 3-way calling at \$3 per month, and automatic call back at \$3 per month that adds up to a total savings of \$18 per month or \$216 per year.

LISA PIERCEFIELD  
COLUMBUS, IN

Save on a night at the movies. Many theaters have lower admissions prices one night a week (often on Tuesdays), and they may even throw in a free small popcorn.

DEBBIE PAVLESCAK  
FAIRVIEW PARK, OH

## Send your savings tips to:

American Saver, c/o Consumer Federation of America Foundation, P.O. Box 12099, Washington, D.C. 20005-0999.

If we select your tip for publication, we will send you a \$50 EE Series Savings Bond (initial value \$25). Please include your name, mailing address, and phone number so we can contact you to arrange for your savings bond.

If you get a raise, put the extra money in your 401(k).

MARY ANN FARGO  
MAPLE HEIGHTS, OH

Look for ways you can trade services with your friends and neighbors to save the money you would have to pay a professional to do the same job. If you can fix the neighbor's car, and she can paint your bathroom, do it.

VALORI SANDERS  
KANSAS CITY

## Savings**Quiz**

1. What are major barriers to home ownership?
  - a. Low credit score
  - b. No savings
  - c. Large consumer debts
  - d. All of the above
2. What are good reasons to have paid off a home mortgage by retirement?
  - a. Dramatic reduction in living expenses
  - b. 100 percent ownership of a major financial asset
  - c. Financial peace of mind
  - d. All of the above
3. What are the characteristics of a subprime mortgage loan?
  - a. Interest rates usually over 10 percent
  - b. Higher fees than on a conventional mortgage loan
  - c. Prepayment penalties
  - d. All of the above
4. Among those who refinance credit card debt with a mortgage loan, what percentage run up additional credit card debts?
  - a. 15 percent
  - b. 50 percent
  - c. 70 percent
  - d. 85 percent

Answers: The answer to all four questions is d.

## American **Saver**

American Saver is the quarterly newsletter of the America Saves campaign, a national program to encourage and assist Americans to save and build wealth more effectively.

The campaign is coordinated by the non-profit Consumer Federation of America Foundation (CFAF), supported by the Bank of America Foundation and other funders, and advised by dozens of non-profit, government, and business groups.

Questions about how to start a local savings campaign in your area should be directed to: Nancy Register, America Saves, c/o CFAF, P.O. Box 12099, Washington, D.C. 20005-0999; 202-387-6121 (phone); 202-265-7989 (fax); nregister@consumerfed.org.

American Saver Editor: Barbara Roper

# News

## FROM LOCAL CAMPAIGNS

### Cleveland**Saves**

With a year under its belt since its official launch in March 2001, Cleveland Saves has held 76 workshops, attended by more than 2,200 individuals, and enrolled 1,300 Savers. Those Savers have made an average monthly savings commitment of \$60.

The campaign is currently conducting follow-up calls with Savers to determine how they are progressing toward their savings goals and to encourage them to continue.

Approximately 60 Cleveland Saves sites have been established. The campaign is launching an effort to increase that number by targeting several types of institutions with messages on the benefits of hosting a Saves Campaign for their constituency.

Last November, the campaign held a successful celebration for Cleveland Savers, their families, and campaign volunteers that drew about 250 attendees. The event combined financial education with fun and fellowship.

### Kansas City**Saves**

Kansas City Saves has gotten the new year off to a good start, offering 11 workshops attended by

207 individuals. Of those, 52 had enrolled as Savers by the end of February. As a result, the campaign has reached the halfway point in its initial goal of enrolling 1,000 Savers.

As part of its continuing outreach efforts, the campaign has signed up 45 of its active partners to offer workshop for members of their organizations. Kansas City Saves will get the program started by presenting two of the Department of Labor's four workshops for Women's History Month. The first will be the motivational speech about Kansas City Saves, and the second will focus on the opportunities and advantages of home ownership.

The campaign is also busy planning a Home Buying fair March 23, which it is sponsoring with the Fannie Mae Foundation. The day-long event is being held in conjunction with the local home show.

### Other**Campaigns**

**Indianapolis Saves** is planning its official launch this Spring. Plans are being coordinated with the city's mayor, who wants to enroll as the first Indianapolis Saver.

**Charlotte Saves** is beginning the test phase of its campaign this month. It hopes to launch in June.

The campaign has decided to form its own 501(c)(3) organization, with members of the planning committee serving on the board of directors.

**Northwoods Saves** has held organizing meetings in three northern Wisconsin communities. They are beginning to develop marketing material and hope to begin their test this Spring.

**Gadsden County Saves** has a new coordinator. Dr. Henry Grant is the cooperative extension educator at Florida State University. In January, the organizing committee received training on how to deliver the motivational workshop.

**Milwaukee Saves** has held organizing meetings that brought together nonprofits, financial institutions, funders, and government representatives. A working group has been established and has begun campaign planning.

**Arizona Saves** continues its planning efforts with monthly advisory meetings. They are currently focusing on services and financial products to be provided as part of the campaign. In addition, campaign organizing efforts are underway in Seattle and are beginning in El Paso and Philadelphia.

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*You Can Build Wealth*

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