

Default Prevention and Money Management Techniques for Students and Borrowers



Be accountable and responsible

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

Plot your course

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

Understand your income

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

Open a checking account

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

Open a savings account

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

Savings calculator

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

Instructions:

1. Enter the amount of your initial deposit, the amount you plan to save each month, the annual interest rate, and the number of years you will be saving.
2. Click "Compute".

Initial Deposit:

Monthly Savings:

Interest Rate:

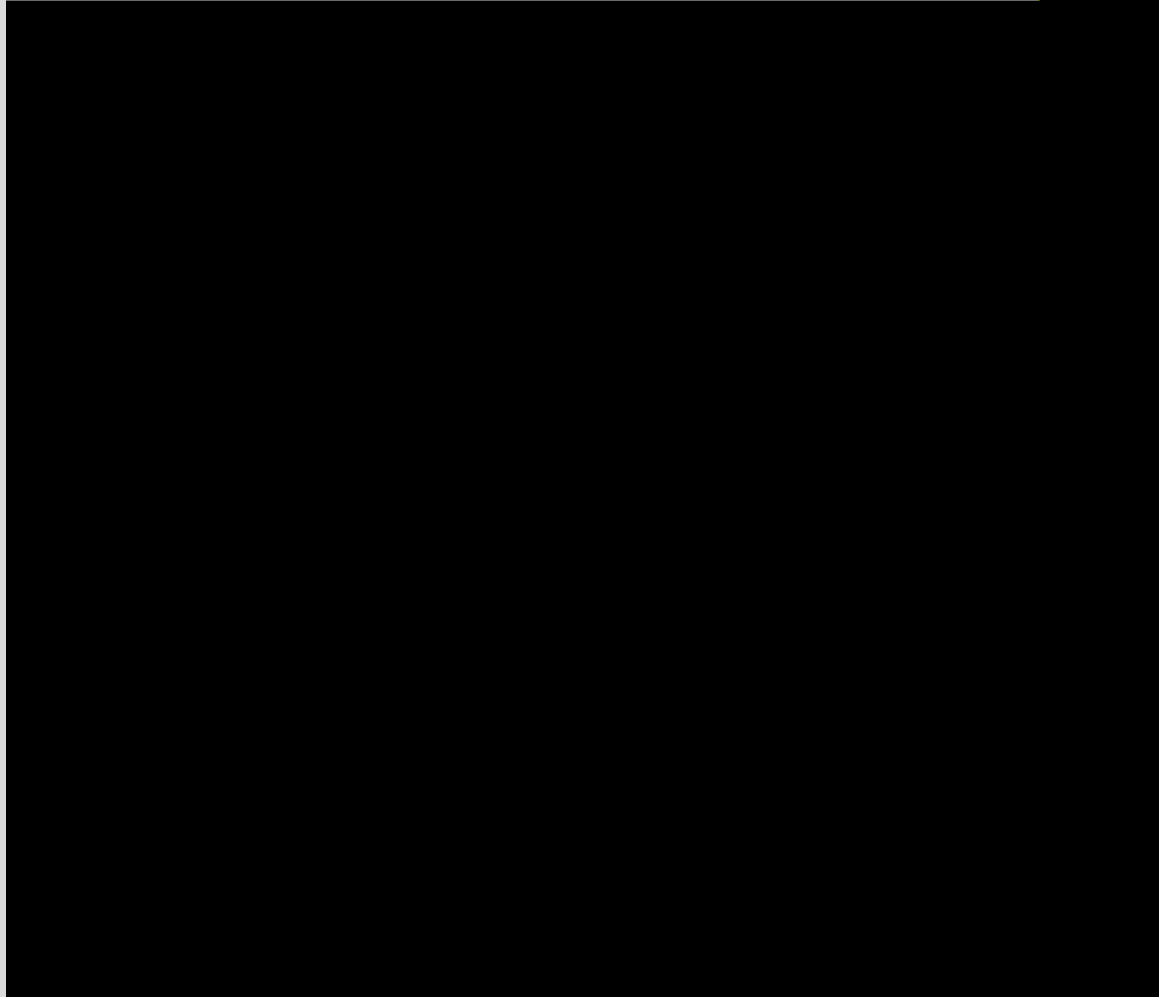
Number of Years:

Future Value: \$

Interest Earned: \$

Budget calculator

[En Español](#)



mappingyourfuture.org/money/budgetcalculator.htm



Borrow smart (general)

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

Debt/Salary Wizard

The screenshot shows a web browser window with the URL www.mappingyourfuture.org/paying/debtwizard/. The page title is "Debt Wizard". The main heading is "Debt Wizard". Below the heading, there are two columns of text. The left column asks: "How much salary do I need to support..." and the right column asks: "How much can I afford to borrow in...". The form contains several input fields: "Repayment period: 10 (years)", "Interest rate: 6.8", and "Repayment 10 (years)". There are also "Clear" and "Calculate" buttons at the bottom right. A note at the bottom reads: "*Do not enter dollar signs, percent signs or commas." The page also has a "Home" link and an "En Español" link at the top right.

mappingyourfuture.org/paying/debtwizard/

Student loan repayment calculator

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

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

What you should know:

- Your actual payment amount will be determined by your loan holder and will be based on the amount that you borrow. However, most loan programs require at least a \$50 payment each month, no matter how small your loan amount is.
- Your interest rate will depend on your loan type and when you received the loan.
- The calculator is preset to 120 months and an interest rate of 6.8 percent. You may adjust these as needed.
- It is recommended that your student loan payment be less than 8 percent of your gross income. The minimum salary based on this recommendation is \$6,500 per year.

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

Borrow smart (student loans)

Understand the obligation

You must repay loans

You can prepay the loans

You will begin repayment after grace period

Borrow smart (student loans)

Know the players (Direct Loan Program):

- Department of Education (ED)
- School
- Servicer

Borrow smart (student loans)

Keep track of your loans:

National Student Loan Data System (NSLDS)

www.nslds.ed.gov

(800) 999-8219

Requires federal PIN

Borrow smart (student loans)

Know your repayment options

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

Income-based repayment calculator

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

• The loan type and interest rate are preset; however, you can change these.

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

• When entering dollar amounts

How many loans do you have?

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

Family Size:

Adjusted gross income: \$

Alaska Hawaii All other

Loan consolidation calculator

Loan consolidation calculator

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

Instructions:

- Select the number of loans you're considering consolidating.
- Enter your existing loan balances and current interest rates of the loans you wish to consolidate in this worksheet.
- Enter the whole dollar amounts without commas. For example, do not use commas in the values of \$1,000 or more.

How many loans do you have?

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

Repayment Incentives

Lenders may offer interest rate incentives for bank draft and/or on-time payments. For example, if your lender offers a .25 percent

interest rate reduction for 36 on-time payments, then you would enter .25 percent in the first box.

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

Interest rate incentive: %

Delay for effect of incentives: months

Enter your total incentives as a percentage.

Delay for effect of incentives:

Borrow smart (student loans)

Know your repayment tools

- Deferment
- Forbearance
- Loan forgiveness

Borrow smart (student loans)

Understand the consequences of delinquency and default

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

• $r = 0.08$, $L = 15,000$, $i = 0.05$, $n = 4$, $T_d = 10$, $T_a = 5$

Manage your credit cards wisely

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

Understand your credit

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

Protect yourself from ID theft

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

Understand your tax liability

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

Ask for help

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