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Controlling her spending

Woman gets help from
Debtors Anonymous



MIKE ELIASON / NEWS-PRESS

Anne has been learning to live within her means. The Santa Barbara woman is the communications secretary for the Santa Barbara chapter of Debtors Anonymous, a 12-step program modeled after Alcoholics Anonymous.

By DAVE MASON

NEWS-PRESS STAFF WRITER

The nightmarish story of the recession — from overspending to unpaid debt, foreclosure, loss of job and bankruptcy — can be seen through one woman's eyes. Meet Anne.

"The economy totally wiped me out and my (clothing) business out. I filed for bankruptcy," she said by phone at her parents' house in Santa Barbara. She lives with them because the bank foreclosed on her three-bedroom Los Alamos townhouse in 2007. In addition, she was laid off from the bookkeeping job she took when her business was failing.

"I was horribly suicidal throughout this," the 39-year-old said.

But as bad as things got for Anne, she never tried to take her own life. Instead she got help.

In August 2007, she joined the Santa Barbara chapter of Debtors Anonymous, a support group with a 12-step program modeled after Alcoholics Anonymous. Debtors Anonymous meets at 6 p.m. on Tuesdays at the Grace Lutheran Church library, 3869 State St.

Anne, the group's communications secretary, declined to give her last name, which is part of preserving members' anonymity.

The group's 30 members vary from ages 20 to 68 and come from all walks of life, from teachers, to office workers, artists, landscapers.

As a DA member, Anne said her

YOU SHOULD KNOW

The Santa Barbara chapter of Debtors Anonymous meets at 6 p.m. Tuesdays at the Grace Lutheran Church library, 3869 State St. There are no dues; the group is self-supporting through members' donations. For more information call 267-4833 or go to www.debtorsanonymous.sb.org.

goal is repay her debts and stop accumulating debt. She is going to college and is figuring out her next career.

Before the bad economy, Anne had sold Western clothing at trade shows throughout California for three years. To support her business, she took a \$40,000 second mortgage out on her house in 2006. She already had a \$420,000 first.

"I thought if the bank is letting me do this, it must be OK," Anne said. "I wasn't being responsible, and they (the bank) weren't being responsible. They were loaning money to someone who couldn't afford to pay it back."

Not that the bank nor she would necessarily know it. Anne said the bank gave her a "no income, no asset loan," in which she wasn't required to present any documentation of her income. "I had a track record of owning houses for eight years. I was a banker's dream: I spent and spent

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Too much debt? How to lose it, slowly

By MARY CORNATZER

RALEIGH NEWS & OBSERVER

Got your December credit card bill?

Wondering how in the heck the balance got that high and how you're ever going to pay it off?

Start small, says Mackey McNeill, a CPA/PFS (that last stands for personal financial specialist) in Covington, Ky., and a member of the Financial Literacy Commission of the American Institute of Certified Public Accountants.

First, those store cards you signed up for during the holidays to get a discount? Get rid of them. Yes, closing accounts can hurt your credit score. Too many open accounts with too much available cash can, too. It's more important to eliminate any cards you aren't going to use — or any cards you might be tempted to use.

If you have a line of credit with a low rate, consider using it to pay off your credit card debt. Do this only if you're sure you can make the payments. Don't put your home at risk.

If you have more than one card, Ms. McNeill says to make an inventory of them.

In a six-column format, write: the card name, its limit, outstanding balance, minimum payment, payment you're making and interest rate.

Pick the card that you owe the least on and pay as much as you can on it and the minimum due on the others. When card No. 1 is paid off, move on to the next smallest balance and take the money you were applying to the first card and add it to the minimum balance you were paying on card No. 2 until you have that one paid off.

By paying the smallest balance first, you set yourself up for success, Ms. McNeill says.

"Too many people pay a little extra on every card," she says. That gets you nowhere.

Realize this won't be done fast. Depending on how much you owe, it could take years. That sounds discouraging, doesn't it? But the good news is, you will get out of debt and not damage your credit rating.

But this works only if you stop charging stuff.

My pod mate rolls his eyes at this idea. People need stuff, he says. I say that to Ms. McNeill.

She laughs.

"We're a stuff society," she says. "We have storage facilities everywhere."

She tells me about her parents, children of the Great Depression. Her father owned three pairs of pants when he was young and told her he was lucky. Most of his friends had two; one for Sunday and one for the rest of the week.

Ms. McNeill isn't suggesting we give up all our Levis, but she says we do need to quit spending our money as soon as it comes in.

Save some of it, starting immediately; not once your debts are gone.

"If you start accumulating a stash, you won't have to use credit when a tire blows out," she says.

Again, she says, set yourself up to succeed.

Bring lunch to work one day a week and immediately put the money you would have spent into a savings account — even if it's only \$5. Do that once a week for three months. Then think of another way to add a little more money to the piggy. After you see a little money accumulate, your perception of what's possible will change.

Ms. McNeill admits none of this is easy, but that's why she suggests starting small. Small changes in habits are sometimes easier to stick with. Find a buddy to help if you need support.

Read more of Ms. McNeill's ideas at cultivatingprosperity.blogspot.com. Get savings ideas at feedthepig.org.

Anne says she was 'sick of being this scared'

■ DEBT

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and spent, and I paid my bills on time." She said she had perfect credit.

Then the economy struck.

During the declining real estate market in 2007, the market value of her house fell from \$480,000 to \$380,000, short of the \$460,000 she owed on it.

In the meantime, her business was losing customers. She had to get a full-time job as a bookkeeper to make ends meet for six months. She couldn't afford her mortgage payments.

In 2007, the bank foreclosed on her house, which Anne said is today worth only \$245,000 because of the declining real estate market.

Then the struggling economy caused her new employer to reduce her job to part time. Finally, Anne was laid off in 2008. She went on unemployment benefits for six months.

In addition to all that, she had \$58,000 in credit card debt.

"It was horrific to have creditors calling me four times a day," she said.

She learned about DA from a family member and friend who were in it.

"Debtors Anonymous saved my life. I was ready to kill myself," she said. "Someone in DA said to me, 'Is it worth taking your life because you owe someone some money?'"

So, Anne said, she got past her suicidal thoughts and found that

however awkward, talking to a support group helped her to get past the fear that comes with debt. "I was sick of being this scared.

"It helped me to hear other people say they were going through the same thing," said Anne, who likewise shares her progress during discussions.

Surprisingly, DA hasn't seen a big boost in its membership as a result of the recession, Anne said. One or two newcomers usually show up at each meeting, which is attended by a total of 10 to 15 members, Anne said. She noted that many people don't join because they deny they have a problem.

It's not that people aren't being hit by the recession. The number of clients has tripled since this time last year at About Justice, a Santa Barbara legal documentation service, and most of the 50 ongoing cases involve filing bankruptcies, said owner Victoria Cole.

She said her clients face medical bills they can't pay, repossession of their cars and foreclosures.

"It's not chronic debt," Ms. Cole said by phone. "It's circumstances such as loss of job or illness."

Anne knew all about those circumstances; today DA is helping her to move beyond them. In addition to the support group meetings, DA offers pressure relief groups in which two other members help a third person such as Anne develop a sensible spending plan. In addition, just like an AA member, Anne said she has a sponsor who counsels her.

And Anne is following 12 steps

that parallel those in AA, including making amends to others, and Anne said she's doing gardening for family members from whom she borrowed money.

She said she is now better at saving, keeping track of her expenses and has developed a spending plan. In addition, she has learned about herself and how she can improve.

"I'm an overspender, debtor and an underearner," Ann said. "I love shopping. I love to spend money. I get a high off spending money. I get a high off debting. I don't think I'm worth very much, so I will take jobs under my skill level. I wasn't asking for more money because I didn't think I was worth it.

"When I use a credit card, it doesn't feel like I'm spending real money," she said.

Certainly Debtors Anonymous members aren't alone in feeling that way about plastic.

"The difference is other people don't keep doing it to the point of not having enough money for groceries," Anne said. "For us, it's a compulsion. I used to go shopping to make me feel good. Then I felt horrible afterward because I spent money I did not have."

The bankruptcy took care of her credit card debt, and she no longer uses the plastic. Instead, she said, she's living within her means.

"I'm already getting better in terms of how I feel. I have a lot of hope."

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