

9 Things Every College Student Should Know About Money

Presentation Transcript

HEY, YOU GOT A DOLLAR I CAN BORROW

Number Two is "Hey You Got A Dollar I Can Borrow?"

KEEP YOUR END GAME IN MIND

Cheers

Instructor Brad: What a perfect day for a game, when it comes to borrowing, always keep the end game in mind. Set your goals first.

Bucky thinking: Graduate sooner, get a good job, score big!

Instructor Brad: Remember to always borrow responsibly, especially when borrowing: student, auto, and home loans.

TOPICS

1. HOW LOANS WORK

So how do loans work?

INSTALLMENT LOANS

So let's talk a little bit about installment loans. As we said in the video previously installment loans have some common characteristics. They all have beginning and ending dates, they all include terms and conditions of the loans, these terms and conditions are agreed upon between the borrower and whoever is lending the money to the borrower. And they all involve a signed contract which is a legal and binding obligation.

LOAN COMPONENTS

What are the components of a loan? I think this is a part that is mysterious to a lot of students as to how these loans actually work. There are some basic principles that you just need to know. Well, I guess we should start with that then. One of the basic principles is actually called the principal. In this use of the word principal--what we are talking about is the amount that you actually borrowed and the amount that you actually owe for whatever item or whatever the loan was for.

Now, that is not the amount that you will pay back. Because what you are gonna pay back is called P & I which is principal plus interest. So, you are gonna pay back more than what something actually cost. Because you agreed to borrow money in order to get that item, and then you agreed to pay more for it because you agreed to pay interest on it. And that's how people who loaned you the money or sold you the item on a payment plan actually make more money.

So, two basic components of any loan is that there is a principal side and there's an interest side. Any time you make a payment to principal you are actually paying down the amount you owe. Anytime you make a payment to interest all you are doing is giving money to whoever the loan provider was and they are actually making money on you, you're not reducing the debt that has accrued or that you think you are making a payment on.

The components that make up how the payment works are; the amount of the loan, the interest rate of the loan, and the duration or time of the loan. These three components drive the monthly payment. A lot of time salesmen will start talking to you about monthly payment, no, you can figure out your own monthly payment by finding out the amount of the loan, the interest rate that is going to be charged and hopefully you can negotiate lower, and the duration or time line of the loan. Any time you can shorten the duration of the time then you can get the loan at a lower cost and actually save yourself money, which is the final one, amortization.

Amortization is the difference between the principal and interest. You can look at the amortization chart and make an extra payment against principal that can drastically reduce the overall amount that you will owe on that loan. It will reduce the overall amount owed and it will reduce the duration that you are paying on that loan. So those are the loan components of any basic installment loans.

2. STUDENT LOANS

Student Loans.

KICK-OFF

For many students, a big part of their financial plan when it comes to paying for college is financial aid. Financial aid includes scholarships, grants, loans, and work study, so it's fairly encompassing.

The two most important things that you need to remember whenever dealing with financial aid is; number one applications and number two, deadlines. It may seem very obvious but if you don't apply for the funds you're not going to receive them. And if you don't apply on time or by the deadline for the funds, you may not realize funds that you otherwise would have been eligible for had you made the deadline. So it is very important that you monitor the deadlines for the particular type of aid that you are applying for.

So what types of applications are we talking about? On the need-based side the single application for need-based programs at both the federal, state, and institutional level at the University of Oklahoma is the FAFSA. The Free Application for Federal Student Aid. By filling out that application online at fafsa.ed.gov the student is applying for all federal aid, all need-based state aid, and all need-based institutional aid. By filling out the FAFSA the student puts themselves in the running for many different types of financial aid programs. It doesn't necessarily mean that you will qualify for them, but at least you put yourself into consideration. So each one of those is combined with a deadline and you want to make sure you know the corresponding deadline for submitting the FAFSA and other applications that you may be completing. Rule of thumb for this year coming up, 16-17, you're going to be allowed to apply for the FAFSA starting January first. We recommend that you fill out the FAFSA right away. File as estimated in the beginning and then you can go back later and use the IRS data retrieval tool to pull the information back across.

After this upcoming January, they're actually going to allow you to start reapplying in October, so we'll talk more about that then, but it's going to be a great opportunity to find out what your financial package is earlier on in the process.

OU has a new centralized scholarship hub for undergraduate students. The new system is called CASH. CASH will enable students to apply for *all* OU scholarships in one place. The scholarship application opened on October first, so it is opened now. It will close on February first, but go ahead and fill out the application as soon as possible. We are telling departments not to have their committee meetings prior to February 1, when the scholarship application closes, but we do not control that. So if they want to meet in December, they can meet in December. You want to make sure that you have your CASH Scholarship application all in one place, on file, for when that committee meets. So just get it done and then you can move on and not have to worry about applying for scholarships anymore at the University of Oklahoma. All in one place. CASH. Go to scholarships.ou.edu and hit the big giant "click here".

Student loans are one of the biggest ways that students do fund their college education--we talk about it in the video but you want to make sure that you *don't borrow more than you need*. Try to keep your borrowing managed, borrow at a rate that it is helping you accomplish your goal of a college degree, *but don't borrow to elevate your lifestyle*--borrow to accomplish that goal. If you have any questions about this, please contact the Financial Aid office. Every student at the University of Oklahoma has a designated financial aid counselor that we can hook you up with that will help you navigate this process, so you should meet with them, talk about the process, and have your financial plan in place before you go home in the spring or for the summer, so that you don't have to worry all summer long about what your plan is for paying for next year.

VIDEO: TYPES OF STUDENT AID

Penny: View this video: Types of Student Aid.

Penny: Remember you can replay the slide by clicking the restart button on the seek bar below.

Purpose: Informational. FSA explains the types of Federal Student Aid and the FAFSA process and aid options to help pay for college.

VIDEO: FAFSA OVERVIEW

Penny: Here's another video you need to watch. FAFSA overview.

Purpose: Informational. Explains how to apply for financial aid using the FAFSA application and how aid is awarded by the college.

SELF-ASSESSMENT T/F

The FAFSA Application is free.

SELF-ASSESSMENT Drag/Drop

Yelena: Let's sort these loans by funding source.

Drag each loan document and drop in the correct file.

SELF-ASSESSMENT M/C

Which of the following is not a federal loan?

VIDEO: REPAYMENT- What to Expect

Penny: Review this short video: Repayment- what to expect.

Penny: Remember you can replay the slide by clicking the restart button on the seek bar below.

Purpose: Informational. How loans are repaid, repayment plan options, and NSLDS.

STUDENT LOAN REPAYMENT

We've reviewed some basic information on federal student loans so far, but I want to make you aware of two very helpful websites if you borrow student loans.

The first is NSLDS, the National Student Loan Data System, which was described in the previous video. If you've borrowed a federal student loan, now would be a great time to take a minute and log into the NSLDS website and review your loan information. Make note of how much you've borrowed in federal student loans and include the type(s) of student loan(s) in your financial plan so you know where you stand.

Readysetrepay.org is the Oklahoma College Assistance Program website and they provide some great information about smart borrowing while in school. You may want to bookmark these two sites for future reference. Oh, and one more thing--*remember*, if you have any questions about student loans and borrowing, you can always contact and connect with your financial aid counselor!

KEY TERMS STICKY NOTES

Click on the sticky notes to see definitions of these key terms.

SELF-ASSESSMENT M/C

Which of the following is not a student loan status?

FINANCIAL AID TIMELINE

Let's look at the financial aid timeline. Financial aid is an iterative process, so in other words there is a start, but there is a lot of back and forth that can take place before the end—which is when financial aid actually flows into your bursar account.

So let's look at the timeline. For 16-17, the upcoming year, as soon as possible after January first, you want to fill out the FAFSA. Even if you have to use estimated income, fill out the FAFSA as soon after January 1st as possible. Now, as we talked about earlier, in the upcoming year, 17-18 you're actually going to have the opportunity to fill out the FAFSA on October 1st. So even the federal government is getting into the fact that we want to push

this up so that we can get awards out to you sooner so that you can have a better chance to do some financial planning which is what this course is all about. So you need to talk to your parents about getting their taxes filed as soon as possible because even if you filed estimated, you're going to have to use what's called the IRS Data Retrieval to go in through your FAFSA and pull the tax information back across from the IRS and you follow the instructions in the website to get that done. But you want to make sure that as soon as they file that you can do that retrieval and get your financial aid completed so that we can start making awards to you. Check your OU email. This is the official correspondence of the university so that you'll know if you have any emails dealing with your financial aid eligibility.

Alright, so the next step may be to provide any supporting documentation that may be required. And if that's the case, you will get an email. You can also go to the money tab in oZONE and it will let you know what this missing information is. So then once you get all of that completed and that documentation is in place, then you get awards. You're going to get awards that you are going to have to make decisions on. Now if you see anything that is a scholarship or a grant, please accept it. If it's a loan, then you need to have a little financial planning conversation with your parents or someone else. Just take the information that you've learned in this class and try to make the best decisions that you can. If you do have questions make sure you contact Financial Aid as soon as possible so that you can get your college financial plan in place before the start of school so that we can have everything flowing to the bursars account in August. Then your biggest thing you have to worry about is starting your classes and keeping up with your academics and not how much you owe the university.

So that's your financial aid timeline. If you follow these guidelines you should have your money available to you at the start of school, which will make life a whole lot easier.

NATIONAL STUDENT LOAN DEBT

Let's turn our attention to national student loan debt. National student loan debt is a problem. It's a problem that has been building over the last decade. As a matter of fact, student loan debt has now exceeded credit card debt in terms of number of dollars outstanding that are owed by United States citizens. Seven in 10 college seniors who graduated last year had some sort of loan debt and the average amount of that loan debt is getting precariously close to \$30,000. Now, that is nationwide, that is not at the University of Oklahoma. Our average loan debt is lower than that and that can be attributed in a good

part to a lot of efforts that we have made to keep those costs down, and by educating our students about borrowing responsibly.

So why do we say that it could eventually be a national crisis? Well the problem is, college students are graduating, whether you realize it or not, you are a huge driver of the economy. The way the cycle works is that you are supposed to go to college, get a degree, go out and get a job, start paying taxes, buy a car, buy a house, which all adds to the economy. You pay your taxes, you do what you're supposed to do and that generates revenue for everyone which makes sort of a high tide lifts all boats when it comes to things economic. And all of this is growing and building the national economy and it's making the country stronger.

One reason it could potentially could be a national crisis is because a lot of graduates are getting the jobs but they're putting off buying the houses and cars because of the student loan debt. And so that is actually slowing down the economy and is a concern on the national economic scene going forward.

On a personal note of course, it's delaying students' ability to launch, so to speak. There's a lot more students living at home now, a lot of student's are staying with their parent's insurance and it is causing sort of a delayed reaction in getting students out into the workforce, building those businesses, getting those jobs going by paying off that debt, and driving the economy with new earnings and new spending.

So the challenges are obvious. Higher education costs--many people are unable to save or save enough, although I do think that that the advent of 529 College Savings Plans--that has helped a lot, but there are challenges that as the cost of education goes up, support from the states has gone down. Much of the burden of those rising costs and fallen state support has landed on the student in the form of higher tuition to make up the difference.

So what's the solutions? Well, it's a complicated situation. We have tried to do several things at the University of Oklahoma to shorten the time to degree *to include--we have implemented what is called flat rate tuition*--to try and get students into the habit of taking at least 15 hours a semester or 30 hours a year in order to get them through the system and graduated in four years rather than five or six which will ends up saving tens of thousands of dollars by graduating in four years vs. paying for an additional year, which also takes them out of the workforce while their completing that either that 5th or 6th year.

It's a complicated problem, but one that can be managed especially on the individual level so you need to be aware of it and understand what your plan is for making sure that you put together the best possible plan you can for going forward.

SECOND QUARTER-BURSAR SERVICE

Cheers

Bucky: I got my e-bill from the Bursar yesterday, and I'm worried because I can't pay it all right now.

Raj: Bucky, just contact them. They are very helpful and will help you find a payment plan that will work for you.

BURSAR SERVICES

The Bursar Office is the accounts receivable arms of the university. So anything dealing with charges, student charges, specifically flow through the Bursar Office. This includes tuition and fees, and if you are in university housing, your housing and your meal plan. Other charges that flow through the bursar office include parking, library, football tickets, etc. So, when a charge is put on your account it goes into the Bursar Office. The Bursar Office sends out monthly statements. Those statements are generated and sent out at the end of each month and are due on the 21st of the following month. When a student comes to school in August, fall charges are generated prior to that and a statement will go out August 31st and the payment for that statement is due September 21st. Same thing in the spring--charges are generated in January, statements go out January 31st, and the payment for that statement is due February 21st.

Now, the university offers a payment plan, in which every student is enrolled automatically. To utilize the plan, a student pays a percentage of their outstanding balance each month in order to remain in "current status" with the university. There is a cost to use the plan, which you may want to consider. It's a service charge of one and a half percent interest per month that is added to the unpaid balance. So that is why you cannot simply take the original balance and divide it into four equal payments of twenty-five percent. Come the end of the semester, you would have monies owing that might prevent future enrollment. Therefore, to pay your fees in full by the end of the term--follow the schedule that:
pays 25% of the balance for the first month, 33% of the balance for the second month, 50% of the balance in the third month and 100% of the balance in the fourth month.
Most of OU's students follow the payment plan even though there is a slight additional cost.

The monthly payments are easier to manage especially on a family that has to take into consideration cash flow, which most of us do.

Now here at OU we encourage students to apply for direct deposit. When you have financial aid funds coming in, the financial aid is applied to your account and if you have more financial aid then you have charges--that excess amount is then given back to you. We encourage direct deposit so the money goes straight into your bank account versus you having to wait in line and pick up a paper check. That paper check of course could then be lost or stolen. If you have not done so already, I encourage you to sign up for direct deposit as quickly as possible so that you can have eligible funds safely and securely deposited into your account.

Holds--if you have not paid tuition and fees or stayed in current status with the Bursar by the time registration rolls around for the next semester, you will have a Bursar hold placed on your account and you will be unable to register for classes. You need to address payment with the Bursars Office by either paying off your account or by speaking with a Bursar representative to see what your options are as far as getting that hold lifted so that you can go ahead and register for that upcoming semester. Financial Aid and Enrollment and Student Financial Services also offers financial coaching where you can sit down with a trained individual and their goal through a financial coaching session is to get your bursar balance through a comprehensive plan to zero.

Bucky: Watch this short video.

Purpose: Informational. Misconceptions (myths) about college affordability and scholarships.

3. CAR LOANS

So another type of installment loan, car loans.

HALF-TIME

Video: The OU Pride of Oklahoma!

Purpose: School spirit.

Video: The Badger

Purpose: Auto sales commercial with a badger as the salesman.

CAR BUYING PROCESS

Buying a car. When you make the decision to buy a car, one of the first things you need to do is determine what your requirements are. Are you gonna buy a new car? Are you gonna buy a used car? Are you gonna buy, are you gonna lease? How many miles are on the car? What type of vehicle is it that you're looking for? What are you gonna do with the vehicle? Drive back and forth to school? Use it for work? What are gonna be the requirements of this vehicle? You need to lead that down first, then you need to determine cost based on those requirements. So you figure out everything you want in a vehicle, then you do some online research and figure out how much a vehicle that meets those requirements is going to cost you. And then you have to determine can you pay cash for a vehicle that meets those requirements or are you gonna have to get financing.

UNDERSTAND VEHICLE FINANCIAL

If you are going to have to get financing, then you want to make sure that you are qualified, and we will talk more about credit scores in a later *Thing*. But you want to make sure that your credit is as good as possible, that you have an income that you can put down on the financing application. And then you have to determine how you want to finance it. Do you want to go through your local bank, do you want to go through the dealership? How do you want to create the financing for this vehicle?

BUY VS. LEASE

Buy vs. lease is a decision you need to make right off the bat. Typically, in my opinion, I believe in buying cars. I am not a big believer in leases. I understand people who lease want basically to have a new car every couple of years, depending on the length of the lease. I look at it as you never own anything. Basically you are just renting and there are conditions with a leased vehicle, like you got a limit on the number of miles and you will also be charged if there is any damage at all to the vehicle, even if it's just cosmetic on the interior, and yes you *will* get charged an additional fee for that! If you go over on your mileage--the fee is quite hefty. So, there are lease situations or people in situations where leases work out well for them, but it is not just anything that I'm real high on.

My strategy that I used is that when I buy a vehicle, I commit to that vehicle basically for ten years. I then get the best term that I can get from a loan standpoint. So, somewhere between 3 and up to 5 or 7 years now on that term. But if you commit to holding that vehicle for 10 years, if you got even a 5 year term loan, then for 5 years after that you've got no car payment. If you're really smart, you'll take that car payment and you will put

that amount of money back into your savings every month so at the end when you get ready to go and buy your next vehicle you can either make a large down payment, which will lower your overall cost, or you can possibly pay for that vehicle outright, which is even better, but once you get used to not having a car payment it is very difficult to go back and start taking that out of your monthly budget again. So you just want to come up with a strategy about how you're going to go about that.

SAFETY ISSUES AND RECALLS

Safety issues and recalls. Obviously you want to get the safest vehicle that you can afford that you like. You want to make sure that safety is a consideration in the buying process. How much of a consideration you're going to have to determine that for yourself. I know that me, as a father buying a vehicle, especially a first vehicle, for my children, safety was actually a big part of the process that included price and maneuverability, and that sort of thing. So, it needs to be taken into consideration. And also recalls. Recalls are when there is a manufacturer typically defect with the vehicle and they recall that vehicle. You want to make sure you get the vehicle back to the dealership so that they will fix that. Typically with recalls there are no charges. But you want to make sure you get that taken care of, especially if it's any type of recall that may have a safety issue involved with it.

MAINTENANCE AND WARRANTY

Maintenance. It is like any other investment, with a vehicle you are gonna get more life out of it if you take care of it. If you stay with the scheduled maintenance, I know it is pretty hard to keep up with, but there are computers now at the dealership and oil change places that keep track of when your scheduled maintenance is and help you keep up with it. There are even apps you can use to keep track of your vehicle maintenance yourself and keeping your vehicle properly serviced is important because it can impact how long you can use your vehicle.

Vehicle warranties are very important, especially a vehicle that possibly has a factory defect or problem. You want to make sure that you get the best warranty that you can possibly get on that vehicle. Extended warranties are a bit controversial. Typically, a vehicle should last within its current warranty period which is why they set the duration of the warranty for that length. An extended warranty is basically like buying insurance. How much risk do you want to mitigate? As a general rule, I don't like extended warranties, but if it gives you peace of mind, if say your warranty is for 3 years but you have a 5 year loan on it and the last thing you want is for year 4 is for that vehicle to break down and be outside of

warranty, but you still owe another years' worth of payments on it. It may give you more peace of mind to go ahead and extend the warranty out to say the 5 years. But make sure it's a legitimate warranty and worth the price.

TAX, TAG, AND TITLE

Tax, tag, and title. These are additional charges that you have to pay based on your state. Note that if you have a new vehicle, especially in Oklahoma, those taxes on a new vehicle can be quite expensive. You want to make sure that you plan that. You can roll it into the overall cost of the car if the finance here will let you do that. If that is the only way you can afford it and you're set on buying the car, you need to look at what the overall cost will be because remember that you are going to be paying interest on that tag, tax, and title for whatever that duration of the loan is. So that tag, tax, and title are going to cost you more than if you just pay it out right.

CAR BUYING TIPS

When buying a car, be cautious. Don't let people talk to you so fast that you don't understand what's going on. Always be willing to walk away and say that you need some time to think about it. If you need to go to someone that you respect and you trust to run it by them and see if they think it is a good deal.

Consumer Reports, Edmunds, and Kelley Blue Book, these things are resources that are available to you to help you determine the price or worth of a car. There are many other websites and resources available, but the ones I've listed here have been around for a long time and are widely recognized for their accuracy. If you use another website, you might want to compare it to one of these sites. You should not over pay for a vehicle because you can go to these websites, look it up, and find out what a vehicle with that number of miles and whatever condition is actually worth. Trade in, resale, out-right sale. So those things are all available to you. You can even get it right down to the specific vehicle and you know what the dealer actually paid for it. You've got to understand that they have to work at some type of a margin, but you have got a lot more negotiating power now because of the internet and your ability to do research.

4. HOME LOANS

Next up, we'll learn about term based loans, home loans. But first, if you need to take a short break, now would be a good time. Just remember to come back to the Thing 2 Presentation, Home Loans, so you can pick up right where you left off!

KEY TERMS

Click on the sticky notes to see definitions of these key terms.

THIRD QUARTER - AUTO LOANS

Bucky: Wow, that touchdown puts us 17 points ahead. So tell me now, what's your dream car?

HOME BUYING PROCESS

Let's talk a little bit about the home buying process. This is something that I was just - I had no idea the first time I bought a home on how to start, where to start, what to do next. Was I getting a good deal or was I getting taken for a ride? So, let's talk a little about the home buying process. First you have to decide to purchase a home, then you have to determine what you can afford, and then you have to determine your requirements, which is not an easy thing.

MY REQUIREMENTS

Penny: Hmm, what are my requirements for buying a new house?

FIVE STEPS TO BUYING A HOME

Now we're not going to go into too much detail in this because I understand that most of you are not going to go through the home buying process for probably a couple of years out. But it will happen and hopefully you can remember some of these principles.

1. Get pre-approved for financing. You don't want to go out looking at houses and making offers on houses that you can't afford because you haven't gone through a bank and been pre-approved. So go to whatever banking institution you're working with, tell them you want to get pre-approved on a home, they'll give you a document, and when you take that with you to the relator they're going to be able to make you a much better buyer because you've been pre-approved.

2. Then when you go and check out properties, so you want to go taking your requirements, you want to go and find places that fit those requirements. So, these are the homes, this is the place, where I want to live and then once you find that place, next is make an offer.

3. This is where you want to make an offer to purchase the home. It's a contractual agreement; there's earnest money involved to keep everybody honest, but you want to make an offer to the seller, and then at that point they will either accept that offer or they'll go onto the next step which is negotiating the price and conditions.

4. When buying the home you can negotiate everything. Everybody thinks of price but you can negotiate on things right down to--they have to leave the swing set, or the opposite, they have to tear down the swing set. All of those things become part of the negotiation which becomes part of the contract and then everybody signs off on the contract and then you go to this thing called closing.

5. Closing is where the actual property is transferred from the seller to the buyer. It is legally binding and that is the point where money changes hands and you figure out when you are going to take possession of the home, based on that contract, and then at that point you just bought your first house.

OTHER CONSIDERATIONS

Some other considerations when buying a home. Hiring a relator, you may want to make sure you hire someone you can trust, someone who has your best interests in mind.

Also don't forget about some other costs. You're going to have closing fees that you will pay at that closing. You're going to have property taxes which we talked about in our tax section. You're going to have title insurance which we really didn't get into title insurance, but that's saying there's no cloud on the title. In other words, no one has a claim to this home other--than the sellers who are selling it to you. And then of course, you'll want to have homeowners insurance in place right at the moment that you purchase that house because you're going to have a lien, a loan against it, typically, so that homeowners insurance needs to be in place.

KEY TERMS

Click on the sticky notes to see definitions to these key terms.

FOURTH QUARTER

Instructor Brad: Remember to always keep the end game in mind. And win by always borrowing responsibly

GLOSSARY REMINDER

Bucky: Be sure to review all the terms in the glossary as they will be on the quiz and final exam.