

# Default Prevention and Money Management Techniques for Students and Borrowers





# 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

# Reconciling your checking account

To balance your checkbook, follow the simple steps listed below:

1. Add together checks and other deductions listed in your register but not on your statement.

2. Add together deposits and other additions listed on your register but not on your statement.

Add together checks and other deductions listed in your register but not on your statement	Add together deposits and other additions listed on your register but not on your statement	Adjusted balance

# 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

Use this calculator to determine how much you will have in your savings account at the end of a certain number of years, given a certain interest rate and a certain initial deposit.

1. Enter the number of years you want to save for.

2. Click "Compute".

Initial Deposit \$

Interest Rate

Number of Years

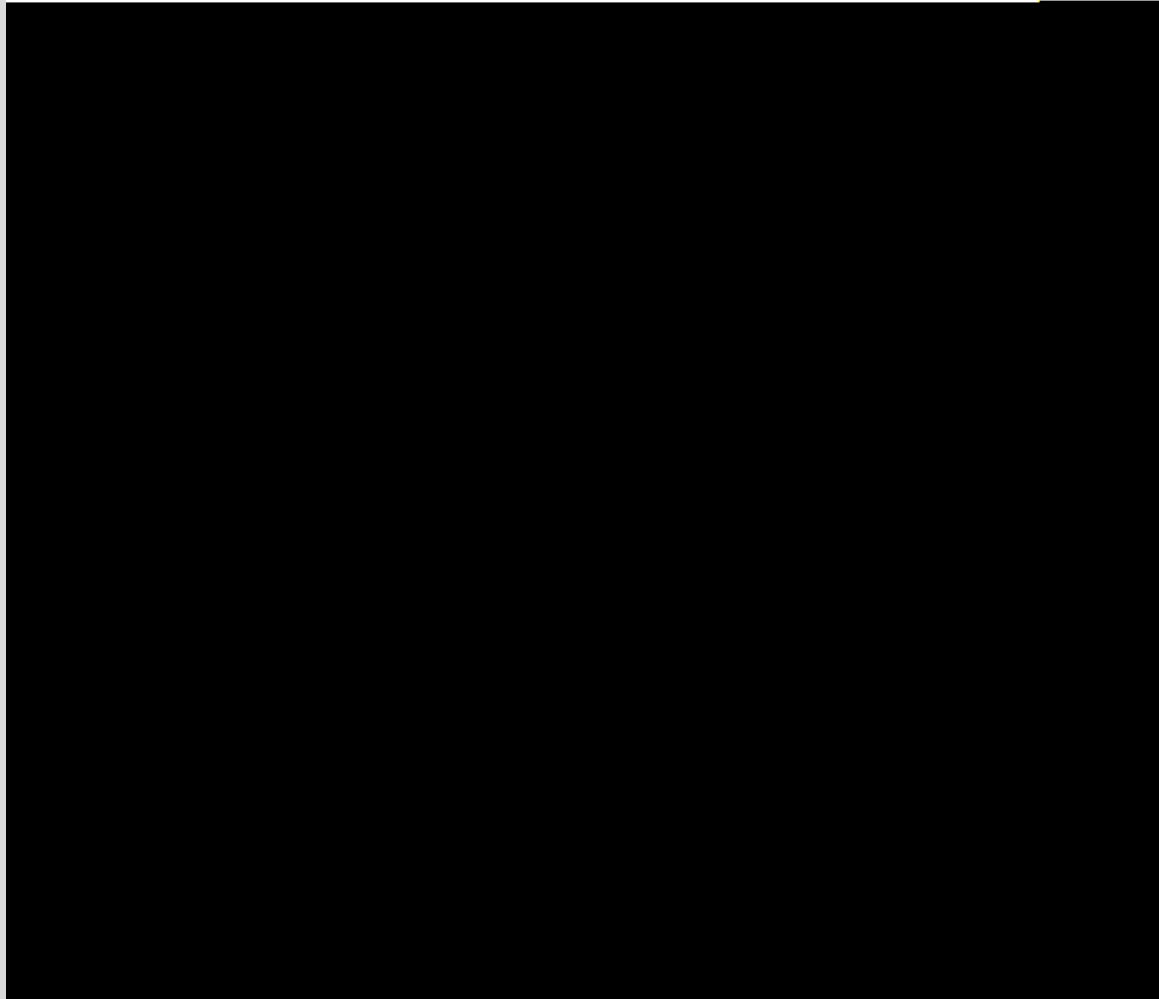
Future Value \$

Interest Earned \$



# Budget calculator

[En Español](#)



[mappingyourfuture.org/money/budgetcalculator.htm](http://mappingyourfuture.org/money/budgetcalculator.htm)



# 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

The screenshot shows the 'Debt Wizard' interface on the website mappingyourfuture.org. At the top, there is a navigation bar with 'Home' and 'Debt / salary wizard' links, and a language selector for 'En Español'. Below the navigation, there is a section titled 'Use this interactive calculator' with instructions: '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.' The main area contains two large input fields: 'How much salary do I need to support' and 'How much can I afford to borrow in'. Below these are several smaller input fields: 'Future borrowing needs' (set to 0), 'Interest rate' (set to 6.8), 'Repayment period' (set to 10 years), and 'Repayment' (set to 10 years). There are also instructions: '\*Do not enter dollar signs, percent signs or commas.' and '\*Do not enter...'. At the bottom, there are 'Clear' and 'Calculate' buttons.

[mappingyourfuture.org/paying/debtwizard/](http://mappingyourfuture.org/paying/debtwizard/)

# 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 borrow. However, most loan programs require at least a \$50 payment each month, no matter how small your loan amount is.
- 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 based on this recommendation is \$6,500 per year.

Number of Monthly Payments	120
Simple Interest Rate	6.8%
Principal Amount of Loan	\$
Your Monthly Payment Will Be	\$
Your Total Interest Cost Will Be	\$
Minimum annual salary to handle these payments:	\$

# Borrow smart (student loans)

Understand the obligation

You must repay loans

You can prepay the loans

You will begin repayment after grace period

# 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.nslds.ed.gov](http://www.nslds.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.

• Do not use commas or decimals. For example, enter \$1,000 as 1000.

• When entering dollar amounts

How many loans do you have?

Loan type	Principal balance	Annual interest rate	Loan #
Stafford(subsidized or unsubsidized)	\$	6.8	Loan 1
Stafford(subsidized or unsubsidized)	\$	6.8	Loan 2
Stafford(subsidized or unsubsidized)	\$	6.8	Loan 3
Stafford(subsidized or unsubsidized)	\$	6.8	Loan 4

Family Size:

Adjusted gross income: \$

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 loan 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 \$1,000 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 36 on-time payments, then you would enter .25 percent in the first box.

interest rate reduction for bank drafts. For 36 on-time payments, then you would enter .25 percent in the first box and 36 months in the second box.

Interest rate incentive:  %

Delay for effect of incentives:  months

Enter your total incentives as a percentage.

Delay for effect of incentives:

# 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

•  $r = 0.08$ ,  $L = 15,000$ ,  $i = 0.05$ ,  $n = 4$ ,  $T_d = 10,000$ ,  $T_a = 10,000$

# 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





# 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