

Financial Literacy

Maximize Your Financial Potential & Independency



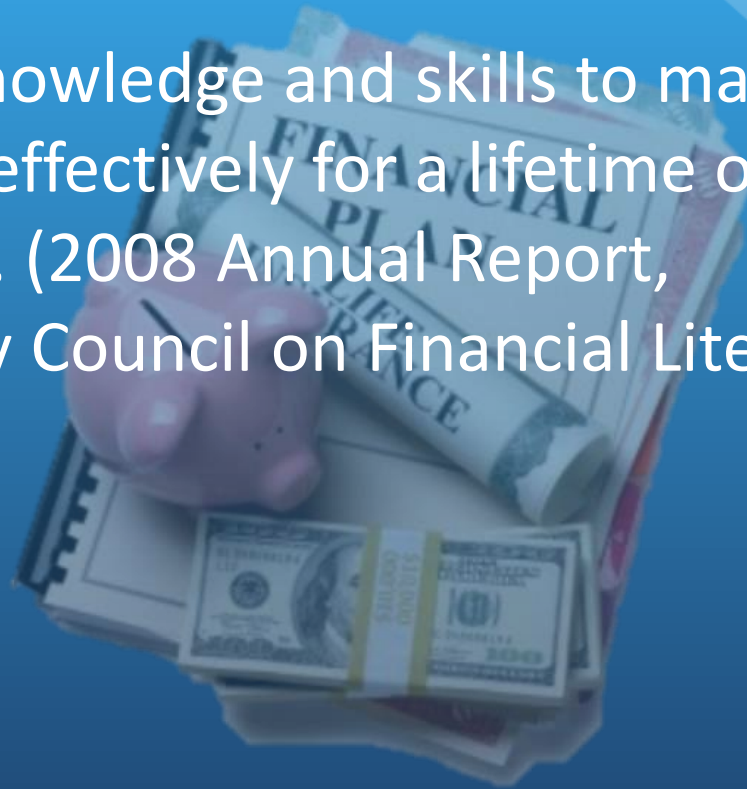
CUNY New York City College of Technology

Five “W” & “How”

- **WHAT** is financial literacy
- **WHO** will benefit
- **WHEN** is the time to learn
- **WHY** is it important to know
- **WHERE** can you get access to resources
- **HOW** can you improve your financial capability

What is Financial Literacy?

The ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. (2008 Annual Report, President's Advisory Council on Financial Literacy)



What is Financial Literacy?

Our Purposes:

- Improve financial capability among students
- Empower students with knowledge and skills to make sound decisions related to **budgeting, borrowing, and loan repayment strategies**
- Help current students identify and meet their academic and financial goals
- Promote awareness and linkage to relevant resources in the community

Who will benefit?

Current Students

- Learning to manage money wisely
- Preparing to make financial and career-related decisions
- Financial planning to live independently

Who will benefit? (cont.)

Former Students:

- Choosing optimal student loan repayment options and avoiding student loan default
- Using credit responsibly and building strong credit score
- Saving and investing to build wealth

Who will benefit? (cont.)

Prospective Students:

- Saving for college
- Comparing and selecting the types of financial aid, scholarships and other alternatives
- Understanding likely full cost of education, total expected debt and monthly loan payments for different amounts of time to degree

When is the time to learn?



Take control of your
personal finances *right now!*

Why is it important to know?

- To enhance personal financial security for today and for the future.
- To avoid financial trouble and overwhelming debt.

Student Debt Is UP & UP!

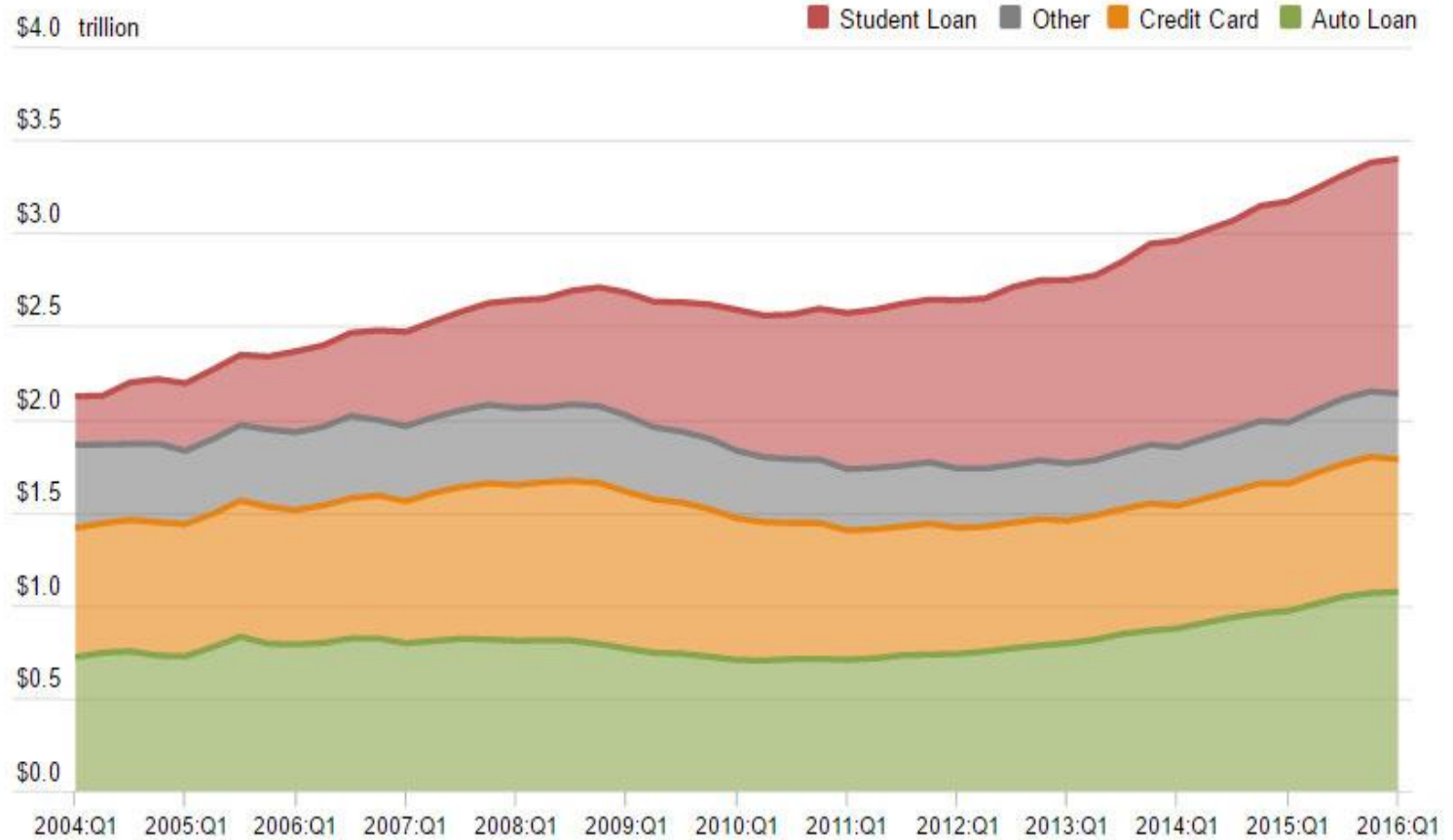
As of June 30, 2016

- \$1.26 trillion in total U.S. student loan debt
- 43.3 million Americans with student loan debt
- Student loans delinquency rate of 11.1%
- The average Class of 2016 graduate has \$37,172 in student loans debt, 6% up from about \$35,000 last year

Source: Federal Reserve Bank of New York/FRBNY HHDC_2016Q2



Non-Housing Debt Balance



Source: FRBNY Consumer Credit Panel/Equifax

How can you improve your financial capability?

- Manage Borrowing
- Understand Budgeting
- Learn Loan Repayment Strategies



Borrowing for College Financing

- Federal and State Grants and Loans
- Scholarships
- Alternatives

Consider Grants and Scholarships first

Federal and NYS Grants vs. Loans

GRANTS

Money you **DO NOT** have to repay

- Federal Pell grant
- Federal Supplemental Educational Opportunity Grants (FSEOG)
- Tuition Assistance Program (TAP)
- Aid for Part-time Study (APTS)
- Part-Time TAP

LOANS

Money that **MUST** be repaid with interest (usually beginning **6 months** after your graduation date, leaving school or enrolling in less than 6 credits/semester)

- Federal Perkins Loan
- William D. Ford Federal Direct Loan (Subsidized, Unsubsidized, PLUS – for Parents)
- Private/Alternative Loans (Discover etc.)

Learn more from the financial aid website at
<http://www.citytech.cuny.edu/financial-aid/>

Scholarships

Student can learn and apply for different scholarships at the Office of Scholarships and Residency Service (N/G 09)

For more information, please go to

<http://www.citytech.cuny.edu/scholarships/>

Alternatives

- Personal Saving
- Spousal or family support
- Federal Work-Study Program (need-based)
- Work on campus/community

Budgeting

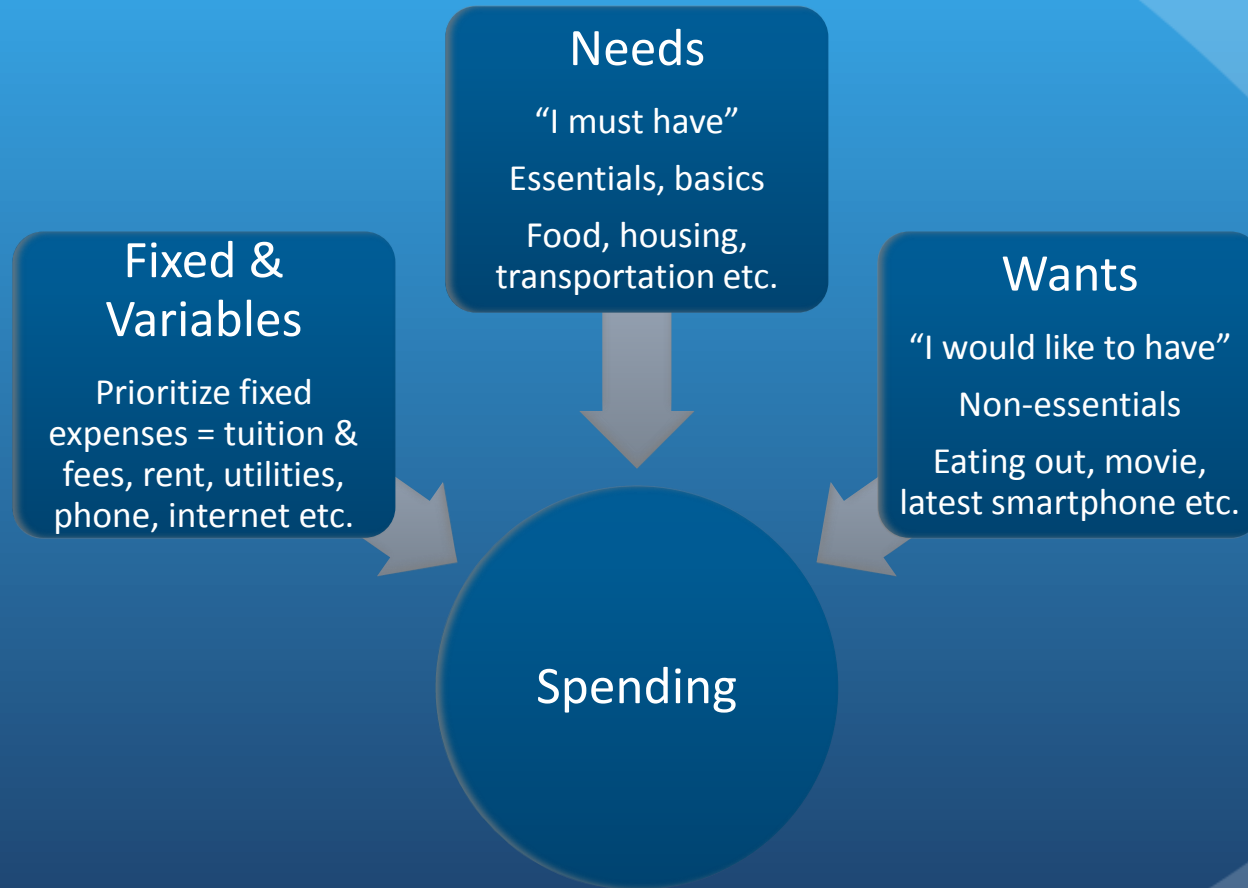
- Determine your source of income
- Identify where your money goes
- Make a list of your income and expenses



Budgeting (cont.)

Incoming/Borrowing	Spending
Grants	Tuition & Fees
Scholarships	Books & Supplies
Work-study	Rent & Utilities
College Savings Plan	Food & Groceries
Family Assistance	Transportation
Individual Income	Clothing & Entertainment
Loans	Medical & Insurance
	Loan Costs

Budgeting (cont.)



Budgeting (cont.)

Incoming

Wages/Salaries
Family support
Savings
Others



Borrowing

Grants
Scholarships
Loans



**Money
"In"**

Budgeting (cont.)

Saving

At least 10% of
income
Pay yourself first
Establish and keep
an emergency fund



Spending

Tuition & Fees,
Books & Supplies
Housing
Transportation
Food & Clothing
Entertainment



**Money
"Out"**

Budgeting (cont.)

Balancing Act

- Borrowing only to pay for tuition, fees & books
- Income to pay for saving & spending



SAMPLE BUDGET PLAN

A. "IN" \$	INCOME/BORROWING	
	Wage & Salary	
	Family Support	
	Grants/Scholarships	
	Loans	
	Other	
	A =	\$
B. "OUT" \$	SAVING	
	Emergency Fund (10%)	
	Loan Repayment Fund	
	Other	
	B =	\$
C. "SPENDABLE" \$	C = A - B	\$
D. "TOTAL SPENDING" \$	EXPENSES	
	Tuition & Fees	
	Books & Supplies	
	Rent/Utilities	
	Phone/Internet	
	Transportation/Car	
	Food/Groceries	
	Entertainment	
	Personal Items	
	Other	
	D =	\$
E. "FINANCIAL HEALTH"	E = C - D	\$

Budgeting (cont.)

Improve your money behaviors

- Pay bills and credit cards payment in full and on time
- Minimize borrowing (Loans) – Pay educational cost only
- Establish an emergency fund (min 10% of income) to increase your income
- Review and adjust your spending habits if financial health (E) is negative

Student Loan Repayment Strategies

How much have you borrowed?

- Retrieve a summary of all your FAFSA issued federal student loans at the National Student Loan Data System (NSLDS) site www.nslds.ed.gov/nslds_SA
- Contact your loan servicer listed on your NSLDS report

Repayment Strategies (cont.)

Exit Counseling and Repaying loans

- Participate in mandatory exit counseling at www.studentloans.gov when you are *graduating, leaving school, or enrolling in less than 6 credits per semester*

Functions of exit counseling

- Educate rights and responsibilities on loan repayment
- Provide information on grace period (avg. 6-9 months), loan terms & conditions, payment methods & options etc.

Repayment Strategies (cont.)

Reminders when completing exit counseling:

- Have your FAFSA PIN # (4 digits) and/or ECSI PIN # (5 digits) ready, in addition to your account # and college code
- List City-Tech as your current school of attendance
- Select to send your Borrower Rights & Responsibilities Summary Check list electronically to the Department of Education
- An administrative **STOP** will be placed on your records if you fail to complete the online exit counseling session

For further information: Contact ECSI at (888)549-3274 or the college's Perkins Loan Office at (718)473-8970

Repayment Strategies (cont.)

How much do I need to pay?

- Your monthly student loan payment depends on the type of loan you received, how much money you borrowed, the interest rate on your loan, and the repayment plan you choose
- Use loan payment calculator at www.studentloans.gov to get an idea of what repayment schedule might be

Repayment Strategies (cont.)

Repayment Options

- Standard Repayment Plan – fixed amount for 10 years, \$50 minimum payment per month
- Graduated Repayment Plan – start with lower payments, then payments increase over the life of the loan
- Extended Repayment Plan (must have minimum of \$30,000 loan debt) – offers fixed or graduated payments over longer period of time – up to 25 years, loans must have been disbursed on or after 10/07/1998

Repayment Strategies (cont.)

- Income-Sensitive Repayment (ISR) – monthly loan payment is based on your annual income (FFELP borrowers only)
- Income Contingent Repayment (ICR) – monthly loan payment is based on annual income, your family size, and total amount of Direct loans (Direct loan borrowers only)
- Income-Based Repayment (IBR) Plan
- Pay As You Earn Repayment Plan

www.studentaid.ed.gov/repay-loans/understand/plans

Repayment Strategies (cont.)

What happens if I don't pay my student loan back?

- Borrowers who ***default*** on their student loans are reported to credit bureaus, so your credit rating and future borrowing ability will be negatively impacted. In addition, legal action can be taken to require payment through garnishment of wages and withholding of tax refunds.

For more information:

www.studentaid.ed.gov/repay-loans/default

Repayment Strategies (cont.)

Achieve Repayment Success (Avoid Default)

- Set up a budget to help you plan your saving and spending (Refer to Sample Budget Plan)
- Pay off credit cards before you enter loan repayment
- Prepare at least 3 months of payments before you enter repayment cycle
- Get in touch with your ***Loan Servicer/Lender*** if you have financial trouble making payments (You can find the contact information for your loan servicer at NSLDS https://www.nsls.ed.gov/nsls_SA)

Repayment Strategies (cont.)

- Questions regarding your loan – loan repayment, loan consolidation, deferment & forbearance, forgiveness/cancellation/discharge, understanding default etc. – speak to a Financial Aid Counselor at Financial Aid Office (Namm G-13/718-260-5700)



Credit Card Use Smart

Types of credit cards

- Bank Card (MasterCard, Visa)
- Retail store Card (Macy's, Barnes & Nobles)
- Charge Cards (Travel & Entertainment Card – American Express)

Credit Card Use **Smart** (cont.)

Why's of using credit card

- Convenient
- Increase purchasing power
- Back up and emergency
- Establish and build credit

Credit Card Use Smart (cont.)

Drawbacks of credit card use

- High interest rates and fees charge for late payments
- Negative impact on credit history and credit score – improper use of credit card, spending over the limit, late payments
- Lead to extra debts
- Cause emotional, school and financial stress
- Encourage impulsive and excessive buying



Credit Card Use **Smart** (cont.)

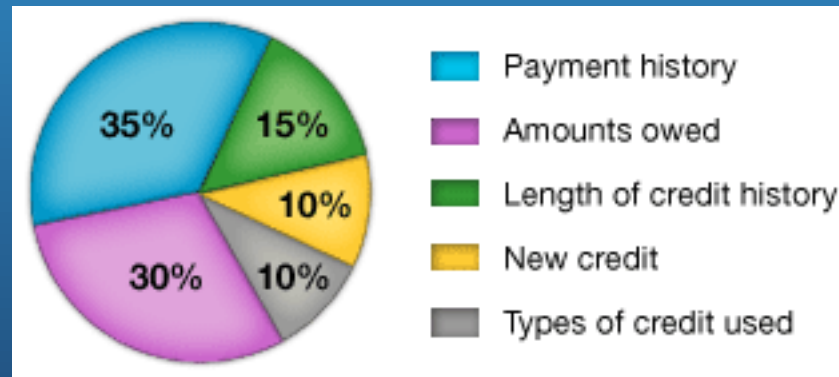
Is this credit card right for you?

- Features, Terms & Conditions
- Grace period
- Interest rates & financial charges
- Credit limit
- Minimum payment
- Fees (late payment, over the limit, annual fees)

Credit Card Use Smart (cont.)

Credit Card and Credit Score (FICO)

- Credit score is a number that summarizes your credit risk, based on a snapshot of your credit report at a particular point in time. A credit score helps lenders evaluate your credit report and estimate your credit history (myFICO)
- How a FICO score breaks down



- Order a credit report www.annualcreditreport.com

Credit Card Use **Smart** (cont.)

Tips to avoid credit card debt (= to better FICO score)

- Charge only what you can afford
- Send your payment on time and pay in full = Avoid late fees
- Avoid high interest rate (balance transfer, cash advance)
- Limit the number of credit card use (one or two)
- Pay attention to the credit card terms & conditions
- Schedule an appointment with a credit counselor for financial counseling at <http://www1.nyc.gov/site/dca/consumers/get-free-financial-counseling.page>

Where can you get access to information and assistance?



Informational Websites

NYC Office of Financial Empowerment

- Provides free individual counseling, educational classes and workshops to help you take control of your debt, deal with debt collectors, improve your credit, create a budget, open a bank account, start an emergency fund, save and plan for your future.

<http://www1.nyc.gov/site/dca/consumers/get-free-financial-counseling.page>

Resources

- New York State Higher Education Service Corporations (HESC) <http://www.hesc.ny.gov/content.nsf>
- Federal Student Aid www.studentaid.ed.gov
- Consumer Financial Protection Bureau (CFPB) www.consumerfinance.gov/students
- Student Loan Borrower Assistance (SLBA) www.studentloanborrowerassistance.org
- Money Matters @ Financial Literacy Central <http://www.nypl.org/help/getting-oriented/money-matters-flc>
- 360 Degrees of Financial Literacy <http://www.360financialliteracy.org/>
- Edvisors www.edvisors.com
- My FICO www.myfico.com

Resources

Personal Finance Planning Tools

- Mint www.mint.com
- Smart About Money www.smartaboutmoney.org
- CashCourse www.cashcourse.org
- MyMoney.Gov <http://www.mymoney.gov/Pages/default.aspx>

Resources

Apps for budgeting

- Mint (iOS, Android)
- Toshl Finance (iOS, Android)
- Left to Spend (iOS)
- Check (iOS, Android)
- Debt Payoff Planner (Android)



Questions & Comments

Please contact:

Department of Financial Aid (Namm G13)

 (718)260-5700

financialaid@citytech.cuny.edu

Counseling Services Center (Namm 108)

 (718)260-5030