

Learn and Earn

Financial Education Classes

An Ounce of Prevention
Predatory Financial Services

Teacher's Guide



INTRODUCTION TO TRAINERS

The trainers for this course will range in experience from professional Key trainers to non-experienced trainers drawn from many sources. In light of this fact, some of the material in this guide may appear to be unnecessary. The more experienced trainers may want to skip over parts that appear to be elementary and the less experienced may welcome the information. Feel free to select the information most suited to your situation.

Special Note to Trainers

You will find you are frequently asked to read the handouts to the class. You cannot take for granted that all participants are able to read. It will “save face” for them if you are reading to all. Please make your reading seem as a natural as possible part of your presentation style. Look up often. Encourage participants to add their comments and add your own as well.

Principles of Good Instruction

Before you start preparing for this particular class, please review the following principles of good instruction. Having a good grasp of them may help you feel more confident if you have little experience in training others.

- 1. Know Your Subject**
 - A. Know your area of expertise well enough to gain the receiver’s confidence.
 - B. Keep up to date on newest developments.
 - C. Know which material is most difficult for the receiver.
- 2. Know the Receivers**
 - A. Find out as much about them as you can before the class meets.
 - B. Know how your material fits in with their experience, needs or interests.
- 3. Be Prepared**
 - A. Know exactly what you are going to cover.
 - B. Know how and in what order you intend to teach your material.
- 4. Arouse and Maintain Interest**
 - A. Show enthusiasm for your subject.
 - B. Use frequent questions.
 - C. Make your teaching personal.
 - D. Use showmanship (i.e. variety, unusual methods of presentation, etc.)
 - E. Tell stories and relate actual experiences.

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- 5. Motivate the Receivers**
 - A. Make them *want* to learn.
 - B. Show them why the things you teach are important.
 - C. Show them the future needs and uses of what they learn.

- 6. Organize the Presentation**
 - A. Give a preview at the beginning of each presentation.
 - B. Present ideas one at a time in a logical step-by-step order.
 - C. Keep together topics that are related.
 - D. Use summaries at various points in the discussion, and at the end of the presentation.

- 7. Keep Things Simple**
 - A. Use simple words and short sentences.
 - B. Introduce technical terms gradually and explain what they mean.
 - C. Tie the material together with everyday experience and use familiar examples.

- 8. Pace Your Presentation Properly**
 - A. Go slowly enough for the receivers to understand the material.
 - B. Change the pace according to the difficulty of the material.

- 9. Use Emphasis**
 - A. Repeat for emphasis.
 - B. Use questions to make important points stand out.
 - C. Use the voice to give emphasis (such as pausing before and after all important points, increasing voice volume, talking slowly, etc.)

- 10. Use Humor Occasionally (if you feel comfortable using humor)**
 - A. Enliven your teaching from time to time with humor.
 - B. Choose humorous stories or comments that add to the interest of the presentation.
 - C. Use humor to make a point or focus the content.

- 11. Make Effective Use of Your Voice**
 - A. Speak clearly.
 - B. Pronounce all words correctly.
 - C. Speak loudly enough.
 - D. Speak slowly enough.
 - E. Vary the sound of your voice to avoid monotony.
 - F. Speak with authority and confidence.
 - G. Direct your voice at the class, rather than to the chalkboard or equipment.
 - H. Avoid speech mannerisms (such as “uh, uh,” or “now, uh” etc.)



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CLASS OVERVIEW

Class Description

The *Watch Out for the Sharks* class is a one-hour class offered to all members of the community to give them a brief look at the dangers of dealing with financial predators.

The intent of the class is to invite participants to come to further financial education classes at the center.

Learning Objectives

By completing this class, participants will:

- Understand what makes a financial services provider a predator.
- Be able to recognize the tactics used by predatory lenders and how to counteract them.
- Be able to recognize the signs of predatory loan.

Audience

The audiences for this course are all members of the surrounding community as well as all customers of KeyBank.

Class Outline

- Introduction (five minutes)
- Kinds of financial predators (15 minutes)
- Watch for predatory lenders (5 minutes)
- Predatory lending video (20 minutes)
- Signs of a predatory loan recap sheet (5 mins)
- Invitation to further involvement (5 minutes)
- Evaluations (5 minutes)



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Facilitator's Role

As the teacher of this class your role is to:

- Be organized and prepared with thoughts and materials.
- Create a positive, safe, comfortable, and enjoyable learning environment. Meet people at the door, welcome them (use their name if you know it), show them where to sign in for the class and show them to the classroom.
- Start on time (within 5 minutes of the published time unless there is a registration backup).
- Keep track of time.
- Be open to participants' questions, concerns, experiences, issues, and discussions. The more relevant the examples are the more meaningful the class will be.
- Stay on task. Respect the person asking a question but refer them to a financial coach for solutions to individual problems unrelated to the topic under discussion.
- Smile; recognize positive contributions from the participants.
- Follow the teacher's guide.

Facilitation Tips

- Practice until you are comfortable and natural with the content of the lesson.
- Be enthusiastic.
- Utilize your participants' experiences and knowledge.
- Look for the "right" in participants' answers.
- If necessary, correct misinformation without put-downs by putting forth correct information.

Preparation Checklist

One week before the class:

- Review the class materials.
- Make sure you understand the concepts to be presented.
- Check that you have the correct date, place and time for the class.



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The Day of the Class

- Arrive 30 minutes early and check in with the center manager.
- Make sure all necessary materials are there and distributed appropriately. If there is a problem report it immediately to the center manager.
- Make sure the video and TV are working properly.
- Check to make sure the room is a comfortable temperature and that all necessary equipment is working. Report any problems to the manager so that they can be addressed before the participants arrive.
- Make sure the sign-in sheet is available at the registration table.
- Greet participants as they arrive. Have them sign the registration sheet. Offer enrollment forms to those who are coming for the first time. Collect these when they are completed.
- Teach the class.
- Collect all evaluation sheets.

After Class

- Make sure the room is in order.
- Make sure you give the manager the sign-in sheet, the evaluation sheets, and any enrollment forms you may have collected.

Trainer's Materials

- Teacher's Guide for *Watch Out for the Sharks*
- Class handouts for participants
- Video and player ("Don't Be Scammed")
- Markers
- White board/flip chart
- Evaluation forms
- Copies of the center's calendar (if available)
- Pencils/pens
- Giveaways
- Certificates



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SESSION INTRODUCTION

Welcome: Thank the participants for coming to the class and welcome them to the Financial Education Center. Explain that this is just one class of many that are offered at the center.

Introduce Yourself

Give some background information about yourself and how you came to be involved with the center.

Provide On-Site Information

- Location of the restrooms
- Location of any telephones
- Parking limitations (if there are any)
- Pager and cell phone rules during class time

Check with participants to make sure they have all the needed materials.

- Pencils/pens
- Participant packets with three handouts

Ask participants to name one thing they would like to learn during this class.

List these topics on the white board/flip chart.

- Possible responses: “What is predatory lending all about? How to avoid getting scammed. What else can I do about my bad credit?”

Check all those responses that fit into the class objectives.

Say: We will be covering these topics in this class. The rest of these may be covered in another class. At the end of today’s class we will explain how you can take other classes.



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Agenda and Objectives

Say: Now that we have talked about what you would like to learn from this class, let's take a look at what we have planned to cover in this hour-long class.

Say and write (on the white board/flip chart)

After attending this class you will:

- Understand what predatory financial services are.
- Have learned the signs to watch for in order to avoid predatory lending.
- Know what questions to ask a lender to make sure they are doing loans correctly.

Ask: Are there any questions at this time? (If there are, answer those that have to do with the class and defer answering those that don't to a later class or time.)

Say: Open your class packets to the first handout, "Kinds of Financial Predators."

Hold up a copy of the handout:



Handout #1

Kinds of Financial Predators

Type	Service	Why it's predatory
Payday loans	<p>Small loans (\$100-\$500) against your next paycheck. You write a check for the amount of the loan plus a fee.</p>	<p>If you can't pay back the money right away, you can ask to "roll it over" for an additional fee. If your finance charge is \$15 per every \$100 borrowed, your interest rate on an annual basis is 400%.</p> <p>Some places may even "forgive" one payday loan to let you borrow even more money.</p>
	<p>Online payday loans are now available, making it even easier to spend more than you earn.</p>	<p>These loans enable the lender to use electronic access to your accounts to withdraw their finance charges for your loans and the principle. If you do not have sufficient funds available to cover these withdrawals, both your bank and the lender then charge insufficient funds fees. You can keep "rolling over" the loan at an APR of 652% to 780%.</p> <p>CAUTION: You are sending highly personal information (Social Security number, bank account number, name, address) to someone you don't know anything about.</p>

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Say: This chart shows some of the financial services that are considered to be predatory. It also explains why they are predatory.

The first one is the payday loan. These are small loans, usually from \$100 to \$500 against your next paycheck. You write a check for the amount of the loan plus a fee amount. The lender holds your check until your next payday. Many people get caught in this type of loan to cover some kind of emergency. It's a predatory loan because of the high interest rate that you are actually being charged for using the money. If your finance charge is \$15 for every \$100 borrowed, the APR is really 400% for a year. If you can't pay it back by your next paycheck, you can request that it be "rolled over" and you will then be charged an additional fee on top of the first fee. That's how the annual rate grows up to 400%. Even if you can pay it back the next paycheck, you are still paying a 15% interest rate on the money, which is quite high. Many people can't pay the loan back in its entirety by their next paycheck and end up rolling it over.

Ask: Would you really want to borrow money if you knew that you would have to pay it back four times over?

Note to trainers: Be prepared to answer the question "What else can a person do?" Some suggestions you might make would be:

- Since a person must already have a job and a bank account to even get a payday loan, they might want to consider asking their bank about a small personal loan.
- Start saving for possible emergencies. Even if it's only \$10 per pay you'll have from \$120 to \$360 at the end of the year.
- If you don't have a spending plan there are classes here that can help you set one up. If you are a KeyBank customer you can get individualized help from a financial coach.
- If you can't get a checking account because you're in ChexSystems, we have a program that will help you get an account.
- You can sign up for Cleveland Saves and get a no-fee savings account.



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These suggestions can be made anytime during the presentation.

Participants may have already had some experiences with these loans. Let them share their thoughts if they wish before you go on. You may have to point out that \$15 per \$100 is in itself a high rate to pay, a 15% rate.

Continue: The most recent wrinkle in this scheme is to offer online payday loans. You take all the risks and the lender has all the security. They have access to your accounts and can take out their fees, etc. at any time. If you do not have sufficient funds to cover these withdrawals, both the lender and your bank can charge you a fee. The annual percentage rate for this type of loan is anywhere from 652% to 780%. In addition, you are taking a risk by sending your personal information to someone you don't know who could take advantage of their access to your account.

Ask: Are there any questions so far? (Once they are addressed, move on.)

Say: The next service is provided by rent-to-own stores. They supply furniture, appliances and electronics. They ask you to sign a contract and to agree to pay a weekly fee for the use of the product. They use the weekly amount so they can hide the high monthly fee they are really charging. You end up paying many times the actual cost of whatever it is that you are renting. You can even pay \$600 for a \$200 TV and still lose that TV if you miss a payment. That's really not a good deal. Let's look at the example given on the handout.

Read: On a \$250 TV you make a weekly payment of \$13 for 78 weeks. You're paying a finance charge of \$764. Your total payments for the TV are \$1,014. That's an annual rate of 265%. The same \$250 TV at a department store would be \$16.17 **per month** for 18 months (78 weeks). Your total payments would come to \$291.06, an annual rate of **19.8%. It costs you \$723 less** than the rent-to-own TV.



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Ask: Are there any questions?

Say: The next groups are the check cashers. They make money by providing financial services for people who do not use banks. They charge anywhere from 2% to 10% of the face value of the check you are cashing. You must then take the risk of carrying that money around with you in order to pay your bills.

Some check cashers offer bill payment services for an additional fee. You must follow up to make sure that they actually sent the money where it was supposed to go. Some places wait so that they can “batch up” payments and transfer them all at once. That’s how you can be charged a late fee even if you think you paid on time.

Note to trainers: Participants may have a lot to share about their experiences, both good and bad, with check cashing services. You can point out some of the limitations of these services, but be careful about sounding judgmental about the people who use them.

After the comments die down, continue.

Say: The last service we want to consider is the Refund Anticipation Loan. This is how tax preparation services are able to give you your refund as soon as they finish doing your taxes. The money you get is less than the actual amount of your refund. The tax preparers take out their fees plus a fee for getting you the loan. Many people don’t realize that if the IRS rejects your tax forms, they will hold up your return and you are responsible for paying for the loan and the interest on the loan. A simple math error or a disagreement about who should claim the Earned Income Tax Credit could hold up your return. What looks like a good deal in the end may cost you more than you can afford.

Note to trainers: Again, people may have experiences to share. You can point out that there are free tax preparation services for people of all income levels. They only have to access the information on the IRS website. Filing their taxes electronically and using direct deposit can help them get their refunds in as little as two weeks.

Ask: Are there any questions? (When finished, move on.)

Say: Please take out Handout #2, “Watch Out for Predatory Lenders.”



WATCH OUT FOR PREDATORY LENDERS

- There is no free lunch. Beware of those who offer you something for nothing!
- Always read the fine print. If there is no “fine print” be twice as careful!
- If it sounds too good to be true... it is!
- If you are being pressured to sign something right then and there, walk away!
- Don't trust ads promising “No Credit? No Problem!”
- Never sign a blank document or a document that has blanks in it that “will be filled in later.”
- If someone comes to loan you money when you have not contacted him or her first – BEWARE!!!

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AVOIDING PREDATORY LENDING

Say: Right now, some people are being targeted by those we call “predatory lenders. These are people in the financial services industry who try to take advantage of others by offering them expensive loans that they won’t be able to repay. They target people with poor credit, seniors who have a good amount of equity in their homes and need money to do repairs, as well as unsuspecting first-time homebuyers, among others.

There are some ways you can recognize a predatory lender. Look at Handout #2: “Watch Out for Predatory Lenders.”

(As you read through these you may have participant comments and/or examples of their own experiences. If someone needs more help with their particular situation, refer them to the financial coaches at the center. Be sympathetic, but avoid letting them “highjack” the class.)

Read:

- There is no free lunch. Beware of those who offer something for nothing. (Finance is a big business and is set up to make a profit no matter how “warm and accepting” they may sound.)
- Always read the fine print. If there is no “fine print,” be twice as careful. (Legitimate loan documents have a lot of fine print. Ask if you can have a copy of the materials to read ahead of time. If necessary have a trusted friend or relative go through the forms with you. Do not let the salesperson be the only one who goes through the materials with you. Their agenda is to make money, not to protect you. If the forms you are asked to sign don’t match the forms you were given to look at, don’t sign them until you get a clear idea of why they are different.)
- If it sounds too good to be true...IT IS.
- If you are being pressured to sign something “right then and there,” walk away. (A real deal will be there 24 hours later. This kind of pressure is a sales ploy to get you to do something without thinking too closely about it.)
- Don’t trust ads promising “No Credit? No Problem!” (At the very least you will end up paying a very high interest rate. You may get a lower rate by shopping around or you may not even need the item in the first place.)



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- Never sign a blank document or a document that has blanks in it that will be “filled in later.” (Legitimate loan officers don’t “forget something” in their documents. By signing something with blanks in it you make yourself liable to pay whatever is written in there later. You could suddenly find yourself in more debt than you ever imagined.)
- Beware if someone comes to you to loan you money when you have not contacted them first. (No matter how nice, friendly, and understanding these people seem to be, remember they came to you to sell you something you may not need, nor be able to afford. If your house needs repairs that you can’t afford, find a non-profit community agency to help you.). HUD maintains a list of Housing Counseling agencies that can help you. Their website is www.HUD.gov. (Alternatively: give the local HUD telephone number.)

Ask: Are there any comments or questions? (When finished, move on to the next activity.)

Note to trainers: *If video play equipment is available, show the Predatory Lending video: “Don’t Be Scammed.” If the video or the equipment is not available continue with the discussion as below. If you show the video, have the discussion afterward as a short summary of the contents of the video. The video takes about 20 minutes. It is particularly good at showing the ways to respond correctly to the pressures and statements of predatory lenders.*

Say: There are many different types of loans that can be turned into predatory loans but they all share some common characteristics. Please take out Handout #3: “Signs of a Predatory Loan.” (Pause)

Say: The first sign to look for is the presence of high loan fees and excessive interest rates. You should find these fees and the interest rate listed in the loan closing documents.

Say: Make sure you get a copy of these documents at least a day before you have to sign them. If a lender gives you a hard time about giving them to you or tries to make you feel guilty about asking, simply refuse to do the loan. You can check out reasonable fees and interest rates on the internet at www.Bankrate.com or call your bank and ask them what your fees and interest rate would be on a similar loan.



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Say: The next clue has to do with the loan monthly payment itself. Predatory lenders do not take into consideration the borrower's ability to meet the monthly payment. If the borrower recognizes that the payment is too high, the lender encourages them to sign any way and offers to re-do the loan at a lower payment in the future (that way they can charge more of their high fees!). No reputable lender would do that.

Say: Another thing to be aware of is the presence of a prepayment penalty. You will be charged a fee, often in the thousands of dollars, if you pay off the loan ahead of time. You have to read the fine print to find this. It is wise to have someone you know well and trust read your documents with you. If you find this kind of fee, refuse to sign. Reputable lenders may charge a small prepayment fee but nothing as large as you will find in a predatory loan.

Say: The next sign is that the lender insists that you purchase credit insurance that you finance as part of the loan. They are aware of the difficulties the borrower will have making the payments and so they want them to buy this insurance so they'll get paid anyway if the borrower can't pay. They charge you a higher than normal fee for this insurance and insist that you finance it as part of your loan. That way they make more money on both the insurance fee and the loan! If you want credit-life insurance you can look at a variety of different policies on your own, pay less for it, and not pay interest on the amount as part of your loan!

(By now you may be hearing comments and remarks about predatory loans that the participants know about from their friends or families. Reassure participants that reputable lenders in the community are just as upset as they are about these kinds of loans. Remind them that they hold the keys to these transactions. They can always refuse to sign for these loans.)



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Say: Balloon payments are another hallmark of these loans. This is a large payment that is required down the road maybe 10-15 years from when they sign the loan. They do take into consideration that someone who is 70 years old now won't be in any better of a situation when they are 80 years old. They are counting on the high loan payments and then being able to foreclose and resell the home when the person can't make a \$10,000 or \$20,000 or more balloon payment.

Say: Some of the tactics used are illegal: inflating the borrower's income or inflating the appraisal of the property is illegal. They are lying about the buyer's income so that the loan won't send up any "red flags" about their ability to make the payments or they make the appraisal for more than the home is worth so they can lend the person even more money.

Say: Another tactic is to tell the borrower one thing about the fees, the interest, etc. and then put a larger amount in the actual loan documents. They count on people not to read the fine print very carefully so that they can slip these things through.

(Yes, predatory lenders are very slick!)

Say: If a predatory lender doesn't ask for single-premium credit insurance financed as part of the loan, they will often insist on some type of credit insurance paid on a regular basis. If a person is that much of a credit risk, they should not be giving them a loan in the first place.

Say: One of the worst signs is that predatory lenders will make a loan to someone who they know is mentally impaired and can't fully comprehend what they are doing.

Say: So what do you do to avoid all this?

Write on the white board or the flip chart:

- Use a reputable lender, a bank, a savings and loan, or a credit union when you need any kind of loan.
- Read everything carefully.
- Have someone you trust read over your loan documents with you.
- Don't deal with someone that contacts you about a loan when you have not contacted them first.
- Don't be tricked into feeling guilty if you ask questions. Question everything!

Ask: Are there any questions?



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SIGNS OF A PREDATORY LOAN

- High loan fees and excessive interest rates
- Disregard for the borrower's ability to make the payments
- Prepayment penalties
- Single premium credit insurance financed into the home loan
- Balloon payments
- Inflating the borrower's income
- Inflated appraisals
- Changing the loan terms at closing
- Requiring credit insurance
- Loaning money to a mentally impaired borrower



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Say: What goals and ambitions do you have for yourself? (Pause while participants answer that question for themselves. If they want to share them, that's fine, but don't force people to reveal them.) This next reflection sheet will help you make what you have learned more concrete in terms of your goals.

Please take out the "Invest in Yourself" sheet from your packet.

Read: INVEST IN YOURSELF: After attending this class we ask that you invest some time and effort in yourself developing a plan to apply what you have learned to your own situation. Answering the three questions below will help you to make your plan.

Say: Please take the time now to fill in this sheet.

1. Take a few minutes to reflect on what you have learned in this class.

On the lines below, write down three of the things you have learned that could have a direct effect on your life: _____

2. Choose one of the three things you wrote above that you think would have the most immediate impact for you and write it here: _____

3. Now write down three action steps you could take to apply what you have learned to your life:

A. _____

B. _____

(If you would like help with putting your plan into place, please feel free to set up an appointment with one of the financial coaches at the center.)



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Evaluation: We thank you for your participation in today's program. We encourage you to continue taking classes at the Financial Education Center. Here is a calendar that lists the classes and when they are held. We would welcome your phone calls for more information at any time. The number is 216-370-5630.

If you are already a KeyBank or KeyBank Plus customer, you may also make an appointment for individual help on setting up a budget, setting a goal and making a savings plan to achieve it, or learning how to read your credit report and how to address any problems that you may find there. Approximately 85% of credit reports have at least one critical error on them and many have more than one. It's always good to keep a close check on your credit report. You may call 216-370-5630 for an appointment.

Thank you for coming. Before you leave, please take a few minutes to fill out the evaluation form in your packet. It will help us to provide other quality programs for you.



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Financial Education Class Evaluation

Date:

Title:

What did you expect to get out of this class?

On a scale of one (1) to ten (10), with 10 being excellent, please evaluate the class regarding:

Did the class meet your expectations?

1 2 3 4 5 6 7 8 9 10

Quality of the presentation

1 2 3 4 5 6 7 8 9 10

Knowledge and ability of instructor(s)

1 2 3 4 5 6 7 8 9 10

Quality of the facility

1 2 3 4 5 6 7 8 9 10

Your level of interest overall

1 2 3 4 5 6 7 8 9 10



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This class could be improved by:

Other topics of interest?

Additional comments:

Thank you for completing this evaluation, we hope you enjoyed the class. Please return this evaluation before leaving. Thank you.

Note to Trainers: Collect evaluation sheets as participants leave.

Invite them to continue participating in programs and remind them they must be KeyBank customers to take all the classes offered.

