



JEFF AVOIDED FORECLOSURE

"When the bank bounced my mortgage payment, I broke down. I literally sobbed in my car after I got the message from the mortgage company. Imagine a grown man crying in the middle of a parking lot. I just knew I couldn't do it anymore."

That's what "Jeff" said to me in our first meeting. It's a situation we see a lot here at BNA. A person puts money in their bank account for their mortgage, which is held by another institution, and the bank takes that money and applies it to a line of credit or credit cards held by them instead. It's frustrating, but the bank isn't worried about your mortgage payment if it's held by someone else, their priority is to make sure their bills are getting paid.

"When I came in and talked to Barry, he told me our focus had to be on keeping a roof over my family's head. I was so relieved. I honestly thought I was going to lose everything. I mean, what would happen to my family if we lost our home?"

Most of our clients are scared and pretty stressed out by the time they get to us. Like Jeff, they're worried they're going to lose their homes, but we want to do everything possible to make sure the house is safe.

The first thing we get our clients to do is open a bank account with a bank they've never used before, and then use that account to make their mortgage payments. That way, they can be sure they're not going to miss payments and end up in a foreclosure situation. That was where Jeff was headed, if he didn't do this.

The next step, is to create a strategy to pay off the rest of the debt. Jeff had accumulated a lot of debt because he'd gotten laid off and wasn't able to find work for nearly nine months. That's a long time to go without a full income, when you have a young family to support.

"We have three kids, and we couldn't make ends meet. We ran through our savings and line of credit pretty quickly. Then it was credit cards that kept us going, but we maxed those out too, and when I applied for a ninth card, and I got turned down. I thought we were done.

"I was so happy when I got a job offer that week. I thought everything was going to be ok. I even got a payday loan after I got my first cheque to help pay for the utilities. But that actually made everything worse.

I didn't see it at the time, because I just needed the extra money, but it just ended up being another big bill I had to pay, with a lot of interest."

By the time Jeff sat down with us, he was trying to pay off eight credit cards, a CRA tax debt, his car payment, and a mortgage. He was pretty much giving money to whichever creditor was the loudest, just to ease his level of stress. When his property taxes came due, and he missed that mortgage payment, his house of cards came crashing down hard and fast. We had a solution for him. He just had to be willing to take it.

For any client who comes to see us, like Jeff, we start by helping you understand your finances. The reality is that your mortgage payment or housing cost is usually about half your income for the month (including insurance and property taxes). So that means one pay cheque has to be fully dedicated to paying that, and then you have to live on what's left over. Food, utilities, gas, insurance, and of course your debt payments, all have to work into the amount left of your salary.

We contacted all of his creditors for him, including the government for the tax debt, and got them to agree to settle his debts for about half of what he owed and they agreed to the payment schedule outlined in the Proposal. By just doing that, we cut the debt he owed in half! And instead of a bunch of payments going out to various creditors at a high interest rate, the Proposal allowed him to consolidate it all into one payment, with 0% interest.

In order to make it all work, Jeff decided to give up his car. With a Consumer Proposal, you can give back a leased or purchased vehicle, without having to pay out the balance of the contract. You can also keep the car if it makes sense to.





"I thought it was going to be worse than it was without a car. But we live close to the kids' school, so they weren't really affected at all. And we aren't far away from the grocery store. If we have to get a lot of groceries, I have a friend who lends me a car, or we go with one of the neighbours. It's not always easy but we save a lot without it, over \$500 a month just in gas, insurance and parking.

That's not even including the lease payment."

The hardest part for all our clients is adjusting to the new lifestyle they need to live, so they don't build up a lot of debt again. It has to be a commitment to change.

It starts with seeing where the money is going. Often it's the little things that add up, going out for lunch or supper, buying a coffee at Starbucks, playdates for the kids. It's \$5 here, \$10 there, and it doesn't seem like much at the time, especially if you're putting everything on a credit card and not tracking it. Inevitably, at the end of the month though, you're surprised by the bill. The only way to stop that is to plan ahead and use only the amount your budget can afford for those little extras.

That's partly what was happening with Jeff. Then there were the monthly costs for extracurricular activities for the children. This was the final thing he needed to take care of in order to get back on track and give his family a second chance.

"That was the the toughest part for my wife and me.

Telling the kids that we couldn't do the extra stuff any more. But it's a mindset change, and we decided to give it a positive spin. Instead of taking them to soccer or swimming, we go to the park or play games together at home. They're pretty happy with it, our kids just wanted to spend time with us. It's also teaching them good budgeting skills for their futures.

"The other big change we had to put in place was pre-planning lunches and suppers. Otherwise, we knew we'd fall into the trap of ordering in or going out because it's easier. We've gotten the kids involved there too, they each get to pick something they want for supper one night a week. One of their favourite nights is sandwich night, because they get to make their own. My wife and I high-fived each other over that one!

"This whole ordeal has really made me focus on the things that are actually important, like having each other and a roof over our heads. I don't think it would be that way if I didn't come here.

"Even with all the changes, my family is happy, and that makes me happy too."

Jeff and his family have a fresh start. We'd love to help you get yours.

LET'S HAVE A CHAT

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