Financial Wellness Curriculum

The Financial Wellness Curriculum provides students with information and financial tips for reducing personal debt and developing smart money management skills. The goal is to help students avoid defaulting on their student loan(s) and other obligations and, ultimately, plan for a lifetime of financial well-being.

The Financial Wellness Curriculum consists of several presentations that can be used individually or combined to cover a larger selection of topics. Ultimately, these presentations can be customized to meet the needs of your students, from freshmen to seniors.

Financial Wellness Curriculum Presentation Topics

1. Introduction to Financial Management
2. Understanding Financial Aid
3. The Budgeting Process
4. Time Management
5. Good Credit: Get It
6. Consolidation
Financial Wellness Curriculum: Understanding Financial Aid
Presenter’s Guide

This Financial Wellness Curriculum presentation on Understanding Financial Aid is designed for students in any year of college. The presentation can be used independently or combined to create a more in-depth seminar.

This presentation outlines the relevant information students need to understand about their financial aid package and the student loan repayment process. It is intended to stimulate audience participation and interaction.

Objectives

- Teach students the basics about financial aid.
- Improve students’ understanding of their loan repayment obligation.

Using the Presenter’s Guide
In this Presenter’s Guide, you’ll find notes to accompany each topic, sample questions, activities to engage the audience, and information about online resources. Take advantage of the slide transitions as you move through the PowerPoint.

The presentation will take approximately 45 minutes.

Materials Needed

- Flip chart or white board
- Internet access
- An LCD projector
Title Page (Slide 1)

➢ Read the following aloud:
  o This presentation will help shed light on the sometimes confusing terms and rules regarding financial aid.
  o A college education is an investment in your future.
  o Always take advantage of grants and scholarships before considering a loan.

Slide Transition: For most students, a college education is not possible without financial aid. Let’s review the objectives that we will cover today.

Objectives (Slide 2)

➢ Review the topics that will be covered in this presentation.

Slide Transition: It’s important that you know and understand all of the available sources of funding for college.

Understanding Financial Aid (Slide 3)

➢ Review slide.

➢ Explain to students that by the end of the presentation, they should be able to answer the questions listed.

Activity
Ask students how they plan to pay for college. Have a volunteer record all responses. Keep the list to be used later in the presentation.

Examples---
➢ Grants
➢ Scholarships
➢ Savings
➢ Parental support
➢ Work-study
➢ Student loans

Slide Transition: Now let’s take a look at specific types of financial aid, beginning with grants.

Types of Financial Aid: Grants (Slide 4)

➢ Review slide.

➢ Read the following aloud:
The amount of your PELL grant depends on your family’s expected family contribution (EFC) and the cost of attendance at the college you plan to attend.

Your family must have an EFC of zero to receive the maximum PELL award.

Tell students they must apply for federal and state grants by completing the Free Application for Federal Student Aid (FAFSA). Once the U.S. Department of Education processes a student’s FAFSA, they will send a report that outlines the types of financial aid for which the student qualifies.

Types of Financial Aid: Grants (Slide 5)

- Review slide.
- Explain that state grant deadlines and qualifications vary by state.
- Encourage students to check their state deadlines and requirements.

Slide Transition: Grants are not the only source of financial aid. Scholarships are another resource available for all types of students.

Types of Financial Aid: Scholarships (Slide 6)

- Review slide.
- Remind students to always consider grants and scholarships before borrowing student loans.
- Read the following aloud:
  - Even if you did not receive any grants or scholarships this semester, you can still apply and receive these types of awards in future semesters.
  - A lot of students think that they can only apply for scholarships for their freshman year. This is not true; there are many scholarships available to upperclassman and returning students.
- Remind students to apply for all eligible grants and scholarships each year. The more they receive, the less student loan money they may need to pay back after graduation.

Slide Transition: Scholarships can be great sources of money for education, but don’t get scammed!

Types of Financial Aid: Scholarships (Slide 7)

Scholarship Scams

- Review slide.
- Explain that scholarships should not require payment to apply.
Slide Transition: Another great way to pay for school is to earn money while in school through a work-study program.

Types of Financial Aid: Work-Study (Slide 8)

- Review slide.
- Read the following aloud:
  - Work is done on an hourly basis on or off campus, and workers must be paid at least minimum wage.
  - You are normally paid directly, but some colleges have set up programs where you can earn credit toward your tuition.
  - You can only earn up to the amount of work-study awarded in your student aid package.

Slide Transition: If grants, scholarships, and work-study do not cover your education costs, student loans are an excellent investment in your future.

Types of Financial Aid: Federal Student Loans (Slide 9)

- Review slide.
- Tell students to consider loans only after all other funding sources, including contributions from family members, have been exhausted.
- Explain that federal student loans are one of the most common student loans because they generally have lower interest rates and offer flexibility in repayment.

Slide Transition: Your student loan obligation officially begins when you sign the Master Promissory Note.

Types of Financial Aid: Federal Student Loans (Slide 10)

**Master Promissory Note**

- Review slide.
- Explain that the MPN is a legally binding contract obligating the student to repay the entire loan complete with the interest accrued. It is the student’s responsibility to read and understand any contract before he or she signs it.
- Explain that to take out a federal direct loan for the first time, the student must complete a Master Promissory Note (MPN). Either the school or the U. S. Department of Education will provide the MPN. If the school offers the option, the student can complete the MPN online at the Direct Loans Master Promissory Note website at https://studentloans.gov/myDirectLoan/index.action.

**Activity**

Have a volunteer record the responses to the following questions:

- How many of you have a student loan?
How many of you read your Master Promissory Note (MPN)?
How many of you remember what your MPN said?

Ask the group to name three rights that are listed on their MPN. Answers include:

- I will receive a 6-month grace period on Stafford loans.
- I have the right to defer or postpone repayment if I meet certain eligibility requirements.
- I have the right to choose a repayment plan.
- I have the right to prepay without penalty.
- I have the right to consolidate.

Ask the group to name three responsibilities that are listed on their MPN. Answers include:

- I must notify my school and/or lender if I withdraw, reduce my enrollment status to less than half-time, fail to re-enroll, and/or change my name or address.
- I must participate in exit counseling.
- I must use the loan money for authorized education expenses.
- All loans MUST be repaid.
- Information concerning the amount of the loan and repayment status (current or delinquent) WILL be reported to nationwide consumer reporting agencies on a regular basis.

Slide Transition: Along with your obligation to repay your student loan in full, you also have specific borrower rights and responsibilities that you need to remember.

Types of Financial Aid: Federal Student Loans (Slide 11)
Borrower Rights

- Review slide.

Types of Financial Aid: Federal Student Loans (Slide 12)
Borrower Responsibilities

- Review slide.

Slide Transition: In order to receive a federal student loan, you must meet the eligibility requirements.

Types of Financial Aid: Federal Student Loans (Slide 13)
Eligibility Requirements

- Review slide.

Slide Transition: There are two types of federal student loans. Let’s look at the difference between subsidized and unsubsidized loans.
Types of Financial Aid: Federal Student Loans (Slide 14)

- Review slide.
- Discuss the following:
  - The school determines your eligibility for subsidized vs. unsubsidized loans, which are calculated based on cost of attendance, expected family contribution, and other financial assistance.
  - If you have an unsubsidized loan, you may receive a quarterly interest statement. You can choose to pay the interest while in school or defer payment until your loan enters repayment.

- Encourage students to use the Interest Savings Calculator on YouCanDealWithIt.com to see how much money they will save if they pay the interest while in school.

Activity

Option A---Access the Interest Savings Calculator on YouCanDealWithIt.com. Have a volunteer enter the following amounts into the calculator to show how much a student could save by paying the quarterly interest.

- Semester 1 .............................................. $1,313
- Semester 2 .............................................. $1,312
- Semester 3 .............................................. $1,500
- Semester 4 .............................................. $1,500
- Semester 5 .............................................. $1,000
- Semester 6 .............................................. $2,500
- Semester 7 .............................................. $1,500
- Semester 8 .............................................. $1,000

Interest rate 6.5%

The student will save $971.33 in interest charges.

Option B---If you do not have access to the internet, ask for two volunteers to be George and Mary for the textbook-like math problem below. Have each student write on the board the amount borrowed, the monthly payment, and the interest paid. This will demonstrate how much money can be saved by paying their interest while in school.

Both George and Mary borrow $11,625 in unsubsidized loans over 4 years, at 6.5% interest and with a standard 10-year repayment schedule.

George pays the interest while in school. His monthly student loan payment after graduation is $134.20, and the total interest paid during repayment is $6,389.56.

Mary chooses not to pay the interest while in school, and after graduation her monthly student loan payment is $158.22, and the total interest paid during repayment is $7,360.89.

In this case, making interest payments while in school saves George $971.33 total in interest payments.

Visit YouCanDealWithIt.com and use the Interest Savings Calculator to determine how much you can save if you make interest payments on your unsubsidized loan.
Slide Transition: Although the school determines your portion of subsidized and unsubsidized money, annual loan limits are controlled by the federal government.

Types of Financial Aid: Federal Student Loans (Slide 15)
Annual Loan Limits

- Review slide.

- Explain that students should borrow only what is absolutely necessary for school after all other resources are exhausted.

- Make sure to distinguish the maximum loan limit is split between subsidized and unsubsidized.
  - Example---If the maximum loan limit is $5,500 and in your first year you receive $3,500 in subsidized loans, you will receive only $2,000 in unsubsidized loans.

- Explain the exceptional circumstances for not being able to obtain a PLUS loan:
  - Adverse credit history
  - Incarceration
  - Parental whereabouts unknown
  - Family income limited to public assistance or disability benefits

- Explain that grad PLUS loans do not have loan limits. They are limited by the cost of attendance minus estimated financial assistance.

- Encourage students to use EducationPlanner.org to verify yearly limits.

Slide Transition: Your school may also offer student loans.

Types of Financial Aid: Perkins Loans (Slide 16)

- Review slide.

- Read the following aloud:
  - You must qualify for Perkins loans based on your exceptional financial need, as defined by the school.
  - Perkins loans are long-term loans awarded to both undergraduate and graduate students.
  - The loan program is campus-based, and therefore, the school is the lender.
  - Repayment of the Perkins loan is made to the school or a billing service that the school uses to administer and collect the funds.

Slide Transition: If you still need money after you've exhausted grants, scholarships, work-study, and federal loans, you may need to consider alternative loans.
Types of Financial Aid: Alternative (Private) Loans (Slide 17)

- Review slide.
- Read the following aloud:
  - Alternative loans are not federally guaranteed and, in general, are more expensive.
  - Because these loans are not federally guaranteed, they are not required to provide deferment or forbearance options, although some do.
  - Every lender will offer different interest rates, repayment options, and deferment/forbearance options.
- Instruct students to exhaust all other types of financial aid before considering an alternative loan.
- Advise students to do their homework before they take out an alternative loan.

Slide Transition: Now that we’ve reviewed the types of student loans, we can talk about how to use your student loan money wisely.

Use Your Student Loan Money Wisely (Slide 18)

- Review slide.
- Emphasize that student loans are indeed loans and will eventually have to be paid back.
- Advise students to make a budget to determine how much of the loan money, if any, should be refunded to the lender/servicer.

Slide Transition: We will now discuss what happens when you graduate, withdraw, or drop to less than half-time status.

Grace Period (Slide 19)

- Review slide.
- Tell students:
  - You are not required to make payments during your 6-month grace period, but if you have a subsidized loan, any payments made will be applied directly to the principal balance of the loan. Making just one payment during this time can save you money in the long run.
  - Interest continues to accrue on unsubsidized loans during the grace period. It is financially smart to pay this interest before it is capitalized (added to the principal balance), thus increasing the total amount of the loans.
  - The first payment due date for a loan must be no later than 60 days after the beginning of the repayment period.
Activity

Option A---Access the Grace Period Calculator on YouCanDealWithIt.com.

➢ Have students suggest how much they think they could pay during their grace period.
➢ Have a volunteer enter the amounts into the calculator to see how much money they could save.

The earlier you start, the more you save!

Option B---If you don’t have access to the internet, use the following example to demonstrate the savings.

If Susan borrows $10,000 in subsidized loans at a 6.8% interest rate and pays the lender $50 a month (using the money she received as graduation gifts) during her 6-month grace period, she could save herself $291.64 in interest and pay off her student loan debt 5 months early.

Slide Transition: During your grace period, you will be sent your repayment disclosure. It is important for you to review your repayment options so you can choose the plan that is best suited to your financial situation.

Student Loan Repayment (Slide 20)
Consolidation

➢ Review slide.
➢ Explain that students who have multiple loans could consider consolidation.
➢ Suggest that students visit loanconsolidation.ed.gov to take advantage of the Consolidation Calculator and see what their approximate monthly payment would be.
➢ Tell students that loan consolidation could extend their repayment term up to 30 years based on their outstanding loan balance.

Student Loan Repayment (Slide 21)
Level Repayment

➢ Review slide.
➢ Read the following aloud:

- A level repayment schedule is standard, unless you request another option.
- The monthly installment amount remains the same throughout repayment.
- Small changes in the monthly installment amount may occur for loans with a variable interest rate if the annual interest rate increases or decreases. (The federal government ended variable rate loans in 2005--2006. All federal loans now have a fixed interest rate.)
- Repayment term is normally 10 years.
- The minimum payment is $50 per month.
Graduated Repayment

- Review slide.
- Read the following aloud:
  - This repayment schedule is designed with the understanding that you should make more money as you progress in your career. Payments are initially lower then increase later in the repayment schedule. The total repayment schedule is 10 years.
  - Although monthly payments are reduced in the first few years of repayment, you will pay more over the life the loan than with a level repayment because you are paying mostly interest during the initial years of reduced payments.

- Remind students to contact their lender/servicer during the grace period to select the option that is best for them.

Extended Repayment

- Review slide.
- Suggest visiting YouCanDealWithIt.com for more details about these repayment options.

Income-Based Repayment, Income-Sensitive Repayment, Income-Contingent Repayment, and Pay As You Earn

- Review slide.
- Review slide.
- Encourage students to contact their lender/servicer to learn about automated payment programs and to sign up.

Slide Transition: An automated payment service is only one way to reduce your student loan payments. You may also be eligible for a loan forgiveness program.

Loan Forgiveness

- Review slide.
- Explain that loan forgiveness programs promote employment in certain fields by forgiving part or all of your loan debts, provided you fulfill certain work-related requirements.
➢ Explain that students who have federal student loans through the William D. Ford Federal Direct Program may be eligible for public service forgiveness after working in a public service field and making a certain number of eligible payments.

➢ Encourage students to check with their lender/servicer on whether or not they are eligible for a loan forgiveness program.

➢ Encourage students to research loan forgiveness programs prior to consolidation to verify if there are any eligibility differences.

Slide Transition: We have covered a lot of information regarding student loans, including ways to potentially lower your monthly payment by making interest payments and even ways to have them forgiven. However, some of you may find yourself in a situation where you are unable to make timely payments. There are options available.

**Student Loan Repayment (Slide 26)**

**Deferments and Forbearance**

➢ Review slide.

➢ Read the following aloud:

  o Deferment is an entitlement of a student loan that allows you to suspend your monthly payments; however, you must meet the qualifications specified. The federal government pays the interest on the student loan during periods of approved deferment on subsidized loans.

  o Forbearance is a temporary suspension of monthly payments that is granted under certain circumstances by the lender/servicer. You must meet the qualifications specified. You will always be responsible for paying the interest that’s accrued, so it’s smarter to try to get a deferment first.

➢ Review common types of deferment:

  o In-School---A student returns to school at least half-time after they have used their grace period.

  o Unemployment---A borrower is unable to get a full-time job or has been laid off from a job.

  o Economic Hardship---A borrower is unable to make the monthly payment due to financial hardship.

➢ Encourage student borrowers to call their lender/servicer immediately so they can help determine the best option available for their circumstances.

Slide Transition: You have the power to fix the problem.

**Student Loan Repayment (Slide 27)**

**Delinquency**

➢ Review slide.
Explain:

- Your account is considered delinquent when it is 1 day past due.
- Delinquency will be reported to the major credit bureaus at 60--90 days of delinquency (depending on the lender/servicer) and will affect your credit rating for up to 7 years.

**Slide Transition: Let’s look at a few potential solutions.**

**Student Loan Repayment (Slide 28)**

**Repayment Tips**

- Review slide.

**Slide Transition: If you fail to make payments or obtain an approved deferment/forbearance, your student loan will default. A student loan may go into default after 120 days of nonpayment for alternative (private) loans and will go into default after 270 days of nonpayment for federal loans. The consequences are severe and can be long-lasting.**

**Student Loan Repayment (Slide 29)**

**Default**

- Review slide.

- Discuss the following:
  
  - Default will be reported to the national credit bureau and will result in an I9 credit rating, which may prevent you from obtaining a mortgage or car loan.
  - If you are offered credit at all, you will receive the highest interest rates allowed by law.
  - Your student loan will be due in full.
  - You will receive collection calls and letters from the servicer, lender, guarantor, and school.

**Slide Transition: Remember that there is always help available. Look to your financial aid administrator if you have any questions; they will be happy to help.**

**Resources and Reminders (Slide 30)**

- Review slide.

- Remind your audience that student loans are legally binding contracts and need to be kept in a safe place. Organization is the key to keeping track of very important papers.

**Resources and Reminders (Slide 31)**
Activity
Refer back to the list the students created earlier in the presentation, outlining ways they planned to pay for college. Ask students to identify the types of paperwork or documentation they feel they should keep on file.

Examples---

Grants
- The amount of grant money received and from what source
- Any limitations or continued qualifications/requirements, such as a specified GPA or a commitment to work in an area of study for specified period of time, etc.

Scholarships
- The amount of scholarship money received and from what source
- Is it inclusive or does it require a yearly application?

Savings
- Account statements

Parental support
- Does this money need to be repaid, and what terms were agreed on?

Work-study
- Track money earned and hours worked.

Student loans
- Encourage students to keep all financial materials in one place, including copies of all records relating to the loan. These would include:
  - Master Promissory Note
  - Notices showing loan disbursement dates
  - Repayment schedule provided by lender
  - Records of all loan payments [including cancelled checks and money order receipts]
  - Copies of requests for deferment or forbearance
  - Any other copies of correspondence received from the lender or servicer.

Resources and Reminders (Slide 32)

- Review slide.
- Explain the sources for free money to pay for education expenses, including federal Pell and state grants, scholarships, work-study programs, and family contributions. Students should exhaust all these sources before taking out a loan.
- Help students to avoid scholarship scams by telling them to apply with reliable organizations like educationplanner.org. It shouldn’t cost anything to apply for a scholarship!
Objectives (Slide 33)

- Review slide.
- Ask questions.