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News Release

Dealing with Job Loss

The headlines tell the story: lay-offs and furloughs, reorganizations, and closings. For those who recently lost jobs, your first thoughts may be, “What do I do now? How will I pay my bills?”

The following are some actions to take:

- **Contact your organization’s personnel department.** Find out how long you will have health insurance, if you’re entitled to a severance package and what it covers, and when and how to apply for unemployment benefits.
- **Contact your creditors.** Try to work out a modified payment plan that reduces your payments to a more manageable level. Do not wait until your accounts are with a debt collector. At that point, your creditors may have given up on you.

Mortgage – Ask your lender or mortgage servicer about a loan modification. A loan modification involves you and your loan servicer agreeing on a permanent change in one or more of the terms of the mortgage contract. By doing this, it lowers payments, making the payments more manageable. Modifications may include reducing the interest rate, extending the term of the loan, or adding missed payments to the loan balance. A modification also may involve reducing the amount of money you owe on your primary residence by forgiving, or cancelling, a portion of the mortgage debt. Learn about the President's plan to help homeowners at www.makinghomeaffordable.gov.

Rent – Ask your landlord for a rate reduction in exchange for extending your lease, or consider a smaller, less expensive unit within the complex.

Credit cards – Do the best you can to pay at least the minimum and if at all possible, more. Ask your credit card issuer(s) about their hardship programs. Hardship programs involve you and your issuer setting up a payment plan, reducing your interest rates, often lowering your monthly payments.

Auto loans – Explore refinancing options to lower your payments. Try getting a lower interest rate or extending the loan term. The downside to a longer-term loan is that you will pay more in interest. If you do not need a vehicle, consider selling it, but make sure you get enough to pay off the loan. Before selling the car, review

your financing agreement to see if the lender charges prepayment penalties – fees charged for paying off all or part of your loan balance early – and the amount.

Auto insurance – Consider raising your deductible. If you have a \$200 deductible on your policy, raising it to \$500 could reduce the cost of collision and comprehensive coverage by as much as 30%. If you have an older car, consider dropping collision and/or comprehensive coverage. If your car is worth less than 10 times the premium, buying the coverage may not be cost effective. Combine policies; many insurance companies offer premium discounts for multiple policies, such as auto and home.

Gas and electric – Ask about energy assistance programs, budget plans, and if emergency funds are available.

- **Telephone** – The easiest way to save money on your phone bill is to eliminate services you do not need. For example, many companies offer bundled packages of phone service with a variety of features like voice mail, call waiting, and caller ID for one low rate. The final price may indeed be a great value, but if you do not regularly use all those services, you are paying more for items you do not need. If you have both a landline in your home and a cell phone, consider dropping one.
- **Maintain your health insurance.** If possible, transfer to your spouse/partner's insurance plan. If that is not possible, you may be able to keep your coverage under COBRA, the federal law that allows unemployed workers to maintain their group health insurance, usually for up to 18 months. You will pay the whole premium (including the share once paid by your employer), which can be expensive, plus a 2% administrative fee. Another option is to purchase your own health insurance. By having your own policy, you save on monthly premiums by scaling back the coverage to your essential needs. If the loss of a job has left you with little or no income to pay for insurance, Medicaid may be an option.

For more information on this topic please contact Regional Extension Agent Ruth Brock at the St. Clair County Extension office at (205) 338-9416 or e-mail brockru@aces.edu.

Source: Federal Trade Commission <http://www.ftc.gov/bcp/edu/microsites/moneymatters/jobs-loss.shtml>

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