"Get Your Money Straight!"

EOP Workshop on Financial Literacy
Fall 2008
Financial Literacy:

- Financial Aid and Student Loans
- Credit
- Budgeting
Financial Aid

- Loan Repayment:
  - Loan repayment begins 6 months after your graduation date.
Loan Payment Deferment

- A deferment is a period in which repayment of the principal balance is postponed.
- During a deferment, if the loan is subsidized, the government pays the interest charged. For Direct Unsubsidized, PLUS, Unsubsidized Consolidation, and PLUS Consolidation Loans in deferment, you are responsible for the interest that accrues during the deferment period.
- If you have unsubsidized loans, when you re-enter repayment at the end of the deferment period, any unpaid interest capitalizes (is added to the principal balance).
Type of Deferment

- **In School At least Half Time Deferment:** You must be enrolled at an eligible school on at least a half-time basis.
- **Unemployment Deferment:** You must be seeking but unable to find full-time employment (more than 30 hours per week) that is expected to last at least 3 months.
Loan Payment Forbearance

- A forbearance is an arrangement to postpone or reduce your monthly payment amount for a limited and specific period during which you are charged interest.
- If you indicate a temporary inability, but willingness to pay the loan(s), you may ask for or be offered a forbearance. For all Direct Loans, interest that accrues during a forbearance is the responsibility of the borrower.
- When you re-enter repayment at the end of the forbearance period, any unpaid interest capitalizes (is added to the principal balance).
- You must apply and qualify for a forbearance and the U.S. Department of Education must approve the request in order for a forbearance to be in effect. If you are not eligible for a forbearance you may still be eligible for a deferment.
Types of Forbearance requests

- **General Forbearance:** This forbearance allows you to postpone or reduce the amount of your monthly payment for a limited and specific period of time.

- **Loan Debt Burden Forbearance:** This forbearance allows you to postpone or reduce the amount of your monthly payment for a limited and specific period of time if you provide acceptable documentation showing that your monthly payments for eligible education loan(s) exceed 20% of your total monthly gross income.
Loan Consolidation

- A Consolidation Loan allows you to combine one or more of your federal education loans into a new loan that offers you several advantages such as one monthly payment, flexible repayment options, and reduced monthly payments.

- The interest rate for a Direct Consolidation Loan is the weighted average of the interest rates on the loans being consolidated (as of the date we receive the application), rounded to the nearest higher one-eighth of one percent. This rate is fixed for the life of the loan and cannot exceed 8.25 percent.
Types of Credit

• Installment
  • Make payments over a set period of time
  • Example: Car Payment, Mortgage

• Revolving
  • Open line of credit
  • Credit Card
Choosing a Credit Card

- Look for the lowest Annual Percentage Rate (APR)
- If there is an annual fee, it will be charged to your account regardless if you use the card
- The average late fee is $29
- Most credit cards have an over the limit fee
- Finance charges apply to late payments and exceeding monthly balances
## Minimum Payments

<table>
<thead>
<tr>
<th>Original Balance</th>
<th>APR</th>
<th>Monthly Payment</th>
<th>Number of Payments</th>
<th>Years to Pay</th>
<th>Total Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,500</td>
<td>18%</td>
<td>Minimum Payment (2%)</td>
<td>123</td>
<td>10.25</td>
<td>$3,916</td>
</tr>
<tr>
<td>$2,500</td>
<td>18%</td>
<td>Minimum Payment + $50</td>
<td>94</td>
<td>8</td>
<td>$3,698</td>
</tr>
<tr>
<td>$2,500</td>
<td>18%</td>
<td>Minimum Payment + $100</td>
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<td>3</td>
<td>$3,163</td>
</tr>
</tbody>
</table>
Credit Card Tips

- Pay off your balance every month!!!!!!
- Open your statement every month and check it.
- Do not take out cash advances!
- Don’t apply for more cards than you can handle.
Credit Score

- Credit Score: numerical expression based on a statistical analysis of a person credit files
  - How you pay your bills
  - Amount of money you owe and available credit
  - Length of credit history
  - Mix of credit (i.e. car loans, mortgages, credit cards)
  - New credit applications
- Used to evaluate who qualifies for a loan, at what interest rate, and the credit limit.
- FICO Score—most popular method of determining credit score (300-850)
Free Credit Report

- Free Credit Reporting Act – consumers are able to access their credit report for FREE on an annual basis from all 3 credit bureaus.
- Use [www.annualcreditreport.com](http://www.annualcreditreport.com) (other websites will charge you a fee)
- Helps protect you against identity fraud
How can I boost my credit score?

- Pay balances off every month or keep them as low as possible.
- Pay bills on time.
- Do not let accounts go to collection status.
- Do not open accounts just to get discounts.
Your credit history determines...

- Your credit score
- Your interest rate on loans
- Your ability to rent an apartment
- Your employment
- Your ability to get more credit (i.e. car loans, mortgage)
- Your ability to qualify for insurance
Budgeting

- Average starting salary for a college graduate:
  - $35,000-$45,000

- How to budget
  - Monthly Income - Monthly expenses = budget or deficit
  - Income — account for all taxes and deductions like retirement and health insurance
  - Expenses — account for all fixed and variable expenses
Budgeting

- Budget for the unexpected—save 6 months of living expenses just in case of emergency
- Be honest and realistic
- Look for expenses that can be reduced
- Set up goals (i.e. buying a house, car, retirement account)
Thank you!