

# Default Prevention and Money Management Techniques for Students and Borrowers



# Agenda

- Basic money management skills
- Checking and savings accounts
- Spending plan
- Borrowing student loans
- Managing credit cards and understanding credit
- Identify theft
- Tax liability
- Getting help

# Be accountable and responsible

- Complete your financial aid paperwork
- Pay your bills
- Do the research before big purchasing decisions
- Ask for help, but do the work

# Plot your course

- Identify your goals
  - Be specific
  - Be realistic
  - Write them down
- Map out how you will achieve your goals
- Review your goals periodically
- Update your goals (if necessary)

# Understand your income

- Understand the difference between gross and net pay
- Be aware of your exemptions and other deductions
- Review your paychecks when you receive them



# Open a checking account

- Do your research
- Record all of your transactions
- Protect yourself and your account
- Avoid overdrafts
- Review and reconcile your account regularly



# Open a savings account

- Pay yourself first
- Accumulate an emergency fund with several months of your living expenses
  - 3 - 6 months if income less than \$20,000/year
  - 6 - 12 months if income greater
- Watch your money grow with compounding interest



# Savings calculator

[Home](#) | [Manage Your Money](#) | Savings calculator

## Savings calculator

Use this calculator to see how valuable saving can be:

1. Enter the amount of your initial deposit, the amount you plan to save each month, the anticipated interest rate, and the number of years your savings will be on deposit.
2. Click "Compute" to determine how much your account will be worth in the future, and the interest earned.

|  |    |                      |
|--|----|----------------------|
| Initial Deposit                        | \$ | <input type="text"/> |
| Monthly Savings                        | \$ | <input type="text"/> |
| Interest Rate                          |    | <input type="text"/> |
| Number of Years                        |    | <input type="text"/> |
| Future Value                           | \$ | <input type="text"/> |
| Interest Earned                        | \$ | <input type="text"/> |
| <input type="button" value="Compute"/> |    |                      |
| <input type="button" value="Reset"/>   |    |                      |

# Create a spending plan

Determine your income and expenses

Create your spending plan

Choose a tool

Review your plan

Adjust your plan (if needed)

# Budget calculator

[Home](#) | [Manage Your Money](#) | Budget calculator

[En Español](#)

## Budget calculator

Ready to [start budgeting](#)? Use this calculator to create your personalized spending plan.

- Enter whole dollar amounts (no cents).
- Do not use commas in values of \$1000 or more.

| Income                                  |                      |
|---|----------------------|
| Monthly Gross Earnings                  | <input type="text"/> |
| Subtract 28% for average withholdings   | <input type="text"/> |
| <b>Monthly net income</b>               | <input type="text"/> |
| Expenses                                |                      |
| Housing                                 | <input type="text"/> |
| <a href="#">Utilities</a>               | <input type="text"/> |
| Medical Insurance                       | <input type="text"/> |
| Student Loans                           | <input type="text"/> |
| <a href="#">Misc. Expenses</a>          | <input type="text"/> |
| <a href="#">Transportation Expenses</a> | <input type="text"/> |
| <a href="#">Grocery Items</a>           | <input type="text"/> |
| Savings                                 | <input type="text"/> |
| Clothing                                | <input type="text"/> |
| <a href="#">Other Credit</a>            | <input type="text"/> |
| Entertainment                           | <input type="text"/> |
| Child Care                              | <input type="text"/> |
| <b>Monthly expenses</b>                 | <input type="text"/> |
| <b>Annual expenses</b>                  | <input type="text"/> |
| Results                                 |                      |
| Monthly net income                      | <input type="text"/> |
| Monthly discretionary income            | <input type="text"/> |
| Subtract monthly expenses               | <input type="text"/> |
| Annual discretionary income             | <input type="text"/> |

[Print This Page](#)

# Borrow smart (general)

- Use loans only for items that are needed
- Consider the cost of the loan
- Ensure that the monthly payment fits within your budget
- Postpone purchases if necessary

# Debt/Salary Wizard

[Home](#) | [Debt / salary wizard](#)

[En Español](#)

## Decide how much you can borrow (debt/salary wizard)

Use this interactive calculator to determine the following:

- How much you can afford to borrow in student loan funds based on your future expected earnings.
- The salary you will need in order to afford your student loan payments.

If you enter the salary you anticipate earning upon graduation, the calculator will calculate the maximum amount of student loan debt you should borrow. If you enter the current amount borrowed in student loans and the amount you anticipate borrowing throughout your college career, the calculator will return the salary required to make payments on this debt.

**Note:** This calculator is based on the recommendation that your student loan payment be no more than 8 percent of your gross earnings. The calculations do not take into consideration a high amount of credit card or other debt.

### Debt Wizard

|   |   |
|---|---|
| <p><b>How much can I afford to borrow in student loans based on a certain salary?</b></p> <p>Expected salary: <input type="text"/></p> <p>Hourly <input type="button" value="v"/></p> <p>Interest rate: <input type="text" value="6.8"/></p> <p>Repayment period: <input type="text" value="10"/> (years)</p> <p><small>*Do not enter dollar signs, percent signs or commas.</small></p> <p><input type="button" value="Clear"/> <input type="button" value="Calculate"/></p> | <p><b>How much salary do I need to support my student loan debt?</b></p> <p>Current amount borrowed: <input type="text"/></p> <p>Future borrowing needs: <input type="text" value="0"/></p> <p>Interest rate: <input type="text" value="6.8"/></p> <p>Repayment period: <input type="text" value="10"/> (years)</p> <p><small>*Do not enter dollar signs, percent signs or commas.</small></p> <p><input type="button" value="Clear"/> <input type="button" value="Calculate"/></p> |
|---|---|

# Student loan repayment calculator

Estimate your future federal student loan payments using the calculator below.

Enter your Number of Monthly Payments, Simple Interest Rate and Principal Amount of Loan.

What you should know:

- Your actual payment amount will be determined by your loan holder and will be based on the amount that you borrowed. However, most loan programs require at least a \$50 payment each month, no matter how small your loan amount.
- Your interest rate will depend on your loan type and when you received the loan.
- The calculator is preset to 120 months and an interest rate of 6.8 percent. You may adjust these as needed.
- It is recommended that your student loan payment be less than 8 percent of your gross income. The minimum salary field is based on this recommendation.

|   |                                  |
|---|----------------------------------|
| Number of Monthly Payments  | <input type="text" value="120"/> |
| Simple Interest Rate  | <input type="text" value="6.8"/> |
| Principal Amount of Loan  | \$ <input type="text"/>          |
| Your Monthly Payment Will Be  | \$ <input type="text"/>          |
| Your Total Interest Cost Will Be  | \$ <input type="text"/>          |
| Minimum annual salary to handle these payments: \$ <input type="text"/> |                                  |
| <input type="button" value="Compute Payment and Cost"/>                 |                                  |
| <input type="button" value="Reset"/>                                    |                                  |

# Borrow smart (student loans)

## Understand the obligation

You must repay loans

You can prepay the loans

You will begin repayment after grace period

You must notify loan holder of any changes

You must communicate with servicer when payment problems arise

# Borrow smart (student loans)

Know the players (Direct Loan Program):

- Department of Education (ED)
- School
- Servicer



# Borrow smart (student loans)

Keep track of your loans:

National Student Loan Data System (NSLDS)

[www.nslsds.ed.gov](http://www.nslsds.ed.gov)

(800) 999-8219

Requires federal PIN

# Borrow smart (student loans)

## Know your repayment options

- Standard repayment
- Graduated repayment
- Income-sensitive repayment
- Income-contingent repayment
- Extended repayment
- Income-based repayment
- Consolidation

# Income-based repayment calculator

Enter your loan information (amounts and interest rates) in the calculator below to *estimate* your monthly payment amount under the income-based repayment plan.

- The loan type and interest rate are preset; however, you can change these.
- *When entering dollar amounts, do not use commas or decimals.* For example, enter \$1,000 as 1000.

How many loans do you have?  ▼

|        | Loan type                              | Principal balance<br>time of repayment | Annual<br>interest rate  |
|--------|--|--|--------------------------|
| Loan 1 | Stafford(subsidized or unsubsidized) ▼ | \$ <input type="text"/>                | 6.8 <input type="text"/> |
| Loan 2 | Stafford(subsidized or unsubsidized) ▼ | \$ <input type="text"/>                | 6.8 <input type="text"/> |
| Loan 3 | Stafford(subsidized or unsubsidized) ▼ | \$ <input type="text"/>                | 6.8 <input type="text"/> |
| Loan 4 | Stafford(subsidized or unsubsidized) ▼ | \$ <input type="text"/>                | 6.8 <input type="text"/> |

Family Size:  ▼

Adjusted gross income: \$

Residence:  Alaska  Hawaii  All other

# Loan consolidation calculator

## Loan consolidation calculator

Use this calculator to estimate your monthly payments, principal, and interest if you consolidate.

Instructions:

- Select the number of loans you're considering consolidating.
- Enter your existing balances and current interest rates of the loans you wish to consolidate in this worksheet.
- Enter the whole dollar amounts without commas. For example, do not use commas in the values of \$1000 or more.

How many loans do you have?

| Loan # | Balance              | Interest Rate        |
|--------|----------------------|----------------------|
| 1      | <input type="text"/> | <input type="text"/> |
| 2      | <input type="text"/> | <input type="text"/> |
| 3      | <input type="text"/> | <input type="text"/> |

**Repayment Incentives**

*Lenders may offer interest rate incentives for bank draft and/or on-time payments. For example, if your lender offers a .25 percent interest rate reduction for bank draft and another 1 percent reduction for 36 on-time payments, then you would enter 1.25 percent in the first box and 36 months in the second box.*

Enter your total incentives as a percentage:  %

Delay for effect of incentives:  months

# Borrow smart (student loans)

## Know your repayment tools

- Deferment
- Forbearance
- Loan forgiveness

# Borrow smart (student loans)

Understand the consequences of delinquency and default

- Impact to credit, wages and tax refunds
- Increased cost of loan
- Ineligibility for additional financial aid
- Legal action

# Manage your credit cards wisely

- Spend wisely
- Choose an affordable credit card
- Consider the true cost of each purchase
- Track your spending to prevent overspending
- Limit the number of credit cards
- Protect your account and your credit

# Understand your credit

- Understand the components of a credit report
  - Personal identification information
  - Public record information
  - Collection agency account information
  - Credit account information
  - Inquiries
- Review your credit report annually at [www.annualcreditreport.com](http://www.annualcreditreport.com)
- Verify information and report inaccuracies



# Understand your credit

- Understand the factors affecting a credit score
  - Payment history
  - Amount owed vs. available credit
  - Length of credit history
  - New credit
  - Types of credit
- Be aware of the different credit scoring models
- Strive for a high credit score

# Protect yourself from ID theft

- Safeguard your information
- Monitor your personal and financial information regularly
- Act quickly if identity theft is suspected
- Use Federal Trade Commission as a resource

# Understand your tax liability

- Determine adjusted gross income (AGI)
- Calculate taxable income
- Calculate tax liability
- Check education tax benefits
- Consider using tax preparer/advisor

# Ask for help

- Do not ignore financial troubles
- Take responsibility
- Request assistance