

A line-art illustration of a diverse group of people, including men and women of various ethnicities, all wearing face masks. The style is simple and clean, using blue outlines on a white background. The people are arranged in a dense, overlapping group, representing a community.

Spring 2020

CAMBRIDGE QUARTERLY NEWSLETTER

**COVID-19
AND YOUR
FINANCES**

COVID-19 SCAMS

The FCC is warning consumers of scam phone calls and texts. You can access these alerts directly from <https://www.fcc.gov/covid-scams>.



Robocalls: Reports have spiked concerning automated phone calls offering free virus kits and diabetes monitors. These scams are particularly appealing to Americans with serious health concerns and tight budgets. They will ask for payment over the phone.

THE CARES ACT AND HOW IT IMPACTS YOUR FINANCES

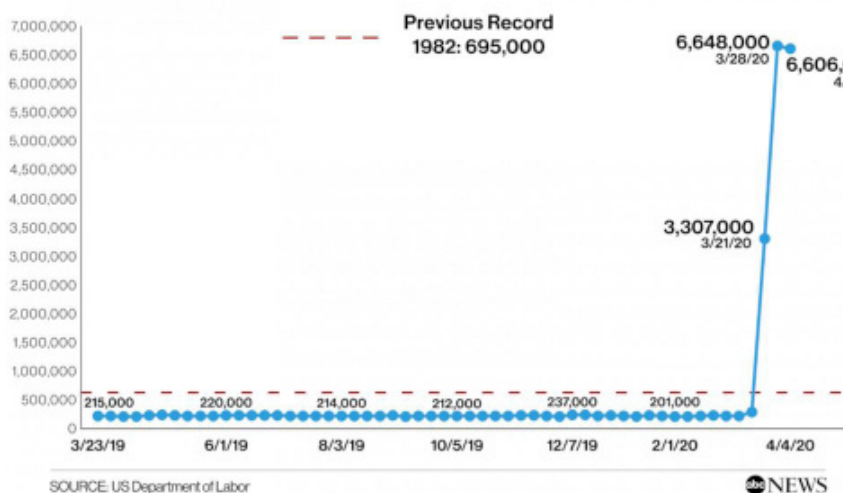
Keeping Your Finances in Check During and After the COVID-19 Crisis

COVID-19 has reminded us all that life can change in the blink of an eye, indiscriminately and without warning. Just a short time ago our economy was humming along, with an unemployment rate of just 5%. Americans were buying homes and cars and using their credit cards for all sorts of purchases, and personal debt was on the rise. In 2019 consumer debt reached a record high of \$14 trillion, surpassing pre-recession levels. Yet despite all that spending, overall delinquency rates were at record lows and FICO® scores were never higher, according to Experian. So, although people were incurring more debt, they were also working and managing to make their payments on time.

Let's fast-forward just a few months to the beginning of 2020. Now, we're not medical experts - we're debt experts, so we're not going to talk about how the virus spread or what to do to keep yourselves safe. Our expertise is in helping people to develop and manage their household budgets and to reduce and eliminate their debt, skills that are critically important now that we're in the middle of what could be the worst unemployment crisis in the history of the United States.

Unemployment Insurance

INITIAL CLAIMS PER WEEK



Dealing with Reduced Income

It still seems unthinkable, but over the span of just a few weeks, millions of Americans saw their income reduced or eliminated, at least temporarily, through the ripple effects of the pandemic. As unemployment levels rose toward Great Depression levels, many items that were once thought to be necessities became luxuries. Frivolous spending turned into panic-buying, as many consumers swapped one poor financial habit for another. What a difference those few weeks have made.

FCC Impersonation: Scammers are also impersonating the Federal Communications Commission, offering \$30k in financial relief as part of the "FCC Financial Care Center," which does not exist. This is to get you to divulge your bank account information so they can "deposit" the money.

Quarantine: Text messages that appear to be sent from your next-door neighbor may tell you that the government is about to order a mandatory two-week quarantine to get you to go out and purchase supplies. These texts are very convincing and may start with something like, "Just received this from a good friend of mine who works for the CDC..."

Stimulus Checks: Be wary of scammers asking for your banking information so they can send you your stimulus checks. The Department of the Treasury (IRS) or the World Health Organization will never ask you for your social security number over the phone or by text.

Mandatory Test: The BBB has warned us of another text scam that impersonates the U.S. Department of Health and Human Services. They tell consumers to take a mandatory online test using a dangerous link.

Cures: These scammers offer cures, free testing kits you can use at home, even cheap health insurance. They're hoping you'll pay over the phone so they can gain access to your bank account and credit card information.

YOU WILL LIKELY BE ABLE TO IDENTIFY WITH ONE OF THESE STATEMENTS:

I have more than enough income to maintain my monthly expenses.

Great! But if this describes your situation, you should be using some of that "extra" income to build your savings. This is the perfect time to create or increase your emergency fund so that you're prepared if you do experience a loss of income in the future. We recommend that you have at least 6 – 8 months of monthly expenses put aside in the event of an emergency. So, if you're currently able to meet your obligations and have extra money left over at the end of the month, save, save, save!

I have enough income to maintain my monthly expenses, but I will have very little extra money at the end of the month.

If this sounds like your household, the first thing you want to do is take another look at your expenses to see if any of the "needs" you identified aren't really necessities. If that's the case, maybe you can reduce your expenses a little further to give yourself more of a cushion every month. If you have credit card debt, there are a few options available to reduce those monthly expenses, often by a significant amount. For example, clients enrolled in Cambridge's debt management plan save an average of \$135 per month on their credit card payments.

I have almost enough income to meet all of my monthly expenses, but I will be a little short.

If you're going to be a little short every month, don't panic! When deciding which actions to take, you'll need to consider the amount of your deficit. Again, take another look at your budget. If you've allocated \$800 per month for groceries, can you make it by with \$700? Do you need Netflix, Hulu and Amazon? Can you live without HBO until your income improves? For those of you in quarantine, keep in mind that some of your normal monthly expenses are probably already reduced. Some people are already saving hundreds of dollars per month on gas alone! So be sure you've considered your current expenses. If your expenses are rock bottom, could you increase your income by taking on additional, temporary work, until the crisis subsides?

I don't have nearly enough money to meet my critical monthly expenses until my normal household income resumes.

If you're one of the millions of people who have suffered a dramatic decrease in household income, don't lose hope. There are options for you, too. The CARES Act has allocated trillions of dollars to help ensure that all Americans are able to sustain themselves until the workforce reopens. The first thing you'll want to do if you've lost your job, even if you're self-employed, is to file for unemployment immediately. There is no time for delay.

Be very cautious about giving your banking or personal information over the phone. Let calls from phone numbers you don't know go to voicemail. If it's important, they'll leave a message.

If a charity is asking you to donate, tell them you'll call them back. If you're interested in making a donation, look them up online and use the direct number from their website.

Scammers are very adept at spoofing phone numbers and websites to appear credible. It may appear that a number in your area code is calling, or the website they sent you will be similar to the official website.



THE CARES ACT AND STUDENT LOANS

Written by: Martin Lynch
Director of Education

With the general sense of chaos that has ensued since the coronavirus outbreak, you may not have been paying close attention to what was happening in regard to your student loans and the relief package being assembled in Congress. The CARES Act, signed on Friday, 3/27, may hold good news for you. The federal government had already waived payments and interest for two months, but the new legislation extends the waiver until September 30 for any student loan held by the federal government. (Notifications will be coming soon, but you should check your accounts online in a few weeks to confirm that no payment is due.) PLUS loans are included in the waiver, but FFEL, Perkins and private loans are not. FFEL loan holders could consolidate those loans now and gain relief until October, but for workers in many public benefit occupations, like teachers and firefighters, there's probably no reason to include a Perkins loan in that strategy, as they're already incrementally forgivable.



For borrowers aiming for Public Service Loan Forgiveness (PSLF), the waiver means you'll receive credit for making 6 payments toward the 120 needed for forgiveness, without having to actually make a payment.

There's also no need to pay down the principal balance because your goal in PSLF is to maximize the amount to be forgiven, or, in other words, to pay as little as possible over time until you've made 120 qualifying payments. If your loans aren't eligible for PSLF, and you can afford to, you might choose to make payments until October, as those will go directly toward reducing your principal balance.

If you're also holding private loans, make contact with your lender ASAP to inquire about any temporary relief they may be offering, as none of the relief efforts referenced above apply to private loans. Private lenders are also caught up in this chaos, but many are also ramping up efforts to assist you and may offer fee waivers and/or partial payments until the crisis is over.

Finally, if you were already 31 days past due on your federal loans, the initial forbearance offered by the government has also been extended to September 30, and collection efforts are supposed to have been stopped until then. The same is somewhat true for any Treasury offsets that were in the works, but only through mid-May. The Department of Education has indicated that it will refund \$1.8 billion to more than 830,000 borrowers whose offsets were in the process of being withheld on March 13, when the COVID-19 national emergency was declared. Details about how those refunds will be made have not yet been released. And in an effort to end on a good note, for anyone going through the federal student loan rehab process, the 6-month payment waiver also applies to you, enabling you to reach the 9 required payments much easier.

Heads spinning? No, that's not the new normal. It's what happens when a lot of information is dropped in your lap all at once. If you'd like to go through this with a counselor or talk about how your household budget has been impacted, Cambridge Credit Counseling is still working through the crisis. **You can reach us at (800) 235-1407.**