

Case Study and Questions

Cast study #1

Mr. and Mrs. Mayhem have both seen a reduction in their monthly income. Mr. Mayhem's mother caught Covid-19 last month so he took time off from work to care for her. Mrs. Mayhem has also reduced her work hours, so that she can homeschool the Mayhem children. Mrs. Mayhem usually receives additional income from selling beadwork. Unfortunately, many of the events she used to attend have been either cancelled or postponed. Mrs. Mayhem has stopped beading.

The Mayhem's have not used their cars much during the pandemic, but their food and utility bills have increased dramatically now that the family is home all day. The Mayhem's are currently 3 months' late on their mortgage payment.

They have received letters, emails, and texts from their mortgage company but are too afraid to make contact with their Section 184 loan service provider. Recently, Mrs. Mayhem read an ad promising to stop the bank from harassing them. The ad promises them to sell their home quick and then allow them to live in it with a generous option to buy it back in a year.

They have not cashed their stimulus check because they are terrified of it going to waste. Mrs. Mayhem and the kids are burnt out from homeschool and could use a break from the stress of being at home all day and Mr. Mayhem is afraid of losing his home, unsure what to do next?

Income

- Monthly Income, January 2021: *\$3,200* vs. Monthly Income, March 2021: *\$2,600*
- March 2021 Stimulus: *\$5,600*
- Savings Account: *\$120*

Family expenses

Mortgage payment:

- *\$975 per month*

Cars:

- Car # 1, Payment: *\$325 per month*, Interest rate is 12%, Balance is *\$2,800*
- Car # 2, No car payment, valued at *\$2,500*
- Car Expenses: Car Insurance is *\$225 per month*, with full coverage on both cars

Credit Cards payments, *\$60 per month*:

- Falsmart store card | Balance, \$900, Interest rate 29%, card max \$1000, minimum payment *\$25*
- Capital Two | Balance \$200, Interest rate 8%, card max \$3000, minimum payment *\$35*

Food:

- *\$125* per week for a family of 4, *\$500 per month*

Cable/Internet Service:

- *\$140 per month*, Comcast
- Netflix, *\$20* Hulu, *\$15* Disney plus, *\$15*, Amazon Prime *\$12* per month, *\$62 in subscriptions*

Cell Phone

- *\$50* per line x 4 lines, *\$200 per month*

Questions for the Mayhem Family?

What is the first step the Mayhem's should take?

Prioritize the Mayhem's expenses and identify 3 ways the Mayhem's can reduce their debts?

Discuss how the family is coping with financial stress without sacrificing family values and cultural identity. What questions or suggestions do you have for them?

Cast study #2

Ms. Chaos works for the Tribal education department, which remained open during the pandemic. Her current mortgage payment is \$850 per month. Ms. Chaos has not been late on her Bank of Disaster mortgage payments in over 12 months. She feels terrible that her sister could no longer afford her apartment in town, so Ms. Chaos decided to step in and help her family out. For six months, her sister and three nephews have been living with her and she absolutely loves having them around. Ms. Chaos did not take advantage of any mortgage payment or utility assistance programs since she felt she didn't need to at the start of the pandemic.

Ms. Chaos would like for them to stay but her house cannot adequately accommodate everyone. She recently spoke to a contractor about converting the garage into additional living space but would need the cash to move forward with buying the materials. Although Ms. Chaos does have equity in her home, she is unsure about how to unlock it without selling?

The appraised value of the home is \$200,000 and her current payoff balance is \$120,000. If she had the extra money, she would also like to pay down a few credit cards balances and put a little money away for a rainy day. She recently depleted her saving account to help her sister with moving costs.

Questions for the Mayhem Family?

Discuss the options available to Ms. Chaos?

Is Mrs. Chaos a good candidate for the Section 184 refinance program, why or why not?

If yes, which one?

If No, discuss alternative options to assist Ms. Chaos in accommodating her new household and reducing her utility payments?

When deciding to refinance what questions should Ms. Chaos ask about the refinancing?

Discuss how the Ms. Chaos and her family are coping with financial stress without sacrificing family values and cultural identity. What questions or suggestions do you have for them?