



# Financial Literacy

## South Florida Community College

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# Financial Literacy

- This Financial Literacy workshop provides tips on managing money, keeping track of your finances and planning ahead. You will also learn about resources available to help you plan and manage student loan repayment.

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# Master Promissory Note (MPN)

- Legally binding document.
- Contains loan terms and conditions including how and when the loan must be repaid.

To view a sample  
Master Promissory Note,  
please visit the following site:

<http://ifap.ed.gov/dpccletters/attachments/FP0608StaffApp2008.pdf>





# National Student Loan Data System (NSLDS)



How many Federal loans do you have?

Check out this National database. You will need your Social Security Number to access your information.



- Web Address: [www.nslds.ed.gov](http://www.nslds.ed.gov)


Or call:

- Federal Student Aid Information Center  
1-800-4-FED-AID




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# Federal Student Aid (FSA) Ombudsman



The FSA Ombudsman's office is a resource available to you when other approaches to resolving student loan problems have failed.



You should first attempt to resolve all problems by contacting the school, company, office, or agency involved.

FSA Ombudsman's Office

<http://fsahelp.ed.gov>

1-877-557-2575



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# Types of Federal Student Loans

Federal Family Education Loan Program (FFELP)	Federal Program that governs federal loans for which you make repayment to a lender (Stafford Loans, PLUS Loans, and Federal Consolidation Loans).
Subsidized Federal Stafford Loans	Loans based on financial need.
Unsubsidized Federal Stafford Loans	Loans not based on financial need.
Federal PLUS Loans: Parent PLUS Grad PLUS	Loans borrowed by an undergraduate student's parents or by a graduate or professional degree-seeking student. In order to qualify, the borrower must not have adverse credit or must obtain a credit-worthy endorser.
Federal Consolidation Loans	Multiple student loans consolidated or merged into one new loan.
Federal Perkins Loans	Loans for which you make repayment to the school.
Federal Direct Loan Program	Loans for which you make repayment directly to the government.

# Student Loan Vocabulary

In-School Period	The period of time during which you attend an accredited school and your loan was disbursed for that particular school enrollment. You are not obligated to make payments during this time period.
Grace Period	The period of time immediately after you leave school (or drop below half-time enrollment) but before your first payment comes due. Stafford loans have a six-month grace period. PLUS loans do not have a grace period. Federal Perkins loans have a nine-month grace period.
Repayment Period	The period of time when you are expected to make payments on your student loan.
Delinquency Status	The status your account enters the first day after a missed payment.
Default Status	Once payments are missed for nine months, your lender is allowed to default your loan. When your loan defaults, your lender requests payment of your loan from the guaranty agency, which then becomes responsible for your loan.

# Repayment Options

Standard	Standard (fixed) repayment is the traditional approach. Your monthly payment will be the greater of the minimum necessary to pay the loan in full in ten years or \$50.00.
Graduated	Begins with lower payment amounts that increase over time. This allows payments to be small in the beginning of repayment with periodic increases during the repayment period.
Income-Sensitive	Results in an adjusted payment amount annually, based on your gross income.
Income-Based	Starting July 1, 2009, there will be a new income-based repayment plan that will assist borrowers keeping their loan payments affordable with payment caps based on their income and family size. (Not applicable to Parent PLUS loans.) For more information, please visit: <a href="http://www.ibrinfo.org/">http://www.ibrinfo.org/</a> .
Extended	Is available only to borrowers whose first loan was disbursed on or after October 7, 1998. If you have a federal student loan balance totaling more than \$30,000.00 you may request that your repayment term is extended for a period not greater than twenty-five years. With this option, you repayment amounts can either be fixed or graduated.



# Interest

Interest is a percentage charged on an outstanding principal loan amount. Interest on all federal student loans is calculated on a simple daily basis. The formula for calculating the monthly interest on a loan consists of:

$$\begin{aligned} & \text{Outstanding Principal Balance} \\ & \times \text{Interest Rate} \\ & \times (\text{Number of days between} \\ & \text{payments}/365) \end{aligned}$$

The lender first applies a payment to late charges or collection costs, if any, and then to interest. The remainder of the payment is applied to the principal balance.

# Federal Stafford Loan Repayment Examples

		5.60%		6.80%		8.25%	
Amount Borrowed	# of Payments	Payment Amount	Total Interest	Payment Amount	Total Interest	Payment Amount	Total Interest
\$4,000	108	\$50	\$1,019	\$50	\$1,332	\$50	\$1,817
\$6,000	120	\$66	\$1,850	\$69	\$2,286	\$74	\$2,736
\$8,000	120	\$87	\$2,466	\$92	\$3,048	\$98	\$3,774
\$10,000	120	\$109	\$3,083	\$115	\$3,810	\$123	\$4,718
\$20,000	120	\$218	\$6,166	\$230	\$7,619	\$245	\$9,437
\$30,000	120	\$327	\$9,248	\$345	\$11,429	\$368	\$14,155



# *Student Loan Calculator*



Use the calculator link below to get an estimate of what your future monthly payments would be for your federal student loans, including Stafford and PLUS loans.



<http://mappingyourfuture.org/paying/standard-calculator.htm>



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# Making your Monthly Payments

- Make your monthly payments according to the repayment plan that you selected.
- Ensure that your monthly payments are received at the payment address on or before the repayment due date.
- Send your payments to the correct address, regardless of whether or not you received a bill.
- Plan to make your student loan payment from one paycheck per month. On the day you're paid, write and mail a check to your lender.
- Sign up for automatic withdrawal if your lender or servicer offers this option.



# Repayment

You must repay your student loans


**EVEN IF:**

- You are dissatisfied with the services provided by the school.
- You have not received a payment booklet.
- You cannot find a job.
- You do not complete your education.






# Getting Help When You Cannot Pay



If you are unable to make your scheduled payments, contact your lender to discuss your options.

## Some of the common options include:

- Deferment
  - Forbearance
  - Consolidation
- 



# Deferment



Deferment is a postponement of repayment due to special circumstances.

There are many different types of deferments based on various conditions, loan types, loan dates, and time limits.



Some of the more common deferments are:

- In School deferment
- Economic Hardship
- Unemployment





# Forbearance

Forbearance is a postponement or reduction of your monthly student loan payment.

The difference between forbearance and a deferment is that you are automatically entitled to a deferment if you qualify, while forbearance is granted at the discretion of the lender.



# Consolidation

Consolidation allows you to combine multiple student loans into one new student loan.

Currently there are no FFEL lenders available for consolidation but you may consolidate through the William D. Ford Direct Loan Program.

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# Default

Defaulting on your student loan means that you have not made timely or ANY payments for

**270 days.**

When this happens,  
you will face consequences.

What are the consequences?

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# Penalties of Default

## If you default on your loan(s):

- You will owe the entire balance immediately.
- You will lose your eligibility for interest rate reductions.
- You will not be eligible for deferments or forbearances.
- You may not be eligible for additional student financial aid.
- You will lose your positive credit rating on your credit report.
- Your loan(s) may be assigned to a collection agency.

## *Default (continued)*

- You will pay collection costs and fees.
- Your state and federal income tax refunds may be offset.
- Your wages may be garnished.
- Your Florida lottery winnings may be offset.
- The guaranty agency may file a civil suit against you.
- Your loan(s) may be transferred to the U.S. Department of Education for collection.
- Your academic transcripts or other student records may not be released.





# *Saving Money on Your Student Loans*

- Forgiveness programs and tax deductions are available to help you with your loan repayment. The two tax deductions for education are the Hope Credit, and Lifetime Learning Credit. You can access the details of these deductions online at [www.irs.gov/publications/p970](http://www.irs.gov/publications/p970).
- The Critical Teacher Shortage Loan Forgiveness Program (CTSLF) provides financial assistance to eligible Florida teachers who hold a valid Florida Teacher's Certificate or Florida Department of Health License.



# Tips for Communicating with Your Lender

- Always keep your lender notified of any changes in your home telephone number, home address, employment information, and e-mail address.
- Call your lender and speak to a representative directly if you have a complex question that needs an explanation.
- Know who owns and manages all of your loans. Contact your school's financial aid office for more information on researching lenders and servicers.



# *Cancellation of Your Student Loan Debt*

There are situations in which a student loan may be discharged:

- Death
- Disability
- School Closure
- Identity Theft
- False Loan Certification
- Bankruptcy (in rare cases)





# *Your Loan Records*

- Keep copies of records relating to your student loans & financial aid in one place. Including your MPN.



# Managing Your Budget & Credit



A budget is a financial roadmap to show you how to account for money spent and saved.



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# Step One

- The first step to budgeting successfully is to decide on your goals. By establishing “goals” you set priorities for yourself that help you stick to your plan.
- Some examples of the goals might be: completing school, getting a job in your field, repaying your student loans on time, or purchasing a car, if necessary.

# Step Two

- It's extremely important to know how much money you have to spend, and where you are spending it.
- Organize your expenses, student loan papers, and other important financial documents.
- Separate all documents and expenses into categories.
- Two broad categories to start organizing are “fixed expenses” and “variable expenses” .





## Step Three

- Using the information collected from Steps 1-2, you are now ready to put your budget on paper and into action.
- Use the Monthly Budget Worksheet at <http://www.navigatingyourfinancialfuture.org/pdf/monthlyBudgetWorksheet.pdf> for help in creating a budget that will work for you.
- Calculate the difference between budgeted and actual expenses. If your income exceeds your expenses, you may consider putting more toward your student loan payments.
- If your expenses exceed your income, you will need to adjust your budget until you come up with a plan that works.

# What You Need to Know About Credit

- Maintaining good credit while in school is one of the most important things you can do for your financial future.



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# Warning Signs

- You may have trouble managing your finances when....
  - o Your credit card payments exceed your monthly income.
  - o You are not aware of how you are spending your money on a daily or monthly basis.
  - o You use cash advances to obtain cash.
  - o Creditors start calling regarding payments on your credit card accounts.



# Establishing Good Credit

- Establishing good credit means:
  - o Having an excellent history of repaying money borrowed.
  - o Being organized and having established financial goals.
  - o Having an excellent credit score and credit rating.
  - o Developing the skills of meeting financial obligations in a timely manner.





# How do I do it?

- Set up a realistic budget and stick to it.
- If you haven't done so already, open up a checking account and a savings account. Many banks offer sign-up incentives for students. Check with your school to see about programs with local banks.
- Evaluate your credit situation. If you don't have a major credit card, apply for one. If you already have a credit card, consider choosing a different card with a lower interest rate, no monthly fee, or other advantages like cash back on purchases.
- Pay your monthly bills on time.



# Credit Cards

- As a student, having a credit card is an important step to building your credit. On the other hand, failing to keep with your payments is a good way to damage your credit.
  - Consider these guidelines:
    - Charge only what you can afford to repay.
    - Try to make a payment larger than the minimum amount due in order to reduce the balance and pay off the card at a faster rate.
    - Protect yourself from credit card fraud. Sign your card right away. Keep your card in a safe place. Shred credit card receipts once your monthly statement has been verified against the receipts.
    - Keep your address current with the credit card company so the bill gets delivered promptly, and you can more easily make sure your payment is on time.



# Lender Review

- When a lender reviews your credit background to determine how much credit, if any, to grant you, they usually look for the “The Three C’s.”
  - “Character” summarizes a lender’s sense of how responsibly you handle credit obligations.
  - “Capacity” is defined as the financial ability to assume a certain amount of debt.
  - “Capital” consists of the financial assets at your disposal to pay off debt if your character and capacity do not prove sufficient. This might be your car, home, stocks, bonds, mutual funds, etc.
- Check out your debt-to-income ratio:
  - <http://www.usnews.com/usnews/biztech/tools/modebtrato.htm>

# Identity Theft

- Identity theft occurs when your personal information is stolen and used without your knowledge or permission to commit fraud or other crimes.



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# Protect Your Identity

- Leave important documents at home. Don't carry unnecessary credit cards or identification. Carry only your important student information –your student ID card and student cash card.
- Keep all documents with personal information, like canceled checks, in a safe place and shred them when you no longer need them.
- Use a post office box or a mailbox at your student union to avoid any concerns about a thief taking important information.
- Don't give your social security number or account numbers to anyone over the phone unless you initiated the call and are certain you are speaking to a representative of a reputable organization or government institution.






# Protect Your Identity

- 
- Protect your PIN numbers and computer passwords. Use a random combination of letters and numbers. Change them every six months or so. Don't use family or pet names, or dates that can be easily deduced. Never carry this information with you.
  - Always pick up newly ordered checks at the bank to avoid blank checks in your mailbox.
  - Check your credit report annually. Fill out a consumer dispute form if you find any inaccuracies.
- 





# Protect Your Identity

- 
- If you suspect someone is using your driver's license number, call the Florida Department of Highway Safety and Motor Vehicles (DHSMV) or your state's equivalent organization. The DHSMV can tell you if another license has been issued in your name. If this is the case, get a new number and ask the DHSMV to investigate the identity theft. The DHSMV can block your information from being released based on verifying identification.
  - If your Social Security number was used fraudulently, report the problem to the Social Security Administration Fraud Hotline at 1-800-269-0271. Call Social Security to verify the accuracy of your reported earnings, and to verify that your identifying information is reported correctly.
- 
- 

# Credit Report

- There are three major national credit reporting agencies, and you can obtain a copy of your credit report once a year at no charge in all 50 states.
  - Visit [www.annualcreditreport.com](http://www.annualcreditreport.com) for detailed information by state on how to obtain a copy of your credit report from each agency.
- You may also contact the three major national credit reporting agencies by visiting these Web sites:
  - [www.equifax.com](http://www.equifax.com), 1-800-685-1111
  - [www.experian.com](http://www.experian.com), 1-888-397-3742
  - [www.transunion.com](http://www.transunion.com), 1-800-888-4213



# Correcting Errors on Your Credit Report

- If you believe your credit report does not accurately reflect the current status of your accounts, you have the right to file a “Consumer Dispute” with the credit bureaus. Credit bureaus are obligated to verify the accuracy of their reports when notified of such disputes.
  - May be available online





## *For Further Assistance*

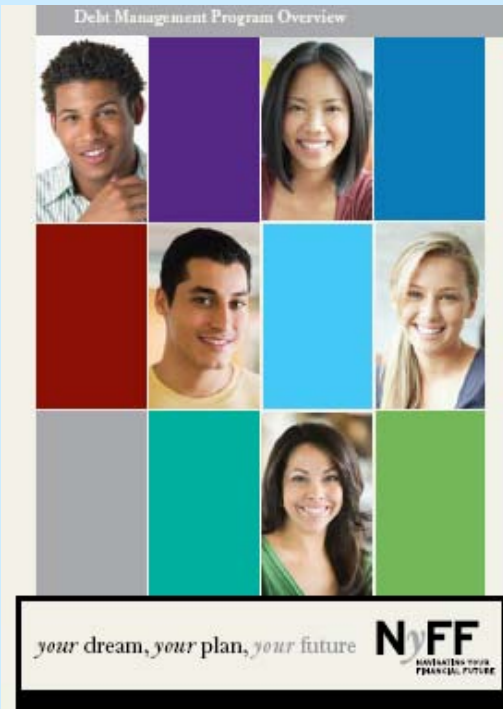
- Contact the Florida Department of Education, Office of Student Financial Assistance Help Desk by calling 1-800-366-3475.
- Visit our Web site at:  
[www.navigatingyourfuture.org](http://www.navigatingyourfuture.org)

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# NyFF Brochures



OSFA offers a series of free educational materials regarding debt management for students and borrowers. For more information, please visit: [www.navigatingyourfuture.org](http://www.navigatingyourfuture.org).



QUESTIONS?

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# LITERACY VERIFICATION PAGE



(Please print, complete, and turn in with your loan request)

•What are the 3 more common deferments?

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

•How many days before you go into Default? \_\_\_\_\_

•List two penalties for Default?

1. \_\_\_\_\_
2. \_\_\_\_\_

\_\_\_\_\_  
Signature verifying literacy completion

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name Here

\_\_\_\_\_  
Student ID Number