

Financial Literacy

Budgeting, Borrowing and Repayment
By Christine Christopherson



Contrary to popular beliefs,
money does NOT grow on
trees!



What is Financial Literacy?

The ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial wellbeing.

-President's Advisory Council on Financial Capability, 2008 Annual Report

For the student's purpose:

The ability for postsecondary students to use knowledge and skills to make good decisions related to budgeting, borrowing, and repayment strategies.

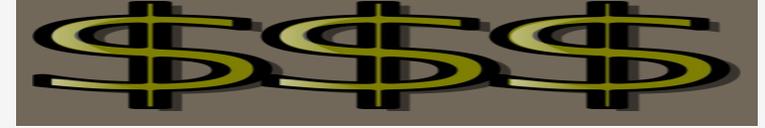
-Federal Student Aid, An Office of the US Department of Education



Budgeting-Why Bother Now?

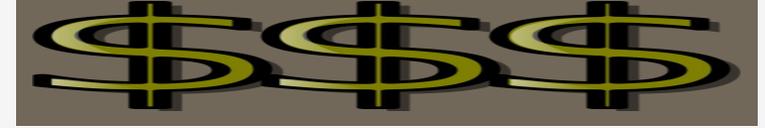
“Why bother managing money if I live off of student loans, don’t have an income, earn less now that I’m in school or I’m looking for a job as I get ready to graduate?”

- **For students, managing money is not about getting rich, it’s about reducing harm**
- **Many students have expectations about debt and college finances that may not be accurate.**
- **This information will help you prepare for the unique financial challenges of being a student and life after college.**



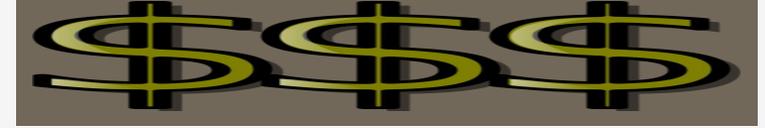
Reasons To Create A Budget

- **A budget is a compass that enables a person to stay on the path to reach their financial goals**
- **Budgeting and goal-setting are powerful exercises**
- **Budgeting makes it easier to plan and save**



Reasons To Create A Budget

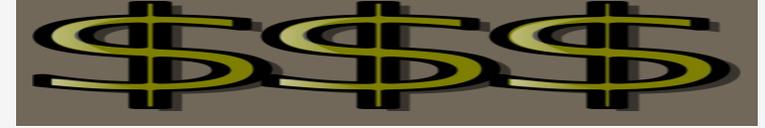
- Budgeting can be a stress reliever
- Budgeting gives a person control
- Budgeting can help a person avoid debt, improve their credit, and help them live within their means
- Budgeting helps to build decision-making skills



Borrowing

What Student Borrowers Should Know:

- Loan types – federal vs. private
- Subsidized vs Unsubsidized loans
- Determining amounts to borrow
- Borrowing and credit
 - How current borrowing impacts future borrowing
 - Impact to credit score
- Loan servicer(s) name and contact information
- How a loan grace period works



Repayment Options

Standard Repayment

**Monthly Payments for Federal Education Loans
*Except Consolidation Loans***

Under this plan, your monthly payments are

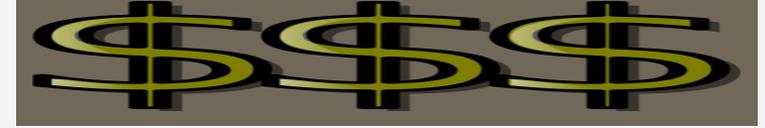
- a fixed amount of *at least \$50 each month* and
- *made for up to 10 years* for all loan types except Direct Consolidation Loans

Monthly Payments for Consolidation Loans

Under this plan, your monthly payments are

- a fixed amount of *at least \$50 each month* and
- *made for a period of between 10 and 30 years*

Do Federal Loans affect your credit rating similar to Private Loans?



Extended Repayment Plan

Eligibility for the Extended Repayment Plan

If you're a Direct Loan borrower, you must have had no outstanding balance on a Direct Loan as of October 7, 1998, and you must have more than \$30,000 in outstanding Direct Loans.



Graduated Repayment Plan

Graduated Repayment Plan

Under this plan, your monthly payments

- start out low and increase every two years,
- are made for up to 10 years for all loan types *except Direct Consolidation Loans*,

Monthly Payments for Consolidation Loans

Under this plan, your monthly payments

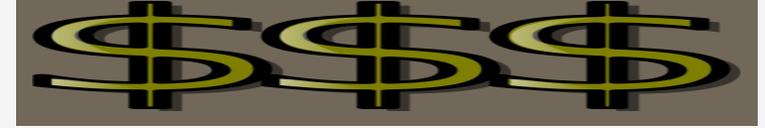
- start out low and increase every two years,
- are made for a period of between 10 and 30 years for Direct Consolidation Loans



Income-Driven Repayment Plan

Income-driven Repayment Plans?

Generally, your payment amount under an income-driven repayment plan is a percentage of your *discretionary income*, and the percentage is different depending on the plan and when you took out your federal student loans.



Income Driven Repayment Plan

Income-Driven Repayment Plan

IBR Plan for those who are not new borrowers on or after July 1, 2014

IBR Plan for those who are new borrowers on or after July 1, 2014

Pay As You Earn Plan

Payment Amount

Generally 15 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount

Generally 10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount

Generally 10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount



Financial Literacy Summary

Financial Literacy; Budgeting, borrowing and repayment strategies

- **Budgeting-**
 - Income vs expenses
 - Need vs want-adjust standard of living
 - Control your own finances (and spending)
 - a. Color of money-what color are you? Is a change of thought process needed?
 - b. Create your own financial goals
 - c. Learn to live within your means
 - d. Builds decision making skills
- **Borrowing**
 - Be knowledgeable about your loans.
 - Borrowing too much and late or non payments will affect your credit adversely.
- **Repayment**
 - know your options.
 - pay on time, every time.



Resources

[StudentAid.gov](#)

- Budgeting
- Borrowing
- Repayment

National Student Loan Data System

<http://www.nsls.ed.gov>

Financial Awareness Counseling Tool (FACT)

<http://studentaid.ed.gov/about/announcements/fact>

Direct Loan Repayment Estimator

<https://studentloans.gov/myDirectLoan/counselingInstructions.action>