The Credit Professional

Fall 2017 Volume 30

Credit Education Resources
FOUNDATION

The Credit Professional * Fall 2017 * Volume 30

Publications Volunteer Coordinator: Linda Bridgeford, CCCE/MPCE

Editor: Charlotte Rancilio

Education Committee Chairman: Connie Hamilton

The Credit Professional is published biannually by Credit Education Resources Foundation, P

CREDIT EDUCATION RESOURCES FOUNDATION BOARD OF DIRECTORS 2017/2018

President
Rhonda McKinney, MPCE/CSM/SAFe
Equifax
1525 Windward Concourse
Alpharetta GA 30005

Vice President
Sharon DeShazer, CCCE/MPCE
215 Countryside Drive

Director: Barbara Hall, CCCE/MPCE
PO Box 866
Corrales NM 87048

Director: Maria Trevino, MPCE
2102 Edison Drive
San Antonio TX 78201

Director: Barbara Chapin, CCCE/MPCE
3121 Daggit Box 21

COMMITTEE CHAIRMEN

Budget
Sue Heusing, MCE

ALSO APPIES TO WAT

LAST YEAR'S E-MAILED FOR NEW ONES

Walk-A-Thon

CREDIT PROFESSIONALS INTERNATIONAL EXECUTIVE COMMITTEE 2017/2018

President Cheryl Burleson-Davis, ACE/MPCE
6618 Old Reid Road
Schertz TX 78154

PO Box 866
Corrales NM 87048

Vice President Marylyn Tack

Secretary/Treasurer:

COMMITTEE CHAIRMEN

Advisory
Diane Radcliff, PCE, Charlotte NC

Budget
Rhonda McKinney, MPCe/CSM/SAFe, Alpharetta GA

Bylaws/Education
Cindy Westenhofer, MPCE, Indianapolis IN

Career Club
Sharon DeShazer, CCCE/MPCE, Hutchinson KS

Conference Co-Chairs
Tammy Rucker, MPCE, Charlotte NC
Cheryl Burleson-Davis, ACE/PCE, Charlotte NCI

Corresponding Secretary
Maria Trevino, MPCE, San Antonio TX

Education
Connie Hamilton, Las Madrugadoras CPI
And a representative from each district

Marketing
Charmaine Lucas, Fairfield OH

Charles Gordon, Jeffersonville IN

Membershipn
Marylyn Tack, Corrales NM

Nominating
Linda Simbeck, CFE/MPCE

Publications
Linda Bridgeford, CCCE/MPCE, Moline IL

Parliamentarian
Gail Ottinger, CCCE/MPCE, Kinston NC

Credit Professionals International

International Conference

Charlotte, North Carolina

JOIN YOUR FELLOW CPI MEMBERS

Continuing Education

CPI Business Meetings

Celebrate Award Recipients

Meet Your New CPI Leaders

Enjoy Fun Social Events

The Credit Education Resources Foundation is a 501(c)3 tax-exempt, not-for-profit organization. It raises funds through an annual International Walk-A-Thon and other fundraising events. Donations, which are tax deductible, can be sent to Credit Education Resources Foundation, P.O. Box 220714, St. Louis MO 63122.

The Credit Professional

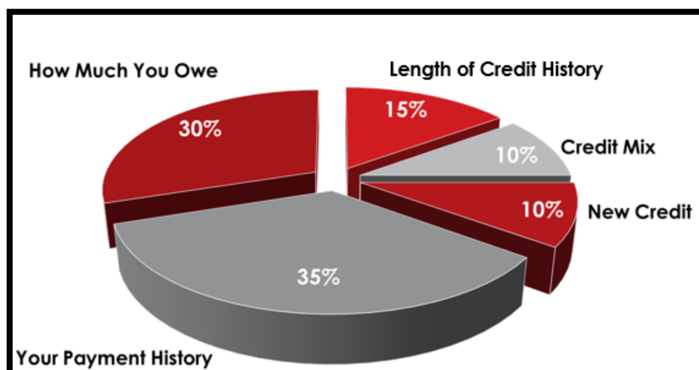
Fall 2017 **Volume 30**

Contents

3 **How to Raise Your Credit Score Quickly**

By Kathryn Greiner, AFC, MPCE

It is possible for consumers to raise their credit scores, which leads to lower mortgage interest rates, better credit card offers and insurance rates. This article takes a close-up look at the options available and provides solid advice for consumers.



8 **Is a Reverse Mortgage The Right Option for You?**

By Charlotte Rancilio.

There are a number of pros and cons to consider before deciding whether or not to take out a reverse mortgage. Is it the right option for you or someone you know? This article includes new information on this topic that was released by the federal government in the Fall of 2017.

13 **Lean 6 Sigma**

By S. Michelle Cox, Ph.D.

This methodology enables companies to make changes using continuous improvement. Learn how this method is used by companies to find the best ways to solve complex problems in a cost-effective way. The goal is to find long-term solutions rather than a "band aid" solution.

The Credit Professional magazine is published bi-annually by the Credit Education Resources Foundation, P. O. Box 220714, St. Louis, MO 63122. Phone: 314/821-9393. Fax: 314/821-7171. To submit articles for publication or to obtain additional copies of the current issue, write, call or e-mail (creditpro@creditprofessionals.org) our corporate office. CPI members can access the current issue and back issues of this magazine in the members section of our website: www.creditprofessionals.org. .

18 **New Credit Card Helps People Repair Their FICO Scores**

By Alex Morrell

Learn about the new FS credit card "Build", which has a MasterCard branding and enables customers to avoid the local payday lender's sky-high rates and gradually mend their standing in the eyes of FICO.

21 **It's a Multi-Stage of Life In Today's World of Work**

By Jerry Kahn, Ph.D., J. D.

Take a look at how the three-stage life of full-time education, full-time work and full-time retirement is being dismantled. It is being replaced by a multi-stage life that blends education, exploration and learning, as well as jobs, freelance gigs and time spent out of the workforce. Today, workers of every age are reinvesting in their skills, looking after their health and thinking about options, transitions and career switches that weren't a reality for previous generations.

24 **Student Corner: How to Open a Basic Bank Account**

By WikiHow

These step-by-step directions make it easy for you to open your first bank account. It discusses types of banks (large, small, credit unions); types of bank accounts; what questions to ask about each type of account; what information you need to create your account; and more.

27 **How to Be an Agent Under Power of Attorney**

By Consumer Financial Protection Bureau

Here is solid advice on the duties and responsibilities you will undertake if a family member or friend asks you to be his or her agent under power of attorney.

31 **Thinking of Co-Signing A Student Loan? Know the Risks**

By Federal Deposit Insurance Corporation

Learn about the responsibilities and risks you undertake if you decide to co-sign for a student loan for your child or grandchild. Also explore other options that may be available.

How To Raise Your Credit Score Quickly

By Kathryn Greiner, AFC, MPCE

Accredited Financial Counselor

Folks coming in for financial counseling often want to know how to improve their credit score, to qualify for a loan or a better interest rate to lower their payment. People are learning that a higher credit score means lower mortgage interest rates, better credit card offers and better insurance rates. Increasing your credit score fast is possible in some cases.

In order for you to improve your score at all, it's got to be actionable. There are some scores that simply cannot be improved quickly regardless of how hard you try, when the problem is due to an abundance of derogatory information on your reports.

Charged off collections and public records like bankruptcy, judgments, foreclosure or tax liens will roll off your credit reports in 7-10 years, and become less important to your score as time passes. Since you can't accelerate time or convince the credit bureaus to remove your derogatory entries, you may have to reset your loan expectations. Here is a way to view the "credit weight" for each year on your score:

- 40% of your score is based on current to the last 12 months
- 30% of your score is based on your credit history from 13 – 24 months
- 20% of your credit score covers the 25th to the 36th month
- 10% of your score reflects things that happened the 37 month and beyond

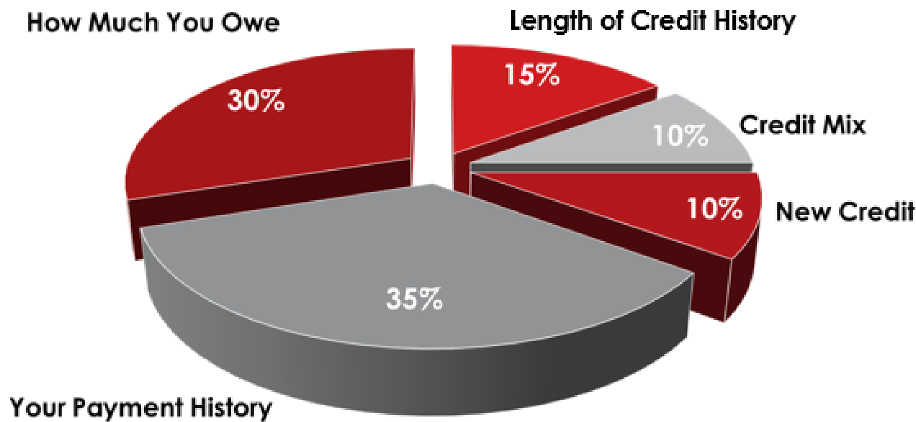
By this chart you can see that 70 percent of your credit score is based on the last two years credit activity. Begin by bringing past due payments up to date, and developing good money management habits to keep bills paid on time in the future. Therefore, every month good, new information begins to outweigh negative records from the past, meaning there is a way to improve any credit report over time.

Check your free credit reports for errors or evidence of identity theft. You can do this for free every 12 months at www.AnnualCreditReport.com.

Your credit history is free, but you have to pay for your credit score from this site. Correcting errors, like a paid off account that shows as unpaid, can be an easy way to improve your

Continued on page 4

continued from page 3



credit score. In reading your credit history you will begin to see what is hurting your score. Compare that report to one of the free "credit report cards" available from sites like Credit Sesame, Credit Karma, Credit.com etc. Those sites give you an educational credit score—a letter grade for each factor. Anything less than an A can be improved.

Not ready to see your report yet? You can try the free Credit Score Estimator to get your estimated FICO® Scores range. Try several scenarios and you'll learn more about the factors that impact your score at www.myFICO.com.

Start to improve your credit score by learning its five key factors. When you get these five things right, your score will simply go up over time.

- **Payment history** includes what lenders report to the credit bureaus about whether you pay your debts on time every month. This is the most important factor in your credit score.
- **Credit utilization ratio/ debt-to-credit limit ratio** measures how much you owe in relation to your total credit limit, and can be the critical factor to improving your score.
- **Length of credit history/ Credit age** shows how long you've maintained your credit accounts.
- **Credit mix** is the variety of credit accounts you have. More than one type shows you can manage a range of credit products. This has a low impact on your score, as you can have a good score using just one credit card.
- **New credit/Inquiries** show how often you apply for credit and what types. Each inquiry dings your credit score several points, unless you are shopping for a mortgage, auto or student loans. Credit scores count the inquiries made during the 14 days before the loan as just one inquiry, so consumers are not penalized for shopping for the best loan rates.

Some scores can be improved quickly, especially if your score is lower because of high credit card debt. Scores lowered because of credit card debt can be improved quickly with consistent on-time payments and a lower debt-to-credit limit ratio.

Maxed out credit cards drag down your score. Credit utilization is calculated for each card and for all cards combined. Even one maxed out card can hurt your score.

Consider paying lump sums on credit cards from a bonus, tax refund, or a side job. To save interest, pay down highest interest rate cards first, but if your focus is improving your credit score, pay down the highest balance cards to lower your credit utilization ratio. Focus your extra payments on the credit card balances rather than installment loans. Pay off cards with small balances, like retail store cards. You will reduce credit card debt and the number of cards with a balance.

Closing paid credit cards has a negative effect on credit utilization ratio. In most cases, lowering your credit limits will hurt your credit score. That's because credit scoring companies emphasize the credit utilization ratio (total debt as a percentage of all your available credit). Suppose you have $20,000 total credit available to you on four cards of $5,000 each. You carry a total of $6,000 in debt on those cards. The debt utilization ratio would be 30% ($6,000/$20,000).

Now suppose you close one of those cards and your total

continued on page 5

continued from page 4

credit available is $15,000, but you still have $6,000 in debt. Now your debt utilization ratio would go up to 40%. That move could actually lower your score by 50 to 100 points because it looks like you're getting yourself into deeper credit trouble.

If you want to improve your credit score, don't reduce your available credit. But do pay down your debt as quickly as possible. People with a credit utilization score of 10% to 20% get the best credit scores as long as they are paying their cards on time.

If your score is already decent, another way to improve your credit utilization ratio is to ask lenders to increase the credit limits on your cards. This can improve your credit utilization ratio and therefore improve your score. If you think you will be tempted to run up more debt because more credit is available, don't use this strategy.

Regardless of how good or bad your credit score may be, some points can be earned simply thanks to the passage of time. This is where the length of credit history scoring category that makes up 15 percent of your score comes into play. An important scoring calculation within this category is the average age of accounts (total number of months since the open date for each account divided by the number of accounts), where the longer the average age, the more points for your score.

Since longer-held accounts tend to raise the average age, and newly opened ones can lower it, you'll want to avoid opening any new cards or loans (or closing paid accounts) for the time being. **Maximize your account average age and pay down credit card debt to stand the best chance of improving your credit score quickly.**

Paying older collections may not have much effect on score, because of how scores look at past due accounts. (However, retiring the old collections could prevent future collection if the debt hasn't been assigned to a collection agency. It could also prevent a court judgment if a lawsuit is brought against you for payment. I personally believe every creditor helped you when you needed them, and every legitimate debt deserves to be paid eventually.)

Here is how credit scores look at past due accounts (in order of importance):

Recency: How long has it been since the most recent delinquency?

Severity: How many months past due did the account fall behind?
Frequency: How many accounts on the credit report show late payments?

Make all of your utility, cell phone and rent payments on time. Many of those companies report late payments, and might even be able to help you establish on-time payment history for some new credit scoring models as well as for some lenders.

Mortgage underwriter, Fannie Mae (FNMA), is using trending credit data to expand their view of consumer's credit behavior. By looking at the last 24 months of a mortgage applicant's scheduled payments, the amount actually paid and the monthly balances, they can see when a person is making extra effort to reduce debt. (See a sample of trended seen on a credit report top of next page.)

continued on page 6

continued from page 5

CREDIT

ECOA	WHOSE	CREDITOR	DATE REPORTED	DATE OPENED / DLA	HIGH CREDIT OR LIMIT / ACCT TYPE	BALANCE / TERMS	PAST DUE	MO REV	30	60	90+	STATUS / SOURCE
C	C	NASA FEDERAL CREDIT 4807595050092646	02/16	04/13 02/16	$12000 REV	$11836 MIN $237	$0	35	0	0	0	R1 XP/TU/EF

Trended	01/16	12/15	11/15	10/15	09/15	08/15	07/15	06/15	05/15	04/15	03/15	02/15
Scheduled ($)	240	221	223	216	219	221	224	227	230	217	220	222
Actual ($)	250	223	250	230	230	250	250	250	220	250	230	0
Balance ($)	11976	11003	11120	10792	10915	11045	11189	11333	11478	10811	10962	11093

	01/15	12/14	11/14	10/14	09/14	08/14	07/14	06/14	05/14	04/14	03/14	02/14
Scheduled ($)	220	223	225	223	220	218	200	203	205	208	-	-
Actual ($)	250	225	250	250	250	200	220	205	250	250	-	-
Balance ($)	10976	11120	11240	11116	10990	10870	9989	10118	10237	10392	-	-

Fannie Mae said that people who keep a high balance won't be hurt by using trended data. "We're not going to see the person who makes the minimal payment as riskier, but we're going to see the person who makes more than the minimum payment as a better risk. We won't penalize people who can't pay down their bills." This could help young borrows who have lower scores due to a shorter credit history, but have shown themselves to be responsible borrowers by paying down debt faster.

Although trended data is not scored yet, it makes sense to pay more than what's required. If you start now to at least pay more than the required payment each month, you will be in a good position if trended payment data becomes a standard part of all lending in the future.

Here is a summary of actions you can take to improve your credit score:

1. Pay bills on time
2. Keep bills current and under limit for **twelve** consecutive months
3. Keep card balances < **30%** of credit limit
4. Apply for new accounts only as needed
5. Don't close unused credit card accounts—particularly if the account is multiple years old
6. Don't open new accounts now, to maximize average age of accounts (15% of score)
5. Review your credit report for errors
6. Monitor co-signed and joint accounts
7. If you borrow locally, be ready to explain extenuating circumstances that cause problems and what you've done to make things better.
8. Have patience. Negative items age-off.

If everything is correct, pay down balances and let time do the rest.

Remember, scores that have already been pulled can never change. If you weren't happy with them, you can take steps today to improve your credit habits and improve future credit scores. Think of it as a chance to retake a less-than-flattering photo.

I want to acknowledge my sources for information about credit reports and scores from VantageScore and myFico.com, as well as the writers and educators: Rod Griffin, Experian, John Ulzheimer, Credit Sesame, Credit Karma, CreditCards.com, the Federal Trade Commission and the Consumer Financial Protection Bureau.

About the author:

During the first 12 years of her career, Kathryn Greiner worked in the field of debt management as a Michigan certified credit counselor. She also hosted a call-in radio talk show and produced BILL BOOKS, which people could used to organize their budgets and bill-paying records. Kathryn later became the

continued on page 7

continued from page 6

Director of Credit Education for the University of Michigan Credit Union (UMCU). There, she created a budget counseling program to teach credit union members how to develop their own spending plans, reduce debt, begin to save and improve creditworthiness.
In her 41-year career, Kathryn presented hundreds of money management workshops with humor and hope. Kathryn retired from UMCU in 2017.

In addition to her work at UMC, she helped write the training modules for the Credit Union National Association's Financial Counseling Certification Program

She continues to teach the program through webinars and live seminars hosted throughout the country by state Credit Union Leagues. In 2016, the Michigan Credit Union League presented Kathryn with the Credit Educator of the Year award. Kathryn Greiner has been an active member of CPI, chairing many committees and holding offices at local and district levels. Kathryn attributes a lot of her on-going education to Credit Professionals of Ann Arbor, and several years ago was honored with the International Credit Professional of the Year award.

How Do I Get and Keep a Good Credit Score?

There is no secret formula to building a strong credit score, but here are some guidelines from the Consumer Financial Protection Bureau that members of Credit Professionals International can use if someone asks them this question.

- **Pay your loans on time, every time.** One way to make sure your payments are on time is to set up automatic payments, or set up electronic reminders. If you've missed payments, get current and stay current.
- **Don't get close to your credit limit.** Credit scoring models look at how close you are to being "maxed out," so try to keep your balances low compared to your total credit limit. If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score if this means that you are using a high percentage of your total credit limit. Experts advise keeping your use of credit at no more than 30 percent of your total credit limit. You don't need to revolve on credit cards to get a good score. Paying off the balance each month helps get you the best scores.
- **A long credit history will help your score.** Credit scores are based on experience over time. The more experience your credit report shows with paying your loans on time, the more information there is to determine whether you are a good credit recipient.
- **Only apply for credit that you need.** Credit scoring formulas look at your recent credit activity as a signal of your need for credit. If you apply for a lot of credit over a short period of time, it may appear to lenders that your economic circumstances have changed negatively.
- **Fact-check your credit reports**. If you spot suspected errors, dispute them. If you have old credit card accounts you are not using, keep an eye on them to make sure that an identity thief is not using them.

Tip: If you are new to credit, consider getting a product designed to help you establish and build credit. Financial institutions have developed an array of products and services, such as secured credit cards and credit builder loans, tailored to helping consumers who are new to credit to establishing and building credit.

This information provided by the Consumer Financial Protection Bureau

Is a Reverse Mortgage The Right Option for You?

By Charlotte Rancilio

It's like a dream come true. After what seems like a lifetime of making house payments, your house starts paying you.

It's not an automatic windfall but, at age 62 and beyond, an opportunity opens up for you to access money invested in your house. It is called a reverse mortgage.

The decision to get a reverse mortgage is not a simple one to make. There are many things to consider. Depending on your circumstances, it could be a wise or an unwise direction to take.

What Exactly Is a Reverse Mortgage?

A reverse mortgage is a special type of home equity loan product that enables people age 62 and over to convert a portion of their home equity into cash through a lump sum disbursement; a line of credit; a monthly installment from the lender to the borrower; or a combination of these without any periodic repayment of principal or interest.

However, interest is added to the loan balance each month. The loan must be repaid when the last borrower, co-borrower or eligible spouse sells the home, moves out of the home or dies.

Reverse mortgages benefit consumers by providing a nontaxable source of funds. This is particularly attractive to seniors who have limited, fixed incomes but high amounts of home equity. These loans can enable some people to continue living in their homes, which may not have been feasible without this additional source of cash.

The loan balance grows over time. The borrower doesn't have to pay back the loan while he or she or an eligible spouse is living in the home but they still have to pay taxes and insurance. They also must pay for any needed maintenance on the home.

Repayment is required when there is a "maturity event"—that is, when the borrower dies, sells the house, or no longer occupies it as a principal

Continued on page 9

continued from page 8

residence. But neither the borrower nor his or her heirs will have to pay back more than the home is worth.

Almost all reverse mortgage lending products are nonrecourse loans. This means that borrowers are not responsible for deficiency balances if the collateral value is less than the outstanding loan balance when the loan is repaid. It is important to keep in mind that lenders protect themselves by basing the loan's collateral value on the asset's liquidation (fire sale) value and not on actual cost, book value, or even its current market value.

Is a reverse mortgage safe?

Most reverse mortgages today are called Home Equity Conversion Mortgages (HECMs). They are insured by the Federal Housing Administration (FHA).

The HECM is a commercially viable loan product with strong consumer protections.

For example, the HECM requires prospective borrowers to complete a pre-loan counseling program that explains the nature of reverse mortgages, including the risks and costs.

In addition, the HECM is a nonrecourse credit that protects consumers from crossover risk. In other words, if the house, when sold, sells for less than the debt, the lender cannot seek that deficiency balance from the borrower. The HECM also carries FHA insurance, which protects lenders from this risk.

HECMs have maximum loan amounts based on the location of the house.

There are, however, some non-HECM reverse mortgages available on the market that are not federally insured. These *single-purpose reverse mortgages* are offered by some state and local governments and by non-profit organizations. These are used only for the purpose specified by the lender (for example, home repairs or property taxes). They may only be available in some areas for homeowners with low to moderate income.

Some lenders also offer *proprietary reverse mortgages*, which are not federally insured. These are typically designed for borrowers with higher home values.

Questions to ask before applying for a reverse mortgage

There are a lot of factors to consider before you think about applying for a reverse mortgage. It's usually a good idea to discuss important financial decisions such as this with friends, family or someone you trust.

Is there another, cheaper way for you to achieve your financial goal?

Before tapping into your home equity, see if you can find a way to lower your expenses. If you need extra money to cover living expenses, see if you quality for a state or local program to lower your bills. You might also consider downsizing to a more affordable home.

Do you need to tap into your home equity now or should you save it for an emergency?

Home equity is often the last resource to turn to in a financial emergency. It is usually best to preserve your equity if you have other resources to meet financial needs. If you think you may need to access your equity, speak first with a HUD-approved counselor and a trusted financial adviser now. A financial plan will help you avoid last minute financial decisions in an emergency.

Are you on a fixed income with no other assets?

If you don't have much income, a reverse mortgage might not be the best option for you. If you take out a reverse mortgage loan and then have trouble paying your property taxes and

Continued on page 10

continued from page 9

homeowner's insurance, or the cost of repairs needed to maintain your home, you could face foreclosure. Instead of taking out a reverse mortgage in this circumstance, another option might be to downsize. If you sell your home and use money from the sale to buy a more affordable one, you could be more financially secure in the long run.

Do you have children or other heirs to whom you plan to leave your home?

Taking out a reverse mortgage can jeopardize your ability to leave your home to your heirs. If this is a priority for you, think twice about a reverse mortgage.

How long do you and your family plan to live in the home?

In most cases, a reverse mortgage makes more sense if you plan to live in your current home for a long time. Reverse mortgages can be an expensive way to borrow money if you don't plan to stay in your home for many years. Here's why.

Most reverse mortgages require you to pay insurance premiums. The insurance is there in case your loan balance grows to be more than your home is worth. With insurance, you won't have to pay the difference. But, if you only plan to stay in your home for a short period of time, the loan balance is less likely to grow more than your home value. So chances are you will be paying for insurance you don't need.

Reverse mortgages can also have higher interest rates and higher upfront costs when compared to other mortgage loans with which you have had experience. If you sell your house within a few years, you will not have gotten as much benefit from those costs as if you stayed in your home for a longer time.

Does your spouse want to keep living in the house if you die?

Discuss this question carefully with your spouse. If your spouse is a co-borrower and one of you dies or no longer lives in the home (for example, one of you moves to a nursing home), the other spouse will be able to keep living in the house and continue to get money from the reverse mortgage.

Sometimes only one of the spouses is listed as a borrower on the loan. For example, one spouse might not have been 62 yet and, therefore, would

not have been qualified to be a HECM reverse mortgage borrower. In this situation, what happens to a surviving non-borrowing spouse depends on the timing of the HECM.

Any HECM loans with case numbers assigned on or after August 4, 2014, allow eligible non-borrowing spouses to remain in the home after the borrower dies if they meet certain initial and ongoing requirements. To qualify as an "eligible non-borrowing spouse", you must:

- Be married to the borrower at the time of the loan closing and remain married to the borrower for his/her lifetime. **Note:** If you marry the borrower after he/she takes out a HECM, you **will not** be eligible to remain in the home.
- Be specifically named as a non-borrowing spouse in the HECM documents.
- Occupy and continue to occupy the home as your principal residence; and
- The borrower must certify at the time of the loan closing, and each year thereafter, that the two of you are married.
  In addition, the borrower's spouse must certify at the time of closing that he or she is an eligible non-borrowing spouse.

A non-borrowing spouse must make sure that his or her spouse sends the annual certification and that the non-borrowing spouse complies with all the requirements applicable.

Continued on page 11

continued from page 10

How much will it cost you in fees to get a reverse mortgage?

Fees vary depending on the type of reverse mortgage that you choose. Fees and other charges can be high in some cases, so it is important to shop around for the best deal.

How will you pay for property taxes, homeowner's insurance and necessary home repairs?

It is important to have a plan for how you will pay for property taxes and homeowner's insurance, as well as the cost of repairs needed to maintain your home. If you fall behind on these expenses, the lender could foreclose on your reverse mortgage and you could be forced to move.

Keep in mind that since 2015, when you apply for a HECM, the lender will do a financial assessment at the time of application to help determine your ability to pay taxes and insurance from retirement income or savings. If you do not have enough other resources, the lender may set aside some of the reverse mortgage proceeds to pay these expenses in the future. A "set-aside" is a portion of your loan that is reserved to pay some property charges, homeowner's insurance and fees.

Set-asides help make sure you'll have the funds to make these payments in the future. But be aware that you could face foreclosure if you run out of money to pay property taxes, insurance, or costs for repairs needed to maintain your home, even if you have a set-aside account.

Using a Reverse Mortgage to Delay Collecting Social Security

For most people, eligibility for full Social Security benefits is between 66 and 67, depending on the year they were born. It is possible to start collecting benefits as early as age 62 but, if you choose to claim early, your monthly benefits may be reduced as much as 30 percent. On the other hand, you can delay claiming your benefits until age 70 to get your maximum monthly benefit.

Some financial professionals suggest that older homeowners consider taking out a reverse mortgage loan at age 62 as a way to delay collecting Social Security.

With this approach, the homeowner would use the proceeds from the loan to replace the Social Security benefits he or she would otherwise receive by starting Social Security payments at age 62. Studies, however, have found that, generally, older homeowners are better off if they take their Social Security benefits rather than taking out a reverse mortgage.

This is true because, in general, the cost of a reverse mortgage loan will exceed the additional amount of increased Social Security benefits the homeowner would collect over his or her lifetime. That's because the interest and fees you pay increase each month and, over time, those costs wipe out the additional benefit obtained by delaying.

For those who have the option, working past age 62 is usually a less costly way to delay claiming Social Security benefits than borrowing via a reverse mortgage loan would be. The additional years of work often provide you more time to

Continued on page 12

continued from page 11

save and pay off debts. It may also result in an increase in Social Security benefits by replacing years with low or no earnings, if any, from your earnings record.

For those who can't continue to work, it may be better to accept a lower Social Security benefit amount, rather than owing on a reverse mortgage loan in the future. In addition, the effects of using a reverse mortgage loan to delay collecting Social Security benefits would likely reduce the equity in your home. This loss in equity could limit your options for moving to a new location or handling a large financial shock in the future.

Protecting Loved Ones From Financial Hardship

Many people do not understand the long-term financial impact of a reverse mortgage, particularly as it relates to surviving heirs. There are, however, ways the borrowers on the loan can help plan so that their surviving heirs are not harmed.

Verify who is on the loan: If two borrowers took out the reverse mortgage, they should check with the reverse mortgage company to make sure its loan records are accurate.

Plan ahead for the non-borrowing spouse: Consumers who took out a HECM reverse mortgage in the name of only one spouse before August 4, 2014, should contact their loan servicer to find out if the non-borrowing spouse may qualify for a repayment deferral. If not, they should make a plan in the event the borrowing spouse passes away first. Couples with enough equity could consider taking out a new reverse mortgage but they will incur new loan fees.

Some surviving spouses may also be able to pay off the reverse mortgage or take out a traditional mortgage, perhaps with another family member. Many will need to plan for where they will live after the home is sold to repay the loan.

If the loan was originated after August 4, 2014, new changes to the HECM program will allow the non-borrowing spouse, meeting certain conditions, to remain in the home.

Plan ahead for other family members living in the home: Consumers should make sure any children or other family members living in the home

know what to expect when the reverse mortgage is due. If those members want to keep the home, the borrower should contact their reverse mortgage company to learn what options they the surviving family members have. A HUD-approved housing counselor can also help them explore their options.

For more information on reverse mortgages, go to the CFPB's website: www.consumerfinance.gov and key "reverse mortgages" in the search window.

About the author:

Charlotte Rancilio is Credit Professionals International's office manager and editor of its magazine and newsletter. She is a graduate of the University of Missouri School of Journalism and served as director of media relations for the American Optometric Association for more than 30 years. As a free-lance writer, her work has been published in St. Anthony's Messenger; the "Living Faith" daily meditation book; and a magazine published by the Missionary Oblates of Mary. She has also edited two books—one a businessman's autobiography and the other a biography of a priest who was held for several years in a German concentration camp during World War II and was freed by American soldiers.

Lean 6 Sigma

By S. Michelle Cox, Ph.D

When I presented to the members of Credit Professionals International in San Antonio, Texas in June, the first thing discussed was the definition of insanity as attributed to Albert Einstein: “Doing things the same way and expecting different results”.

While there is disagreement about who may have said this truism, the sentiment is important when business leaders examine their practices. In my practice as an internal and external consultant working with financial services companies for decades, I have encountered many people who say the following: “This is the way we have done this for the past (blank) years,” and they usually fill in the blank with a large number of years.

While it may have worked in the past, why should we believe that it will continue to work into the future? In the last ten years, think about all of the changes in your life, work, and social environment. Are you still trying to solve your business problems based on what your gut tells you might be a solution? If so, are you getting the best results? Do these results last over months or years, or do you have to “fix” it again in a few months?

I am writing this article on a large screen computer that is all in one, instead of a CPU or laptop attached to a screen. There are electric cars that are more dependable and can travel farther than ten years ago. Most importantly for credit professionals, you survived a mortgage crisis in 2008 that has reshaped many of your processes and procedures. With that in mind, let us examine opportunities to make changes using continuous Improvement. My favorite methodology is Lean 6σ.

The first question I get asked is usually about how Lean 6σ is used in the Financial Services industry. Here are some examples:

- Paperless Mortgage Underwriting;
- Business to Business (B2B) Connections for Insurance Verification;
- Accounts Payable Processes;
- Human Capacity Efficiency;
- Fraud Identification;
- Improved Vendor Identification Processes;
- New Product Design;
- Fax from Desktop;
- Knowledge Management;
- Call Center Efficiency;
- Operations Process Improvements;
- File Maintenance Improvements;
- Loss Funding Models (CECL); and
- Employee in-processing.

These examples show the breadth of opportunities to use continuous improvement methodology that every company could potentially utilize, as long as the company is willing to take the steps

continued on page 14

continued from page 13

necessary for strategic growth, including: examination of processes, building a roadmap of projects, choosing methodologies, and executing the improvements.

Why should a company take the first step to implement? Most importantly, the primary goal of Lean 6σ is to focus on the customers. The additional benefits are: data driven decisions, building predictive models, increased revenues, reduction of losses, and empowering employees.

The empowerment of employees is both the side benefit of making the customers happy, and part of the way to make customers happy.

An employee who is working with a lean process and has been thoroughly trained will be helpful to the customer. Once the improvements are identified, using change management techniques, such as training and knowledge management, helps create confidence in the employees performing the work. Companies are finding that the number one reason why employees have left in the last few years has been due to lack of development opportunities, as cited in exit interviews researched by Human Resource Management industry experts. Continuous improvement helps build those development opportunities, while meeting the customer, regulatory, and legal expectations.

Lean 6σ has deep historical roots in the search for quality. Dr. J. M. Juran, the editor-in-chief of "A History of Managing for Quality: The Evolution, Trends, and Future Directions of Managing for Quality", cited examples going back to China's "Ancient Handicraft Industry" as early as the 21st century BC.

Being a student of business and leadership for my entire career, I find this longevity comforting as I lead projects to build the future that customers seek. Of course, the methodologies of quality have morphed over time. Any methodology that refuses to change dies from inertia.

Lean 6σ is NOT a recipe with a set of cookie cutters that produces the same output from every project. Instead, it is an agile set of tools that produces the output needed based on the problems identified and the goals set for the individual projects. One of the most used Lean 6σ methodologies is DMAIC: Define, Measure, Analyze, Improve, and Control.

Another set of terminology that is of interest to people is the names used for the different levels of capability achieved by the project managers in this methodology. The terms used are white, yellow, green, black, and master black belts.

This comes from another historical use of these belts for showing progress through martial arts with white being at the beginning of learning and master black belt being at the pinnacle of the learning and application of the tools. In companies that have instituted Lean 6σ, many of them award recognition in the form of colored belts or plaques to designate achievement.

DMAIC is the acronym for the five phases of the Lean 6σ methodology for process improvement. Each phase has a plethora of tools that can be utilized to meet the objectives of that particular phase. The basic premise of DMAIC is that there are inputs (X) that are processed so that there is an output (Y). The functional

Continued on page 15

continued from page 14

equation is $Y = f(X)$. In this mathematical form, it is a simple linear equation, but complex problems in a business are not always linear in nature. CECL projects have found that many of the data are S-Curve or Quadratic equations. With the use of statistical tools, we can find the best models and utilize them to build solutions that are appropriate for each individual business.

At the beginning of a project, Define is the first phase. In this phase, the project manager/ belt takes the time to define the problem based on the voice of the customer. Every company gets that "voice" daily in the form of calls, emails, letters, and face to face interactions. Are you listening to that voice? Are you mining that voice to set your strategic and tactical goals?

Define is the first time that lean tools are used. The use of these tools can result in some quick wins by using 5S: Sort, Straighten, Shine, Standardize, and Sustain. Many companies find that cleaning up the work environment is the first important step to solving some of the basic problems.

In Define, once you have identified the problem or problems that remain, you can then build goals, scope, and project dependencies. After these items are drafted and reviewed by the sponsor, then the project manager can move to the next phase.

Measure is the second phase in which, the project manager quantifies the problem. This baseline shows the amount of impact to the customer and business, and as such, how much improvement can be made by the end of the project. This also sets the stage for a cost benefit analysis that many companies use to prioritize projects throughout the organization. Measure is usually the first place that statistical tools are utilized and thus the term 6σ, with three

sigmas to the left and right of the mean/average in a normal distribution.

Once the distribution of the data is identified and baselines are calculated, the project manager can then update the problems and goals, based on the new information. As with every phase of DMAIC, once the information is drafted, a review with the sponsor is done to make sure that the project is moving in an appropriate direction. Once this is accomplished, the project manager can then move to the analyze phase.

While all of this may sound complicated, there are some fantastic statistical tools that can be used by companies to perform the quantification and analyze the data. One of my favorite tools is Minitab®. This program is especially helpful when I train new people, who may not have used advanced statistical tools since high school or college, in this methodology. This program was made with the average user in mind. You need not be a statistician to use it. For example, the decision trees that are in the "Assistant" of the program help people make appropriate statistical tool choices.

The third phase is **Analyze**. Additional statistical tools are used in conjunction with qualitative tools to detect the appropriate inputs (X) that should be improved to change the output (Y). For many of the

continued on page 16

continued from page 15

project managers/belts, this is the phase that they really enjoy the most because they can finally start identifying the improvements to be made.

In our current world of fast paced work, people will quickly pick an improvement without understanding if it will deliver the most leverage for change.

In DMAIC, through quantification and qualification, the choices for improvement made in the Analyze phase are deliberate and will have the greatest impact. This keeps the company from having to circle back to the same issue six months or a year later when the solution that was chosen in a "knee jerk" way is found to be a band aid and not a long-term solution.

What business wants to have to reuse resources to solve a problem again that people thought was resolved? The power of continuous improvement is going slow to go fast, finding the best ways to solve complex business problems in a cost-effective way.

Once the improvements are identified in the Analyze phase, the project manager/belt is busy building an improvement project plan in the fourth phase, Improve.

The plans can include piloting the solution to make sure that the solution is optimized. Many of the Green Belts and Black Belts are timid about building pilots rather than rolling out the solution to all. However, once a person uses a pilot, they are usually a convert.

A large majority of pilots identify additional tweaks that can be made to the solution. These can include more extensive training for employees, customer communication, and organizational communication.

Change should be managed and not just happen. The Improve phase is where change management methodologies are utilized. At this point, many of you reading this article realize why I mentioned earlier that there are no recipes and cookie cutters. When you have to deal with changes, you are dealing with human beings, and they are extremely unpredictable, whether they are your customers or employees. As such, the project solutions and tools must be flexible to meet changing needs that emerge.

The final phase in DMAIC is Control. This phase is about keeping score. Many of us play games such as golf, cards, or bunco. We keep score to see how we are doing. This is the same in the Control phase.

We build Key Performance Indicators and measure the progress that we have made so that we can close out the cost benefit analysis we built in the early phases. This segment is not only about tracking the changes to this point, but institutionalizing the measurements into the future so that you can quantify any changes that may occur in the process in the future.

DMAIC is the methodology for improvement of existing processes. Should your

continued on page 17

continued from page 16

company need to build a new process, product, or technology, there is a different methodology called Design for Six Sigma that is utilized to build something new for the company's need. We can address that methodology in a future article.

My training at GE Capital and GE Financial embedded my passion for these tools that I now teach to other financial institutions. It is so rewarding to see the Green Belts and Black Belts make significant contributions to the organizations that they support. I hope that this article has been helpful in explaining continuous improvement opportunities for the members of Credit Professionals International.

About the author:

S. Michelle Cox, PhD is a Senior Consultant with Aventine Hill Partners, Inc. (AHP) and an Adjunct Professor at the University of the Incarnate Word, both of which are located in San Antonio, Texas.

Her training at GE Capital and GE Financial embedded her passion for these tools that she now uses to teach to other financial institutions. She finds it so rewarding to see the Green Belts and Black Belts make significant contributions to the organizations that they support. I hope that this article has been helpful in explaining continuous improvement opportunities for the members of Credit Professionals International.

To learn more about the services of AHP, please visit: https://www.aventinehillinc.com/ Michelle can be reached at michelle.cox@aventinehillinc.com

Certification—The Key to Your Future

Showcases Your Expertise

Helps Advance Your Career

Recognizes Your Accomplishments

Download the certification application form at:
www.creditprofessionals.org

The application form is also available by mail from
Credit Professionals International,
P. O. Box 220714
St. Louis MO 63122

New Credit Card Helps People Repair Their FICO Scores

by Alex Morrell

- ***Millions of Americans with subprime credit scores don't have access to credit cards or any other reasonably priced way of borrowing money.***
- ***Income volatility has doubled in the past 30 years, and as a result many of these people are unprepared to cover unexpected expenses that pop up, like medical bills or car repairs.***
- ***Instead, when they're cash crunched, they often turn to expensive options like payday loans, which commonly charge interest rates of 400%.***
- ***Thousands are trying a new credit card that's filling the void left by traditional banks. It uses analytics to target subprime borrowers who are on the upswing and offers an unsecured credit card with transparent terms and rates far below payday loans.***

Many people rely on expensive payday loans to get through hard times. This credit card could provide a reprieve.

If you've got a credit score below 600, chances are you've messed up. Late payments. Foreclosure. Maybe you've been through a bankruptcy.

Getting a credit card in these situations can be pretty difficult, for obvious reasons: It's not worth the risk to many lending institutions.

But Americans with bad credit are often the ones that need loans the most. In the absence of reasonably priced lending, many resort to alternatives with exorbitant interest rates to stay afloat, like payday loans—an industry that has grown massively over the past decade or so.

Sometimes this works as an expensive stop gap, but often people get sucked into a a cycle of debt and struggle to come back up for air.

Marla Blow thinks she can help. A card industry veteran who spent nearly a decade at Capital One and helped run the credit card and payments division at the Consumer Financial Protection Bureau, Blow recently helped launch a startup called FS Card, whose sole product at the moment is a credit card targeted toward

Continued on page 19

continued from page 18

those with tarnished credit histories.

The card, which is called “Build” and has MasterCard branding, enables customers to avoid the local payday lender's sky-high rates and gradually mend their standing in the eyes of the almighty FICO.

FS Card's strategy is to target deep subprime customers in the 550 to 600 credit score range, a group that's largely been overlooked and forgotten by the big banks, according to Blow, the company's CEO. By offering transparent rates and fees and low spending limits to start, Blow thinks she can carve out a profitable business that also helps people repair their financial bedrock.

It's off to a good start: Some 50,000 people have signed on in about a year and a half. "We've found really good traction," Blow told Business Insider. "Access to mainstream, reasonably priced credit is still something the underserved market is very much seeking."

Reduced Access

Fenway Summer Card lending to this group plummeted in the aftermath of the financial crisis and the passage of the CARD Act of 2009, which introduced an array of protections and outlawed some of the pernicious practices that made these customers lucrative to banks—think hidden fees, bait and switch interest rates, and poorly disclosed terms in general.

"When the CARD Act prohibited credit card companies from doing many of the things that lay at the core of their business models, many pulled out of the market altogether," writes Lisa Servon, a professor at the University of Pennsylvania, who studied low-income communities for decades, in her recently released book, "The Unbanking of America: How the New Middle Class Survives."

There's some evidence from the Federal Reserve Bank of New York that lending is returning for subprime borrowers with credit scores below 660. But credit card issuers, like Chase with its Sapphire Reserve and Citi with its Prestige card, are far more preoccupied with competing over elite borrowers, falling over themselves to offer sweet travel enticements and eye-popping sign-up bonus points.

The millions of Americans with a checkered borrowing history typically aren't chasing credit to secure free vacations, but simply to manage unforeseen costs and gaps in their monthly cash flow. Nearly half of Americans aren't prepared to cover an unexpected $400 expense.

Without access to credit cards or traditional bank loans, these people have turned to alternative lending options instead.

The payday loan industry — wherein people take out a two-week loan for several hundred dollars that comes with a fee that amounts to a 400 percent interest rate on average — now serves 19 million households out of some 20,600 locations across the country, according to the industry group Community Financial Services Association of America. That's more than the number of McDonald's locations in the United States.

"It's not just low-income people in poor neighborhoods who are using these services, but many, many middle class people," Servon, who embedded as an employee at a check cashing company and a payday loan company for her research, told Business Insider.

"Many, many of them owned their homes, they had college degrees, they had stable incomes of $50,000 to $75,000 per year. Yet they were still facing situations of chronic financial insecurity."

Some people wind up in trouble because they don't manage their money responsibly. But part of the explanation for this trend is that income volatility has doubled over the past 30 years, says Servon. If your income is unpredictable week to week, it can be difficult to budget, and even more difficult to absorb shocks like an untimely medical bill, car

Continued on page 20

continued from page 19

repair, or temporary job loss. For someone facing financial uncertainty, it's not hard to imagine needing to borrow $400 to get through a short-term cash crunch.

The Build Card
A solution—for some

FS Card's plastic offering could prove a solution for many stuck in this financial quagmire.

Servon wrote optimistically about FS Card in her book, noting that response to the card has been strong, especially among those who had previously used payday loans.

And that's by design. Blow, who earned her MBA at the Stanford Graduate School of Business, took key features of payday loans—transparency and low borrowing limits—and married them with the benefits of traditional credit cards—lower interest rates, a longer repayment period, and instant access.

The Build card isn't the first option for borrowers with no credit history. Usually, experts recommend these borrowers use a "secured" credit card, one where the borrower supplies funds upfront in a type of security deposit, often at least $200, that's usually identical to the spending limit. Eventually you recoup the deposit if your creditworthiness grows, but it doesn't really provide extra cash flow in the meantime.

The Build card, on the other hand, is unsecured and requires no deposit, providing a more flexible line of credit from the get-go.

But FS Card isn't a charity. It's a business, and it needs to turn a profit. So the card isn't free, and it's not for just anyone.

The Build card comes with a $75 annual fee and a starting credit limit of about $500, not incidentally, the same as the maximum payday loan amount in many states—which grows as the borrower proves responsible over time. The interest rate percentage starts in the upper 20s, on the high end for most credit cards. All the terms are laid out plainly to avoid any surprises. Not everyone earns approval, either. Because its client base is an inherently risky group, FS Card must carefully vet potential borrowers.

"We look for trends, we look for indicators that might be hidden on the surface," Blow said. "We are very much in a lending business though, and if we don't do that well, we won't be there. We can't make bad decisions on the credit side."

On the technical side, this entails behavior modeling analytics and machine learning to target the right customers. In practical terms, this means sorting out subprime borrowers who've turned the corner from those who remain mired with bad habits and lingering money problems.

"Our goal is to enable customers to build and rebuild credit with our product, so we are looking for consumers to have issues in the rearview mirror," Blow said. "Fresh issues, newly troubled credit, and/or growing indebtedness, those are red flags because it suggests the individual is not yet on the way up."

In a year and a half on the market, the Build card has extended $25 million in credit to nearly 50,000 customers, according to Blow.

It is a drop in the bucket, at this point, given the millions of Americans living with damaged credit scores. But the card's portfolio is growing about 10 percent each month, and it could prove an indispensable tool in the future to help many of those people get their financial house in order.

About the author:

Alex Morrell is a senior finance reporter at Business Insider. He previously worked at BI as the editor of the Your Money section as well as the editor of the Lists & Rankings team. Prior to that he was a reporter at Forbes Magazine for two years covering billionaires. He's previously written and worked for the Associated Press, the Green Bay Press-Gazette, the Milwaukee Journal Sentinel and the Wisconsin Center for Investigative Journalism. He's a graduate of the University of Wisconsin and holds a master's in business and economic journalism from Columbia University.

It’s a Multi-Stage of Life In Today’s World of Work

by Jerry Cahn, Ph.D., J.D.

It is almost second nature to create stereotypes of people based on age. If someone is in their twenties then they must be technologically adept, obsessed with keeping fit, prepared to change jobs frequently whilst obviously searching for meaningful work. Those in their sixties and seventies must be less interested in work and are probably exhausted and anticipating the leisure time offered by a long retirement.

These are seductive and easy to understand behavioral labels. But are these assumptions either real or helpful? Might they obscure even more important similarities?

We believe this is a crucial question to ask right now as working lives—shaped by technological innovations and extended by growing longevity—are undergoing profound transformations.

To understand how people are responding to this transformation in their working lives, we developed a survey completed by more than 10,000 people from across the world aged 24 to 80.

We found far fewer differences between the age groups than we might have imagined. In fact, many of the traits and desires commonly attributed to younger people are shared by the whole workforce. Why might this be the case?

One reason is that we are simply living longer. This means we’re also working longer, and working differently.

For our recent book *The 100 Year Life,* we calculated how long people will work. Whilst we cannot be precise, it is clear that in order to finance retirement many people currently in their fifties will work into their seventies; whilst those in their twenties could well be working into their eighties. That means that, inevitably, people of very different ages are increasingly working together.

Continued on page 22

continued from page 21

This long working life, coupled with profound technological changes, dismantles the traditional three-stage life of full-time education, full-time work, and full-time retirement. In its place is coming—for all employees regardless of their age—a multi-stage life that blends education, exploration, and learning, as well as corporate jobs, freelance gigs, and time spent out of the workforce. Inevitably the variety of these stages and their possible sequencing will result in both greater variety within age cohorts, whilst also providing opportunities for different ages to engage in similar activities. In other words, work activities will become increasingly "age agnostic" and these age stereotypes will look increasingly outdated.

Right now people of every age are becoming increasingly aware of the transformation of their working life. They are reinvesting in their skills, looking after their health and thinking about options, transitions and career switches that weren't a reality for previous generations. Viewed in this light, there is less discontinuity between different ages—and instead a shared, and growing interest in the tools to cope with a longer working life in an age of profound technological disruption.

Our survey highlighted these commonalities. While there may be some selection bias—the 10,000 people who completed our survey online are already interested in the topic of life and work changes—their experiences and attitudes highlight how misleading simple age related stereotypes can be.

Consider six fairly common age-based assumptions: the young invest most in new skills, they are most positive and excited about their work, and they work hardest to keep fit; the old are more exhausted, keen to slow down, and less likely to explore. The people in our study overturned these stereotypes.

1. **It is not just the young who are investing in new skills.**

We asked people whether they felt their skills and knowledge had plateaued, and whether they had recently made an investment in their skills.

After the age of 30 many people are concerned about plateauing skills. Indeed there is no difference between those in their 30s, 40s or 60s—almost two-thirds worried that their skills and knowledge were not keeping up with changing work demands.

What is fascinating is how many people were countering this by actively investing in their skills. Certainly a higher proportion of those aged 18-30 (91%) and 31-45 (72%) felt they were investing in new skills but, after the age of 45, almost 60% of all ages said they were actively investing. In other words, the majority of people keep maintaining skills and this does not significantly decline with age.

2. **It is not just the young who are positive and excited by their work**.

This is a crucial attitude as working lives elongate. If indeed being positive and excited about work declines sharply

Continued on page 23

Continued from page 22

with age, then long working lives will become a terrible burden for the older. What was striking was that whatever their age, those feeling positive about their work was a constant at just over 50 percent.

Just as striking is the proportion of people of all ages who don't feel positive about their work.

3. **Older people are working harder to keep fit.**

We know that vitality is central to a long productive life and it is easy to imagine that it's only the young who really care about their fitness. Yet we discovered that it is the older who are working hardest to try to keep fit. About half of those under 45 actively try to keep fit, rising continuously across the ages with a peak of 71 percent for those aged over 70.

4. **Older people are not more exhausted.**

One of the reasons corporations often prefer the young to the old is the assumption that with age comes exhaustion at work and therefore a lowering of productivity. We found no evidence of this age related exhaustion. In fact, more people under the age of 45 (43%) said they were exhausted than those over 45 (35%)—the least exhausted are those over 60.

5. **Older people don't want to slow down.**

The stereotype is that as people age they want to slow down and are looking forward to retiring. We found this not to be the case. More than half of those aged 46 to 60 want to slow down, whilst only 39 percent of the people over 60 and less than 20 percent of the people over 70 say they want to slow down.

6. **Exploring is not just for the young.**

When you think about "gap years" you probably think about 20-year-olds taking time out after full-time education. But why assume that it is only the young who want to take time out to explore and learn more about themselves and their world? Crucially, we found no significant age difference in people's excitement about exploring their options.

The six assumptions we have explored here are probably just aspects of a much bigger tapestry of assumptions about the young and old that are spurious, wrong, even damaging. We use the word damaging with care. When corporations believe that older workers invest less in their knowledge, are less excited by their work and exploring their world, and are on a path to physical decline and exhaustion, they make the wrong decisions about whom to select, promote and develop, and whom to retire.

There are undoubtedly some differences across the age groups that are important in the workplace. However, the over-simplicity of age and generational labels decreases our understanding of individuality; it masks the commonality of the task we are all facing as we strive to achieve a productive and enriching longer working career; and is in deep conflict with the imperative to develop age-agnostic working practices.

As every one of us is faced with living and working longer it is absolutely crucial that, whatever our age, we face up to and question unfounded assumptions and stereotypes about ourselves and about others. Only then can we create workplaces where people are accepted for themselves.

About the author::

Jerry Cahn, Ph.D., J.D., is CEO and CLO of Age Brilliantly™, a community platform for adults who want to take charge and lead fulling lives to 100+. With degrees in psychology and law, he's a serial entrepreneur and expert in leadership and strategy. His career includes programs to help children and teenagers, executives and corporate leaders, and adults making sense of their "elongated" lives.

He's worked for private and public companies; Capitol Hill and government agencies; and non-profits. Today he leads three organizations: Age Brilliantly, Vistage New York and the Presentation Excellence Group. Committed to teaching and mentoring, he teaches courses in the United States and China and, in addition, shares insights through keynotes, seminars and workshops. or the City University of New York

Student Corner

How to Open a Basic Bank Account

by WikiHow

Opening a bank account isn't as simple as walking up to a teller and handing over your money. Creating a new account requires a bit of preparation and thought.

For example, you'll need to decide which type of account you want and how you want to use it. Luckily, while banking jargon can be intimidating, this process isn't difficult once you know a few banking basics. Follow along step-by-step to set up your first account.

Step 1:

Make sure you're eligible to open an account. Before you head to the bank, it's wise to check whether you meet all the criteria for opening an account. As a general rule, most banks will require the following:

- If you're under 18, some banks might require your parents to sign some forms when you open your account. Not all banks do this, so if you don't want your parents to be involved with your banking, try e-mailing banks before you go into them asking whether they require your parents to sign.
- You'll need to have valid identification and be willing to share basic information about yourself. In the US, you'll usually need your Social Security number.
- You'll need to have at least the minimum amount of money for opening account. This can vary based on the bank and account you choose. For example, a basic Bank of America savings account requires a minimum deposit of $300.

Step 2:

Choose the bank that's best for you. Not all banks are the same, even when it comes to basic personal accounts.

It can be very wise to contact the banks in your local area to discuss what exactly you'd get if you opened a basic account.

While all banks are different, they can generally be lumped into two general categories: large chain banks and smaller local ones.

Continued on page 25

continued from page 24

Large chain banks: Large banks usually have branches in most towns and cities across the country, which means you'll be able to get basically the same service no matter where you go. This wide coverage can help you avoid fees you'll have to pay for using other banks' services (like ATM fees, etc.)

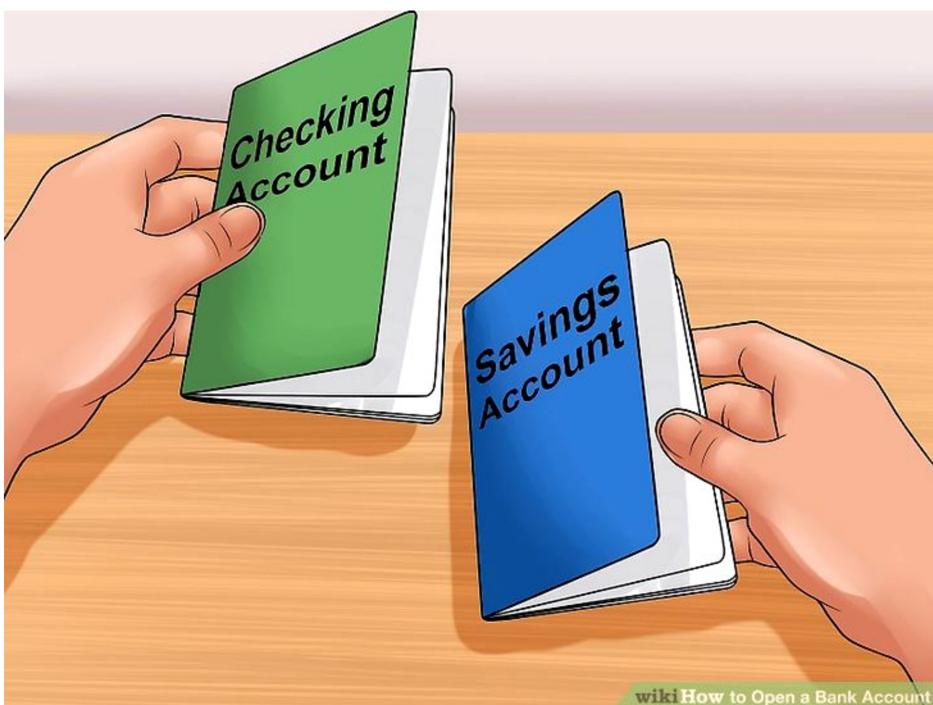
Large banks also usually have the resources to offer services like 24-hour help lines for their customers. In addition, these banks tend to have a stable, trusted reputation—they are unlikely to fail or present you with "surprise" difficulties.

Smaller local banks: Small banks offer a more personal, human experience. They tend to be friendlier than big banks in several ways—not only will they be willing to offer more personal, one-on-one attention, but they'll often be willing to "work with you" when something goes wrong (like you overdraft from your account). Smaller banks also usually charge smaller fees for using their services.

Smaller banks often invest their money into the local community, rather than in national, or multi-national large projects that chain banks might be investing in. On the other hand, smaller banks fail more frequently than large banks (this is still very rare, though).

In addition, credit unions are another option for banking. Credit unions are not-for-profit financial institutions, often with a mission to be "community-oriented" and "serve people, not profit".

Credit unions have successfully made their services more accessible by partnering with other credit unions to offer shared branch banking and ATMs.



Step 3:

Pick the type of account you want. Most of the time, when someone opens his or her first bank account, it is a regular checking or savings account (or both).

Both of these types of accounts allow you to safely store your money with the bank and withdraw it when you need it. However, each type of account is best for different tasks.

- **Checking:** A checking account is what most people use for day-to-day purchases. With a checking account, you'll get a checkbook and a debit card that you can use to pay for things with the money in your account. Money in a checking account doesn't change over time—if you want more money, you have to put it in yourself.
- **Savings:** As its name suggests, a savings account is best for saving money long-term. Money in a savings account slowly gains **interest**—in other words, the bank will pay you a small amount for storing your money with it. The more money you have in the account and the longer you save it, the more interest you get. You can still withdraw money from a savings account at banks and ATMs, but you can't generally use a savings account for checks and debit card payments.

If you have enough money to meet the minimum deposit for both, having both a checking

continued on page 26

continued from page 25

and a savings account is usually best. You can use the checking account for your daily expenses and put extra money in your savings to make interest.

Step 4: Visit your bank and ask to open an account. Opening an account in person is usually the best option for first-time account holders.

One big advantage of opening an account in person is that you can ask the teller all of your questions and get immediate answers (as opposed to the waiting you'll have to do online or on the phone). Also, because you can sign the forms and receive your confirmation documents on the spot, the process of opening an account is also usually speedier in person.

Step 5: Ask important questions before you finalize your account. Now is an excellent time to ask for clarification on any issues regarding your account that you don't understand. Below are a few suggestions for questions you may want to ask, but don't be afraid to ask any others that occur to you.

- Is there a monthly fee for maintaining this account? If so, what is it?
- Is there a minimum balance that I must keep within this account? If so, what is it? What sorts of fees apply if I go under that limit?
- What is the interest rate of my savings account? How often does interest generate?
- Is there a limit to the amount of transactions

(deposits/withdrawals, check writing, ATM uses) I have per month?
- Where can I withdraw cash without paying any fees? What is the fee for using an ATM that doesn't belong to this bank?
- Is the account I'm applying for insured by a Deposit Guarantee Scheme (DGS)?

Step 6: Supply the necessary information to create your account. As noted above, opening a checking account requires a few basic pieces of personal information. You *may* or *may not* have to provide documentation to prove this personal information. This depends on the exact bank you're opening an account with. In general, it's a good idea to have:

- Proof that you are who you say you are: Have a government-issued ID with your photo on it with you (a driver's license or a passport is best).
- Proof of address: A phone bill, driver's license, or any other official document with your name and address will usually do.
- Proof you are a registered citizen: The bank will ask for your Social Security number, taxpayer identification number, or employer identification number to ensure that you are "on record" with the government. As long as you know this number, you don't generally need to have your Social Security card, etc. with you.

Step 7: Keep the account documents you receive secure. When you finish completing your account, you will receive documents that contain important information about your account. Keep these in a safe place, like a strongbox. Don't let people you don't trust access these documents—they may be able to use them for malicious purposes. If you can, it's a wise idea to commit the following information to memory so that you don't need to rely on the documents in the future:

- Your four-digit PIN number: You need this to use your debit card for purchases
- Your bank account number: You need this for financial tasks like setting up direct deposits
- Your Social Security number: You need this for various tax and financial tasks in the future
- If you believe your account information has fallen into the wrong hands, you can always contact your bank and request a "freeze" on your account to prevent unauthorized use.

How To Be An Agent Under Power of Attorney

By Consumer Financial Protection Bureau

A family member or friend asks you to become his or her agent under power of attorney.

You have heard the term "power of attorney" and you want to help your relative or friend. But, in the back of your mind, you're thinking: What does this involve? What actions can I take or not take? This is a big responsibility. Don't panic. The Consumer Financial Protection Bureau (CFPB) has your back.

Let's start with a scenario. Your family member or friend (let's call her Martina) is worried that she will get sick and not be able to pay her bills or make other decisions about her savings and her house. Martina has signed a legal document called a power of attorney. She names you as her agent and gives you the power to make decisions about money and property for her if she is sick or injured. You are now a fiduciary with fiduciary duties.

The law requires you, as a fiduciary, to manage Martina's money and property for her benefit, not yours. When you act as Martina's fiduciary, you have four basic duties to keep in mind:

- Act only in Martina's best interest.
- Manage Martina's money and property carefully.
- Keep Martina's Money and property separate from yours.
- Keep good records.

As a fiduciary, you must be trustworthy, honest, and act in good faith. If you do not meet these standards, you could be removed as a fiduciary, sued, or have to repay money.

Although Martina gave you her power of attorney, she can continue to manage her money and property, as long as she is still able to make decisions. She also can revoke your authority to act as her agent at any time if she wants to and is still able to make decisions. If you think Martina does not understand the decision she made to remove your authority and is being abused or exploited by someone else, talk to a trusted family member; a lawyer; or an official from adult protection services, the police or the sheriff.

If Martina revokes your authority or if she dies, your responsibilities end. In either situation, promptly notify her bank or other businesses with which you interacted as her agent. Even if you can easily pay some of her outstanding bills, you will no longer have the authority to do so.

The Four Basic Duties of a Fiduciary

Since you have been named to manage money or property for someone else, you are a fiduciary. The law requires you to manage Martina's money and property for her benefit, not yours. It does not matter if you are a family member or not. This means that you must ignore your own interests and needs, as well as the interests and needs of other people.

As a fiduciary, you must be trustworthy, honest, and act in good faith. If you do not meet these standards, you could be removed as a fiduciary, sued, or

Continued on page 28

continued from page 27

have to repay money. It is even possible that the police or sheriff could investigate you and you could go to jail.

The role of a fiduciary carries with it legal responsibilities. When you act as a fiduciary for Martina, you have four basic duties that you must keep in mind:

Duty 1: Act only in Martina's best interest.

Read the power of attorney and do what it says.
Your authority is strictly limited to what the document and state law allow. Follow Martina's directions in the document, even if you have the best intentions in doing something different.

Understand when the power of attorney becomes effective. It may be right away or only when Martina can no longer make her own decisions. Check to see if the document says how you will know when Martina can no longer make her own decisions.

As much as possible, involve Martina in decisions. Many things can affect your decisions about Martina's money and property. For example, you might feel pressure from others. Martina's abilities to make decisions might change from time to time.

Even after it is clear that you must make decisions for Martina, ask her what she wants if she can communicate. If she can't say what she wants, try to find out what she would have wanted. Look at any past decisions, actions and statements. Ask people who care about Martina what they think she would have wanted. But put her well-being above saving money for others who may inherit her money and property.

Avoid conflicts of interest. A conflict of interest happens if you make a decision about Martina's property that may benefit someone else at Martina's expense.

Don't borrow, loan or give Martina's money to yourself or others. Even if the power of attorney or state law clearly allows gifts to you or others, be very careful to avoid conflicts of interest. Make sure that any gifts do not increase or complicate Martina's taxes or change her plans to give away her property when she dies. Any gifts or loans should be in line with what Martina would have wanted.

Avoid changing Martina's plans for giving away her money or property when she dies. There may be rare situations in which changing Martina's plans would be in her best interest. But you should get legal advice to make sure that the power of attorney or state law allows that.

Don't pay yourself for the time you spend acting as Martina's agent, unless the power of attorney or state law allows it. If you are allowed to pay yourself, you need to show that your fee is reasonable. Carefully document how much time you spend and what you do.

Duty 2: Manage Martina's money and property carefully.

As Martina's agent, you might pay bills, oversee bank accounts, and pay for things she needs. You might also make investments, pay taxes, collect rent or unpaid debts, get insurance if needed, and do other things written in the power of attorney.

You have a duty to manage Martina's money and property very carefully. Use good judgment and common sense. As a fiduciary, you must be even more careful with Martina's money than you might be with your own!

Follow these guidelines to help you make careful decisions.

List Martina's money, property and debts. To make careful decisions, you need to know what Martina owns and owes. Your list might include checking/savings accounts; cash; pension, annuity, rental

continued on page 29

continued from page 28

property or other income; insurance policies; trusts for which Martina is a beneficiary; stocks and bonds; jewelry or other items of value; unpaid credit card bills and other outstanding loans.

Protect Martina's property. Put valuable items in safe deposit boxes, change locks on property and make sure her home or other property is insured. Make sure bank accounts earn interest, if possible, and have low or no fees. Review her bank and other financial statements promptly. If Martina owns any real estate, keep it in good condition.

Invest carefully. If you are making investment decisions for Martina, talk to a financial professional. The Securities and Exchange Commission (SEC) provides tips on choosing a financial professional at www.sec.gov/investor/alerts/ib_top_tips.pdf. Discuss choices and goals for investing based on Martina's needs and values.

Pay bills and taxes on time.

Cancel any insurance policies she does not need.

Collect debts. Find out if anyone owes Martina money, and try to collect it.

Take steps to have the power of attorney accepted. Sometimes banks or other businesses won't do what you, acting as Martina's agent, want them to do. A bank may refuse to accept the power of attorney and want Martina to sign its own form. This is a problem if

Martina has lost the ability to act for herself. As soon as you need to act as Martina's agent, contact any businesses (such as banks) or people that she deals with and give them copies of the power of attorney. Never give away the original document. You can get certified copies of the original document.

If someone will not accept your authority as agent, talk to a supervisor. If they still won't accept it, talk to lawyer. State law may require the business or person to accept the power of attorney.

Duty 3: Can Martina get any benefits?

Find out if Martina is eligible for any financial or health care benefits from an employer or a government. These benefits might include pensions, disability, Social Security, Medicare, Medicaid, Veterans benefits, housing assistance, or food stamps (now known as Supplemental Nutrition Assistance Program or SNAP).

Use the National Council on Aging benefits check-up at www.benefitsCheckUp.org.

Help her apply for those benefits. The Agency on Aging where Martina lives can help you find the information you need. You can find Martina's local Area Agency on Aging through the Eldercare Locator at www.eldercare.gov.

Medicaid is complicated. Get legal advice and be very careful about decisions that may affect Martina's eligibility for Medicaid. The Medicaid program provides medical assistance and long-term care to low-income people. It may have another name in your state. To find your state Medicaid agency, visit: www.benefits.gov/browse-by-category/category/MED.

Duty 4: Keep Martina's money and property separate.

You must keep true and complete records of Martina's money and property. The power of attorney or state law may say that someone else can review your records to check up on you. Unless the power of attorney or state law says you can't share your records, you may want to let another family member or friend of Martina's see them as a precaution.

Never mix Martina's money or property with your own or someone else's. Mixing money or property makes it unclear who owns what. Follow these guidelines:

continued on page 30

continued from page 29

Separate means separate. Never deposit Martina's money or property into your own or someone else's bank account or investment account.

Avoid joint accounts. If Martina already has money or property in a join account with you or someone else, get legal advice before making any change.

Keep title to Martina's money and property in her own name. This is so other people see right away that the money and property is Martina's and not yours.

Know how to sign as an agent. Sign all checks and other documents relating to Martina's money or property to show that you are Martina's agent. For example, you might sign "Juan Doe, as agent for Martina Roe." Never just sign "Martina Roe."

Pay Martina's expenses from her funds, not yours. Spending your money and then paying yourself back makes it hard to keep good records.

If you really need to use your money, keep receipts for the expenses and maintain a good record of why, what and when you paid yourself.

Duty 5: Keep Good Records

You must keep true and complete records of Martina's money and property. The power of attorney or state law may say that someone else can review your records to check up on you.

Unless the power of attorney or state law says you can't share your records, you may want to let another family member or friend of Martina's see them as a precaution.

Practice good record keeping habits:

Keep a detailed list of everything that you receive or spend for Martina. Records should include amount of checks written or deposited, dates, reasons, names of people or companies involved, and other important information.

Keep receipts and notes, even for small expenses. For example, write "$50, groceries, ABC Grocery Store, May 2" in your records soon after you spend the money.

Avoid paying in cash. Try not to pay Martina's expenses with cash. Also, try not to use her ATM card to withdraw cash or write checks to "Cash". If you need to use cash, be sure to keep receipts or notes.

Getting paid? The power of attorney or state law may say that you can be paid for acting as agent. If you will be paid, be sure you charge a reasonable fee. It is up to you to keep detailed records as you go along of what work you did, how much time it took, when you did it, and why you did it.

What can you do if Martina has been scammed?

If you suspect a scam, get help. Contact a local, state or federal agency, depending on the type of scam. You may also need to talk to a lawyer.

Local agencies to call are adult protective services, the long-term care ombudsman program, the police or sheriff, and the local Better Business Bureau.

State agencies to call are the office of the attorney general or another agency that deals with consumer protection.

Call a federal agency if scammers are in other states or countries. Federal agencies are the Consumer Financial Protection Bureau, the FBI, the Federal Trade Commission, or the U. S. Postal Inspection Service.

Each of these agencies and professionals has a different role so you may need to call more than one.

Thinking of Co-Signing a Student Loan? Know the Risks

By Federal Deposit Insurance Corporation (FDIC)

Many grandparents and parents dream of helping loved ones attend college and post-graduate programs. One way to help them qualify for a student loan or obtain a loan at a lower interest rate is by being a co-signer. When co-signing a loan, you are promising to pay the loan back if the student borrower fails to do so. Keep in mind, however, that co-signing a loan is not a decision to be taken lightly.

According to the Consumer Financial Protection Bureau (CFPB), an increasing number of consumers are carrying student loan debt into their retirement years. From 2005 to 2015, the number of Americans age 60 or older with one or more student loans quadrupled from about 700,000 to 2.8 million, and the average debt load for these individuals roughly doubled from $12,100 to $23,500. This includes parents who have co-signed a student loan or have taken out a student loan on behalf of their child—in the latter, only the parent is responsible for repaying the debt.

"Many people don't realize that if you are a co-signer on a student loan, you are just as responsible for the loan payment as the primary borrower, who in this case is the student," said Elizabeth Ortiz, deputy director for consumer and community affairs at the FDIC. "That means a lender can pursue both you and the student-borrower at the same time to repay the loan if the loan goes into default."

If you are considering co-signing a student loan for a family member, you may want to do the following first:

Make sure you have maxed out federal loans and federal financial aid.

Families should consider scholarships and financial aid from the federal government, states, schools, companies and organizations, as well as federal student loans offered by the U.S. Department of Education. Federal loans offer important benefits for student-borrowers, like fixed interest rates and income-based payments.

Continued on page 32

continued from page 31

Most students take advantage of federal student loans as well as other financial aid, such as grants and work-study programs. Families also can use "PLUS" loans—federal student loans that can be taken out by parents and, in some cases, stepparents (but not grandparents or legal guardians), and do not require co-signers, except in limited circumstances.

Students who are left with a gap in financing their education costs after maximizing federal loans and financial aid may turn to private student loans issued by a bank or another financial institution.

However, unlike federal student loans, private loans often require a co-signer because most students have a limited credit history (a record of borrowing money and paying it back).

Ask Key Questions

For the lender: How soon can I be released from my repayment obligations as a co-signer?

Most lenders allow for a co-signer to be released from the loan obligation after a certain number of on-time payments by the student-borrower. However, terms and conditions for being released vary from lender to lender. For additional guidance, see information on the Consumer financial Protection Bureau's website

For your family member: How do you plan to repay this loan?

Student loans appear on both the student-borrower and the co-signer's credit report along with other credit obligations, like credit cards or car loans. Remind the student-borrower that failure to make timely loan payments can reduce your credit scores as well as his or hers, and that can make it harder to obtain credit with optimal terms, such as a lower interest rate.

For yourself: Can I repay this loan, if necessary? "

As with any major financial obligation, you should always prepare a budget, consider repayment plans that will fit that budget and have backup plans if the student-borrower defaults on the loan.

Parents or grandparents thinking about co-signing a student loan also often ask if their Social Security payments or other income could be withheld (garnished) if the student-borrower defaults on the loan. The answer depends on the type of loan.

Private loans

Banks and other private companies that offer private student loans are not allowed to garnish federal payments if the student-borrower or co-signer can't or won't repay the loan. The lender, however, can pursue other ways to collect the amount due.

Federal loans

A borrower who defaults on a federal student loan may be subject to the garnishment of money from income tax refunds, Social Security income and other federal payments.

Consider Alternatives to co-signing a loan.

It is often preferable to act as a guarantor on a student loan instead of a co-signer.

As a guarantor, you only become responsible for a loan in default after the lender has exhausted all means of getting repayment from the primary borrower. In most instances, the loan does not appear on your credit report until the lender seeks repayment from you.

More information is available on the website of the Consumer Financial Protection Bureau.