



National Default Prevention Day 2002

Default Prevention: You Are The Key!

August 1, 2002



FSA
FEDERAL
STUDENT AID

We Help Put America Through School



Consumer Credit Planning Facts

Chris Lang

***Linebarger Goggan Blair Peña
& Sampson, LLP***





Consumer Credit Planning Facts

- Sixty-four percent (64%) of all students currently borrower to finance their education
- Average Student Loan Debt is \$16,928
- Seventy-eight percent (78%) of college students have credit cards
- Half of all college students with credit cards don't pay their balances in full each month
- Undergraduates carried an average balance of \$2,748 in 2002 (Source: NellieMae)



Consumer Credit Planning Facts

- On a test of personal finance skills administered to high school seniors, the average score was fifty-seven percent (57%)
- ONLY FIVE PERCENT (5%) OF THE SENIORS SCORED A “C” GRADE OR BETTER

(Source: Jump Start, www.jumpstart.org)





Consumer Credit Planning

- Which of Their financial resources do students use to pay for their education?
- Savings
- In-school earnings
- **FUTURE** Income



Consumer Credit Planning

- Name three liabilities that have no statute of limitation?
- Murder
- Child Support
- **STUDENT LOANS**



Consumer Credit Planning Avoiding the Debt Trap

- How do you avoid the “Debt Trap”?
- Knowledge
- Education
- Financial Planning/Budgeting



Consumer Credit Planning Sources & Public Services

- State Public Interest Research Group – Higher Education Project (www.pirg.org)
- Jump\$tart Coalition for Personal Financial Literacy (www.jumpstart.org)
- U. S. Department Of Education (www.ed.gov)
- American Education Services/Pennsylvania Higher Education Assistance Authority
- America Student Assistance



State Public Interest Research Group Higher ED Project

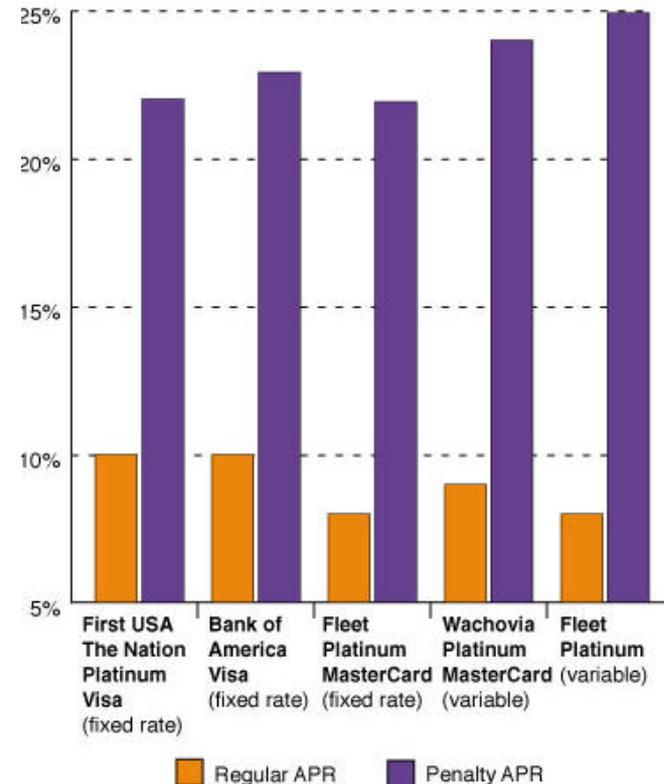
- The State PIRG's The Truth About Credit (www.truthaboutcredit.com) lists 10 credit card traps to avoid:
 - Late fee increases
 - Higher over-limit fees
 - Hidden transaction fees
 - Punitive APR increases
 - Declining grace periods
 - Introductory APR's
 - Low Minimum Pymts
 - “Fixed” APR
 - “Bait and Switch”
 - Tiered Pricing



State Public Interest Research Group Higher ED Project

- Punitive Annual Percentage Rate (APR) Increase – Triggered by a missed or late payment can be 8% to 15% higher than the regular APR. Penalty period can last 6 to 12 months. Depending on the balance could increase payment over \$100 per month.

Punitive APRs: How One Late Payment Can Cost You



We Help Put America Through School



Jump\$tart Coalition for Personal Financial Literacy

- 12 Principles of Financial Literacy that every young person should know
- Mini-lessons designed for various age groups based on these 12 principles (developed by the Virginia Council of Economic Education (www.vcee.org))
- 12 principles Calendar



Jump\$tart Coalition for Personal Financial Literacy

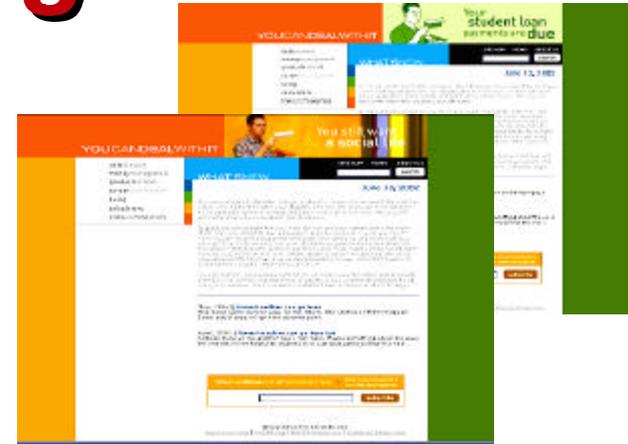
- Some of the 12 Principles
 - Map your financial future
 - Pay yourself first
 - Don't Expect something for nothing
 - High returns equal high risks – Diversify
 - Money Doubles by the "Rule of 72"
 - Your credit past is your credit future
 - Don't borrow what you can't repay
 - Compare interest rates



YouCanDealWithIt.com **Website redesign**

Official launch date of August 1st

- **New design format**
- Sophisticated and contemporary style.
- Roll-over navigation and search features.
- Combination of HTML with imbedded Flash.



■ **New financial aid calculators**

- Graduate school test preparation links.
- Loan and fellowship links.
- Career development links.

■ **New content**

- Career development.
- Debt survival.
- Tax section.
- Career & Money management.



We Help Put America Through School



Turnkey program Money Matters

■ **Research for the Turnkey program**

- Partner with Dara Dugay, Executive Director of Jump\$tart Coalition for Personal Financial Literacy and the author of "Please Send Money".
- Evaluated similar CD ROM's, lesson plans, and other programs.
- Obtained feedback from a panel of FAA's.
- Designed a student questionnaire and evaluated student responses.

■ **Interactive Scholastic Module (CD-ROM)**

- *Free* comprehensive interactive scholastic module for FAA's, to use with students, to help promote financial literacy and prepare them for *life after college*.
- Available to FAA's via AES/PHEAA representatives. Send email to ycdwi@aesSuccess.org or call Deena Engle at 717-720-2351.
- Designed for student use in the financial aid office or at home.



American Student Assistance Wellness Institute

- **Become an ASA WELLNESS Certified Default Aversion Specialist**
 - **Understanding the loan process** as it impacts Servicers, Students, Schools, Lenders, Guarantors
 - **Techniques & Understanding** the nuances relative to forbearance, deferment, & repayment options
 - **Phone & Mail counseling techniques**- understanding what is appropriate when.
 - **Partnerships, Pilots, and Presentations**: including withdrawn students, academic probation, exits & entrance, personal finance, etc.



American Student Assistance Wellness Institute

- **Take home power point presentations on CD. These may be customized by each school. Topics include:**
 - ***“Enhanced Exit and Entrance Interviews”***
 - ***“How to Put on a successful Financial Aid Night”***
 - ***“Cash, Cars & College”*** - an introduction to money for middle school populations
 - ***“Taking the Reins”*** - A presentation for high school students to empower them to take charge of the college search and financial aid process.

**Contact: Peter Burns ASA – (800) 999-9080 ext.4628
pburns@amsa.com**





U. S. Department of Education

- www.ed.gov/offices/OPE/HEP/trio/eoc.html
- Educational Opportunity Centers (EOC)
 - Academic advice
 - Career workshops
 - Information on postsecondary educational opportunities
 - Information on student financial assistance
 - Assistance in completing applications for college admissions, testing and financial aid
 - Coordination with nearby postsecondary institutions
 - Media activities designed to involve and acquaint the community with higher education opportunities
 - Personal Counseling
 - Tutoring/Mentoring



U. S Department of Education

- www.YesICan.gov www.YoSiPuedo.gov
- White House Initiative on Educational Excellence for Hispanic Americans
- Early childhood through Post Secondary
- Includes:
 - Paying for College
 - Savings Charts
 - College cost facts and myths
 - Receiving aid and paying the bills



U. S. Department of Education

- www.ed.gov/DirectLoan
- Information for Financial Aid Professionals
- Financial Aid for Students
- Interactive Calculators
- Direct Loan Consolidation
- Avoid Default



Future Outlook

- What does the Future hold for Students?
 - Greater unemployment?
 - Less than expected annual income?
 - Higher debt per capita?
 - Reduced consumer spending?
 - Less long-term personal investments?
 - Tightening credit criteria?
 - Increased loan defaults and bankruptcies?
 - Added financial stress?



CONTROL YOUR FINANCES

- Always spend less than you have
- Recognize signs of bad money behavior
 - Spend to relieve stress or unhappiness
 - Having mood swings after a shopping event
 - Lying about money
 - Rationalizing excessive spending
 - Spending money to win friends
 - Carrying excessive debt Always sp



CONTROL YOUR FINANCES

- Beware of Credit Cards
- Pay yourself FIRST
- Know your true take-home income
- Read the fine print
- Shop around – insurance, credit cards, etc.

Become an Educated Consumer

“Get a Financial Life: Personal Finance in your
Twenties & Thirties”
By
Beth Kobliner



Questions?

Questions - Anyone?

Linebarger Goggan Blair
Peña & Sampson, LLP



We Help Put America Through School