SEEKING

• GEAR UP IDAHO •

Students

Don't Get Debt Slapped

Lessons and Videos Series

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DON'T GET DEBT SLAPPED*

Lesson 1

Introduction and Part 1 of DEBT SLAPPED Video

Lesson 1: Introduction & Part 1 of DEBT SLAPPED Video

DON'T GET DEBT SLAPPED

TIME REQUIRED: 40-50 MINUTES

NAME:
DATE:
HIGH SCHOOL:
GRADE:

LESSON 1 LEARNING OUTCOMES

A. See how higher education helps you.
B. Do you have a thinking trap?
C. Learn about borrowing money and loans.

KEY TERM: DEBT: Money owed. If you take out a loan for a car, house, or student loan, to name a few, the money you borrowed is your debt.

INTRODUCTION

- The nonprofit organization CENTS designed this curriculum for high school students after many years of teaching "how to get out of debt" classes for adults.
- CENTS noticed many of the adults commented "I wish someone would have taught me this when I was in high school."
- CENTS took the things these adults wish they had known and created this curriculum called DON'T GET DEBT SLAPPED.
- GETTING DEBT SLAPPED means you have so much debt that your choices become more limited and you're stressed out a lot.
- Studies show that people are delaying moving out of their parent's house (or moving back in), delaying buying their own home and starting their own family because they are so far in debt. This curriculum will help you avoid this.

- **This is your chance to not make the same mistakes others did and potentially save yourself thousands of dollars. Your future self will thank you.**
- **Here is what's at stake: If you have $10,000 in credit card debt and you pay the minimum monthly payment to pay it off, you would pay out over $77,000 over 50 years just to pay off that $10,000. Think about it!**
- **That's $67,000 that just went to debt. That could be savings, a down payment on a house, or a couple of cars.**

PURPOSE OF THIS PROGRAM:

A. Encourage you to obtain education or training after high school.

B. Show you how to pay for such education or training while minimizing your debt

THE GOAL FOR YOU:

Have a fulfilling career where your income allows you to cover your needs, have money for a set amount of wants, and save for the future without having too much debt.

REAL EXAMPLES TO AVOID

Graduating with too much student loan debt. **Jennifer graduated with $120,000 in student loan debt from an expensive private college for a social work degree. She doesn't make enough money to pay for the expenses in her life and pay off the debt.**	⇨	**If your career pays a low or moderate income, you must limit your debt.**
Going to an expensive for-profit school that doesn't train you very well. **Roberto went to a subpar for-profit college with old equipment and outdated curriculum. He graduated with $70,000 in student loan debt and could not find a job because the school didn't teach him the skills employers were looking for.**	⇨	**If you have a low income, you must be super careful about taking on too much debt.**

High school diploma, credit card debt, and bankruptcy.

Lisa went straight to work after high school with a job that pays minimum wage. She had trouble paying her bills so she used a credit card to make up the difference.

Pretty soon she couldn't afford those payments and had to file bankruptcy to be relieved of her debt. This hurt her ability to get housing and future loans with good terms.

⇨ If you start, make sure you finish.

When you drop out, you acquire the cost of higher education, but not the benefit (higher income).

Going to college and then dropping out

Thomas went to college for a year and then dropped out. He then had $45,000 in student loan debt and no degree.

⇨ Research your school to avoid this scenario.

AVOID COMMON THINKING TRAPS THAT CAN LEAD TO BEING A BAD EXAMPLE:

Thinking Trap

- It will all work out.
- I'll worry about it later.
- I'm going to strike it rich so I don't have to worry about it.
- I'm going to avoid student loans no matter what.
- Going for the short-term gain, but not thinking about the long-term loss.

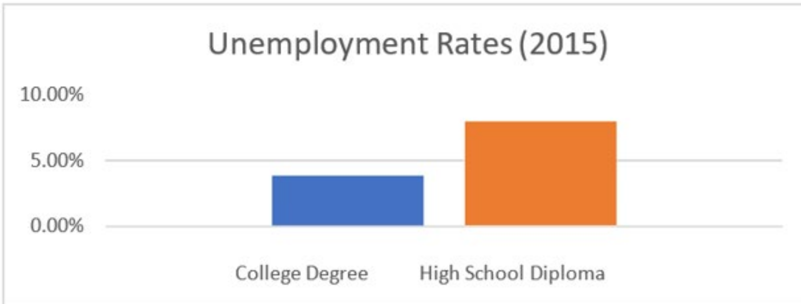
Challenge

- This is a big life decision so think it through.
- Later may be too late so take some time to plan now.
- Put yourself in a better position to succeed by proactively planning now.
- Limit the amount you borrow.
- Don't get trapped in the moment. Think long term.

INVEST IN YOURSELF (WISELY)

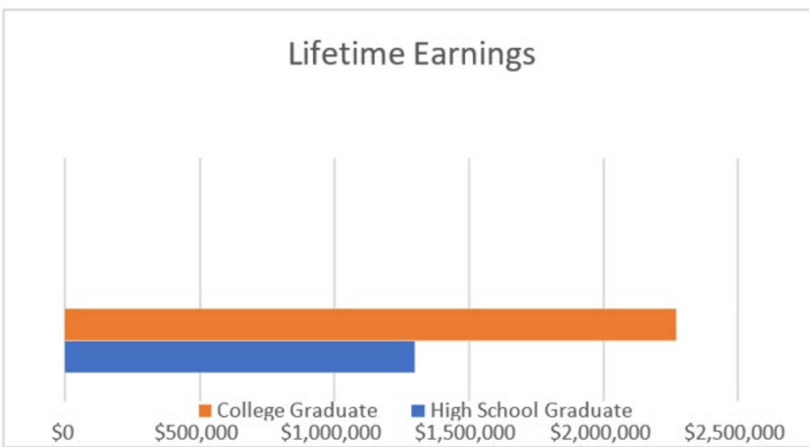
There are good reasons to invest in yourself:

A. **You are twice as likely to be unemployed if you have a high school diploma, versus a college degree.**



B. **In today's economy, there are more opportunities for college-educated workers. Research shows that recent job growth has been entirely due to increases in college-educated workers.**

C. **On average, you will earn 84 percent more over your lifetime with a bachelor's degree as compared to a high school diploma.**



D. **Learning a skill can result in a good income for you, too. An experienced handyperson in Seattle can make $100/hour. Plumbers and electricians can make even more. The higher the skill, the higher the pay.**

DISCLAIMER: Just because it's true on average that college graduates make more money, it won't necessarily be true in your particular case if you are not wise about your higher education and career choice.

THE CHALLENGE

The costs of basic expenses are rising: education, housing, health care, transportation, and energy.

On average, incomes are staying the same or decreasing. You must be super intentional about your financial decisions, starting with your career and how much debt you take on.

DEBT SLAPPED VIDEO

Now, you will watch a part of the Debt Slapped video and then discuss it.

Watch Part 1 of the Debt Slapped video (chapters 1-4) http://debtslapped.org/videos/1/ (00:00 minutes to 07:43 minutes) and then pause the video to answer questions.

1. **What is debt?**

2. **What are some results of college and higher education getting more expensive?**

3. **What do you think of all the ads, marketing, and commercials aimed at your generation?**

4. **Do you think the ads, marketing, and commercials are working?**

5. **Is entertainment media a source of ads or marketing? What could it be promoting?**

6. **Why do some businesses give out free gifts or credits?**

7. **If you go to college or a trade school and drop out, what is a consequence?**

END OF LESSON 1

DON'T GET DEBT SLAPPED

Lesson 2

Parts 2, 3 & 4 of the DEBT SLAPPED Video

Lesson 2: Parts 2, 3 & 4 of the DEBT SLAPPED Video

DON'T GET DEBT SLAPPED TIME

REQUIRED: 40-50 MINUTES

NAME:
DATE:
HIGH SCHOOL:
GRADE:

LESSON 2

DEBT SLAPPED VIDEO

Watch Part 2 of the Debt Slapped video (Chapters 5 – 9 http://debtslapped.org/videos/5/ (07:43 minutes to 21:59 minutes) as a class and then pause the video to ask questions.

1. **When you borrow money with a loan or credit card, do you just pay back what you borrowed or pay more?**

2. **What is interest?**

3. **What happens when you take longer to pay off a loan?**

4. **What is a fixed interest rate?**

5. **What is a variable interest rate?**

DEBT SLAPPED VIDEO

Watch Part 3 of the Debt Slapped video (chapters 10-15 http://debtslapped.org/videos/10/ (21:59 minutes to 29:53 minutes) as a class and then pause the video to ask questions.

6. **Do credit cards really have a fixed interest rate?**

7. **What should you be careful about if you get a credit card?**

8. **What position are you in to make sure you don't take on too much debt?**

9. **What can you do to protect yourself from an unexpected expense?**

10. **What is the thin red line?**

11. **Why should you look at your future income?**

12. **Why should you shop around when looking at college or training?**

13. **Generally, do you want a fixed or variable interest rate?**

14. **Is a loan a legal agreement? What does that mean?**

DEBT SLAPPED VIDEO

Watch Part 4 of the Debt Slapped video (chapters 16-20) http://debtslapped.org/videos/16/ (29:53 minutes – 38:09 minutes) as a class and then pause the video to ask questions.

15. **Why wait until you can pay for something in cash?**

16. **For larger items, what should you do?**

17. **What are some different levels of saving?**

18. **What is a budget or spending plan?**

19. **How do you know if you stick to your budget?**

20. **Estimate how much you spend on: housing, food, Entertainment / technology, transportation, and energy? Any other categories?**

21. **What is a credit report?**

22. **What is a credit score?**

23. **What are the two biggest factors in your credit score?**

24. **What do lenders look at when deciding whether to loan you money?**

25. **What protections do you think should be in place for students? Or for people who have credit cards or student loans?**

26. **What are some things you are going to do to not get Debt Slapped?**

LESSON 2 EXIT TICKET

27. What are some things you are going to do to not get Debt Slapped?

28. What is true about fixed and variable interest rates?

- ☐ **A fixed interest rate is more affordable.**
- ☐ **A variable interest rate can change over time, leaving you unable to afford your debt payments.**
- ☐ **They apply only to student loans.**

29. What is the risk of having a balanced budget?

- ☐ **There is none.**
- ☐ **If an unexpected expense arises, you will not be able to afford it in your budget.**
- ☐ **It makes saving for future goals easier.**

END OF LESSON 2

DON'T GET DEBT SLAPPED

Lesson 3

Career, Income & Lifestyle

Lesson 3: Career, Income & Lifestyle

DON'T GET DEBT SLAPPED

TIME REQUIRED: 40-50 MINUTES

NAME:
DATE:
HIGH SCHOOL:
GRADE:

LESSON 3 LEARNING OUTCOMES

After this 50-minute lesson, you will be able to:

A. Explore a career you are interested in.
B. Describe key terms such as salary, gross income, net income, budget, budget deficit and budget surplus.
C. Discover the salary or income of a career.
D. Calculate the annual and monthly net income of your career choice.
E. Compare your career's income with common expenses.
F. See the kind of lifestyle your career can afford.

PRE-ASSESSMENT QUESTIONNAIRE

1. I know what the job or career I am considering pays.

- ☐ Strongly Agree
- ☐ Agree
- ☐ Not Sure
- ☐ Disagree
- ☐ Strongly Disagree

2. What is net income?

- ☐ I don't know
- ☐ What you are paid before taxes
- ☐ What you are paid after taxes
- ☐ What you are paid in a calendar year
- ☐ What you are paid in a fiscal year

3. **What is a budget?**

- ☐ I don't know
- ☐ Gross income minus net income
- ☐ Expenses multiplied by income
- ☐ Income plus expenses
- ☐ Income minus expenses

4. **What is a budget deficit?**

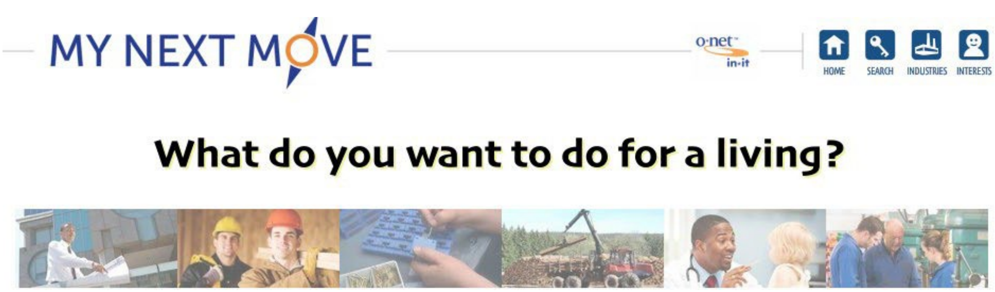
- ☐ I don't know
- ☐ You save more than you spend
- ☐ You spend exactly what you make
- ☐ You spend less than what you make
- ☐ You spend more than what you make

5. **What best describes debt?**

- ☐ I don't know
- ☐ Wealth for you that will grow with interest
- ☐ An interest rate on a credit card, student loan, or home loan
- ☐ Money paid for borrowed money
- ☐ Money owed for borrowed money

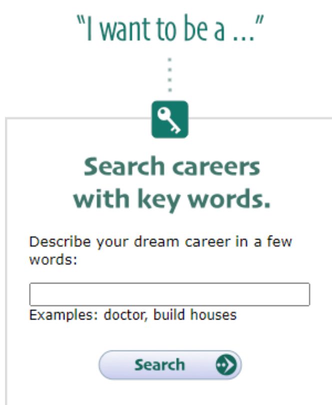
FINDING CAREER, EDUCATION/TRAINING, AND SALARY (QUESTIONS 6-8)

A. Go to www.mynextmove.org

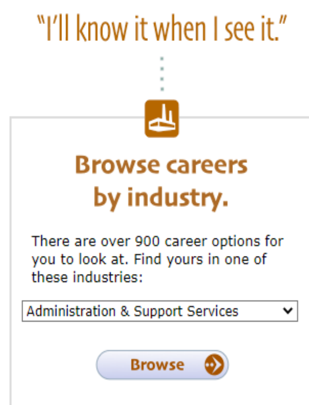


B. **From here, you can search a career 3 ways…**

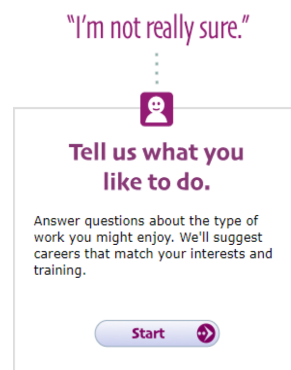
Option 1: Type your career into the "Search careers with key words" box on the bottom left and click search.



Option 2: Or, search by industry and use the drop-down menu in the "Browse careers by industry" box in the lower middle.



Option 3: We don't recommend doing this option during class because it's a 60-question survey. We recommend doing this option on your own time.



C. **During class, pick a career by using Option 1 or Option 2 above. If you are doing this outside of class, you can utilize Option 3 if you are not sure of what you want to do. Once you have picked a career, enter it into question #6 below.**

EXAMPLE: Let's look at Maria. She's choosing to be Web developer.

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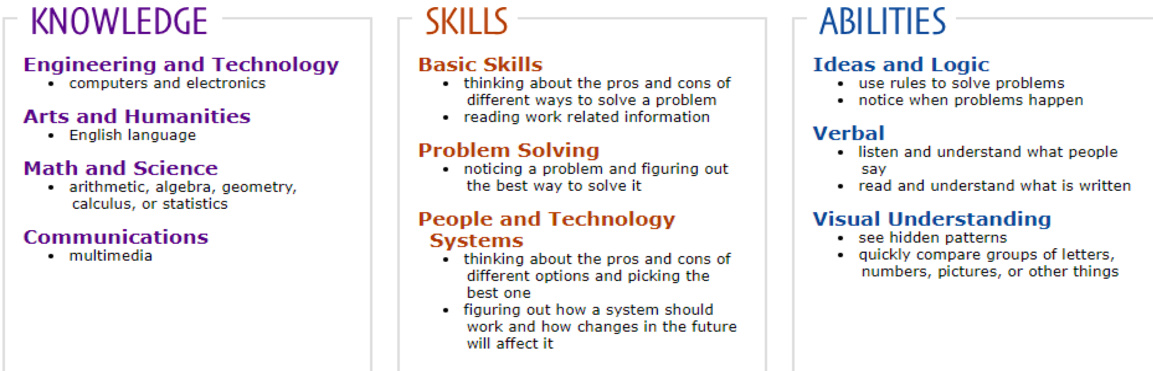
6. **What is your career choice?**

Once you select a job or career, it will take you to a webpage with information about that career, such as KNOWLEDGE, SKILLS, AND ABILITIES.

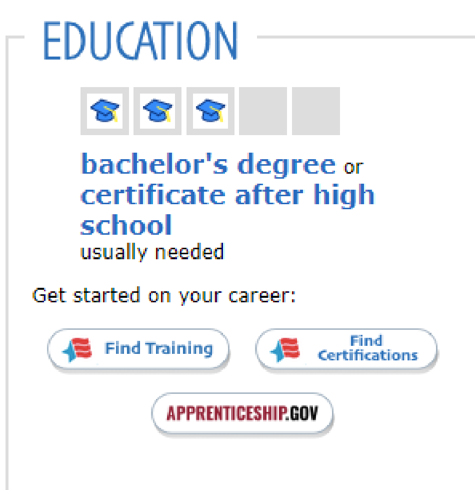


If you scroll down the page, note two things about that job.

The EDUCATION box in the bottom left will describe the typical education needed to do that job. Enter this into #7 below.

7. What education level is needed for your career choice?

EXAMPLE: Maria wants to be a web developer. The education required for this career is a bachelor's degree or certificate after high school.



The JOB OUTLOOK box in the bottom middle will list the average salary of that job. Use the lower salary "at the bottom of the hill" listed on the left side of the salary scale.

KEY TERM: SALARY is the amount of money or income you'll earn in one year on that job. The salary is your gross income.

GROSS INCOME IS BEFORE TAXES ARE TAKEN OUT.

EXAMPLE: Maria's salary is $40,750.

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8. What is the annual gross salary (use the lower figure on the My Next Move web page)? (Note: This number is used in Lesson 7, Question 10)

FINDING YOUR ANNUAL NET INCOME: QUESTION 9

KEY TERM: ANNUAL NET INCOME: What you are paid on a yearly basis, AFTER taxes are taken out.

A simple way to estimate your annual (yearly) net income is to multiply your gross income by 0.75:

Gross income X 0.75 = estimated net income.

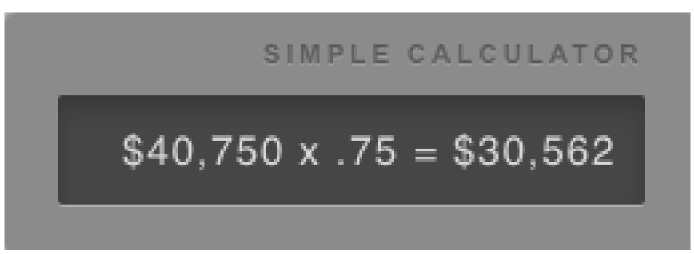
This calculation removes 25% from your gross income.

Now, let's find your annual net income.
Take what you typed into QUESTION 8 and multiply it by .75.
The answer is your annual net income (after taxes).
Type it into NUMBER 9.

9. What is your annual net income (gross salary multiplied by .75):

EXAMPLE: The annual gross income for a web developer on the mynextmove.org website is $40,750.

$40,750 x .75 = $30,562. So, $30,562 is the estimated net annual (yearly) income.



FINDING YOUR MONTHLY NET INCOME: QUESTION 10

KEY TERM: MONTHLY NET INCOME: What you are paid on a monthly basis, after taxes are taken out.

Next, find your monthly net income.

A. Take the annual net income you wrote in NUMBER 9 and divide it by 12.
B. Type the result into Question #10 below.

10. What is your monthly net income (annual net income divided by 12)?

NOTE: You will also use this answer in Lesson 7, question 16 so make note of it.

EXAMPLE: Maria's selected job of web designer has an annual net income of $30,562 (#9).

Divide this by 12 to find an estimated monthly net income of $2,546.

Further Career Information:
If you would like to explore salaries and careers on your own, use these helpful websites:

- [The Highest-Paying Careers with a Bachelor's Degree for 2018 | Payscale]
- http://www.mynextmove.org/
- http://www.bls.gov/ooh/
- https://www.payscale.com/index/us/job
- https://collegescorecard.ed.gov

Here is Idaho Department of Labor's Apprenticeship information:

https://www.labor.idaho.gov/dnn/Job-Seekers/On-the-Job-Training/Apprenticeships

FINDING HOW YOUR INCOME FITS WITHIN A BUDGET: QUESTION 11

KEY TERM: BUDGET: Your INCOME (money you make) minus your EXPENSES (things you spend money on).

KEY TERM: BUDGET SURPLUS: Income is larger than expenses. This is what you want. You are not spending more than you are making. If an unexpected expense comes up, you'll have money for it.

KEY TERM: BALANCED BUDGET: You are spending exactly what you make. This is ok if you have savings for unexpected expenses, but if you don't, it can leave your budget vulnerable to them.

WHY DOES A BUDGET DEFICIT HAPPEN?

Because you spend more money than you make.

WHAT DO YOU DO IF YOU HAVE A BUDGET DEFICIT?

Decrease your expenses. Or increase your income.

SAMPLE MONTHLY BUDGET EXPENSES

Below is a sample of monthly budget expenses.

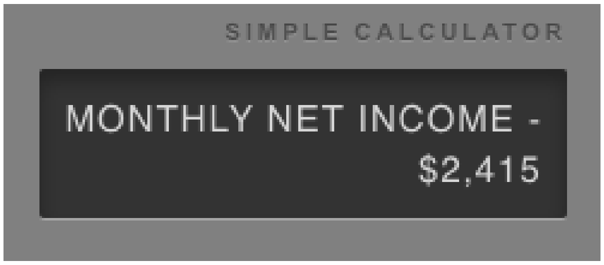
BUDGET CATEGORY	MONTHLY EXPENSE AMOUNT
Housing	*$1,000*
Food	*$300*
Transportation	*$350*
Entertainment	*$90*
Clothing	*$60*
Healthcare	*$100*
Insurance	*$100*
Cable/Internet/phone	*$215*
Savings	*$100*
Personal care	*$100*
*Student Loan or other loan**	*To be determined*
SAMPLE BUDGET MONTHLY EXPENSE TOTAL WITHOUT STUDENT LOAN	*$2,415*

***You will find this number in Lesson 5, Question 11.**

FINDING THE DIFFERENCE BETWEEN YOUR MONTHLY EXPENSE TOTAL AND YOUR MONTHLY NET INCOME: QUESTION 11

A. Find what you entered for your monthly net income on #10.

B. Subtract $2,415, from your monthly net income ($2,415 is the sample budget's expense total).

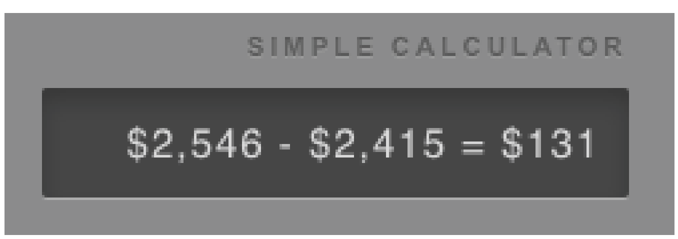


C. The result is the difference between your monthly net income and monthly expense total. Write it into question #11 below.

11. What is the difference between your monthly net income (#10) and your expenses ($2,415): (Note: your answer might be a negative number.)

EXAMPLE: The monthly net income for the web designer example is $2,546. (#10).

$2,546-$2,415 (the monthly expense total from the above "Sample Monthly Budget") = #131 (the difference between income and expenses, and the example answer to question #11).



There are 3 outcomes when you budget:

- **If your answer to #11 is zero: You are spending exactly what you are making. There is no margin for error.**
- **If your answer to #11 is a positive number: You are spending less than you are making.**
- **If your answer to #11 is a negative number: You are spending more than you are making. Risky.**

KEY TERM: DEBT: Debt is money owed. If you borrow $15,000 to buy a car, you are $15,000 in debt.

KEY TERM: BUDGET DEFICIT: Expenses are larger than income. This means you are spending more than you are making. This is not sustainable, as you will be going into debt and your debt payments will overtake your income at some point.

FINDING HOW TO CUT EXPENSES FROM THE SAMPLE BUDGET: QUESTIONS 12, 13

Take a look at the sample monthly budget again. List a budget expense you would cut down on in Question #12 and how much you would cut down on it in Question #13 below.

12. What is one monthly expense you can reduce?

13. By how much do you need to reduce it by?

EXAMPLE: Maria wants to reduce her cable/internet/phone bill. By reevaluating her cable plan, she has decided to forego cable and reduces her expenses from $215 per month to $100 per month.

To review, this is the budgeting process:

A. **Identifying income;**
B. **comparing it with your expenses. If there's a deficit, you must cut down expenses and/or increase income. A future student loan payment is a potential big expense so you should look for ways to cut that down before the fact. You do that by reducing the amount you borrow.**

LOOKING AT YOUR CAREER/JOB CHOICE THROUGH A FINANCIAL PERSPECTIVE

Your future income should factor into your college choice and how much you borrow.

EXAMPLE: If you are going to school for a moderate or low-paying career, you will want to limit what you borrow. Remember Jennifer, who went to the expensive private college and graduated with a lot of debt for a social work degree? Choosing a college without taking into consideration your future income can result in a lot of student loan debt that may take a long time to pay off.

That is not to say you can borrow unlimited amounts if you anticipate a high paying job. When you have limits, that's more of your money going to you and not debt. It also protects you should your plans change.

This program is not ruling out modestly paying jobs like social workers, teachers, or nonprofit workers. If that is your passion, you just have to be super intentional about limiting the amount of debt you take on.

LIFESTYLE:

Reflect on the career you are thinking about and the income it will provide. Cross check this by thinking about the lifestyle you want. Will your income allow you to afford that lifestyle? If not, what cuts in your budget will you make? This might seem hypothetical now, but it will get very real when you have a job and expenses.

To make it more real, notice the differences in the budgets listed below. What budget will your future career support?

Housing

- **LOW ($500): Rent an apartment with friends**
- **MIDDLE ($1,550): Live in a family home or apartment independently.**
- **HIGH ($3,100): Own a large family home. This gives you more options in regards to location and neighborhood.**

Food

- **LOW ($300): Don't dine out and cook homemade meals.**
- **MIDDLE ($575): Dine out sometimes.**
- **HIGH ($1,150): Dine out a few times per week.**

Clothing

- **LOW ($60): Shop at discount retailers and secondhand stores.**
- **MIDDLE ($160): Mix discount and name brands.**
- **HIGH ($320): Shop at high end retailers and wear name brand clothing.**

Transportation

- **LOW ($350): Take the bus or carpool with a friend.**
- **MIDDLE ($760): Drive a mid-sized car or SUV.**
- **HIGH ($1,520): Drive a high range, or luxury, car.**

Entertainment

- **LOW ($90): Watch movies at home or play board games.**
- **MIDDLE ($215): Go to movies or concerts periodically.**
- **HIGH ($430): Attend movies, concerts, or other events, such as plays, frequently. More money for travel. More money for vacations and travel.**

Health Care

- **LOW ($100): You may need to go to an Urgent Care for medical appointments; you are unlikely to have dental or vision coverage.**
- **MIDDLE ($240): Average spending on health care, such as: prescription, medical, and dental coverage**
- **HIGH ($680): May include doctor, dental, vision, prescription, and other medical coverage.**

Note: The benefits package employer offers are very important to consider when comparing job offers. Some employers may cover the entire costs of health insurance for their employee, for example, but it may cost $200-$800 to cover a spouse and/or children. Be sure to not only compare how much the job pays, but also check how much the employer contributes to health insurance and retirement to find out how much money you will be able to include in your budget.

GIG ECONOMY:

Many people work outside of a normal job to help bring in extra income. Some examples are driving for a rideshare company, renting out a room, or walking pets. Be sure to carefully consider consequences of these sources of income. If you are driving for a rideshare company or delivering food, consider how the extra wear-and-tear will impact your car, and your insurance rates.

If you have an extra room you are considering renting, be sure to check the rules of your apartment, home association, and local laws and ordinances to be sure you are not violating any rules.

With any additional income you make, be sure to check with a tax professional or withholding calculator located on the IRS website to make sure you are withholding enough money with this extra income. You do not want to owe money at tax season because you were basing withholdings off your primary income!

Maria took a weekend job working as a barista and made $5,760 more that year. However, she did not update the amount withheld from her primary job and ended up owing $2,500 in taxes for the year. If you anticipate earning extra money, make sure you adjust what you pay in taxes to avoid a surprise.

OTHER CONSIDERATIONS

Looking at your job/career choice through a financial "lens" is just one perspective. It's an important perspective, but not the only one. Choosing a job just for the money can result in a well- paying job that is not satisfying. In addition to being aware of the financial perspective, you should choose a job that aligns with your passion, interests, and skills. There are many resources and online assessment tools to help you figure that out. Ask your teacher or school counselor, librarian, and/or parents.

LESSON 3 REVIEW: KEY TERMS

- **What is gross income?**
- **What is net income?**
- **How do you calculate net income?**
- **What is a budget?**
- **What is a budget deficit?**
- **Why does a budget deficit happen?**
- **If your budget has a deficit, what do you do?**
- **What is debt?**

LESSON 3 EXIT TICKET

1. What is net income?

- ☐ What you are paid before taxes
- ☐ What you are paid after taxes
- ☐ What you are paid in a calendar year
- ☐ What you are paid in a fiscal year

2. What is a budget?

- ☐ Gross income minus net income
- ☐ Expenses multiplied by income
- ☐ Income plus expenses
- ☐ Income minus expenses

3. What is a budget deficit?

- ☐ You save more than you spend
- ☐ You spend exactly what you make
- ☐ You spend less than what you make
- ☐ You spend more than what you make

4. What is a budget surplus?

- ☐ you save more than you spend
- ☐ You spend exactly what you make
- ☐ You spend less than what you make
- ☐ You spend more than what you make

5. Which best describes debt?

- ☐ Wealth for you that will grow with interest
- ☐ n interest rate on a credit card, student loan, or home loan
- ☐ Money paid for borrowed money
- ☐ Money owed for borrowed money

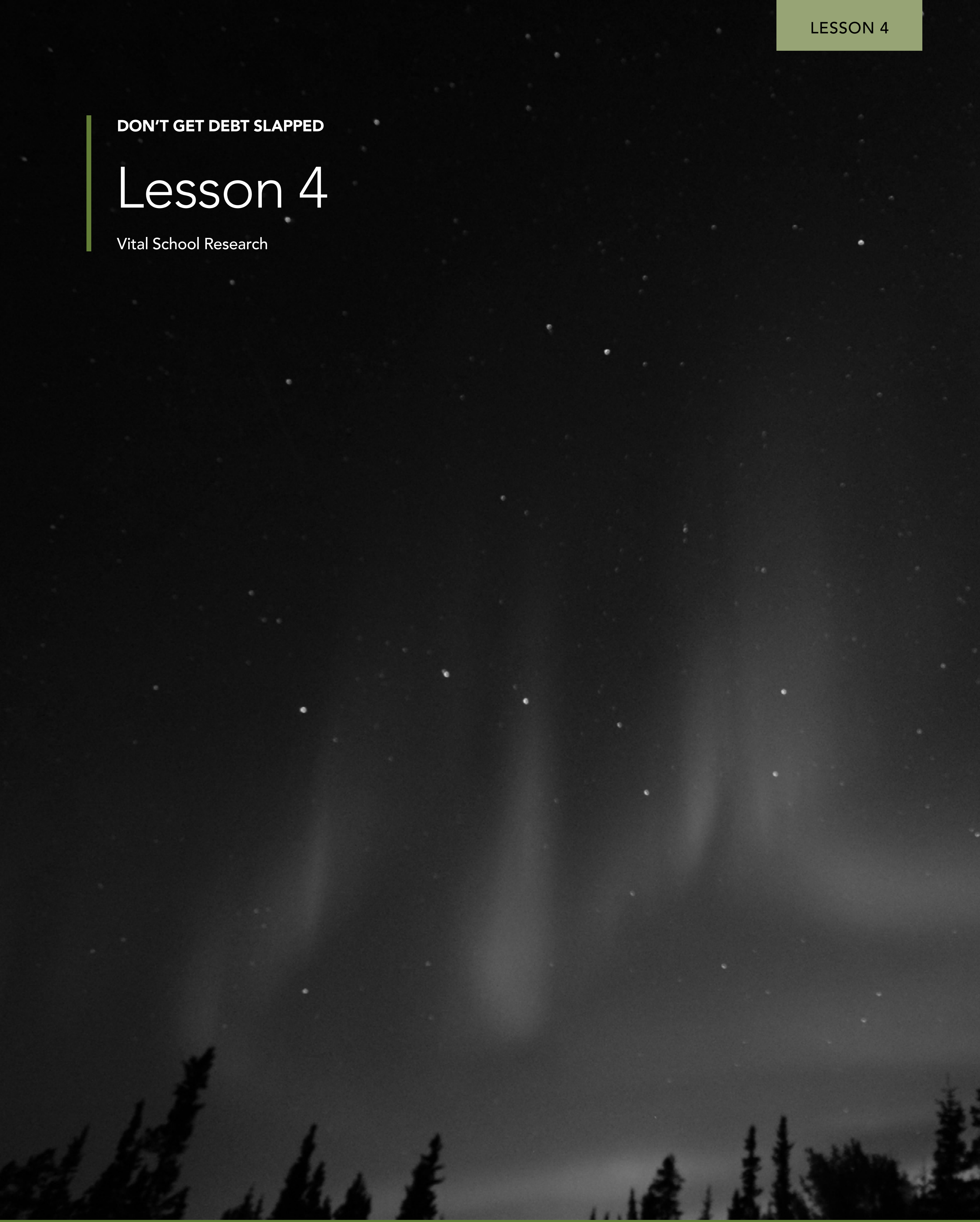
END OF LESSON 3

Come to the next class with a college or vocational-technical school in mind for Lesson 4.

DON'T GET DEBT SLAPPED

Lesson 4

Vital School Research



Lesson 4: Vital School Research

DON'T GET DEBT SLAPPED

TIME REQUIRED: 40-50 MINUTES

NAME:
DATE:
HIGH SCHOOL:
GRADE:

LESSON 4 LEARNING OUTCOMES

In this 50-minute lesson, you will:

A. Identify whether your future school is public, private, or for-profit.
B. Verify whether your future school is accredited.
C. Examine and classify the graduation rate of your future school.
D. Examine and classify the cohort default rate of your future school.
E. List the full-sticker cost of your future school.
F. List the net price of your future school.
G. Overview the choices for how to pay for higher education.

PRE-ASSESSMENT QUESTIONNAIRE

1. **I know whether my school choice is a state school, private nonprofit, or for-profit.**

- ☐ Yes
- ☐ No

2. **What is a for-profit school?**

- ☐ I don't know
- ☐ School funded by the state or government
- ☐ Private education institution not formed primarily to make a profit
- ☐ A corporation formed to generate a profit for its shareholders by providing education
- ☐ School designed to instruct business students

3. **What is accreditation?**

- ☐ I don't know
- ☐ The taxes you must pay for attending a school
- ☐ An assessment of a school by an independent agency
- ☐ Admission status from a school
- ☐ Financial award determination from a school

4. **What is cohort default rate?**

- ☐ I don't know
- ☐ The rate of students who flunk out of a school
- ☐ The rate of students who pay beck their student loans
- ☐ The rate of students who cannot pay back their student loans
- ☐ The rate of students who have scholarships taken away

5. **What type of school has the largest percentage of students defaulting on their loans?**

- ☐ I don't know
- ☐ State/public
- ☐ Private, nonprofit
- ☐ For-profit

6. **I have a good idea of what my education/training/college will cost:**

- ☐ Strongly agree
- ☐ Agree
- ☐ Not sure
- ☐ Disagree
- ☐ Strongly Disagree

7. **Which of the following only contains awards you do not have to pay back?**

- ☐ I don't know
- ☐ Grants and federal loans
- ☐ Scholarships and private loans
- ☐ All financial aid: grants, scholarships, and loans
- ☐ Grants and scholarships

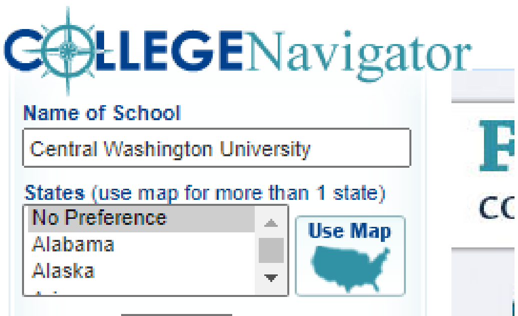
8. **What is a school's net price?**

- ☐ I don't know
- ☐ The full cost of classes plus living expenses
- ☐ In-state tuition from a state school
- ☐ Cost of school and living expenses minus grants and scholarships

FINDING YOUR SCHOOL ON COLLEGE NAVIGATOR: QUESTION 9

A. Go to: http://nces.ed.gov/collegenavigator/

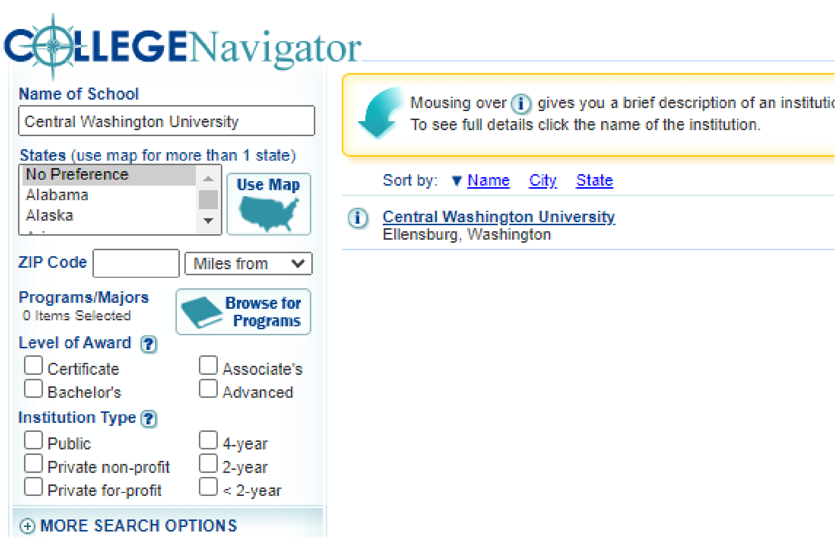
B. Look near the upper left of the website, where it says "Name of School". Below that, you will see a field or area that says "Type name of school here".



C. Be sure to type the official name and not shorthand. So, University of Washington instead of UW or Washington State University instead of WSU. You can type a technical school too.

D. Once you've typed the name, click on enter.

E. You might then see schools with similar names or different campuses for the school. Click on the school and campus you want and that will take you to a page with more information about the school you've chosen.



F. You should be on the page with more information about your school. There should be a yellow-ish area near the top and several categories under that.


Central Washington University
400 East University Way, Ellensburg, Washington 98926-7501

Add to Favorites

General information:	(509) 963-1111
Website:	www.cwu.edu
Type:	4-year, Public
Awards offered:	Less than one year certificate Bachelor's degree Master's degree Post-master's certificate
Campus setting:	Town: Distant
Campus housing:	Yes
Student population:	12,342 (11,419 undergraduate)
Student-to-faculty ratio:	19 to 1

Expand All | Collapse All

- GENERAL INFORMATION
- TUITION, FEES, AND ESTIMATED STUDENT EXPENSES
- FINANCIAL AID
- NET PRICE
- ENROLLMENT
- ADMISSIONS
- RETENTION AND GRADUATION RATES
- OUTCOME MEASURES
- PROGRAMS/MAJORS

Maria's CWU Example: Maria has chosen to attend Central Washington University, so we will be using those numbers throughout the lesson as an example.

9. What school will you be attending for education or training after high school?

FINDING THE TYPE OF SCHOOL: QUESTION 10

SCHOOL TYPE: A school can fit into one of the following broad categories:

- **STATE/PUBLIC: Funded by the government and usually has the lowest tuition.**
- **PRIVATE, NON-PROFIT: institutions that are tax exempt because they are not formed primarily to make a profit.**
- **FOR PROFIT: Educational institutions that are businesses formed to generate a profit for their shareholders.**

KEY TIP: For-profit schools have the highest student loan DEFAULT RATES.

State/Public schools generally have the least inexpensive tuition (cost of classes).

On the page for your school, in the yellow-ish area of the page, it lists the schools name and address, General Information and website. Right under where it lists the website, it lists the type of school it is. Public; Private, nonprofit; or For Profit.

Maria's CWU Example:

Central Washington University
400 East University Way, Ellensburg, Washi

General information:	(509) 963-1111
Website:	www.cwu.edu
Type:	4-year, Public

Central Washington University (CWU) is a 4-year, Public School

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10. What type of school is your school choice?

FINDING ACCREDITATION: QUESTIONS 11, 12

KEY TERM: Accreditation
ACCREDITATION is the assessment of a school by an independent agency to ensure it meets certain standards to provide the education or training.

On the page for your school, you will see a list of categories from GENERAL INFORMATION to COHORT DEFAULT RATES.

A. Go down the list until you see ACCREDITAITON. It's usually third from the bottom. Click on the circle by it and it will expand the section.

B. Here, you'll see if your school is accredited or not, and if it is, you'll see who the accreditor is (the institution that accredits your school). There may be a lot of different accreditors, but look under Institutional accreditation near the top of the accreditation category.

⊖ ACCREDITATION

INSTITUTIONAL ACCREDITATION

ACCREDITOR	STATUS	NEXT REVIEW DATE
Northwest Commission on Colleges and Universities	Accredited since (04/01/1918)	10/01/2025

C. Click on the circle again to minimize the section.

D. Answer "Yes" or "No" whether your school is accredited in #11 below.

E. If it is accredited, write the name of the accrediting institution in #12 below.

11. Is your school accredited?

12. What is the name of the accrediting institution?

Maria's CWU Example: CWU is accredited and the accreditor is Northwest Commission on Colleges and Universities. They also accredit other known universities like University of Washington, Washington State University, and Western Washington university, among others, so that's a good sign.

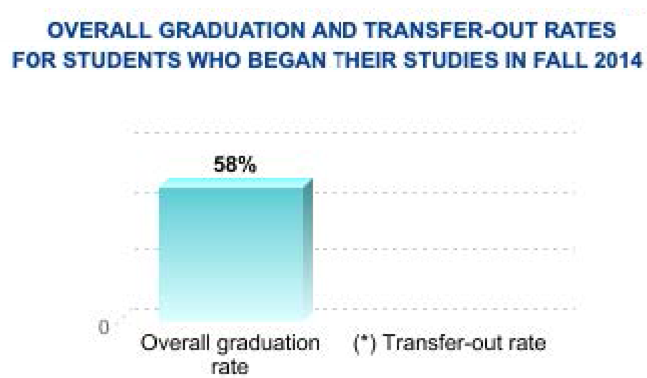
FINDING OVERALL GRADUATION RATE: QUESTIONS 13, 14

A. **Scroll down the categories until you get to the RETENTION AND GRADUATION RATES category and click on it. It's usually below Admissions.**

B. **Expand the section by clicking on the circle. Scroll past retention rates until you get to the heading OVERALL GRADUATION RATE. It might say OVERALL GRADUATION AND TRANSFER-OUT RATES, but just look at the percentage it shows for OVERALL GRADUATION RATE and write this percentage in #13 below.**

C. **Minimize the section by clicking on the circle.**

Maria's CWU Example:



CWU's overall graduation rate percentage is 58%.

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13. What is your school's overall graduation rate percentage?

Is the percentage high, average or low? Here's something to judge it by:
a. 80% and above is high. That's the best.
b. 50% to 79% is average.
c. 49% or below is low.

Write whether it's high, average, or low in #14 below.

14. Is your school's overall graduation rate high, average, or low?

FINDING YOUR SCHOOL'S COHORT DEFAULT RATE: QUESTIONS 15,16

KEY TERM: COHORT DEFAULT RATE
The percent of graduates who can't pay back their student loans.

A. Scroll down the categories until you get to COHORT DEFAULT RATES, which is usually the last category.

B. Click on it and it will expand the section.

C. Go to the most recent year they have. It might be 3 or 4 or more years old.

D. Type the cohort default rate for the most recent academic year in #15 below.

15. What is the cohort default rate of the school you are considering?

Here's one way to evaluate the percentage:

- **6% or under is low, and that's the best.**
- **7% to 12% is average.**
- **13% and above is high and that's the worst.**

Select whether your school's default rate is low, average, or high in #16 below.

16. Is the cohort default rate low, medium, or high?

Maria's CWU Example:

⊖ COHORT DEFAULT RATES

THREE-YEAR OFFICIAL COHORT DEFAULT RATES

FISCAL YEAR	2017
Default rate	6.9%
Number in default	209
Number in repayment	2,995

CWU's cohort default rate is 6.9%.

KEY TIP: For-profit schools have the highest student loan default rates.

FINDING TUITION FOR ONE YEAR: QUESTION 17

A. Scroll down the categories until you get to Tuition, Fees, and Estimated Student expenses. (It's usually the second category from the top.) Click on it to expand it.

B. Once expanded, look near the top for the heading of Tuition and fees. You'll see it lists amounts for different years. Look for the tuition for the most recent year, which will be on the right side. In the Central Washington example, 2020-21 is the most recent year.

ESTIMATED EXPENSES FOR ACADEMIC YEAR	2017-2018	2018-2019	2019-2020	2020-2021	% CHANGE 2019-2020 TO 2020-2021
Tuition and fees					
In-state	$7,903	$8,072	$8,273	$8,444	2.1%
Out-of-state	$22,010	$23,053	$23,954	$24,520	2.4%
Books and supplies	$1,002	$1,002	$900	$900	0.0%
Living arrangement					
On Campus					
Room and board	$10,684	$11,115	$12,637	$13,787	9.1%
Other	$3,012	$3,012	$2,922	$2,922	0.0%
Off Campus					
Room and board	$10,684	$8,835	$8,100	$9,276	14.5%
Other	$3,012	$3,012	$2,922	$2,922	0.0%
Off Campus with Family					
Other	$3,012	$3,012	$2,922	$2,922	0.0%

C. Note: if you chose a state school, it will list in-state and out-out-state tuition. Pick what fits for your situation.

D. Note the tuition for your school for the most recent academic year and enter this into #9 below. Remember, this is the full price without any scholarship or grant "discounts".

Maria's CWU Example: Tuition at CWU was $8,444 for in-state students for the 2020-2021 academic year.

17. What is your school's tuition?

KEY TIP: Notice the cost difference between in- and out-of-state tuition. Generally, in-state tuition at State/Public colleges will be the lowest full sticker tuition.

FINDING TOTAL COST FOR ONE YEAR: QUESTION 18

KEY TERM: TOTAL COST FOR ONE YEAR
TOTAL COST FOR ONE YEAR: This is also known as the FULL STICKER PRICE and it's the full price to go to that school, including the cost of classes (tuition) and living expenses. It does not include savings from grants and/or scholarships so it will be higher.

A. Stay in the TUITION, FEES, AND ESTIMATED STUDENT EXPENSES category. This is where you previously found the tuition.

Expand All | Collapse All

⊕ GENERAL INFORMATION

⊖ TUITION, FEES, AND ESTIMATED STUDENT EXPENSES

ESTIMATED EXPENSES FOR FULL-TIME BEGINNING UNDERGRADUATE STUDENTS

- Beginning students are those who are entering postsecondary education for the first time.

ESTIMATED EXPENSES FOR ACADEMIC YEAR	2017-2018	2018-2019	2019-2020	2020-2021	% CHANGE 2019-2020 TO 2020-2021
Tuition and fees					
In-state	$7,903	$8,072	$8,273	$8,444	2.1%
Out-of-state	$22,010	$23,053	$23,954	$24,520	2.4%
Books and supplies	$1,002	$1,002	$900	$900	0.0%
Living arrangement					
On Campus					
Room and board	$10,684	$11,115	$12,637	$13,787	9.1%
Other	$3,012	$3,012	$2,922	$2,922	0.0%
Off Campus					
Room and board	$10,684	$8,835	$8,100	$9,276	14.5%
Other	$3,012	$3,012	$2,922	$2,922	0.0%
Off Campus with Family					
Other	$3,012	$3,012	$2,922	$2,922	0.0%
TOTAL EXPENSES	**2017-2018**	**2018-2019**	**2019-2020**	**2020-2021**	**% CHANGE 2019-2020 TO 2020-2021**
In-state					
On Campus	$22,601	$23,201	$24,732	$26,053	5.3%
Off Campus	$22,601	$20,921	$20,195	$21,542	6.7%
Off Campus with Family	$11,917	$12,086	$12,095	$12,266	1.4%
Out-of-state					
On Campus	$36,708	$38,182	$40,413	$42,129	4.2%
Off Campus	$36,708	$35,902	$35,876	$37,618	4.9%
Off Campus with Family	$26,024	$27,067	$27,776	$28,342	2.0%

B. If you scroll down in that same section, you'll see TOTAL EXPENSES. It will list in-state and out-of-state. For each of those, it will list on campus; off campus, and off campus with family. Notice the price differences.

TOTAL EXPENSES	2017-2018	2018-2019	2019-2020	2020-2021
In-state				
On Campus	$22,601	$23,201	$24,732	$26,053
Off Campus	$22,601	$20,921	$20,195	$21,542
Off Campus with Family	$11,917	$12,086	$12,095	$12,266

C. Pick which category will apply to you and note the total cost of the most recent academic year for one year. (In other words, choose in-state or out-of-state and choose on campus, off campus, or off campus with family.)

D. List your school's TOTAL COST FOR ONE YEAR on #18 below.

E. Minimize the section by clicking on the circle.

KEY TERM: TOTAL COST FOR ONE YEAR
TOTAL COST FOR ONE YEAR: This is also known as the FULL STICKER PRICE and it's the full price to go to that school, including the cost of classes (tuition) and living expenses. It does not include savings from grants and/or scholarships so it will be higher.

18. What is the total cost for one year at full sticker price?

KEY TIP: Notice the savings one can achieve by living at home during college. Some schools require first-year students to live on campus, so be sure to check with your school to find out what housing options are available. Living on campus can cover more expenses than just rent. Be sure to check what is covered by your living plan, such as internet, utilities, and a meal plan.

FINDING TOTAL COST TO GET YOUR DEGREE/CERTIFICATE: QUESTION 19

A. **Take your answer from the previous question (#10, the total cost for one year) and multiply it by the number of years you have to go to school to get your degree or certificate. If it's a two-year degree, multiply it by two. If it's a four-year degree, multiply it by four. If it's a one-year program, you have your answer.**

B. **Do this calculation and enter your answer into #19 below.**

Maria's CWU Example: For CWU, Maria would take the total one-year cost, $26,053 and multiply it by four for the total cost to get her degree. That comes out to $104,212. Remember, that's the full sticker price before grants and scholarships offered by the school.

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19. What is the total cost to get your degree/certificate at full sticker price?

FINDING AVERAGE NET PRICE FOR ONE YEAR: QUESTION 20

KEY TERM: AVERAGE NET PRICE
The average cost to attend that school for one year, including tuition and living expenses, after the school awards grants and scholarships. Net price is less than the full sticker price because it's AFTER grants and scholarships awarded by the school.

KEY TERM: SCHOLARSHIPS AND GRANTS
You do not have to pay these back.

A. Scroll down the categories until you get to Net Price. (It's usually below the Financial Aid category, but some schools may not list it. If your school doesn't list it, skip #20 and #21, and move on to #22.)

B. Clicking on NET PRICE will expand it.

NET PRICE

AVERAGE NET PRICE FOR FULL-TIME BEGINNING STUDENTS

Full-time beginning undergraduate students who paid the in-state or in-district tuition rate and were awarded grant or scholarship aid from federal, state or local governments, or the institution.

	2017-2018	2018-2019	2019-2020
Average net price	$14,647	$16,014	$16,441

Full-time beginning undergraduate students who paid the in-state or in-district tuition rate and were awarded Title IV aid by income.

AVERAGE NET PRICE BY INCOME	2017-2018	2018-2019	2019-2020
$0 – $30,000	$9,810	$9,875	$10,796
$30,001 – $48,000	$11,443	$11,423	$12,706
$48,001 – $75,000	$15,549	$15,744	$17,235
$75,001 – $110,000	$20,027	$20,133	$21,566
$110,001 and more	$20,955	$21,256	$22,466

- Average net price is generated by subtracting the average amount of federal, state/local government, or institutional grant or scholarship aid from the total cost of attendance. Total cost of attendance is the sum of published tuition and required fees (lower of in-district or in-state), books and supplies, and the weighted average for room and board and other expenses.
- Beginning students are those who are entering postsecondary education for the first time.
- Title IV aid to students includes grant aid, work study aid, and loan aid. These include: Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Academic Competitiveness Grant (ACG), National Science and Mathematics Access to Retain Talent Grant (National SMART Grant), Teacher Education Assistance for College and Higher Education (TEACH) Grant, Federal Work-Study, Federal Perkins Loan, Subsidized Direct or FFEL Stafford Loan, and Unsubsidized Direct or FFEL Stafford Loan. For those Title IV recipients, net price is reported by income category and includes students who received federal aid even if none of that aid was provided in the form of grants. While Title IV status defines the cohort of student for which the data are reported, the definition of net price remains the same – total cost of attendance minus grant aid.

C. Once in the NET PRICE category, find the AVERAGE NET PRICE for the most recent academic year they have a figure for. Notice they may also list AVERAGE NET PRICE by income and after checking on your parent's income, you can see what applies to you.

Maria's CWU Example:

NET PRICE

AVERAGE NET PRICE FOR FULL-TIME BEGINNING STUDENTS

Full-time beginning undergraduate students who paid the in-state or in-district tuition rate and were awarded grant or scholarship aid from federal, state or local governments, or the institution.

	2017-2018	2018-2019	2019-2020
Average net price	$14,647	$16,014	$16,441

At CWU, the AVERAGE NET PRICE for one year is $16,441. That's down from the full sticker price of $26,053.

D. For now, just use the AVERAGE NET PRICE near the top of the NET PRICE category. Remember, NET PRICE includes tuition, fees, and living expenses for one year minus grants and scholarships. It's less expensive than the full price.

E. List your school's AVERAGE NET PRICE for One Year on #20 below.

⊖ NET PRICE

AVERAGE NET PRICE FOR FULL-TIME BEGINNING STUDENTS

Full-time beginning undergraduate students who paid the in-state or in-district tuition rate and were awarded grant or scholarship aid from federal, state or local governments, or the institution.

	2016-2017	2017-2018	2018-2019
Average net price	$14,124	$14,647	$16,014

20. What is the average net price for one year at the school you've chosen?

FINDING TOTAL NET PRICE TO GET YOUR DEGREE: QUESTION 21

A. **Take your answer from the previous question (#20, the AVERAGE NET PRICE for one year) and multiply it by the number of years you have to go to school to get your degree or certificate. If it's a two-year degree, multiply it by two. If it' a four-year degree, multiply it by four. If it's a one-year program, you already have your answer.**

B. **Do your calculation and enter your answer into #21 below.**

C. **If no Average Net Price is provided for your school, please use the Total Cost from question #19.**

Maria's CWU Example: For CWU, Maria would take the one year NET PRICE of $16,441 and multiply it by four to get $64,764. That's down from the full sticker price of $104,212.

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21. What is the total net price to get your degree at the school you've chosen?

KEY TIP: Generally, State/Public schools will have the lowest NET PRICE, but you won't know if it will actually be less expensive than a private school until you get your award letter. So apply to different schools and have a financial safety (low cost) school. Fill out the FAFSA on time.

PAYING FOR COLLEGE

This section briefly overviews paying for higher education. Here is a list of options to pay for college:

- **Contributions from you and/or your family (savings, income from work)**
- **Federal Student Aid: grants and/or work study for income; you don't have to pay these back**
- **Federal Student Aid: loans; you have to pay these back**

KEY TERM: LOAN: A loan is a legal agreement where a borrower receives money he or she has to pay back under certain terms and conditions. This lesson introduces some terms and conditions.

KEY TERM: DEBT: Money owed. If you take out a loan for a car, house, or student loan, to name a few, the money you borrowed is your debt.

Further Tips and Information About Paying for Higher Education:

- **You must fill out the Free Application for Federal Student Aid (FAFSA) on time in order to be eligible. https://studentaid.ed.gov/sa/fafsa**

- **Filling out the FAFSA is necessary for you to be considered for the less expensive net price that we will discuss.**

- **The State of Idaho offers a variety of scholarships. Take a look at the opportunities available designed to meet the different needs of students by visiting https://boardofed.idaho.gov/scholarships/**

- **Also, look for need-based financial assistance you do not have to pay back, including state aid, at https://www.labor.idaho.gov/dnn/Job-Seekers/On-the-Job-Training/Apprenticeships**

- **Need and/or merit-based private grants or scholarships; ask your school counselor for help or search on your own: http://www.myscholly.com/**

- **Private Student loans: you must pay these back.**

- **The State of Idaho offers a variety of scholarships. Take a look at the opportunities available designed to meet the different needs of students by visiting https://boardofed.idaho.gov/scholarships/**

LESSON 4: REVIEW KEY TERMS

- **What is a state/public school?**
- **What is a private, non-profit school?**
- **What is a for-profit school?**
- **What is accreditation?**
- **What is cohort default rate?**
- **What type of school has the highest student loan default rates?**
- **Do you have to pay back grants and scholarships?**
- **What is full sticker price?**
- **What type of school has the lowest full sticker tuition?**
- **What is net price?**
- **How can you know what school will have the lowest net price for you?**

LESSON 4 EXIT TICKET

22. I know whether my school choice is a state school; private non-profit, or for-profit?

- ○ **Yes**
- ○ **No**

23. What is a for-profit school?

- ○ **A school funded by the state or government**
- ○ **Education institutional that is private and not formed primarily to make a profit**
- ○ **A corporation formed to generate a profit for its shareholders by providing education**
- ○ **School designed to instruct business students**

24. What is accreditation?

- ○ **The taxes you must pay for attending a school**
- ○ **An assessment of a school by an independent agency Admission status from a school**
- ○ **Financial award status determined by a school**

25. What is cohort default rate?

- ○ **The rate of students who flunk out of a school**
- ○ **The rate of students who pay back their student loans**
- ○ **The rate of students who cannot pay back their student loans**
- ○ **The rate of students who have scholarships taken away**

26. What type of school has the largest percentage of students defaulting on their loans?

- **State/public Private**
- **nonprofit For-profit**

27. I know what my higher education/training/college will cost:

- **Yes**
- **No**

28. Which of the following only contains awards you do not have to pay back?

- **Grants and federal loans Scholarships and private loans**
- **All financial aid: grants, scholarships, and loans Grants and scholarships**

29. What is a school's net price?

- **The full cost of classes plus living expenses In-state tuition from a state school**
- **Cost of school and living expenses minus grants and scholarships**
- **Cost of school plus loans**

IF EXTRA TIME: GO THROUGH NAVIGATOR FOR DIFFERENT SCHOOL CHOICE(S).
HOMEWORK:
Go to the website of your school choice and make sure it offers the degree/training you need to do the job you want. For example, if you want to be a veterinarian, you'd want to go to Washington State University, not University of Washington.

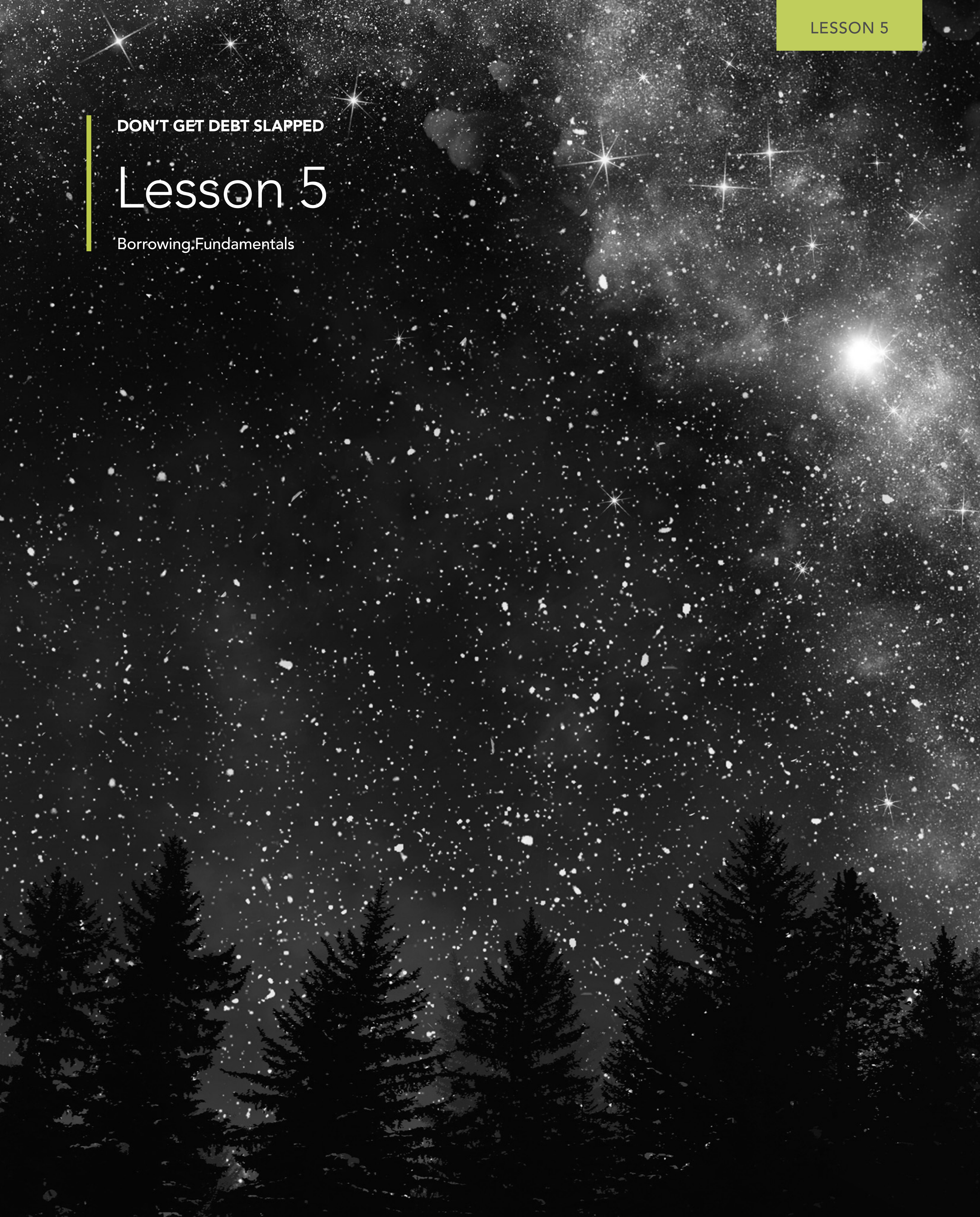
You can find your school's website on the page for your school on the college navigator: http://nces.ed.gov/collegenavigator

END OF LESSON 4

DON'T GET DEBT SLAPPED

Lesson 5

Borrowing Fundamentals



Lesson 5: Borrowing Fundamentals

DON'T GET DEBT SLAPPED

TIME REQUIRED: 40-50 MINUTES

NAME:
DATE:
HIGH SCHOOL:
GRADE:

LESSON 5 LEARNING OUTCOMES

After this 50-minute lesson, you will be able to:

A. Define 12 key borrowing terms.
B. Understand borrowing basics that apply to all loans.

PRE-ASSESEMENT QUESTIONAIRE

1. What is the result of taking longer to pay off a loan?
   - ☐ I don't know
   - ☐ Your monthly payment is larger, but the total to pay off the loan is smaller
   - ☐ The total to pay off the loan is larger, but your monthly payment is smaller
   - ☐ Both your monthly payment and total to pay off the loan is larger
   - ☐ You pay less in interest

2. What is a loan principal?
   - ☐ I don't know
   - ☐ An agreement to limit the fees added to a loan
   - ☐ A legal document you can sign
   - ☐ The total amount a borrow pays back
   - ☐ The original amount borrowed

3. What is interest?
   - ☐ I don't know
   - ☐ The total amount a borrower pays back
   - ☐ Money paid for the use of borrowed money
   - ☐ The original amount borrowed
   - ☐ A term to define the length of time to pay back a loan

4. What is interest rate?
   - ☐ I don't know
   - ☐ A calculation of loan fees minus principal amount borrowed
   - ☐ Proportion of amount loaned which a borrower will deduct from a loan payment
   - ☐ The rate the frequency of payments will impact time to pay back the loan
   - ☐ The percentage of principal charged by the lender for the use of its money

5. What is a loan term?
   - ☐ I don't know
   - ☐ The loan agreement
   - ☐ The length of the loan
   - ☐ A revolving loan
   - ☐ How the loan applies fees

For Questions 6-9, consider the following situation: A $10,000 loan paid back over 20 years ended up costing $15,000.

6. What is the loan principal of this loan?
   - ☐ ______________________________

7. What is the loan term?
   - ☐ ______________________________

8. What is the interest paid?
   - ☐ ______________________________

9. What is the total amount paid to pay off the loan?
   - ☐ ______________________________

WHY DO PEOPLE BORROW MONEY?

Most people don't have the cash on hand to fully pay for a large purchase, such as a house, car or college education. So, they must take out a loan to pay for the purchase. This is also called financing a purchase, where one makes regular payments over time to pay off a loan.

KEY TERM: LOAN: A loan is a legal agreement where a borrower receives money he or she has to pay back under certain terms and conditions. This lesson introduces some terms and conditions.

KEY TERM: DEBT: Money owed. If you take out a loan for a car, house, or student loan, to name a few, the money you borrowed is your debt.

However, not just anyone can get a loan. You have to go through an application process to see if your loan is approved.

WHAT ARE THE MAJOR STEPS IN THE BORROWING PROCESS?

A. You apply for a loan at a financial institution, such as a bank or credit union.

B. The financial institution assesses various factors in your loan application, such as your income, assets (what you own), debts, age, your past financial behavior, and for what reason you are borrowing the money.

C. The financial institution will either reject or approve your loan application. If approved, it will create a legal document detailing the terms and conditions of your loan. The key terms and conditions will be further detailed in this lesson, but basically, the document will include the amount you are borrowing and the cost of borrowing it.

D. This lesson will help you learn the terms and conditions you should review before you make the loan official by signing it. The first thing you should review is the amount of money you are borrowing. Don't just automatically borrow the largest amount possible. Try to reduce what you borrow because it will save you money in the long run.

E. Once you sign the loan document, it is a legally binding agreement, meaning you can be sued if you don't pay the loan back.

F. You will make regular payments according to the agreement. Most loan payments are made on a monthly basis.

G. Once you pay back the loan and pay for borrowing the money, your obligation is complete and the agreement is done.

H. Instead of going straight to the seller, you should get a prequalification letter from a financial institution before making a major purchase. This can help keep you on track with your financial goals, find the best interest rates available, and reduces the risk of being upsold.

I. Is it a good idea to sign up for credit from your favorite store? While the store may offer savings and store credit, you will likely have high interest rates. It can tempt you to shop more than you normally would.

FINANCIAL INSTITUTIONS

How do you choose who to borrow your money from? Consider what options are available and what works best for you.

Commercial Bank

A privately owned financial institution that operates for-profit. You can make deposits, obtain loans, use the internet for tracking account information and paying bills. Check if

there are any fees, and what the interest rates are on the accounts, as well as if there are ATMs in convenient locations.

Credit Union

A not-for-profit financial institution that is owned by members. Most credit unions offer the same services as a commercial bank. Be sure to check if there are any eligibility requirements, such as work or affiliation, and if the branch and ATM locations are convenient.

Internet Bank

A financial institution that has no physical location and performs all its services through a website or app. You can get a debit card, and you may have different options for interest rates. Be sure to compare any financial institution to see if they offer the services you need.

Payday Lender

You can obtain a loan from a payday lender if you do not have a bank account elsewhere. You run the risk of high fees and very high interest rates for the service. Payday loans are very risky and not advised.

PAYING TO RENT MONEY

Have you ever rented anything, like bowling shoes, snowboard or ski equipment or skates, to name a few? You paid for the use of the item and then gave it back. In a way, taking out a loan is like renting money. You receive the money, but you have to give it back and pay for borrowing it.

To be clear, you don't just pay back what you borrowed. You pay back what you borrowed and then you pay for borrowing the money on top of that.

WHAT IF YOU HAVE TROUBLE PAYING BACK THE LOAN?

- If you have trouble paying back the loan, extra charges (fees) could be added and if you stop making payments, you could be sued and/or sent to collections for the money you owe. Part of your income can be taken to pay off the loan.

- Some (but not all) debts can be wiped away in bankruptcy, which is a legal process to determine which of your debts can be forgiven. Right now, it is very difficult to wipe away student loans in bankruptcy. One of the consequences in filing bankruptcy is the cost of your future loans will significantly increase. Remember one of the things lenders look at when deciding whether to loan you money and on what terms is your past financial behavior.

SPEAK THE LANGUAGE OF BORROWING

Learning about loans and borrowing is like learning a new language. You have to know how to speak it to know what you are doing. The better you learn the language, the more informed your choice will be. Let's review key borrowing terms.

- **PRINCIPAL: In the language of borrowing, principal is the original amount you borrow.**

EXAMPLE 1: If you took out a $15,000 loan for a car, that is the principal.
EXAMPLE 2: If you took out a $300,000 home loan (also called a mortgage) for a house, that is the principal.

- **INTEREST: Remember how you have to pay to borrow money? In the language of borrowing, interest is the money paid for the use of borrowed money. In other words, it's the difference between your loan principal and what you paid to pay off the loan.**

EXAMPLE 1: Let's say you paid $20,000 over 7 years to pay off your $15,000 loan for a car. (The $15,000 was your principal.) The difference between $20,000 and $15,000 is $5,000 and that is the interest paid in that loan.
EXAMPLE 2: If you paid $580,000 over 30 years to pay off your $300,000 home loan, the interest paid on this loan is $280,000. (The principal amount was $300,000.)

- **INTEREST RATE: the percent of the loan principal (original amount borrowed) charged as interest to the borrower. This is like a price tag for a loan. Just like how you look at the price tag for things you buy, you should look at the interest rate for a loan. You can compare the interest rates on loans to see which ones will be less expensive.**

EXAMPLE 1: The interest rate in the car loan example was 8%. In other words, 8% of the original amount borrowed was charged as interest in the monthly payments.
EXAMPLE 2: The interest rate in the home loan example was 5%.

- **MONTHLY PAYMENTS: the monthly amount you are required to pay once you receive the loan.**

- **MONTHLY PAYMENT DUE DATES: Dates your monthly payments are due.**

- **LOAN TERM: the time period of the loan, expressed in months or years.**

EXAMPLE 1: The car loan was a 7-year loan. Its loan term was 7 years.
EXAMPLE 2: The home loan was a 30-year loan. Its loan term was 30 years.

- **TOTAL TO PAY OFF THE LOAN: the total of all your payments to pay off the loan. This will include the principal amount borrowed plus interest payments. Remember, you'll pay more than you borrowed.**

- **LOAN BALANCE: the amount you owe on your loan. Your loan balance changes as you make monthly payments. With each payment, your loan balance will go down. If your payment is less than the interest you are being charged (or if you don't make payments), your balance will go up.**

LOAN REPAYMENT

Now, using the net price for your school, let's look at some different loan repayment plans.

FINDING TOTAL NET PRICE TO GET YOUR DEGREE

A. **Take average net price for one year and multiply it by the number of years you have to go to school to get your degree or certificate. If it's a two-year degree, multiply it by two. If it's a four-year degree, multiply it by four. If it's a one-year program, you already have your answer. Do your calculation and enter your answer into #1 below. You found this number in Lesson 4, Question 21.**

B. **If your school does not list the average net price, please locate the TOTAL COST TO GET YOUR DEGREE AT FULL STICKER PRICE in Lesson 4, Question 19.**

10. **What is the total net price to get your degree at the school you've chosen? You found this number in Lesson 4, Question 21. If your school does not list net price, use your full sticker price from Lesson 4, Question 19 instead.**

Now you have either the total cost to get your degree or the total net price to get your degree. For this Activity, let's assume you have to borrow this entire amount. Of course, depending on your situation, perhaps you won't have to. For now, use that number in the repayment calculator instructions below.

Maria's CWU Example: Central Washington University's net price to get a degree is $64,056 and this is the amount to be borrowed in this running example.

FINDING THE STANDARD 10 YEAR REPAYMENT PLAN COSTS

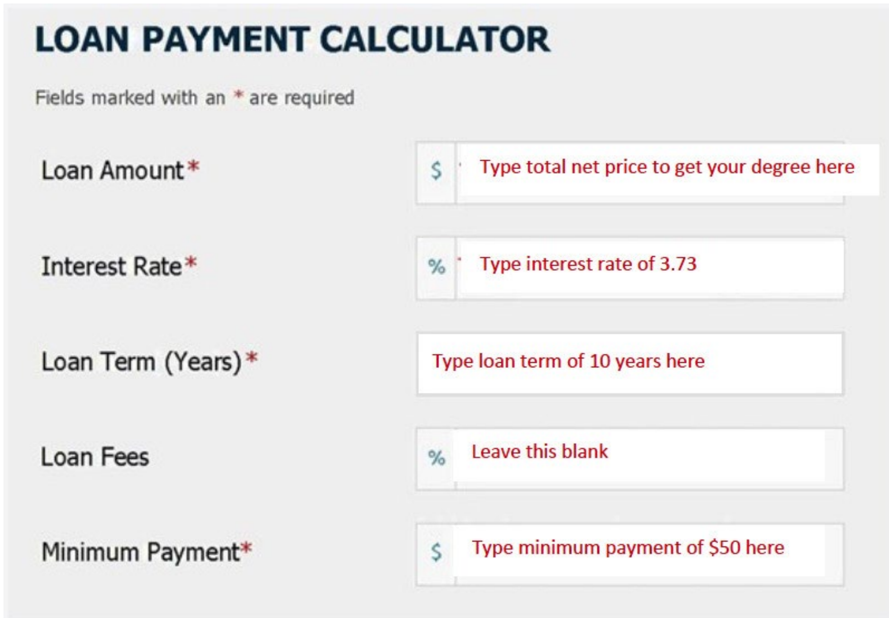
A. **Click on the repayment estimate link: http://www.finaid.org/calculators/loanpayments.phtml**

B. **Scroll down until you see the fields or areas to enter numbers, starting with Loan Balance. Enter the total amount you are going to borrow for higher education from TOTAL COST TO GET YOUR DEGREE or TOTAL NET PRICE TO GET YOUR DEGREE (#10) above into the LOAN AMOUNT field. So, use the total cost to get your degree or the total net price to get your degree.**

C. **Below Loan Balance is the interest rate. Replace what is there with 3.73% as the interest rate.**

Note: The current interest rate for Direct Subsidized and Unsubsidized Loans for Undergraduates as of July 2021 is 3.73%. For the running example, we will be using 3.73% as the interest rate.

Instructions:



LOAN PAYMENT CALCULATOR

Fields marked with an * are required

Loan Amount*	$ Type total net price to get your degree here
Interest Rate*	% Type interest rate of 3.73
Loan Term (Years)*	Type loan term of 10 years here
Loan Fees	% Leave this blank
Minimum Payment*	$ Type minimum payment of $50 here

D. If you want to check for current interest rates, you can look at this link: https://studentaid.gov/understand-aid/types/loans/interest-rates and scroll down to see the various interest rates. Use Direct (Subsidized or Unsubsidized Loans) for Undergraduate.

E. Return to the loan calculator (http://www.finaid.org/calculators/loanpayments.phtml), keep the Loan Amount as 10.

F. Keep Loan Fees at 0 and put the $50 as the minimum payment.

G. Then click on the CALCULATE button and this will provide you information you need for QUESTIONS 11 - 13.

H. Among the many things it will show you, focus on the following:
   a. The Monthly Loan Payment and enter this into #11 below;
   b. The Cumulative Payments total, which is the total amount to pay off the loan, and enter this into #12 below; and The Total Interest Paid, which is the amount you paid in excess of the principal, and enter this into #13 below.

11. What is the monthly loan payment for the 10-year plan?

12. What is the cumulative payments total to pay off the loan for the 10-year plan?

13. What is the total interest paid for the 10-year plan?

This example shows BORROWING FUNDAMENTAL #1: Borrowing costs money: you pay back what you borrowed plus you pay for borrowing (or renting) the money.

SCARED BY HIGH NUMBERS?

Most students are surprised when they see how expensive school is and the size of the payments. This program will help you strategize ways to cut down the cost.

You should also be aware that the 10-year Standard Plan is only one option. There are several different repayment plans, including an income-based repayment plan (IBRP). In a IBRP, If you make less money, your monthly payment is lower so it will be much lower than the Standard Plan monthly payment. Of course, there are tradeoffs when you take longer to pay off a loan as our next scenario will show.

Maria's CWU Example: In the Central Washington example, to pay off the $65,764 loan in a 10-year standard repayment plan, the Monthly Loan Payment will be $657.76; the Cumulative Payments will total $78,890.74; and the Total Interest Paid will be $13,126.74.

LOAN PAYMENT CALCULATOR

Fields marked with an * are required

Loan Amount *	$ 65764
Interest Rate *	% 3.73
Loan Term (Years) *	10
Loan Fees	% 0
Minimum Payment *	$ 50

This loan calculator assumes that the interest rate remains constant throughout the life of the loan.

RESET CALCULATE

LOAN PAYMENT CALCULATOR RESULTS

Monthly Loan Payment:	$657.42
Number of Payments:	120
Cumulative Payments:	$78,890.74
Total Interest Paid:	$13,126.74

FINAL MONTHLY PAYMENT:

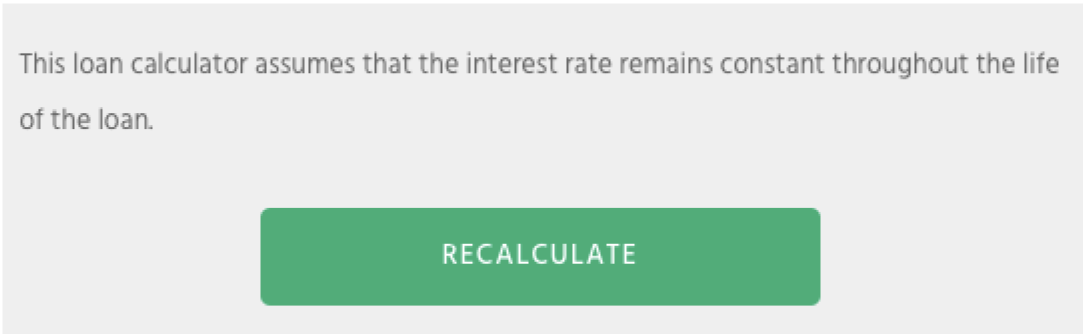
$657.76

This loan calculator assumes that the interest rate remains constant throughout the life of the loan.

RECALCULATE

FINDING 25-YEAR REPAYMENT PLAN COSTS

A. Click the RECALCULATE button.



B. You're only going to make one change: Change the Loan Term from 10 years to 25. You're borrowing the same amount of money with the same interest rate you used before. This will show you the numbers for paying off the loan in 25 years.

C. Then click on the CALCULATE button.

D. This will show you the numbers for paying off the loan in 25 years. Find:
- **The Monthly Loan Payment and enter this into question #14 below;**
- **The Cumulative Payments total and enter this into question #15 below;**
- **The Total Interest Paid in a 25-year repayment plan and enter this into question #16 below.**

14. What is the monthly loan payment for the 25-year plan?

15. What is the cumulative payments total for the 25-year plan?

16. What is the total interest paid for the 25-year plan?

Maria's CWU Example: The 25-year repayment plan to pay back $65,764 in loans will cost a monthly loan payment of $336.30; cumulative payments total of $101,218.90; and total interest paid of $35,454.90.

LOAN PAYMENT CALCULATOR

Fields marked with an * are required

Loan Amount *	$ 65764
Interest Rate *	% 3.73
Loan Term (Years) *	25
Loan Fees	% 0
Minimum Payment *	$ 50

This loan calculator assumes that the interest rate remains constant throughout the life of the loan.

RESET CALCULATE

LOAN PAYMENT CALCULATOR RESULTS

Monthly Loan Payment:	**$337.40**
Number of Payments:	300
Cumulative Payments:	$101,218.90
Total Interest Paid:	$35,454.90

FINAL MONTHLY PAYMENT:

$336.30

This loan calculator assumes that the interest rate remains constant throughout the life of the loan.

RECALCULATE

COMPARING YOUR 10-YEAR REPAYMENT PLAN WITH THE 25-YEAR REPAYMENT PLAN

Fill in the table with your numbers to compare your original 10-year repayment plan with the 25-year repayment plan.

Fill in the table below and then use it to answer questions 17, 18, and 19.

	Principal Loan Balance With a 10-Year Repayment plan		Principal Loan Balance With a 25-Year Repayment Plan	Instructions
Borrowed: (Same number for both)	#1 _____		#1 _____	
Monthly payment:	#2 _____	vs.	#5 _____	Type the difference in #17
Cumulative payments:	#3 _____	vs.	#6 _____	Type the difference in #18
Total Interest paid:	#4 _____	vs.	#7 _____	Type the difference in #19

Maria's CWU Example*: Here's the comparison between the 10-year and 25-year plan for Maria's Loan:*

	Principal Loan Balance With a 10-Year Repayment plan	Principal Loan Balance With a 25-Year Repayment Plan	Results
Borrowed:	$65,764	$65,764	
Monthly payment:	$657	$336	**$321 a month** **LESS**
Cumulative payments:	$78,890	$101,218	**$22,328 in total** **MORE**
Total Interest paid:	$13,126	$35,454	**$22,328 MORE**

`

17. **Using the table you just filled out, compare the monthly payments of the 10-year plan (#2) to the 25-year plan (#5). How much more are the monthly payments for the 10-year plan?**

18. **Compare 10-year total to pay off the loan (#3) to 25-year total to pay off the loan (#6). How much more in total is the 25-year loan?**

19. **Compare 10-year total interest paid (#4) to 25-year total interest paid (#7). How much more in interest is the 25-year loan?**

NOTICE: The monthly payment in the 25-year plan is lower, but the total to pay off the loan is much higher! BE CAREFUL NOT TO FALL FOR THE MONTHLY LOWER PRICES.

The above answers show BORROWING FUNDAMENTAL 2: When you take longer to pay off a loan, the monthly payment goes down, but the total to pay off the loan goes up.

REDUCING PRINCIPAL

Now, we are going to look at what the costs would be if you can reduce the total amount you borrow. (It's also called reducing principal, which is the original amount you borrow.) Let's say you were able to reduce your borrowing because you received grants or scholarships and/or you and your family was able to save up money for your education/training either through savings or money from working. (Lesson 7 will overview some ways you can cut down on the costs of higher education and borrow less.)

1) **Take the loan balance you've been using (#1 above) and reduce it by 25%.**
2) **To do that, take the loan balance you've been using and multiply it by .75. This will remove 25% from it.**
3) **Enter the answer into #20 below.**

20. What is your reduced loan balance?

Maria's CWU Example: Maria's loan balance of $65,764 multiplied by .75 is $49,323.

FINDING REPAYMENT COST OF 10-YEAR STANDARD PLAN WITH REDUCED PRINCIPAL

A. **If you still have the loan repayment calculator page open, return to it and click 'RECALCULATE.' If you left the calculator, the link is https://finaid.org/calculators/loanpayments . Click it to return to the calculator.**

B. **Scroll down to the part of the page where you can enter information (or click on the back button)**

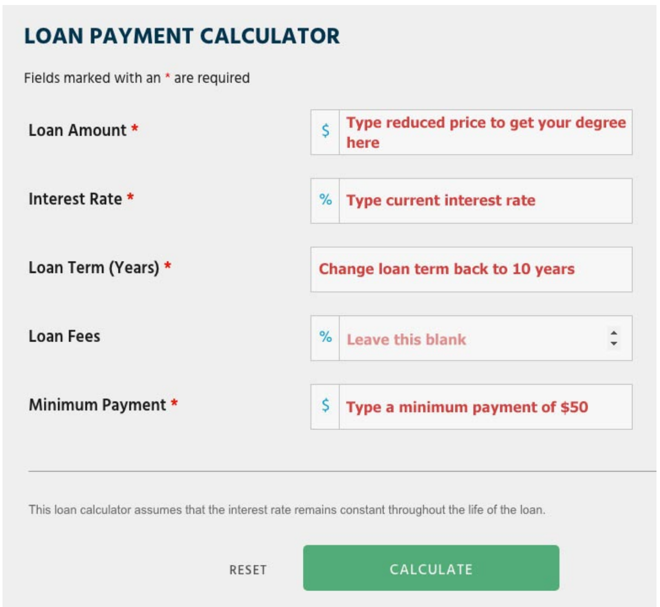
C. **Put your reduced loan balance amount (#20 above) in the Loan Amount field.**

D. **Make sure the Loan Term is moved back to 10 years. The last time you were on this page it was 25 years.**

E. Make sure the interest rate is 3.73%, keep the loan fees at 0, and keep the minimum payment as $50.

F. Then click on the RECALCULATE button.

Instructions:



G. You'll have new numbers for the reduced loan balance:

H. Monthly Loan Payment, which you'll enter into #21 below;

I. Cumulative Payments total and enter this into #22 below;

J. Total Interest Paid, which you'll enter into #23 below.

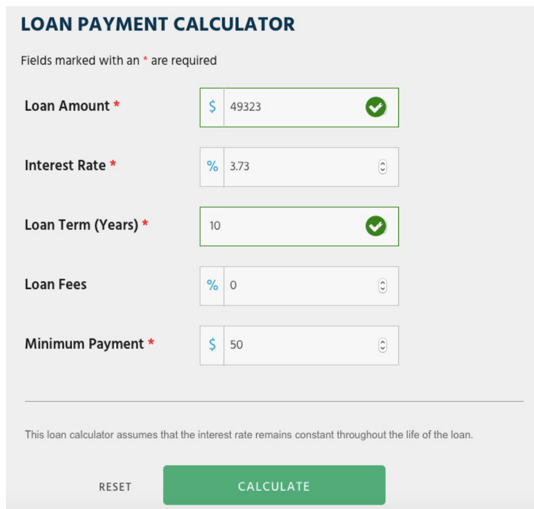
This is the result of a 10-year payment plan based on a reduced principal loan balance. The 10-year plan consists of 120 loan payments.

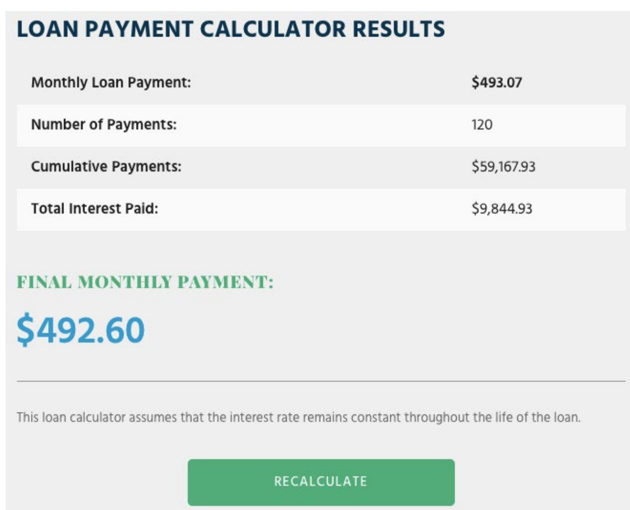
21. What is the monthly payment to pay back the reduced loan in 10 years? You will use this number in Lesson 6, Question 7.

22. What is the cumulative payments total to pay back the reduced loan in 10 years? You will use this number in Lesson 6, Question 8.

23. What is the total interest paid to pay back the reduced loan in 10 years?

Maria's CWU Example: A 10-year standard plan for a $49,323 loan balance will have monthly loan payments of $492.60, a cumulative payments total of $59,167.93, and total interest paid of $9,844.93.





COMPARING YOUR ORIGINAL 10-YEAR REPAYMENT PLAN WITH YOUR REDUCED PRINCIPAL REPAYMENT PLAN

Fill in the table with your numbers to compare your original 10-year repayment plan with your reduced principal 10-year repayment plan.

Fill in the table below and use it for questions 24, 25, 26, and 27.

	Original Principal Balance	Reduced Borrowing by 25%	Instructions
Borrowed:	#1 ______	#11 ______	Type the difference in #24
10-year plan Monthly Payment:	#2 ______	#12 ______	Type the difference in #25
10-year plan Cumulative payments:	#3 ______	#13 ______	Type the difference in #26
10-year plan Total Interest paid:	#4 ______	#14 ______	Type the difference in #27

Maria's CWU Example:

	Original Principal Balance	Reduced Borrowing by 25%	Results
Borrowed:	$65,764	$49,323	**$16,441 less**
10-year plan Monthly Payment:	$657	$492	**$165 less a month.**
10-year plan Cumulative payments:	$78,890	$59,167	**$19,723 less in total**
10-year plan Total Interest paid:	$13,126	$9,844	**$3,282 less interest paid**

Refer to the table you filled out on the previous page to answer the following questions:

24. How much less did you borrow when you reduced your principal?

25. How much less every month is your reduced principal monthly payment?

26. How much less did you pay in total for the reduced principal loan?

27. How much less total interest did you pay in the reduced loan 10-year plan?

NOTICE: When you borrow less, both your monthly payment and total to pay back goes down! This is better than stretching out a repayment plan over a longer period of time, where the monthly payment gets smaller, but the total to pay it off gets significantly larger.

BORROWING FUNDAMENTAL #3: When you borrow less, both your monthly payment and total to pay back the loan goes down! This is better than stretching out a repayment plan over a longer period of time, where the monthly payment gets smaller, but the total to pay it off gets significantly larger.

LESSON 5 CHAPTER REVIEW:

Review key terms so you can answer:

- **What is loan principal?**
- **What is interest?**
- **What is interest rate?**
- **What is a loan term?**

For example, a $5,000 loan paid back over 15 years ends up costing $15,000 to pay off

- **What is the term of that loan?**
- **What is the interest paid on that loan?**
- **What is the principal of that loan?**

LESSON 5 EXIT TICKET

28. What is the result of taking longer to pay off a loan?

- ☐ **Your monthly payment is larger**
- ☐ **The total to pay off the loan is larger**
- ☐ **Both your monthly payment and total to pay off the loan is larger You pay less in interest**

29. What is a loan principal?

- ☐ **An agreement to limit the fees added onto a loan A legal document you sign**
- ☐ **The total amount a borrower pays back**
- ☐ **The original amount borrowed**

30. What is interest?

- ☐ **The total amount a borrower pays back Money paid for the use of borrowed money**
- ☐ **The original amount borrowed**
- ☐ **A term to define the length of time to pay back a loan**

31. What is interest rate?

- ☐ **A calculation of loan fees minus principal amount borrowed**
- ☐ **Proportion of amount loaned which a borrower will deduct from loan payment**
- ☐ **The rate the frequency of payments will impact time to pay back the loan**
- ☐ **The percentage of principal charged by the lender for the use of its money.**

32. What is a loan term?

- ☐ **The loan agreement**
- ☐ **The length of the loan A revolving loan**
- ☐ **How the loan applies fees**

33. A $10,000 loan paid back over 20 years ended up costing $15,000. What is the loan principal of this loan?

- ☐ ______________________________________

34. What is the loan term?

- ☐ ______________________________________

35. What is the interest paid?

- ☐ ______________________________________

36. What is the total amount paid to pay off the loan?

- ☐ ______________________________________

37. What is the result when you reduce what you borrow (reduce your principal)?

- ☐ **You will pay more in interest**
- ☐ **Your monthly payment is smaller, but your total to pay off the loan is larger**
- ☐ **Your monthly payment is larger, but the total to pay off the loan is smaller**
- ☐ **Your monthly payments and your total to pay off the loan are smaller**

END OF LESSON 5

DON'T GET DEBT SLAPPED

Lesson 6

Interested in Interest

Lesson 6: Interested in Interest

DON'T GET DEBT SLAPPED

TIME REQUIRED: 40-50 MINUTES

NAME:
DATE:
HIGH SCHOOL:
GRADE:

LESSON 6 LEARNING OUTCOMES

Define key borrowing terms:

A. Fixed interest rate
B. Variable interest rate
C. Simple interest
D. Compound interest
E. Loan balance

PRE-ASSESSMENT QUESTIONAIRE:

1. Which of the following is the most accurate statement about compound interest?
   - ☐ I don't know
   - ☐ It's less costly than simple interest
   - ☐ It's calculated on the principal and accumulated interest
   - ☐ It's only calculated on the principal amount borrowed
   - ☐ You do not want compound interest applied to your savings or investments

2. Which of these will make debt grow larger?
   - ☐ I don't know
   - ☐ When your payment is more than interest applied
   - ☐ When your payment is equal to the interest applied
   - ☐ When your payment is less than the interest applied
   - ☐ When your payment is more than the principal

3. What is a result of an increased loan interest rate?
   - ☐ I don't know
   - ☐ The loan costs less, but your monthly payments cost more
   - ☐ The monthly payments are smaller, but the total to pay the loan is larger
   - ☐ The monthly payment is larger and the total to pay off the loan is larger
   - ☐ The monthly payment is larger, but the total to pay off the loan is smaller

4. **Do you want a fixed or variable interest rate and why?**
   - ☐ ____

5. **What is the result when you reduce what you borrow (reduce your principal)?**
   - ☐ I don't know
   - ☐ You will pay more in interest
   - ☐ Your monthly payment is smaller but your total to pay off the loan is larger
   - ☐ Your monthly payment is larger but the total to pay off the loan is smaller
   - ☐ Your monthly payments and your total to pay off the loan are smaller

FOCUSING ON INTEREST

Now, let's continue to use the total cost of your school or training. Let's take the reduced principal balance calculated in the previous lesson and, and pay it back in 10 years, but now let's change the interest rate. Please use your answers from your Reduced Principal Loan example from Lesson 5, and use a 3.73% interest rate.

Click on the repayment estimate link: http://www.finaid.org/calculators/loanpayments.phtml

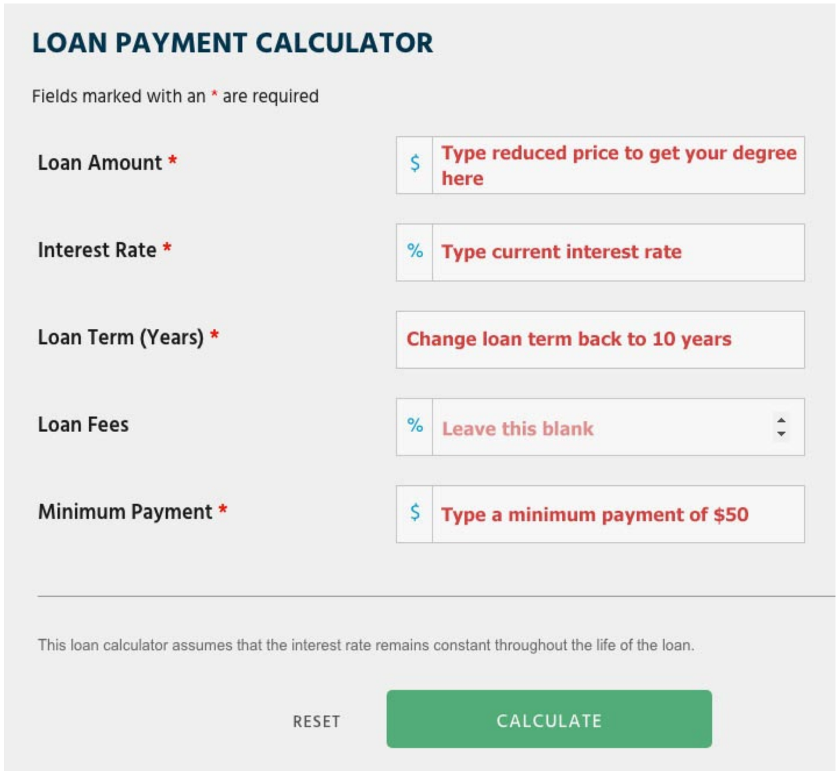
6. **What is your Reduced Principal Loan Balance? (You can find this number in Lesson 5, Question 20)**
   - ☐ ____

7. **What is the Monthly Payment for the Reduced Principal Loan Balance with a 4.5% interest rate? (You can find this number in Lesson 5, Question 21)**
   - ☐ ____

8. **What are the Cumulative Payments for the Reduced Principal Loan Balance with a 4.5% interest rate? (You can find this number in Lesson 5, Question 22)**
   - ☐ ____

9. **What is the Total Interest Paid on the Reduced Principal Loan Balance with a 4.5% interest rate? (You can find this number in Lesson 5, Question 23)**
   - ☐ ____

Maria's CWU Example: Maria's reduced principal loan was $49,323. For a 10-year plan with a 3.73% interest rate, her monthly payment is $492, her cumulative payment total is $59,167, and her total interest paid is $9,844.



LOAN PAYMENT CALCULATOR

Fields marked with an * are required

Loan Amount *	$ Type reduced price to get your degree here
Interest Rate *	% Type current interest rate
Loan Term (Years) *	Change loan term back to 10 years
Loan Fees	% Leave this blank
Minimum Payment *	$ Type a minimum payment of $50

This loan calculator assumes that the interest rate remains constant throughout the life of the loan.

RESET CALCULATE

LOAN PAYMENT CALCULATOR

Fields marked with an * are required

Loan Amount *	$ 49323
Interest Rate *	% 3.73
Loan Term (Years) *	10
Loan Fees	% 0
Minimum Payment *	$ 50

This loan calculator assumes that the interest rate remains constant throughout the life of the loan.

RESET CALCULATE

LOAN PAYMENT CALCULATOR RESULTS

Monthly Loan Payment:	**$493.07**
Number of Payments:	120
Cumulative Payments:	$59,167.93
Total Interest Paid:	$9,844.93

FINAL MONTHLY PAYMENT:

$492.60

This loan calculator assumes that the interest rate remains constant throughout the life of the loan.

RECALCULATE

Now, let's change the interest rate from 3.73% to 10% and see how much that costs you.

FINDING REDUCED LOAN BALANCE TOTAL WITH HIGHER INTEREST RATE: QUESTIONS 10-15

A. **Click on the repayment estimate link: http://www.finaid.org/calculators/loanpayments.phtml**

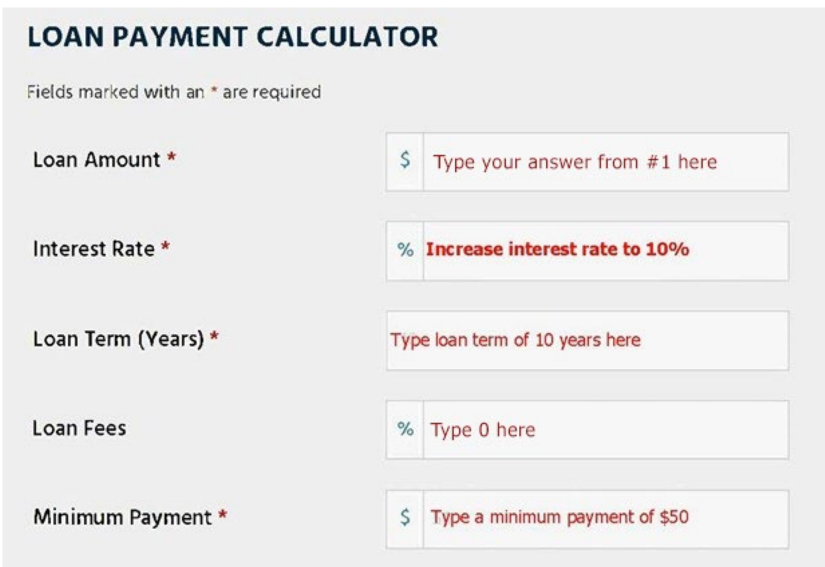
B. **Scroll down to the part of the page where you can enter information (or click on the back button).**

C. **Make only one change: Change the interest rate to 10%.**

D. **Keep the loan term at 10 years.**

E. **Then click on CALCULATE.**

F. **You'll have new numbers for: A) Monthly Loan Payment, which you'll enter into #10; B) Cumulative Payments total, which you'll enter into #11 on the Activity Form; and C) Total Interest Paid for the 10% interest rate, which you'll enter into #12 below.**


LOAN PAYMENT CALCULATOR

Fields marked with an * are required

Loan Amount *	$ Type your answer from #1 here
Interest Rate *	% Increase interest rate to 10%
Loan Term (Years) *	Type loan term of 10 years here
Loan Fees	% Type 0 here
Minimum Payment *	$ Type a minimum payment of $50

10. What is the Reduced Principal Monthly Payment with a 10% Interest rate?

11. What is the Reduced Principal Cumulative Payments with a 10% interest rate?

12. What is the Reduced Principal Total Interest Paid with a 10% interest rate?

Maria's CWU Example: Maria's reduced principal loan was $49,323. For a 10 year plan with a 10% interest rate, her monthly payment is $651, her cumulative payments total is $78,216, and the total interest paid is $28,893.

LOAN PAYMENT CALCULATOR

Fields marked with an * are required

Loan Amount * $ 49323

Interest Rate * % 10

Loan Term (Years) * 10

Loan Fees % 0

Minimum Payment * $ 50

This loan calculator assumes that the interest rate remains constant throughout the life of the loan.

RESET CALCULATE

LOAN PAYMENT CALCULATOR RESULTS

Monthly Loan Payment:	**$651.81**
Number of Payments:	120
Cumulative Payments:	$78,216.60
Total Interest Paid:	$28,893.60

FINAL MONTHLY PAYMENT:

$651.21

Use your answers from questions #6-12 to fill out the table below, then use the table to answer 13, 14, and 15.

	Reduced Principal Loan Balance with 4.5% Interest Rate		Reduced Principal Loan Balance with 10% Interest Rate	Instructions
Borrowed: (Same number for both)	#6 _____		#6 _____	
Monthly payment:	#7 _____	vs.	#10 _____	Type difference into #13
Cumulative payments:	#8 _____	vs.	#11 _____	Type difference into #14
Total Interest paid:	#9 _____	vs.	#12 _____	Type difference into #15

13. How much more was your monthly payment with 10% interest?

14. How much more was your cumulative payment with 10% interest?

15. How much more was your total interest paid with 10% interest?

Maria's CWU Example: Here's a comparison of Maria's 3.73% Reduced Principle Loan with Maria's 10% Reduced Principle Loan

	Reduced Principal Loan Balance with 3.73% Interest Rate	Reduced Principal Loan Balance with 10% Interest Rate	Results
Borrowed:	$48,042	$48,042	
10-year plan Monthly Payment:	$480	$635	**$155 a month MORE**
10-year plan Cumulative payments:	$57,631	$76,186	**$18,555 in total MORE**
10-year plan Total Interest paid:	$9,589	$28,144	**$18,555 in total MORE**

BORROWING FUNDAMENTAL 4: THE HIGHER THE INTEREST, THE MORE IT WILL COST YOU.

MORE INTERESTING THINGS ABOUT INTEREST: IT CAN HAVE A MOVING PRICE TAG

A. **FIXED INTEREST RATE stays the same. This is good because you can plan around it. You know what it will cost. EXAMPLE: A 5% fixed interest rate will stay the same during your loan term.**

B. **VARIABLE INTEREST RATE can move up or down during the term of your loan. If it moves up, the price of your loan just went up. If it moves up too far, you might have trouble making the payments.**

16. What is a variable interest rate?

17. What is a fixed interest rate?

18. Do you want a fixed or variable interest rate and why?

HOW IS INTEREST CALCULATED?

There's another important thing about interest you should know. Is it calculated with SIMPLE interest or COMPOUND interest?

19. What is simple interest?

SIMPLE INTEREST EXAMPLE:

For easy math, let's go over an extreme example. Let's say you have a loan with a 100% monthly SIMPLE interest rate. (So interest is being added only the entire amount you borrowed.) You would never want a loan with that interest rate, but we are using this example to illustrate how simple interest works. As a real world example, federal student loans have an interest rate around 3.73% right now.

Let's say you borrowed $100 and didn't make any payments. Every year, a $100 in interest would be added on because the interest rate is 100% and that's 100% of the principal. With simple interest, interest is only calculated on the principal every year.

Borrowed: $100 (the principal)

100% SIMPLE interest rate

Year 1: $100 interest

Year 2: $100 interest

Year 3: $100 interest

Year 4: $100 interest

Year 5: $100 interest

TOTAL OWED AFTER 5 YEARS: $600 (The $500 in interest and the $100 principal.)

SIMPLE INTEREST PROBLEM

Ok, it's your turn for a simple interest example. (Interest applied to the principal only.) Let's say you have a loan for $200 with a 100% SIMPLE interest rate. Fill out the table below:

$200 borrowed

100% SIMPLE interest rate

20. Year 1: $ ______ interest

21. Year 2: $ ______ interest

22. Year 3: $ ______ interest

23. Year 4: $ ______ interest

24. Year 5: $ ______ interest

25. TOTAL AMOUNT OWED AFTER 5 YEARS:

COMPOUND INTEREST

Compound interest is calculated based on the principal and interest that is added on. It's charging interest on top of interest and principal.

COMPOUND INTEREST EXAMPLE:

Let's do another extreme example to illustrate how compound interest works. So in this example, you once again borrowed $100 in a loan with a 100% interest rate and you didn't make any payments. Except this loan has a COMPOUND interest rate, not SIMPLE. Let's see how this works:

Borrowed: $100 (The principal)

100% COMPOUND interest rate

Year 1: $100

Year 2: $200

Year 3: $400

Year 4: $800

Year 5: $1,600

TOTAL OWED AFTER 5 YEARS: $3,200

IF YOU THINK SIMPLY ABOUT INTEREST, YOU MIGHT COMPOUND YOUR PROBLEMS!

You can see compound interest is much more costly. Remember with compound interest, interest is added onto interest and the principal and then you are charged interest on that new larger total. Be sure to also check what type of interest is on your checking and savings accounts.

26. What is compound interest?

COMPOUND INTEREST PROBLEM

Now, finish the compound interest example.

Let's say you have a loan for $200 with a 100% COMPOUND interest rate. Remember, with compound interest, interest is applied to the interest and the principal. Fill out the table below:

$200 borrowed

100% COMPOUND interest rate

27. Year 1: $ ______ interest

28. Year 2: $ ______ interest

29. Year 3: $ ______ interest

30. Year 4: $ ______ interest

31. Year 5: $ ______ interest

32. TOTAL AMOUNT OWED AFTER 5 YEARS:

33. How much more do you owe after 5 years with compound interest compared to simple interest?

34. Do you want a debt with simple or compound interest?

THE PROBLEM WITH INTEREST ONLY PAYMENTS

If you only pay the interest being added onto your loan, your principal will remain untouched. You'll never pay off your loan this way, but you'll spend much more than what you borrowed!

THE PROBLEM WITH NOT PAYING

If you don't make payments or pay less than the interest that is being added onto your loan, the amount you owe (your balance) will actually grow! Also, punitive fees, like late fees, will be added on and certain items like a car or house can be taken back.

The interest doesn't always double every year with a compound interest rate. It doubled in the example because it had a 100% interest rate. That interest rate was used to clearly show the concept: compound interest will cost you more with a debt than simple interest.

This is a side note, but investing is another matter. Compound interest is your friend when you are investing, but your enemy when you are borrowing money. Just go through the simple interest and compound interest examples like they were investments. You'll earn more interest on your money in an investment with compound interest.

35. Do you want an investment with simple or compound interest?

LESSON 6 EXIT TICKET

36. Which of the following is the most accurate statement about compound interest?

- ☐ It's less costly than simple interest
- ☐ It's calculated on the principal and accumulated interest It's only calculated on the principal amount borrowed
- ☐ You do not want compound interest applied to your savings or investments

37. Do you want a fixed or variable interest rate?

38. Why?

39. Which of these will make a debt grow larger?

- ☐ When your payment is more than interest applied
- ☐ When your payment is equal to the interest applied
- ☐ When your payment is less than the interest applied When your payment is more than the principal

40. What is a result of an increased loan interest rate?

- ☐ The loan costs less, but your monthly payments cost more
- ☐ The monthly payments is smaller, but the total to pay off the loan is larger
- ☐ The monthly payments is larger and the total to pay off the loan is larger
- ☐ The monthly payment is larger, but the total to pay off the loan is smaller

41. How can you make sure more of your payment goes to principal and pay it off faster?

- ☐ Skip a payment and pay double the next payment Pay interest only payments
- ☐ Continue making scheduled payments
- ☐ Pay larger payments than what is scheduled

END OF LESSON 6

DON'T GET DEBT SLAPPED

Lesson 7

Borrowing Mindsets

Lesson 7: Borrowing Mindsets

DON'T GET DEBT SLAPPED

TIME REQUIRED: 40-50 MINUTES

NAME:
DATE:
HIGH SCHOOL:
GRADE:

LESSON 7 LEARNING OUTCOMES

A. Know the difference between debt and wealth
B. Learn how to breakeven quicker
C. Calculate the percentage a loan payment takes up of your monthly net income
D. Include the loan payment in your monthly budget
E. See if there are expenses you need to cut

PRE-ASSESSMENT QUESTIONAIRE

1. What is the breakeven point?
   - ☐ I don't know
   - ☐ The point where you have paid all your loan back
   - ☐ Calculating the amount of time needed for your total income to pay off the loan
   - ☐ When your expenses equal your income
   - ☐ The point where you start to pay off principal

2. What is the recommended maximum percent of gross annual income that should go to a student loan payment?
   - ☐ I don't know
   - ☐ 5%
   - ☐ 10%
   - ☐ 15%
   - ☐ 20%

3. **What is opportunity cost?**
   - ☐ **I don't know**
   - ☐ **The fine print of expenses**
   - ☐ **Figuring out the best use of your time and money**
   - ☐ **Paying to increase your life opportunities**
   - ☐ **The ability to multitask**

In this lesson, you will learn essential mindsets to help you make smart borrowing decisions. The first mindset is asset versus debt.

Let's define terms first. You know debt is money you owe. Examples are credit card debt, student loan debt, home loan debt, and car loan debt.

An asset is something with monetary value you own. It is worth something financially. Examples of assets are money in savings, investments, or a bank account; a home, or more precisely, the difference between what you owe on your home loan and what your home is worth.

For example, if your home is worth $500,000 and you owe $200,000 on your mortgage, your home equity or profit is $300,000. An asset can be anything you own that has monetary value, but not all assets are created equal. Some assets go down in value over time, such as a car. You want assets that retain or, better yet, increase their value, like, we hope smart investments do.

DEBT OR WEALTH LIST

4. **Money on your credit card:**

5. **A $15,000 loan for a car:**

6. **A $20,000 student loan:**

7. **What about a $100,000 home loan on a house worth $400,000? How much is debt?**

8. **How much of the above example is wealth?**

THE LINE LENS

Imagine a line. Below the line is debt. Above the line is wealth or assets. You want to make decisions that put you above the line and create wealth. That is a lens you can put on for financial decisions. Are you spending your money on things that create wealth or debt?

ASSET

DEBT

There are times when one has to create debt to eventually create wealth, such as when buying a house or borrowing money for higher education. However, this decision has to be made as part of a well thought out plan. Many people have borrowed their way into bankruptcy by rationalizing the borrowing choice as a vehicle to wealth. If you are faced with a decision about borrowing to create future wealth, here are some more mindsets to help you make a decision that puts you in a position to succeed.

THE VALUE OF WHAT YOU ARE BORROWING FOR

Think about the value of what you are borrowing money for. If it is something that goes down in value, like a car, a phone, or a computer, you want to limit how much you go in debt to pay for it.

If it's something like a house that goes up in value, you want to research the value of that home over time and how much its value is likely to continue to increase. Keep in mind the great recession and coronavirus crisis as reminders the economy has downturns.

9. Are you borrowing for something that you hope will increase in value?

THE RISK

Anytime you borrow money, you are taking a risk. You minimize that risk by limiting what you borrow and making a smart choice about what you are borrowing for. Generalizations such as "education is worth it" will not suffice. Be more specific about what you are borrowing for and what you want to do so you can make an informed choice.

If you're borrowing for an education, you've already done some of the vital research as part of this program. You've projected the future income you'll likely receive as a result of getting higher education and you've projected the cost of your future education to give you critical information to make an informed decision. You'll learn some more strategies in this lesson.

TOTAL COST AND TIME TO PAY OFF THE LOAN

- **Any time you take on the obligation of a loan, you want to be aware of the total cost to pay off the loan and the time it will take you to pay off the loan. You already did some work on this in this program.**
- **The idea is to keep the total cost as low as you can and pay off as quick as you can. Looking at different options and watching how much you borrow is one of the first steps.**
- **Then, the more income you make, the quicker you can pay off the loan. You want to explore different career choices and incomes to give you more options.**

OPPORTUNITY COST

Opportunity cost is thinking about the best use of your time and money. You can't be in two places at once and spend the same dollar twice. Think through alternatives and make a decision about what is the best use of your time and money.

Straight to Work	vs.	Going to College
Pros: - Start earning money right away - No educational expenses		Pros: - Potential for higher income with degree
Other considerations: - Job stability - Career growth - Job satisfaction/fulfillment		Other considerations: - Job stability after college - Career growth in chosen field - Job satisfaction/fulfillment

KEY TERM: BREAKEVEN: The point when your profits are equal to the costs.

BREAKEVEN QUICKER

To breakeven quicker on your investment, here are 3 things you can do:

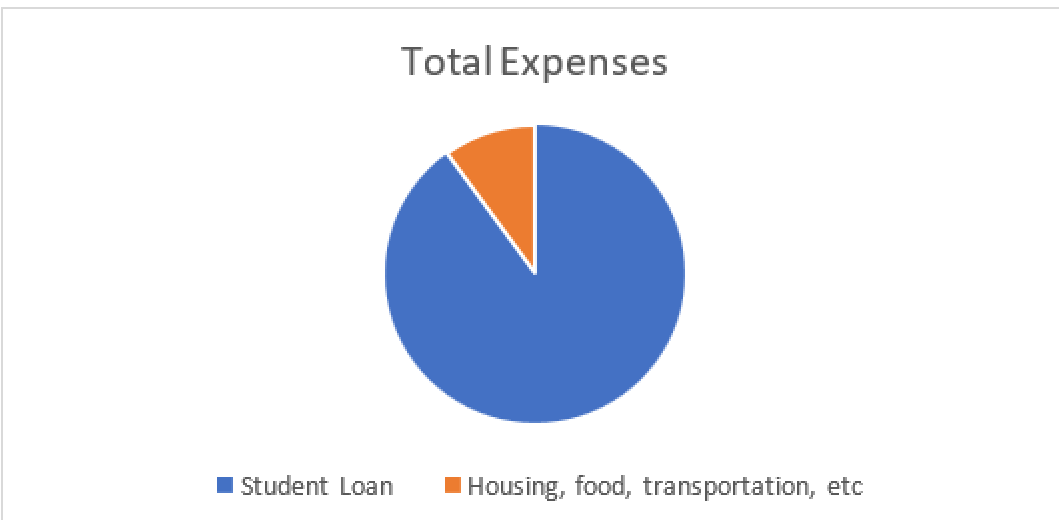
A. **Keep your borrowing as low as possible: the more you borrow, the more you have to pay off over time.**
B. **Finish your degree on time: the longer you take to complete your education, the longer you are out of the workforce and not earning an income.**
C. **Explore college majors and training programs that have career choices with strong career growth and income levels.**

These 3 things will cause you to breakeven slower:

A. **Borrow more: you'll have more to pay off.**
B. **Take longer to finish school: you'll have to borrow more and it's more time away from the working and earning income.**
C. **Take a job with a lower income: this reduces how much you can put toward paying off you borrowed.**

PIE SLICE

Think of a pie. The entire pie represents your income and your loan payment represents one slice of the pie. The idea behind this mindset is if the slice is too big, you won't have enough money for all your other expenses (slices). This is an extreme example, but let's say 90% of your income is going toward a student loan. That leaves you with 10% of your income to pay for housing, food, transportation, etcetera.



CALCULATING LOAN PAYMENT AS A PORTION OF GROSS MONTHLY INCOME

The U.S. Department of Education recommends that students do not take on a student loan payment that exceeds 10 percent of total (gross) monthly income. So, if you're earning $90,000/year ($7,500/month), you should aim to keep your monthly student loan payments at a maximum of $750 per month.

It is possible to have a higher percentage, but the higher the percentage, the less you'll have for other "slices" in your life. For example, the more you pay for your student loan means less you'll have for life's other expenses.

FINDING YOUR MONTHLY GROSS INCOME: QUESTION 10

WHAT IS MONTHLY GROSS INCOME?

Monthly gross income is the amount of money you earn each month, before expenses such as taxes are taken out. The Department of Education's student loan recommendation is based on gross monthly income.

10. What is your gross annual salary? (This number is found in Lesson 3, Question 8).

Maria's Example: Maria's selected career of web designer has a starting salary of $40,750 per year. This amount is before taxes are taken out.

To find monthly gross income, take your gross annual salary and divide it by 12.

11. What is your monthly gross income?

12. What is your standard plan monthly payment? (This number is found in Lesson 5, Question 11).

How to calculate how much of your student loan payment will take up of your gross monthly income:

1. **Take your monthly student loan payment and divide it by monthly gross income.**
2. **Multiply that by 100. The answer will be the percentage of your gross monthly income taken up by your monthly student loan payment.**

Mo. Student Loan Payment ______ ÷ ______ X 100 = ______ %

Maria's Example: Mo. Student Loan Payment $657 ÷ $3,395 X 100 = 19 %

Maria's Example: Maria's monthly gross income is $3,295. Maria's $663 monthly student loan payment takes up 20% of her monthly gross income.

13. What percent of your monthly gross income will be taken up by your original 10-year plan monthly payment?

14. Is gross income before or after taxes?

BUDGET BUSTER

In a prior lesson, you learned to not only focus on the monthly payment of a loan, but to know how much the loan costs in total. That being said, you need to also make sure the monthly payment fits into your budget and you have the money to make monthly payments.

You will add your student loan monthly payment into your budget and see if your budget still works. If your expenses are less than your income, you're in the black and that's good. If you're in the red (your expenses are more than your income), you can do one of four things:

- **borrow less so your monthly payment is less;**
- **cut down on your expenses;**
- **change your payment plan to pay less each month. You can do this in federal student loans, but not every loan allows you to do this. Also, by lowering your monthly payment, you're going to end up paying more to pay off the loan in total;**
- **increase your income. Note that you are doing this work before your borrowing choice so you are in a position to borrow less. If you found out after the fact that your budget didn't work, you'd have to rely on 1, 2, or 3.**

SAMPLE MONTHLY BUDGET EXPENSES

BUDGET CATEGORY and MONTHLY EXPENSE AMOUNT

Housing $1,000

Food $300

Transportation $350

Entertainment $90

Clothing $60

Healthcare $100

Insurance $100

Cable/Internet/phone $215

Savings $100

Personal care $100

Student Loan or other loan* $ _

SAMPLE BUDGET MONTHLY EXPENSE TOTAL $2,415

Add your monthly student loan payment from #12 above to the sample budget monthly expense total of $2,415. Write the total in #15 below.

Maria's Example: This is Maria's monthly budget with her monthly loan payment as calculated in Lesson 6 included.

BUDGET CATEGORY and MONTHLY EXPENSE AMOUNT

Housing $1,000

Food $300

Transportation $350

Entertainment $90

Clothing $60

Healthcare $100

Insurance $100

Cable/Internet/phone $215

Savings $100

Personal care $100

Student Loan or other loan $657*

SAMPLE BUDGET MONTHLY EXPENSE TOTAL $3,072

---

15. What is your new monthly expense total with your standard plan monthly loan payment added in?

Maria's Example: Maria's student loan payment of $657 plus the monthly expense total of $2,415 equals the new monthly expense total of $3,072.

---

16. What is your monthly net income? (This number can be found in Lesson 3, Question 10).

Maria's Example: Maria's monthly income is $2,546.

---

17. What is the result when you subtract your new monthly expense total (#15) from your monthly net income (#16)?

Maria's Example: Maria's new monthly income expense total including her student loan payment is $3,072. When this total is subtracted from her monthly net income of $2,546, she is coming up $526 short each month. In other words, Maria is spending $526 more each month than she makes, so she will need to cut down on her expenses.

18. Identify budget expenses you can cut down on?

19. How much you would cut down on them?

Marias Example: Maria wants to reduce her housing costs because she is $526 over budget. To do this, she decided to live with a roommate and was able to reduce her monthly housing expenses from $1,000 to $600. Now she only has to cut $207 more from her budget. What would you cut?

Maria's New monthly budget:

BUDGET CATEGORY MONTHLY EXPENSE AMOUNT

Housing $600

Food $300

Transportation $350

Entertainment $90

Clothing $60

Healthcare $100

Insurance $100

Cable/Internet/phone $215

Savings $100

Personal care $100

Student Loan or other loan* $657

SAMPLE BUDGET MONTHLY EXPENSE TOTAL $2,672

Now Maria is $126 over budget. What would you cut?

YOUR INCOME MAY INCREASE (DEPENDING ON CAREER)

Note: Also remember the range of incomes provided in the Job Outlook salary information from Lesson 3. Maria's starting salary as a web designer was $40,750.

However, the middle range was $77,200. This shows that after working in this career for a while, her income will likely be in the middle of the top end of incomes- $146,430- and the bottom of $40,750.

INCOME BASED REPAYMENT FOR FEDERAL STUDENT LOANS

While your income is expected to grow throughout your career, you will have different options for paying your student loans. For example, you can choose an income-based repayment plan that allows you to make smaller payments while you are just starting out that gives you the flexibility to make larger payments later. For example, when Maria first starts making payments, she may choose an income-based plan that reduces her monthly payments to $170 rather than the standard plan payment of $657 a month. Some loan forgiveness options also exist for select fields, such as public service. Be sure to explore your options to find out what is the best option for you to repay your student debt.

BUDGETING

This is one example of how to keep track of your budget. Keeping a budget can help you know how much money you have left each month, and allows you to plan for your future goals.

Other ways to budget include using a spreadsheet, writing in a notebook, or using an app. Many financial providers have budgeting apps provided with their banking services.

CONTINGENCY PLANS

What would you do if an unexpected expense suddenly came up? For example, what if you need a new laptop for school after yours broke, or you got an interview for a job and needed a professional outfit? A contingency plan can help you handle the unexpected.

Setting aside money in a savings account can help cover expenses that exceed your budget. It can also reduce the amount you need to borrow in the event it does not cover the entire expense.

CREDIT

Another option to help get through an unexpected expense is credit. While credit cards have the potential to present the risk of overspending, they can be a useful tool in managing your funds responsibly.

If an emergency comes up before your payday, you can use a credit card to purchase the item now and pay off the card on your next payday. It can help keep you from going without the things you need for your daily life, such as a laptop for school or a cell phone.

Establishing that you are a responsible borrower can help you purchase bigger items at a later date. By making reliable payments on a credit card, you can establish a credit score and start having positive history on your credit report.

A credit score is a number based on an analysis of your credit report. These reports are made by credit bureaus. Lenders use these numbers to determine how much of a risk it would be to let you borrow money from them. If you have a history that includes missed payments and a high amount of unpaid debt, you would be a higher risk than someone who has not missed payments and maintains a lower amount of unpaid debt.

Lenders balance risk by charging interest rates. One way to obtain a lower interest rate on purchases such as a car or a mortgage is to have good credit.

If you do decide to use a credit card, be sure to manage it carefully to help you obtain the best prices on larger purchases later.

HOW DO I CHECK MY CREDIT REPORT?

You can check your report for free once a year from AnnualCreditReport.com. This is the only official website that the Federal Government recommends to check your report. There are many websites that provide this service however, they may not be free. Be sure to use the official one.

WHY DO I NEED TO CHECK MY REPORT?

It is important to review your credit report regularly to check for errors. The sooner you notice a discrepancy on your report, the easier it is to fix it. If you see an account in your report that you do not recognize, write to the credit reporting agency (Equifax, Experian, TransUnion) and the provider (a bank, credit card company, or other lender). They are required to investigate. Be sure to keep a copy of your request. Checking your report regularly can prevent fraud from impacting your future.

LESSON 7 REVIEW

DEBT is money you owe. Examples are credit card debt, student loan debt, home loan debt, and car loan debt. An asset is something with monetary value you own. It is worth something financially. Examples of assets are money in savings, investments, a bank account, a home.

The LINE LENS is a way you can make decisions about what you are putting your money into. Things that create debt or things that create assets and wealth. For decisions about going below the line (creating debt) to create wealth, one should assess:

A. **The value of what you are borrowing**
B. **The cost and time to pay off the loan**
C. **Opportunity cost, which is the best use of your time and money**
D. **Strategies to breakeven quicker, such as borrowing less, finishing school on time, and increasing your income**
E. **The percent your monthly loan payment will take up of your monthly income**
F. **Whether your monthly loan payment fits into your monthly budget. If it does not, you must borrow less, cut down on expenses and/or increase your income.**

This will help you make a borrowing decision that puts you in a position to succeed.

LESSON 7 EXIT TICKET

20. What is an asset?

21. What can you do to breakeven faster?
    - ☐ Pay for another year of school
    - ☐ Take out another loan
    - ☐ Go to a less expensive school
    - ☐ Decrease your income

22. What is the recommended maximum percent of gross annual income that should go to a student loan payment?
    - ☐ 5%
    - ☐ 10%
    - ☐ 15%
    - ☐ 20%

23. What is opportunity cost?
    - ☐ The fine print of expenses
    - ☐ Figuring out the best use of your time and money Paying to increase your life opportunities
    - ☐ The ability to multitask

24. How do you calculate what percentage your monthly loan payment will take up of your monthly net income?

25. What do you do if your student loan payment doesn't fit into your budget?

26. How can stack the odds in your favor to further ensure your loan payment will fit into your budget?

27. What is net income?
    - ☐ What you are paid before taxes
    - ☐ What you are paid after taxes
    - ☐ What you are paid in a calendar year
    - ☐ What you are paid in a fiscal year

END OF LESSON 7

DON'T GET DEBT SLAPPED

Lesson 8

Student Loan Specifics

Lesson 8: Student Loan Specifics

DON'T GET DEBT SLAPPED

TIME REQUIRED: 40-50 MINUTES

NAME:
DATE:
HIGH SCHOOL:
GRADE:

LESSON 8 LEARNING OUTCOMES

A. Understand the differences between federal and private student loans
B. Review loan checklist
C. Identify ways to reduce borrowing costs
D. Strategize next steps

PRE-ASSESSMENT QUESTIONAIRE

1. **Which one of these is NOT TRUE about a federal student loan?**
   - ☐ I don't know
   - ☐ Variable interest rate
   - ☐ Various repayment plans
   - ☐ Hard to wipe away in bankruptcy
   - ☐ You can change your repayment plan

2. **Which of these is true for a federal subsidized loan?**
   - ☐ I don't know
   - ☐ Interest is added on as soon as you are given the money
   - ☐ Interest is not added on until after you finish school
   - ☐ Variable interest rate
   - ☐ Interest is completely forgiven

3. **Which of these is NOT TRUE about a private student loan?**
   - ☐ I don't know
   - ☐ Variable interest rate
   - ☐ Fixed interest rate
   - ☐ Very difficult to wipe away in bankruptcy
   - ☐ It is difficult to change your repayment plan

4. Which one of these is NOT TRUE about FAFSA?

- ☐ I don't know
- ☐ It will help you get federal aid
- ☐ It will help you get federal grants and/or work study
- ☐ It will help you get federal loans
- ☐ It will help you get private student loans

5. What is the number one category of students that can't pay back their loans?

- ☐ I don't know
- ☐ Those that take 5 years to graduate
- ☐ Those that attend a state school
- ☐ Those that drop out
- ☐ Those that flunk a class

KNOW THE DIFFERENCE BETWEEN FEDERAL STUDENT LOANS AND PRIVATE STUDENT LOANS

FEDERAL STUDENT LOANS: a student loan backed by the government

Typically, federal student loans:

- Have several repayment plans, for example:
  - a standard 10-year repayment plan
  - income-based repayment plans, where your payments are based on how much money you make
  - 25-year extended repayment plan
- Allow you to change your repayment plan
- Come with an interest rate that is FIXED
- Provide public service loan forgiveness if you get a qualified job and choose a qualified repayment plan
- Offer more consumer protections than private student loans
  - Currently very difficult to wipe away in bankruptcy

Subsidized or Unsubsidized Federal Student Loans

KNOW WHETHER YOUR FEDERAL STUDENT LOAN IS SUBSIDIZED OR UNSUBSIDIZED

FEDERAL SUBSIDIZED LOANS Federal subsidized loans do not add interest while you are in school. Interest begins only after you leave school or end a period of deferment. This means that your loan balance stays the same while you are in school.

FEDERAL UNSUBSIDIZED LOANS Federal unsubsidized loans add interest while you are in school. The interest begins accruing as soon as you receive the loan. By the time you graduate, you will owe more than you originally borrowed.

FEDERAL STUDENT LOAN PROCESS:

- If loans are part of your financial aid, you and/or your parents are provided information about the loans in a legal agreement
- To get the loans, you and/or your parents must sign a legal document every year
- You receive the funds at the start of the quarter/semester
- Upon graduation, you choose a repayment plan
- Your monthly payments usually start six months after graduation and continue until the loan is paid off, with interest
- If you drop out, payment begins shortly thereafter
- Your repayment plan will determine the length of time and the total amount required to pay off your loan

PRIVATE STUDENT LOANS: a student loan backed by banks or other financial institutions

- Have a VARIABLE interest rate
- Do NOT offer the same kind of flexible repayment plans as federal student loans
- Do NOT offer loan forgiveness programs
- Provide less consumer protections than federal student loans
- Currently very difficult to discharge in bankruptcy

PRIVATE STUDENT LOAN PROCESS:

- You and/or your parents go to a financial institution, such as a bank or credit union
- The financial institution will review your financial history and, if approved, will offer you a loan
- The loan terms, including repayment, will be detailed in a legal agreement to be signed
- Typically, the bank or credit union will require a co-signer, such as your parents
- Whoever signs the document is responsible for paying back the loan
- It will be difficult to change the terms of the private student loan, including repayment

6. What is a student loan?

7. Who backs a federal student loan?

8. When does a subsidized federal student loan start adding interest?

9. When does an unsubsidized federal student loan start adding interest?

10. Who backs a private student loan?

11. Should you want a federal student loan or private student loan?

12. Why?

13. Would you want a subsidized federal student loan or an unsubsidized federal student loan?

14. Why?

WRITE WHETHER THE DESCRIPTION IS FOR A FEDERAL STUDENT LOAN OR A PRIVATE STUDENT LOAN:

15. Student loan backed by the government:

16. Does not offer flexible repayment plans:

17. Offers loan forgiveness program:

18. Has several repayment plans:

19. Very difficult to change your repayment plan:

20. Can change your repayment plan:

21. Does not offer loan forgiveness programs:

22. Backed by a bank, credit union, or other financial institution:

23. Has a fixed interest rate:

24. Has a variable interest rate:

25. Has less consumer protections:

26. Has more consumer protections:

27. Often requires a co-signer:

28. Currently very difficult to wipe away in bankruptcy:

ULTIMATE LOAN CHECKLIST

KEY TIP: LOAN CHECKLIST: Here is a checklist of things to consider before borrowing:

- **Are you borrowing for something that goes up or down in value?**
- **What is the total amount you are borrowing?**
- **What is the TOTAL cost, including interest, to repay the loan? (The difference between 1 and 2 is the interest you will pay.)**
- **How long will this take you to pay off?**
- **What is the interest rate?**
- **Is the interest rate fixed or variable?**
- **Is the interest calculated using simple or compound interest?**
- **When will interest be added to your loan? When you receive it or when you start making payments?**
- **What is the monthly payment and can you fit it into your budget?**
- **What percent does the monthly payment take up of your monthly net income? When taking out a student loan, you can use future estimated income. Later in life, you'll want to use the income you have at the time you take out the loan.**
- **What is the opportunity cost of this decision? Is this the best use of your time and money?**
- **If it's a student loan, is the loan federal or private?**
- **Remember federal student loans have a fixed interest and more consumer-friendly repayment options. Private student loans can have variable interest rates and less repayment options.**
- **If it's a federal loan, is it subsidized or unsubsidized?**
- **What are your options if you are having trouble repaying?**

FINDING WAYS TO CUT DOWN ON YOUR BORROWING

The following is a list of things you can do to reduce the amount you have to borrow for education or training:

A. **Make sure you fill out the Free Application for Federal Student Aid (FAFSA) on time because this determines your eligibility for financial aid. https://studentaid.ed.gov/sa/fafsa**

B. **Determine if you are eligible for any of the Idaho Scholarships through the Idaho State Board of Education. https://boardofed.idaho.gov/scholarships/**

C. **Do what you can to save some money for college because every dollar you save is a dollar you don't have to take out in a student loan. Any money you borrow with a loan, you'll have to pay back with interest and that can get costly. For example, let's say you are able to save $10,000 for your college. That's money you don't have to take out a loan for. A $10,000 student loan paid back on a 25-year repayment plan at 5.5% interest rate will end up costing $18,422. So that $10,000 saved for college actually saved a lot more.**

It's ok if you can't save $10,000 for college. Don't focus on the number. The take-away is the money you save for college is money you don't have to borrow and pay back with interest.

For those considering going into trades, here's a helpful website to find information apprenticeship opportunities and other training resources: https://www.labor.idaho.gov/dnn/Job-Seekers/On-the-Job-Training/Apprenticeships

A. **Look into Dual Credit or Advance Placement Classes while in high school to earn college credits. These credits are free or a greatly reduce price and can be applied toward a college degree.**

B. **Also apply to a state/public school and have a financial safety school. You should definitely apply to your dream school. It's also common to have some safety schools that you have a better chance to get into. Include a financial safety school that is the most affordable. You can do a cost-benefit analysis when you get your financial aid packages from the schools you've applied to.**

C. **Think about getting your 2-year Associates degree and transferring to a four-year college. Think about getting your 2-year Associates degree and transferring to a four-year college. In most cases, this will be less expensive than attending a four-year college the entire time. Of course, you will want to make sure the credits will transfer. Of course, you want to make sure the credits will transfer.**

D. Apply for grants and scholarships. You don't have to pay back grants and scholarships. Your college may offer some grants and scholarships, but you should also look for additional opportunities. Not all scholarships and grants are merit-based and millions of dollars' worth of grants go unclaimed every year due to a lack of applications. One source to check out is www.myscholly.com

E. Don't borrow more than you need. The financial aid package you receive from the college will most likely offer more loans than you need. Run the numbers and only borrow what is necessary. Remember, the more you borrow, the more it will cost you in the long run.

F. Consider a gap year or two. Taking a year or two off before going to college to work and save money could be an excellent opportunity for a disciplined student with a plan. Students without a plan might get "knocked off track" and find it difficult to return to school. Be aware that working during this time will increase your income level and may decrease the amount of grant money you could be eligible for.

G. Think about the possibility of living with family while attending college. The college research you did in this program illustrated the cost savings one can achieve by attending college and living at home. According to the College Navigator website, a student would have saved $12,000 a year by living off campus with family while attending the University of Washington in 2018-19. Of course, not everybody can do this. Some colleges require students to live on-campus for a certain amount of time, not every family lives near a college, and some family situations rule out this option.

H. Explore employer assistance. Working students can seek jobs from employers that provide financial assistance to employees for college. As one example, Starbucks provides its employees free tuition to Arizona State University's online programs. Check with your employer for the availability and qualifications for this type of assistance.

I. Save money during college. Have a budget and stick to it. If you can, save some money for future loan payments. If your loan is accruing interest while in college, consider making interest only payments during this time to keep the balance down. Remember, if you live like a professional during college, you'll live like a student after you graduate.

J. Complete your degree. The number one category of people who can't pay back their student loans are those that dropped out of college. If you start, make sure you finish.

K. Don't lose sight of paying off your student loan when you graduate. Remember the borrowing fundamentals. The longer you take to pay off a loan, the more it will cost you.

L. Compare the conditions of any scholarships you are offered. While one school may seem to give a great scholarship, what requirements are there to keep it? Ask the financial aid department how many students lose their scholarships each year.

M. Remember: You can do it. Be a problem-solver! And borrow like there will be a tomorrow.

29. What is one thing you are going to do to reduce your debt?

NEXT STEPS

Congratulations! You have the skills and knowledge to make an informed decision about your next steps. Take it one day at a time. The time you put into planning your future will pay off. You got this! Here are some things you can do with the time you have left in high school:

- [ ] **Do your best in your high school classes**
- [ ] **Think about where you want to go to for college or training**
- [ ] **Apply for student aid: Fill out a FAFSA**
- [ ] **Cut down on your education costs (review the list in this lesson)**
- [ ] **Minimize your debt**
- [ ] **Apply to your dream schools, but also apply to a financial safety school**
- [ ] **Talk to your parents about where you want to get your education or training. Discuss whether they can contribute and, if so, how much**
- [ ] **Think strategically about your career and income**
- [ ] **Be mindful of income, expenses, and lifestyle**

You have your next steps list to create and the exit ticket for this lesson. The final official lesson is the post-assessment. You'll be amazed at what you have learned!

LESSON 8 EXIT TICKET

30. Which one of these is NOT TRUE about a federal student loan?

- ☐ Variable interest rate
- ☐ Various repayment plans
- ☐ Hard to wipe away in bankruptcy
- ☐ You can change your repayment plan

31. Which of these is true for a federal subsidized loan?

- ☐ Interest is added on as soon as you are given the money
- ☐ Interest is not added on until after you finish school
- ☐ Variable interest rate
- ☐ Interest is completely forgiven

32. Which of these is NOT TRUE about a private student loan?

- ☐ Variable interest rate
- ☐ Fixed interest rate
- ☐ Very difficult to wipe away in bankruptcy
- ☐ It is difficult to change your repayment plan

33. Which one of these is NOT TRUE ABOUT FAFSA?

- ☐ It will help you get federal aid
- ☐ It will help you get federal grants and/or work study
- ☐ It will help you get federal loans
- ☐ It will help you get private student loans

34. What is the number one category of students that can't pay back their loans?

- ☐ Those that take 5 years to graduate
- ☐ Those that attend a state school
- ☐ Those that drop out
- ☐ Those that flunk a class

END OF LESSON 8

DON'T GET DEBT SLAPPED

Lesson 9

Filling out the FAFSA

Lesson 9: Filling out the FAFSA

DON'T GET DEBT SLAPPED

TIME REQUIRED: 40-50 MINUTES

NAME:
DATE:
HIGH SCHOOL:
GRADE:

LESSON 9 LEARNING OUTCOMES

A. Where to get the FAFSA, how to fill it out, and when to submit it

Do you know how to finance your education? In order to be considered for financial aid as well as many grants and scholarships, you must fill out the Free Application for Federal Student Aid (FAFSA). While it may look long and complicated, filling out the FAFSA can go much more quickly and smoothly if you are prepared with the right information. Here are some of the most important sections for your review.

WHERE CAN I FIND THE FAFSA?

You can find a copy of the form online at https://studentaid.gov/h/apply-for-aid/fafsa. The fastest and easiest way to apply is online. It is free and processed more quickly this way. If you want to mail it, check the instructions located under "Mailing your FAFSA" on how to mail a copy and to what address.

Other options are:

- Fill out the form in the myStudentAid mobile app, available on the App Store (iOS) or Google Play (Android)
- Request a print-out of the FAFSA PDF by calling us at 1-800-4-FED-AID (1-800-433-3243) or 334-523-2691 (TTY for the deaf or hard of hearing 1-800-730-8913); then fill out the form and mail it for processing

HOW EARLY CAN I SUBMIT THE FAFSA?

October 1 for the following academic year.

WHAT DO I NEED BEFORE FILLING OUT THE FAFSA?

You will need tax returns for the student and parents or guardians. The best way to provide financial information is through the IRS Data Retrieval tool through fasfa.gov. Most individuals who filed a tax return for the previous year can have their information quickly accessed and entered into the FAFSA. If you have not filed for the previous year, you must provide an estimate of the information in your return, and then you must correct the information with FAFSA after you file your return.

- **Your Social Security number**
- **Your parents' Social Security numbers if you are a dependent student**
- **Your driver's license number if you have one**
- **Your Alien Registration number if you are not a U.S. citizen**
- **Federal tax information or tax returns including IRS W-2 information, for you (and your spouse, if you are married), and for your parents if you are a dependent student:**
    - **IRS 1040**
    - **Foreign tax return, IRS 1040NR, or IRS 1040NR-EZ**
    - **Tax return for Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, the Marshall Islands, the Federated States of Micronesia, or Palau**
- **Records of your untaxed income, such as child support received, interest income, and veteran non-education benefits, for you, and for your parents if you are a dependent student**
- **Information on cash; savings and checking account balances; investments, including stocks and bonds and real estate (but not including the home in which you live); and business and farm assets for you, and for your parents if you are a dependent student**

WHAT IF MY FINANCIAL SITUATION HAS CHANGED SINCE THE PREVIOUS YEAR?

Fill out the FAFSA with all the information as required, then follow up to provide further information to the financial aid office at your school. They are able to process any requests for modified awards in light of changed circumstances.

WHAT DEADLINES SHOULD I BE AWARE OF?

There are many state and local deadlines to be considered for different grants, scholarships, and other types of aid. Since the FAFSA is processed on a rolling basis, be sure to submit it as early as possible to ensure you do not miss out on any types of aid you may be eligible for. The earlier you submit it, the better chance you'll have for more aid.

NEXT STEPS:

After you have filled out the FAFSA, you will list the colleges you plan to apply to. Your financial information will be sent to them to evaluate a financial aid package for you.

HOW LONG DOES IT TAKE TO FIND OUT THE RESULTS OF THE FAFSA?

Application processing times vary but, it will usually take several weeks before you receive a Student Aid Report (SAR). Verify that the information on your Student Aid Report (SAR) is accurate. The Student Aid Report will provide your expected family contribution, which is how much you are expected to pay towards your education directly.

HOW DO I FIND OUT THE SCHOOL'S FINANCIAL AID OFFER?

Each school's financial aid office processes the FAFSA information independently. You will be provided a financial aid award letter from each of the schools you were accepted to and that you sent the FAFSA to.

HOW OFTEN DO I NEED TO FILL OUT THE FAFSA?

You must complete the FAFSA each year in order to maintain eligibility for student aid.

FILLING OUT THE FAFSA ONLINE:

Since submitting the FAFSA online is the fastest and easiest way to retrieve and submit your information to schools, most families choose this option. We will go over the steps to filling it out online.

A. **Create an Account (FSA ID).**
   The FSA ID is the username and password you will use to access the FAFSA online. It also allows you to save your progress and come back at a later time, if you need to. If it is your first time filling out the FAFSA, you should be able to access your information and submit a FAFSA right away. If you have submitted one before, you may need to wait pending verification. Be sure to plan ahead!

   Students and parents need to both create their own FSA IDs. Do not share this information with anyone, even each other! Parents CANNOT create an FSA ID for their children. Confusing each other's information is a common cause of error and subsequently, causes delays.

B. **Start the FAFSA at fafsa.gov.**
   Be sure to begin and submit your FAFSA as early as you can, as each school's financial aid resources are limited. If you have the option to submit a "renewal" form, do this as it saves time.

   If you need to fill out the remaining information later, use the "save key" function. This is meant to be shared between students and parents and allows for a parent or student to complete information where the other leaves off.

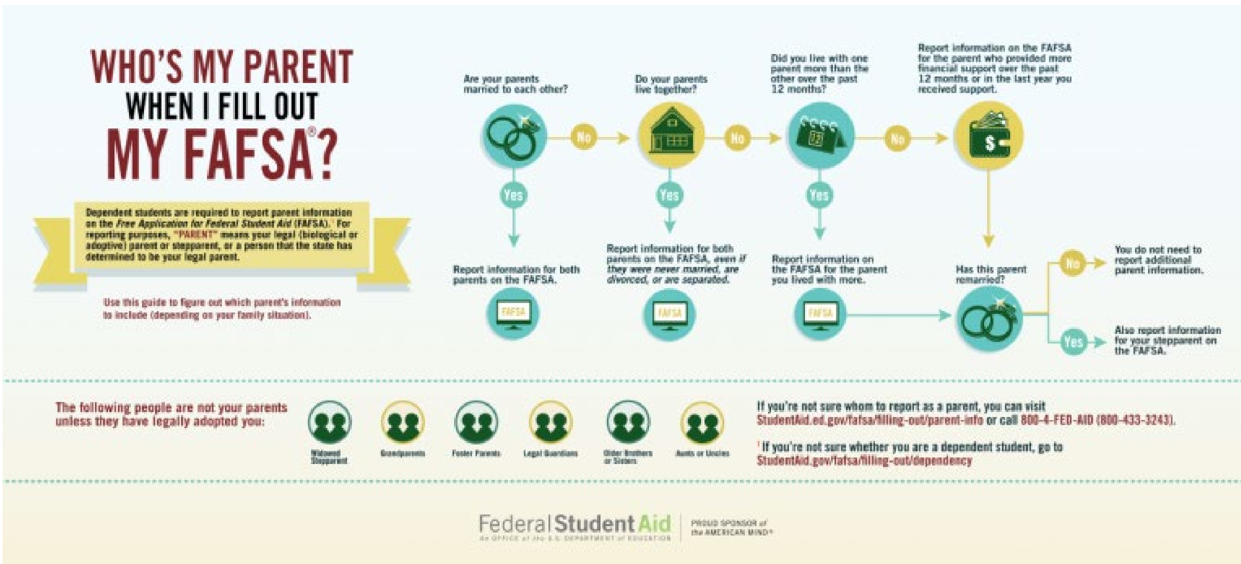
C. **Fill out the Student Demographics section.**
   Be sure to fill it out exactly as it appears on your social security card. When the FAFSA refers to "you," it is referring to the student, NOT the parent. Be sure to pay close attention to whether it is asking for student or parent information.

D. **List the schools you want your FAFSA information sent to.**
   Be sure to send your information to each school you are considering, even if you have not applied or been accepted yet. You can add up to 10 schools at a time. You can remove schools later to make room for more.

E. **Answer dependency status questions.**
   Follow the specific questions in the dependency status to determine whether you are required to provide parent information on the FAFSA. The dependency guidelines are set by Congress and are NOT the same as the ones used by the Internal Revenue

Service (IRS). Even if you live on your own, support yourself, and file taxes, you may still be a dependent student.

F. Fill out the Parent Demographics section.
If you are a dependent student, you will be required to provide demographic information for your parents. It does not matter whether you live with them; this information must be provided if you are determined to be a dependent student under step 5. To determine who is your parent for the purposes of the FAFSA, review the flowchart below.



There may be a limited set of circumstances where you are NOT required to report your parents' information. Some examples are:

- Your parents are incarcerated.
- You have left home due to an abusive family environment.
- You do not know where your parents are and are unable to contact them (and you have not been adopted)
- You are older than 21 but not yet 24, are unaccompanied, and are either homeless or self-supporting and at risk of being homeless.

You will have the option to provide an explanation for special circumstances in the FAFSA. However, you must note:

Although your FAFSA form will be submitted, it will not be fully processed. You will not receive an Expected Family Contribution (EFC) and must immediately contact the financial aid office at the college or career school you plan to attend.

Another situation is refusal to provide information. Should this happen, you must follow the same steps as above and follow up with your school's financial aid office. You will

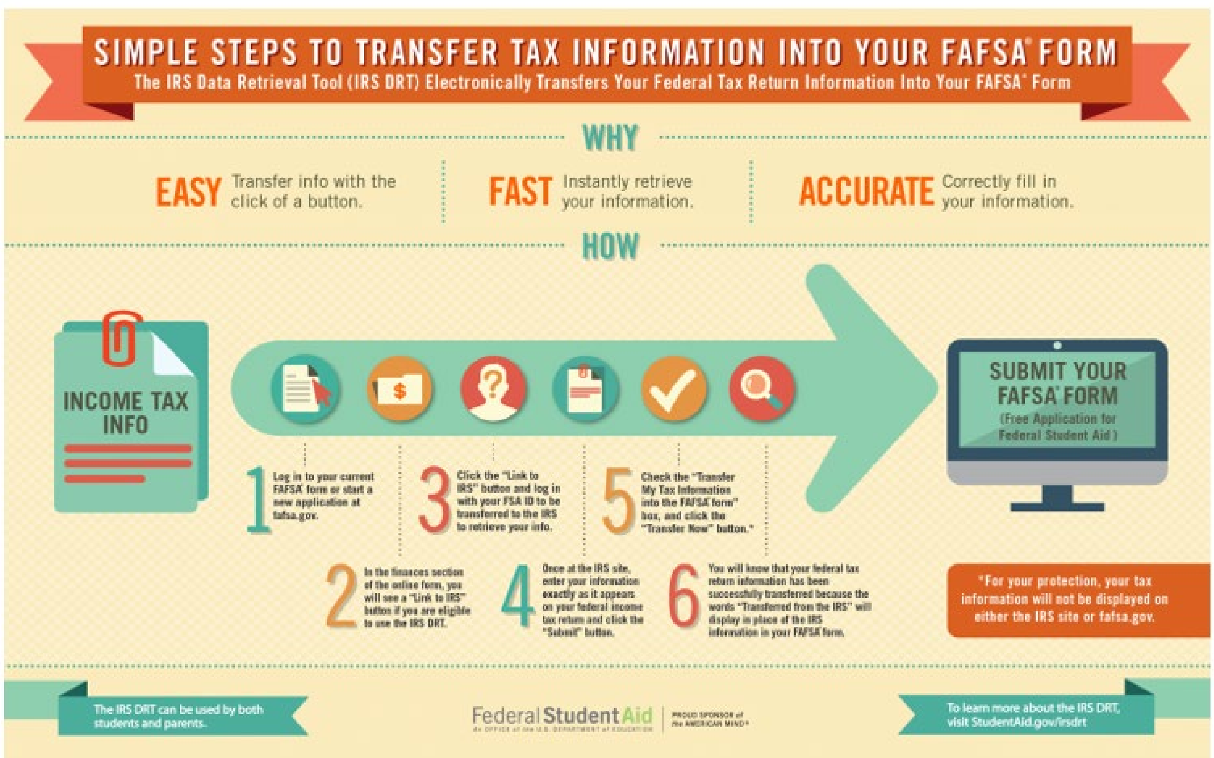
not be eligible for unsubsidized loans, and it is up to the school if they are able to lend subsidized loans.

What if my parents are concerned about providing their information because of their citizenship status?

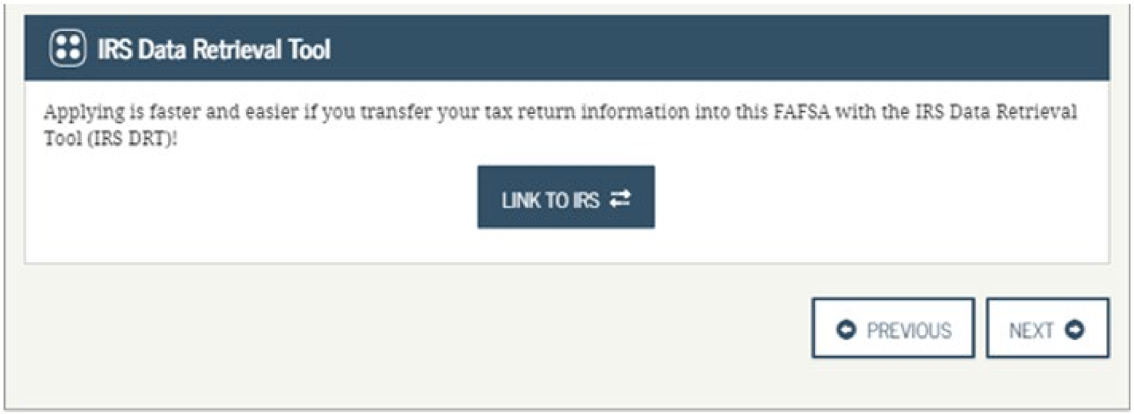
Your parents' citizenship status does not affect your eligibility for federal student aid. In fact, the FAFSA form doesn't even ask about your parents' status.

Specific advice on how to fill out the FAFSA for noncitizen parents can be found on the FAFSA's website.

G. Supply your financial information
Here is where you and your parent(s) (if applicable) will provide your financial information. This step is incredibly simple if you use the IRS Data Retrieval Tool (DRT). The IRS DRT allows you to import your IRS tax information into the FAFSA form with just a few clicks. Using this tool also may reduce the amount of paperwork you need to provide to your school. So if you're eligible, use it!



To access the tool, indicate that you've "already completed" taxes on the student or parent finances page. If you're eligible, you'll see a "LINK TO IRS" button. Choose that option and follow the prompts.



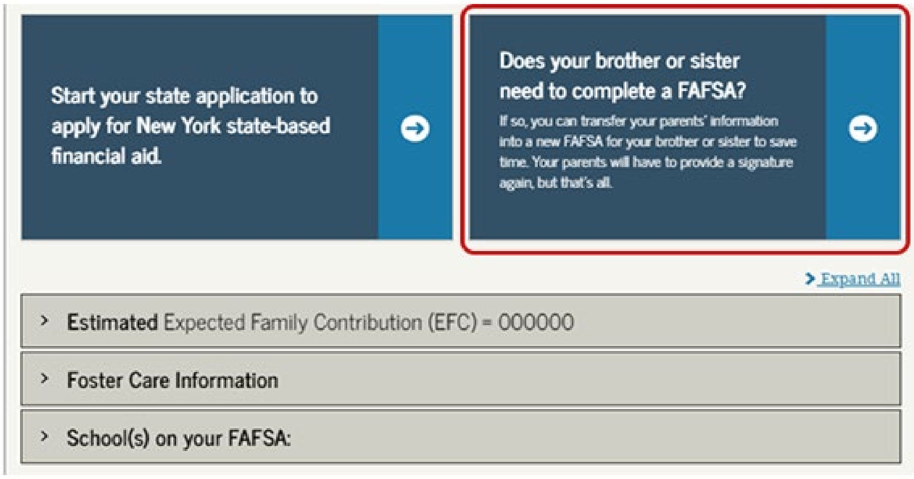
H. Sign and submit your FAFSA form

You're not finished with the FAFSA form until you (and your parent, if you're a dependent student) sign it. The quickest and easiest way to sign your FAFSA form is online with your FSA ID.

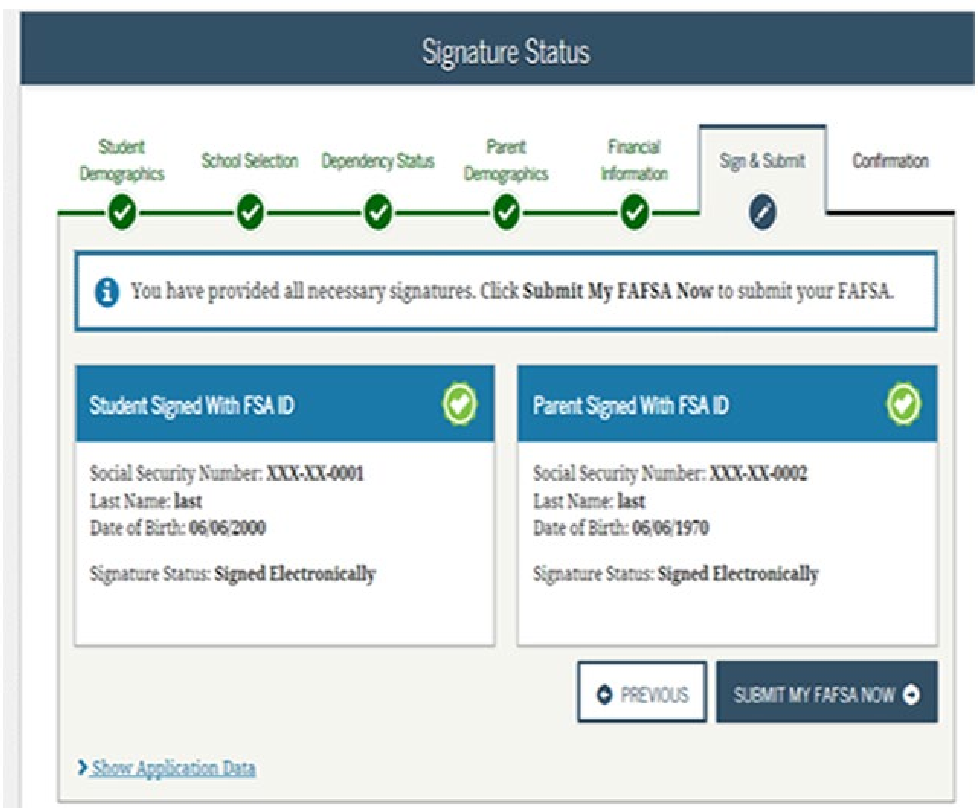
Note: If you (the student) logged in to the FAFSA form with your FSA ID at the beginning, you won't need to provide it again on this page. But, if you're a dependent student, your parent will still need to sign before you can completely submit.

SIGN AND SUBMIT TIPS:

- **If you or your parent forgot your FSA ID username or password, you can retrieve it.**
- **Make sure you and your parent don't mix up your FSA IDs. This is one of the most common errors, and why it's extremely important for each person to create his or her own FSA ID and not share it with anyone.**
- **Make sure the parent who is using his or her FSA ID to sign the FAFSA form chooses the right parent number from the drop-down menu. If your parent doesn't remember whether he or she was listed as Parent 1 or Parent 2, he or she can go back to the parent demographics section to check.**
- **If you have siblings, your parent can use the same FSA ID to sign FAFSA forms for all of his or her children. Your parent can also transfer his or her information into your sibling's application by choosing the option provided on the FAFSA confirmation page.**



- **We recommend signing the FAFSA form with an FSA ID because it's the fastest way to get your FAFSA form processed. However, if you and/or your parent are unable to sign the FAFSA form electronically with an FSA ID, you can mail in a signature page. From the sign and submit page, select "Other options to sign and submit" and then choose "Print A Signature Page." Just keep in mind that your FAFSA form will take longer to process if you go this route.**



WHAT IF I NEED HELP?

Check out these frequent questions online.

https://studentaid.gov/apply-for-aid/fafsa/filling-out/help

If your answer is not found there, you can contact the Federal Student Aid Information Center by Chat, Phone call, or email.

https://studentaidhelp.ed.gov/app/home/site/fafsa

LESSON 9 EXIT TICKET

1. Which of the following is NOT TRUE about submitting the FAFSA online?

- ☐ It is the fastest way to submit your information
- ☐ It allows schools to consider you for scholarships earlier
- ☐ You can import your tax information from the IRS
- ☐ Not all schools accept online FAFSA

2. The FAFSA definition for dependency is the same as the IRS definition.

- ☐ True
- ☐ False

3. Filling out the FAFSA is the only way to be considered for Federal Financial Aid and some scholarships.

- ☐ True
- ☐ False

4. It is best to submit the FAFSA as soon as you can, as aid is first come, first serve.

- ☐ True
- ☐ False

5. How many times do you need to submit the FAFSA?

- ☐ Your first year of college
- ☐ Each year you wish to be considered for financial aid

END OF LESSON 9

RESOURCES

15 | Notes & Ideas

16 | Contact GEAR UP Idaho

Notes & Ideas

Contact GEAR UP Idaho

College & Career Readiness

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