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Financial Freedom: Cash Flowin' to the Future

Financial Freedom: Cash Flowin' to the Future

Financial Literacy Programming and Evaluation

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Executive Summary

In the book, "New Directions for Adult and Continuing Education," the authors argue that there are underlying assumptions of financial education in North America that fail to produce efficient and substantive financial literacy education and programming. The authors Karin Sprow Forte, Edward W. Taylor and Elizabeth J. Tisdell outline the three underlying assumptions as the underpinnings of a capitalist economy, the role of emotions around financial topics and the implied relationship between knowledge and behavior. (Forte, Taylor, Tisdell, 2014). For students and communities who are living in poverty, they are limited in regards to the financial products and services they can access because of socio-economic oppression created and maintained by institutional racism.

The facilitators, staff, teachers and partners of the Financial Freedom: Cash Flowin' to the Future are trained and equipped with materials that acknowledge the power dynamic within the communities and financial institutions. Furthermore, they are trained with the knowledge and skills how to facilitate financial literacy workshops that demonstrate cultural competence and awareness of the socio-economic oppression that affects the community and individuals' behavior and influences their perceptions of banks and other financial institutions.

The goal of the Financial Freedom: Cash Flowin' to the Future is more than just financial literacy; it is financial wellness. According to the Consumer Financial Protection Bureau, financial well-being includes having control over day- to-day, month-to-month finances, having capacity to absorb financial shock, and being on track to meet financial goals. Financial freedom is the ability to make choices that allows an individual to enjoy life.

Acknowledgements

I would like to extend my gratitude to the teachers and educators in Miami Dade County Public Schools who have contributed to improving the financial well-being of the students and communities we serve.

A special thanks is extended to the staff at the Education Fund for their support of Miami Dade County Public School teachers and educators that work diligently year around to ensure students have access to the best resources and education possible.

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Literature Review for Financial Literacy Programming

A Holistic Approach for Financial Literacy Instruction and Programming

Throughout the past decade several organizations, in both the private and public sectors, have been providing financial literacy programming, resources, services or instruction for individuals and families without much progress in regards to learning gains and outcomes. Within the recent years, Tisdell, Taylor and Forte conducted a collaborative National Endowment for Financial Education (NEFE) research project that provided more insight for financial educators seeking to implement financial literacy programming and instruction. The NEFE research project utilized financial literacy and personal finance educators to conduct community-based surveys, focus groups and interviews to gain a deeper understanding of how the cultural background of their students influences how they learn and their ability to comprehend financial literacy concepts. "Success in community-based adult education always involves attention to sociocultural factors; one cannot work successfully with communities unless one considers attention to power relations between dominant and marginalized groups." (Forte, Taylor, Tisdell, 2014) In addition to identifying individuals' sociocultural factors with regards to financial literacy, "it is also important to explore how capitalism and economic systems and social relations affect how educators deal with issues of financial literacy, and how adult learners respond to educational programs that attempt to meet their needs." (Forte, Taylor, Tisdell, 2014)

When developing a financial literacy program for individuals, families and communities, educators should also consider the influence of life circumstances in order to yield the desired outcomes for learning gains. The results from the educators' and students' interviews and

surveys, from the NEFE research project, revealed that the beliefs about money are important factors for the effectiveness of teaching and learning. (Forte, Taylor, Tisdell, 2014) There are four main factors that affect financial literacy learning within adult education, which include but are not limited to, sociocultural issues, financial exclusion, gender, and other contextual influences. Financial exclusion provides a framework to better comprehend the different factors that lead families, communities and individuals to limited or nonexistent relationships with mainstream banking and financial institutions. Situated learning theory can aid in gaining an understanding with the financial literacy learning process in adult education.

Situated learning theory provides a platform for understanding how adults engage in informal and continuous financial literacy teaching and learning. There are several factors that affect an individual's ability to learn and engage in formal and informal education. "In the case of financial education, situated learning posits that it will take place through one's daily life, in one's job and neighborhood, and within one's relationships. Three major factors influence situated learning: relationships, community and tools." (Forte, Taylor, Tisdell, 2014) To develop an effective financial literacy program, one must include the factors that influence situated learning.

Addressing Discrimination Against Minority Populations in Mainstream Financial Service Providers

Historically, there has been and continues to be a high incidence of discrimination and isolation against Black, Latino and Asian-American communities in regard to accessibility to mainstream financial institutions. "The history of the mainstream financial services sector's relationship with low-income communities of color, however, is fraught with patterns of racial

bias and legal discriminatory industry practices." (Watson, 2006). The standard industry practice included redlining, which allowed financial institutions to deny or increase the cost of financial services to certain communities and populations because of their zip code or the ethnic and racial composition of a geographical location. "Redlining was rooted in the conscious, overt racial discrimination practiced and sanctioned in communities throughout the country. Financial sector discrimination was codified in real estate appraisal manuals that established preferences based on race, religion and national origin." (Watson, 2006)

Research shows that financial literacy goes beyond teaching specific populations and communities the basics of personal finance and banking concepts, skills and knowledge. Marginalized communities in this country are also subjected to economic discrimination and institutional racism. "Underwriting guidelines also specifically excluded applicants from certain ethnic groups who lived in specific parts of town from preferential rates on loan and insurance products." (Watson, 2006) Research proves that financial literacy development and implementation of programs and instruction must include the context of people of color's personal experiences with financial institutions. There are larger contextual issues that need to be addressed in regards to the accessibility and opportunities for communities of color and low-income communities. A financial literacy deficit is more than a result of lack of knowledge and skills to understand personal finance for minority communities.

Financial Literacy Program Development

Well prepared program coordinators and financial literacy instructors will engage students and participants around critical financial topics with the intent to transform financial behaviors, thoughts and attitudes. Quality and efficient financial literacy programs will include

an explicit theory of change and incorporate an opportunity and role for peer to peer teaching and learning. Additionally, it is equally important to take a holistic approach and address the social and institutional context of learners and programs in order to develop approaches that are engaging, motivating and impactful. (Forte, Taylor, Tisdell, 2014) "Ideally, programs will embed evaluation into the design of the program including robust pre- and post-measurements of knowledge and behavior, the use of a control group (randomized if possible) and a large sample that maintains most participants over time." (Forte, Taylor, Tisdell, 2014) Both research and evaluation, coupled with a well-designed, theory driven financial literacy program, will aid in the sustainability of program efforts and allocation of educational funds.

Project Background

Vision:

We envision a society free from socio-economic oppression where everyone will have equal access to higher education, financial institutions and services.

Mission:

We aim to provide financial education and resources to support first generation students and low-income communities seeking access to higher education and to improve their financial well-being.

Goals:

- Raise awareness of the socio-economic injustices caused by systemic oppression, discrimination and institutionalized racism
- Increase retention and graduation rate for low-income and first-generation college students
- Improve financial well-being for first generation and low-income students and youth

Program background:

The Financial Freedom: Cash Flowin' to the Future financial literacy program began the development process on August 8, 2016. The founder, Natalia Isabel Allen, created the program to address, not only the financial literacy and knowledge gap, but also the socio-economic injustices that deny equal access to financial institutions, services and higher education for low-

income communities and first-generation students because of systemic oppression and institutionalized racism. The program serves high school and college level students, families and communities.

The Financial Freedom: Cash Flowin' to the Future program is implemented through individual workshops or through a series of workshops depending on the needs of the students and community. The financial literacy curriculum can also be incorporated into high school classes or university courses. Financial Freedom: Cash Flowin' to the Future programming consist of workshops including, but not limited to:

- finance fundamentals
- educational planning
- money management
- budgeting
- saving and investing
- student loans
- student loan repayment
- credit and debt management
- understanding your credit score and report
- identity theft and fraud

Florida State Standards

SS.8.FL.1.2: Identify the many decisions people must make over a lifetime about their education, jobs, and careers that affect their incomes and job opportunities.

SS.912.FL.4.7: Describe that, in addition to assessing a person's credit risk, credit reports and scores may be requested and used by employers in hiring decisions, landlords in deciding whether to rent apartments, and insurance companies in charging premiums.

SS.912.FL.4.1: Discuss ways that consumers can compare the cost of credit by using the annual percentage rate (APR), initial fees charged, and fees charged for late payment or missed payments.

SS.912.FL.4.12: Discuss that consumers who use credit should be aware of laws that are in place to protect them and that these include requirements to provide full disclosure of credit terms such as APR and fees, as well as protection against discrimination and abusive marketing or collection practices.

SS.912.FL.4.13: Explain that consumers are entitled to a free copy of their credit report annually so that they can verify that no errors were made that might increase their cost of credit.

SS.912.FL.4.2: Discuss that banks and financial institutions sometimes compete by offering credit at low introductory rates, which increase after a set period of time or when the borrower misses a payment or makes a late payment.

SS.912.FL.4.3: Explain that loans can be unsecured or secured with collateral, that collateral is a piece of property that can be sold by the lender to recover all or part of a loan if the borrower fails to repay. Explain why secured loans are viewed as having less risk and why lenders charge a lower interest rate than they charge for unsecured loans.

SS.912.FL.4.8: Examine the fact that failure to repay a loan has significant consequences for borrowers such as negative entries on their credit report, repossession of property (collateral), garnishment of wages, and the inability to obtain loans in the future.

SS.912.FL.2.2: Analyze situations in which when people consume goods and services, their consumption can have positive and negative effects on others.

SS.912.FL.2.5: Discuss ways people incur costs and realize benefits when searching for information related to their purchases of goods and services and describe how the amount of information people should gather depends on the benefits and costs of the information.

SS.912.FL.4.11: Explain that people often apply for a mortgage to purchase a home and identify a mortgage is a type of loan that is secured by real estate property as collateral.

Course Overview

The Financial Freedom: Cash Flowin' to the Future program is designed to address community and students' needs. Thus, prior to implementing financial literacy workshop(s) or classes it is imperative to conduct a community assessment and identify the needs and wants of the student population and classroom. Financial wellness and improving financial well-being goes further than providing financial education workshops and teaching financial literacy vocabulary, skills and concepts. It also includes changing thoughts and behaviors of individuals, families and communities. There is a historical and psychological component that influences financial behavior. Marginalized communities have historically been systemically oppressed in a plethora of ways, including but not limited to, socially and economically. This form of economic oppression, such as redlining, limits marginalized communities' opportunities to secure wealth and prevents mobility through socio-economic classes. Redlining is unethical but legal. It is a practice in which financial institutions can deny or make it difficult for individuals living in poverty and in urban areas to get a loan, mortgage, insurance or access financial services and products.

The program and financial literacy presentations can be modified to meet the needs of the students and communities. The Financial Freedom: Cash Flowin' to the Future curriculum, resources and materials are frameworks with key concepts and ideas that can be adapted to suit the needs and interests of students in middle school, high school and college level.

Educational Planning: Getting to Graduation

Agenda:

- Welcome
- Pre-assessment
- Understanding the Cost of Education Presentation
- Sample case
- College Choice and College Cost Comparison
- Post-assessment
- Discussion/Questions

Objectives:

- Understand the components of the student aid report
- Identify the different requirements for Free Application for Federal Student Aid
- Differentiate between the types of student aid
- Compare college choice and college cost
- Develop a college plan

Discussion Questions (Think-Pair-Share):

- What does educational planning mean to you?
- What do you feel is most important to consider when thinking about college to attend?
- What do you hope to gain from your college experience?
- How did you decide on which colleges to apply to?

Directions:

The teacher will facilitate the financial literacy discussion questions outlined in the PowerPoint Presentation, slide 6 of 18, by instructing students to think about their initial responses and write them down in their educational planning notebooks. Then students can pair with a partner or in a group and discuss amongst themselves about their responses to the discussion questions. Then the final step is to ask students to share their ideas and responses with the class. Identify if responses were based on college choice (i.e. program of student, athletics, campus) or college cost (i.e. cost benefit analysis, financial aid package, scholarships)

Review the different types of financial aid with students: scholarships, grants and loans. (Slide 7 of 18) Note that scholarship money does not have to be paid back, grant money does not have to be paid back with exceptions such as not fulfilling the requirements set forth by the grant or dropping below enrollment requirements and loan money must be paid back with interest. Subsidized Direct loans accrue interest but the federal government pays interest while the student is enrolled full-time, unsubsidized loans accrues interest immediately while in school and continues after graduation throughout the life of the loan.

Vocabulary: (Slide 8-9 of 18)

Merit-based: awarded based on talent or achievement

Need-based: typically based on financial need

Student aid report: summary of financial aid eligibility and responses to questions on Free Application for Federal Student Aid (FAFSA)

Expected family contribution: the amount of money that you and your family can contribute to expenses of college education, which is calculated by the federal government based on tax information.

Capitalized interest: the interest added to the cost of a self-constructed, long-term asset

Student Loans: slide 11 of 18: Master promissory note, legal binding document students must sign in order to receive funds which is couple with loan entrance counseling.

Sample Student Case:

Slide 14-17 of 18

Average student loan is $30,100

Loan Details

- Principle: $30,000
- Loan Fee: 1.069%
- Interest Rate: 4.29
- Loan Term: 10 years
- Number of Payments: 120

What You Pay

- Loan Balance: $30,000
- Adjusted Loan Balance: $30,324.17
- Monthly Loan Payment: $311.21
- Cumulative Payments: $37,345.83
- Total Interest Paid: $7,345.83

Note: This example is a best-case scenario in regards to loan repayment, meaning the student started making monthly payments immediately upon graduation and at never went in loan forbearance, deferment or modified their payment plan based on income or lack thereof.

Review the topics of college choice:

- Public vs. Private
- Associates vs. Bachelors
- Research vs. Teaching
- Location
- Graduation Rate
- Program of Study
- Job Placement Rate

Have students complete the college choice chart:

	College Choice 1	College Choice 2	College Choice 3	College Choice 3
Associate or Bachelor Degree				
Public or Private				
Residential or Commuter				
Student enrollment				
Student to teacher ratio				
Academic support				
Research or teaching				
Room and Board				
Retention rate				
Graduation rate				
Career Services				
Job Placement Rate				
Cost of Attendance				
Expected Loan Debt				

Have students complete the College Cost Chart:

	College 1	College 2	College 3	College 4
Tuition				
Books				
Fees:				
1.				
2.				
3.				
4.				
5.				
6.				
Room and Board				
Travel				
Insurance				
School deposit				
Room and Board Deposit				
Scholarships				
Grants				
Loans				
Total Out of Pocket Cost				

*Total out of pocket cost = Cost of attendance – scholarships and grants.

Name:_____ Student ID:_____
Workshop: Educational Planning and Student Loans Pre-test_____Date: _____

1. What does SAR stand for?
    a. Student Assistance Report
    b. Student Aid Report
    c. Student Appeal Report
2. What does EFC stand for?
    a. Expenses and Family Contribution
    b. Expenses and Family Commitment
    c. Expected Family Contribution
3. The EFC is the amount of money that you and your family can contribute towards your college education and is calculated by the federal government.
    a. True
    b. False
4. SAR is a summary of your financial aid eligibility and answers on the FAFSA form.
    a. True
    b. False
5. Tuition is the total cost of attendance to go to college.
    a. True
    b. False

Name:_____ Student ID:_____
Workshop: Educational Planning and Student Loans Post-test_____Date: _____

1. What does SAR stand for?
    a. Student Assistance Report
    b. Student Aid Report
    c. Student Appeal Report
2. What does EFC stand for?
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4. SAR is a summary of your financial aid eligibility and answers on the FAFSA form.
    a. True
    b. False
5. Tuition is the total cost of attendance to go to college.
    a. True
    b. False

Financial Freedom: Credit and Debt Management

Agenda:

- Welcome
- Pre-assessment
- Understanding Credit
- Sample Case
- Post-assessment
- Discussion/Questions

Objectives:

- Determine what is credit and why it's important
- Differentiate between revolving debt and installment debt
- Understand how no credit or low credit can cost you more
- Learn strategies to effectively manage debt
- Prepare to Borrow

Directions:
Ask students to work in pairs or groups to answer the discussion questions prior to starting the Financial Freedom: Credit and Debt Management Presentation.

Discussion questions:

1. What is credit?
2. How do you get credit?
3. Can anyone have credit?
4. What can you purchase with credit?
5. Is credit a good or bad thing? Why?

PowerPoint Slide 6 of 20:

What is credit?

- The ability of a consumer to purchase goods or services before payment, based on the trust that there will be payment according to the terms and conditions previously agreed on between the consumer and the loaner.
  *Presentation questions to ask students: What is an example of a good that can be purchased with credit? What is an example of a service that can be purchased with credit?

PowerPoint Slide 7 of 20:

Why is having good credit important?

- Large purchases (i.e. house, car, college degree, home improvement cost, dental or medical expenses)
- Pay less (good credit equals better interest rates which means playing less)
- Pay over time (You will have the ability to make payments instead of paying in full)
- Able to secure a home, apartment, car etc.

Notes corresponding with points from slide 7 of 20:

- Large purchases (i.e. house, car, college degree, home improvement cost, dental or medical expenses)
- Pay less (good credit equals better interest rates which means playing less)
- Pay over time (You will have the ability to make payments instead of paying in full)
- Able to secure a home, apartment, car utilities or even a job etc. (Note that some employers will run credit checks and employment offers are or can be contingent upon a good credit score and report. Having good credit can affect quality of life.)

PowerPoint Slide 8 of 20:

Installment Debt

- Installment debt is a loan taken out by a borrower for a set amount. The debt (loan) is repaid in installments set by the lender, usually monthly payments.
- Student Loans
- Car Loans
- Mortgages

Revolving Debt

- Revolving debt is a line of credit. You do not need to reapply for more credit so long as you do not max out your credit limit.
- Credit cards

Notes corresponding with points from slide 8 of 20:

Installment Debt

- Installment debt is a loan taken out by a borrower for a set amount. The debt (loan) is repaid in installments set by the lender, usually monthly payments. (Installment debt has a start date and end date by which loan must be paid off for a set amount that includes interest that has accrued)
- Student Loans (based on a ten-year payment plan unless applying for a repayment plan based on income such as the income based repayment plan)
- Car Loans (typically ranges from 3 to five years depending on the company)
- Mortgages (typically either 15 or 30 years)

Revolving Debt

- Revolving debt is a line of credit. You do not need to reapply for more credit so long as you do not max out your credit limit.
- Credit cards (the amount owed is dependent on the balance of the credit card and credit limit)

PowerPoint Slide 9 of 20:

Credit Score

Credit Score Range 300 – 850
800 – 850 is excellent
750 – 799 is very good
700-749 is good

650 – 699 is fair
600 – 649 is poor
300 – 599 is very bad

Notes for PowerPoint Slide 9 of 20:

Ideally an individual would not want to take out a loan or apply for credit unless they have good credit or better at 700 points or above.

PowerPoint Slides 10 – 11 of 20:

Calculating your credit score

- **Payment history**: 35%, track record of making payments over time
- **Amounts owed:** 30%, your total balance of all debt
- **Length of credit history**: 15%, the length of time you have established credit
- **Credit mix**: 10%, installment debt and revolving debt
- **New credit**: 10%, opening several accounts in short period of time

Notes for PowerPoint Slides 10 – 11 of 20:

- **Payment history**: 35%, track record of making payments over time (Are you making late payments? How late are your payments? 30 days? 60 days? 90 days? 120+ days? The later the payment the more it affects your credit score in a negative way and you will receive derogatory marks)
- **Amounts owed:** 30%, your total balance of all debt (the more debt you have the more it will have a negative impact on your credit score. Also, for revolving debt such as credit cards, the closer you are to your credit limit the more derogatory marks and negative impact you will have on your credit score)
- **Length of credit history**: 15%, the length of time you have established credit (The average age of your credit. For example, if you open only one credit card when you turn 18 in 2000, your length of credit history will be 10 years in 2010 but if you get a mortgage in 2010, your age of your credit history will be averaged to five years.)
- **Credit mix**: 10%, installment debt and revolving debt
- **New credit**: 10%, opening several accounts in short period of time (hard inquiries have a negative impact on your credit and the number of inquiries is associated with the number of negative points)

Sample Case:

PowerPoint Slides 13 – 17 of 20:
Compare two individuals in the market to purchase a new home.

Slide 14:
Facts:

1. The purchasing price for the house is $200,000.00
2. Both individuals can put down a 20% down pay which equals $40,000.00
3. Both individuals want to a 30 year mortgage.
4. Person A has a 720 credit score and Person B has a 690 credit score.

5. Person A is offered a 5% interest rate on the 30-year mortgage
6. Person B is offered a 8.5% interest rate on the 30 year mortgage

Slide 15:
Person A with a 5% interest rate will pay $1,213 a month for the $200,000.00 house.
Person B with a 8.5% interest rate will pay $1,584 a month for the $200,000.00 house.
The pie chart includes a breakdown of what is included in the monthly payment: principal, interest, taxes and insurance. Note: PMI is private mortgage insurance is buyers put less than 20% down payment.

Managing Debt:

Slide 18 of 20:

Revolving Debt
- Keep balances below 30%
- Example: If you have a credit card with $1,000 credit limit, do not charge more than $300
- Consolidation
- Balance transfers

Installment Debt
- Do not miss monthly payments
- Pay highest interest rate debt first
- Refinance
- Balance transfers
- Loan consolidation

Preparing to Borrow:

Slide 19 of 20:

- Pay down debt, lowering revolving debt first then installment debt
- Check credit report: Equifax, Experian, TransUnion
- Determine your down payment, how much you can borrow
- Limit your number of inquires
- When you're ready to borrow, run all financing options at the same time
- Debt to income ratio compares how much you owe to how much you earn each month

Name:_____ Student ID:_____
Workshop: Financial Freedom: Credit & Debt Mgmt Pre-test_____Date: _____

6. What is an example of revolving debt?
    a. Credit card debt
    b. Student loan debt
    c. Car loan debt
7. What percentage of your credit score is determined by your payment history?
    a. 50%
    b. 25%
    c. 35%
8. What is credit history?
    a. The length of established credit
    b. Tracks your debt to income ratio
    c. Your track record of making payments over time
9. Debt to income ratio compares how much you owe to how much you earn each month.
    a. True
    b. False
10. Under 30% of credit usage is considered good.
    a. True
    b. False

Name:_____ Student ID:_____
Workshop: Financial Freedom: Credit & Debt Mgmt Post-test_____Date: _____

1. What is an example of revolving debt?
    a. Credit card debt
    b. Student loan debt
    c. Car loan debt
2. What percentage of your credit score is determined by your payment history?
    a. 50%
    b. 25%
    c. 35%
3. What is credit history?
    a. The length of established credit
    b. Tracks your debt to income ratio
    c. Your track record of making payments over time
4. Debt to income ratio compares how much you owe to how much you earn each month.
    a. True
    b. False
5. Under 30% of credit usage is considered good.
    a. True
    b. False

References

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EDUCATIONAL PLANNING

MONEY MATTERS
NATALIA ALLEN, M.S.ED

AGENDA

- Welcome
- Pre-assessment
- Understanding the cost of Education
- Sample case
- Post-assessment
- Discussion/questions

NATALIA ALLEN, M.S.ED

→ University of Miami: Master of Science in Education

→ University of Missouri: Bachelor of Journalism, Bachelor of Art in Political Science

→ Taught in K-12 in public, private and charter schools

→ From Springfield, Missouri

→ Traveled to Namibia, South Africa, United Kingdom, France, Costa Rica, Dominican Republic, Netherlands, Argentina, Uruguay, Ecuador, Jamaica

OBJECTIVES

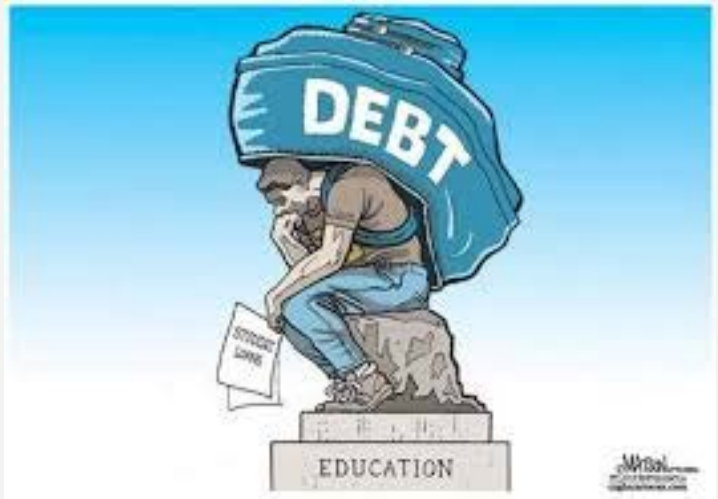
- Understand the components of a student aid report
- Learn the different sections of the FAFSA (Free Application for Federal Student Aid
- Differentiate between the different types of student aid
- Make an informed decision about college choice while considering college cost
- Develop a college plan

“EDUCATION IS THE PASSPORT TO THE FUTURE, FOR TOMORROW BELONGS TO THOSE TO PREPARE FOR IT TODAY.”

MALCOM X

PREPARING FOR THE FUTURE

- What does educational planning mean to you?
- What do you feel is most important to consider when thinking about which college to attend?
- What you do hope to gain from your college experience?
- What made you decide on which colleges to apply to?



TYPES OF AID

Scholarships

- Academic
- Athletic
- Artistic
- Interested in particular area of study
- Members of underrepresented groups
- Bright Futures Scholarship

Grants

- Financial aid, often based on financial need, that does not need to be repaid (unless, for example, you withdraw from school and owe a refund)
- Pell Grant

Loans

- Money that has to be paid back with interest and other fees
- Subsidized
- Unsubsidized

MERIT-BASED VS. NEED-BASED AID

Merit Based

- **Awarded based on individual achievements, such as academic, artistic or other accomplishments**

Need Based

- **Awarded based on financial status**
- **Typically grants**

FILLING OUT THE FAFSA

STUDENT AID REPORT

- The Student Aid Report (SAR) is the summary of your financial aid eligibility and the response to questions on the FAFSA form. The SAR will also include your Expected Family Contribution (EFC)

EXPECTED FAMILY CONTRIBUTION

- The Expected Family Contribution (EFC) is the amount of money that you and your family can contribute to the expenses of your college education. This amount is calculated by the federal government based on tax information and FAFSA.

HOW TO WRITE A WINNING SCHOLARSHIP ESSAY

STUDENT LOANS

- Master Promissory Note
- Loan Fees
- Interest Rates
- Forbearance
- Capitalized Interest
- Repayment Options
- Affects Credit Score

REFUND CHECK

CAPITALIZED INTEREST

Average student loan debt:
$30,100
ALLIE SCHMITZ / SHUTTERSTOCK / CNNMONEY

STUDENT LOAN: $30,000

LOAN DETAILS

- Principle: $30,000
- Loan Fee: 1.069%
- Interest Rate: 4.29
- Loan Term: 10 years
- Number of Payments: 120

WHAT YOU PAY

- Loan Balance: $30,000
- Adjusted Loan Balance: $30,324.17
- Monthly Loan Payment: $311.21
- Cumulative Payments: $37,345.83
- Total Interest Paid: $7,345.83

COMPARING COLLEGES

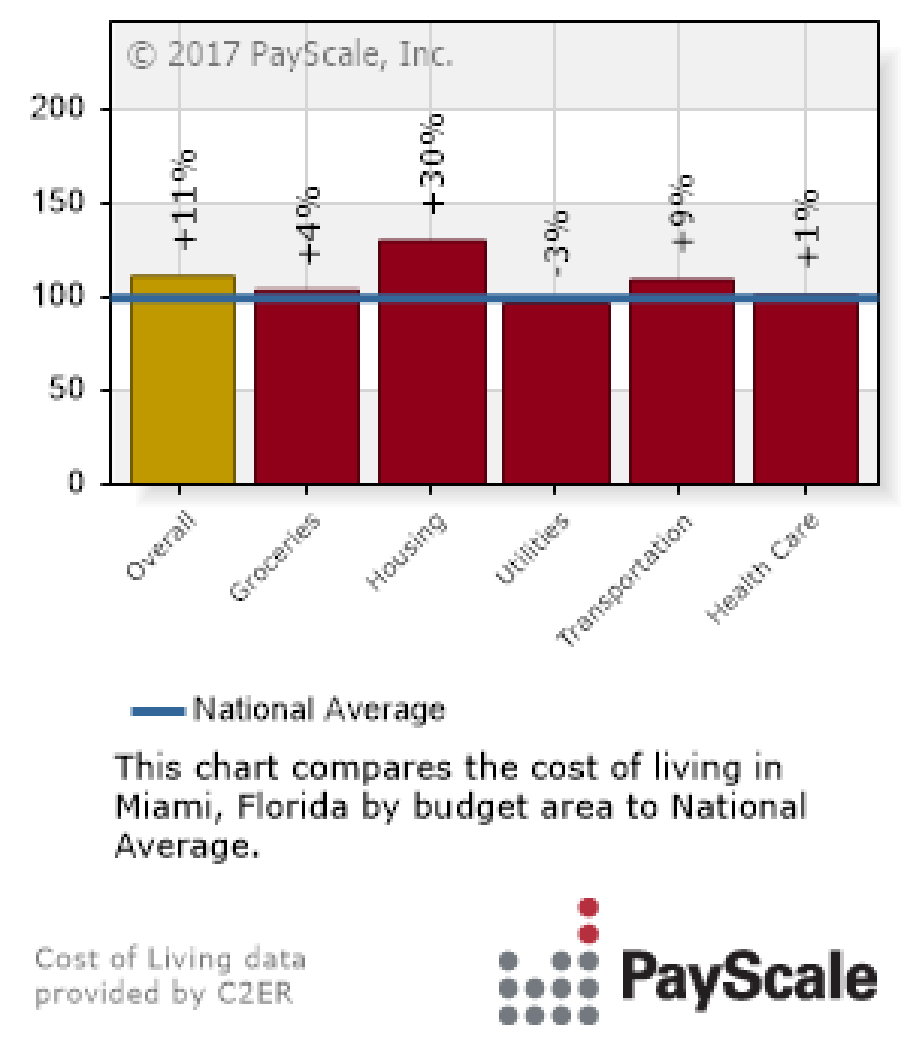
COLLEGE CHOICE

- Public vs. Private
- Associates vs. Bachelors
- Research vs. Teaching
- Location
- Graduation Rate
- Program of Study
- Job Placement Rate

COLLEGE COST

- Tuition
- Fees
- Books
- Room and Board
- TOTAL COST OF ATTENDANCE
- Financial Aid Package

COST OF LIVING IN MIAMI



MONTHLY AVERAGES

- Rent: $2,025 (One bedroom)
- Utilities: $150
- Food: $400
- Bus pass: $112.50
- Health insurance: $100-400

QUESTIONS

Money Matters

Financial Literacy Program Coordinator

Natalia Allen, M.S.Ed

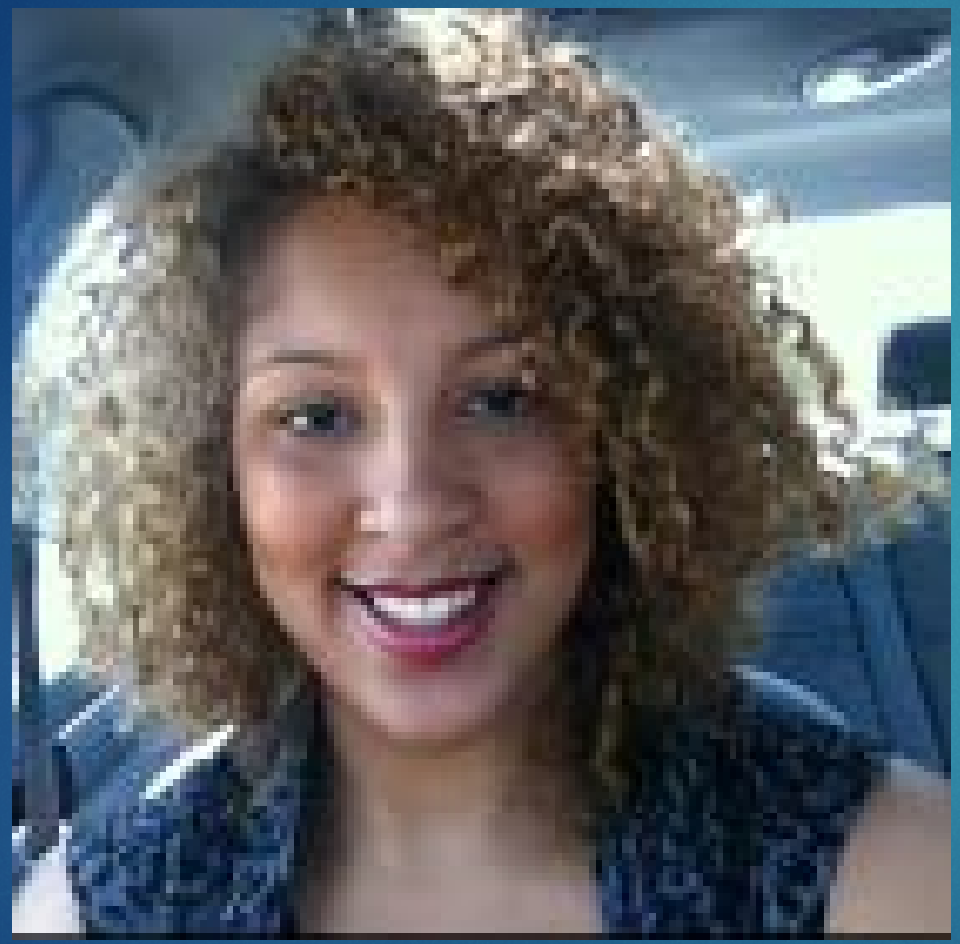
Financial Freedom: Credit and Debt Management

NATALIA I. ALLEN, M.S.ED

Agenda

- Welcome
- Pre-assessment
- Understanding Credit
- Sample Case
- Post-assessment
- Discussion/Questions

Natalia Allen, M.S.Ed



- University of Miami: Master of Science in Education
- University of Missouri: Bachelor of Journalism; Bachelor of Art in Political Science
- From Springfield, Missouri
- Taught K-12 in public, private and charter schools
- Traveled to Namibia, South Africa, United Kingdom, Belgium, France, Costa Rica, Dominican Republic, Netherlands, Argentina, Uruguay, Ecuador, Jamaica

Objectives

- Determine what is credit and why it's important
- Differentiate between revolving debt and installment debt
- Understand how no credit or low credit can cost you more
- Learn strategies to effectively manage debt
- Prepare to Borrow

“Procrastination is like a credit card: it’s a lot of fun until you get the bill.”

CHRISTOPHER PARKER

Learn to use credit wisely and you’ll be able to use it to your advantage.

What is credit?

- The ability of a consumer to purchase goods or services before payment, based on the trust that there will be payment according to the terms and conditions previously agreed on between the consumer and the loaner.

Why is having good credit important?

- Large purchases
- Pay less
- Pay over time
- Able to secure a home, apartment, car etc.

Different Types of Debt

Installment Debt

- Installment debt is a loan taken out by a borrower for a set amount. The debt (loan) is repaid in installments set by the lender, usually monthly payments.
- Student Loans
- Car Loans
- Mortgages

Revolving Debt

- Revolving debt is a line of credit. You do not need to reapply for more credit so long as you do not max out your credit limit.
- Credit cards

Credit Score

Excellent	Very Good	Good	Fair	Poor	Very Bad
800-850	750-799	700-749	650-699	600-649	300-599

Expect the lowest possible interest rates and best terms.

You will be eligible for most loans with good rates.

Only secured loans are given for people in this range.

Calculating Your Credit Score

Your Credit Score

- **Payment history**: 35%, track record of making payments over time
- **Amounts owed:** 30%, your total balance of all debt
- **Length of credit history**: 15%, the length of time you have established credit
- **Credit mix**: 10%, installment debt and revolving debt
- **New credit**: 10%, opening several accounts in short period of time

Credit (Payment) History

- Track record of ability to manage credit
- Biggest component of your credit (FICO) score at 35%
- Payment history – on time or past due
- How many days past due, usually 30, 60, 90 or 120+ days late

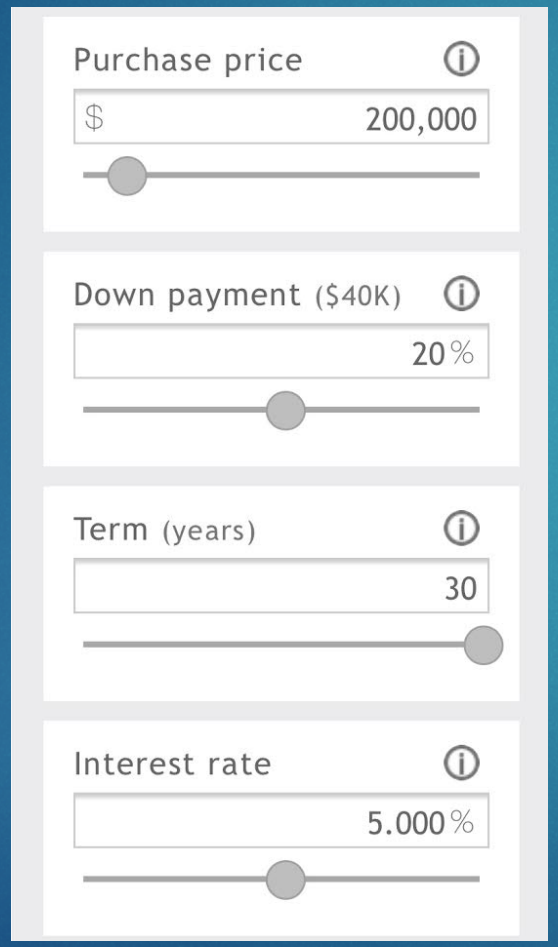
Let’s compare!

- Two individuals are in the market to purchase a new home.
- Person A and Person B both want the same house!
- Lenders run their credit and let’s see what they are offered!

Buying a Home

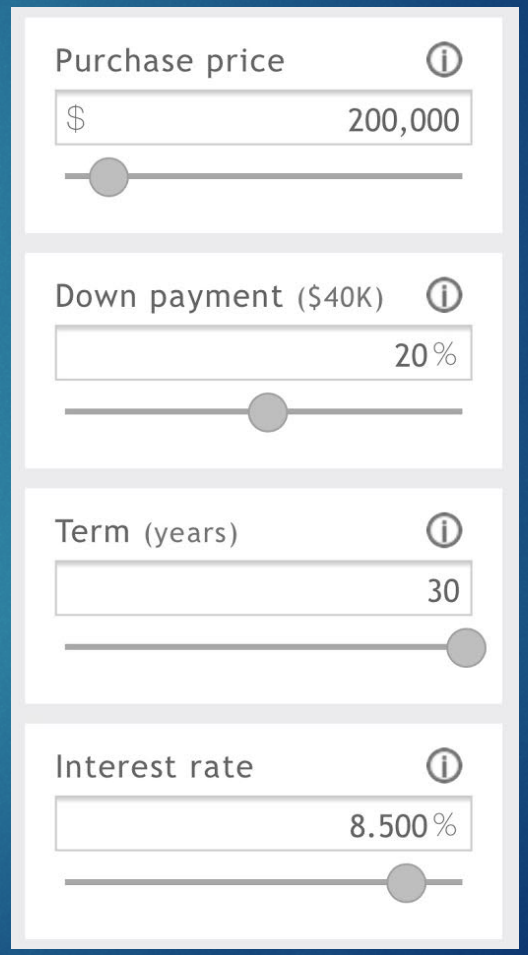
Person A
720 Credit Score

5% interest rate



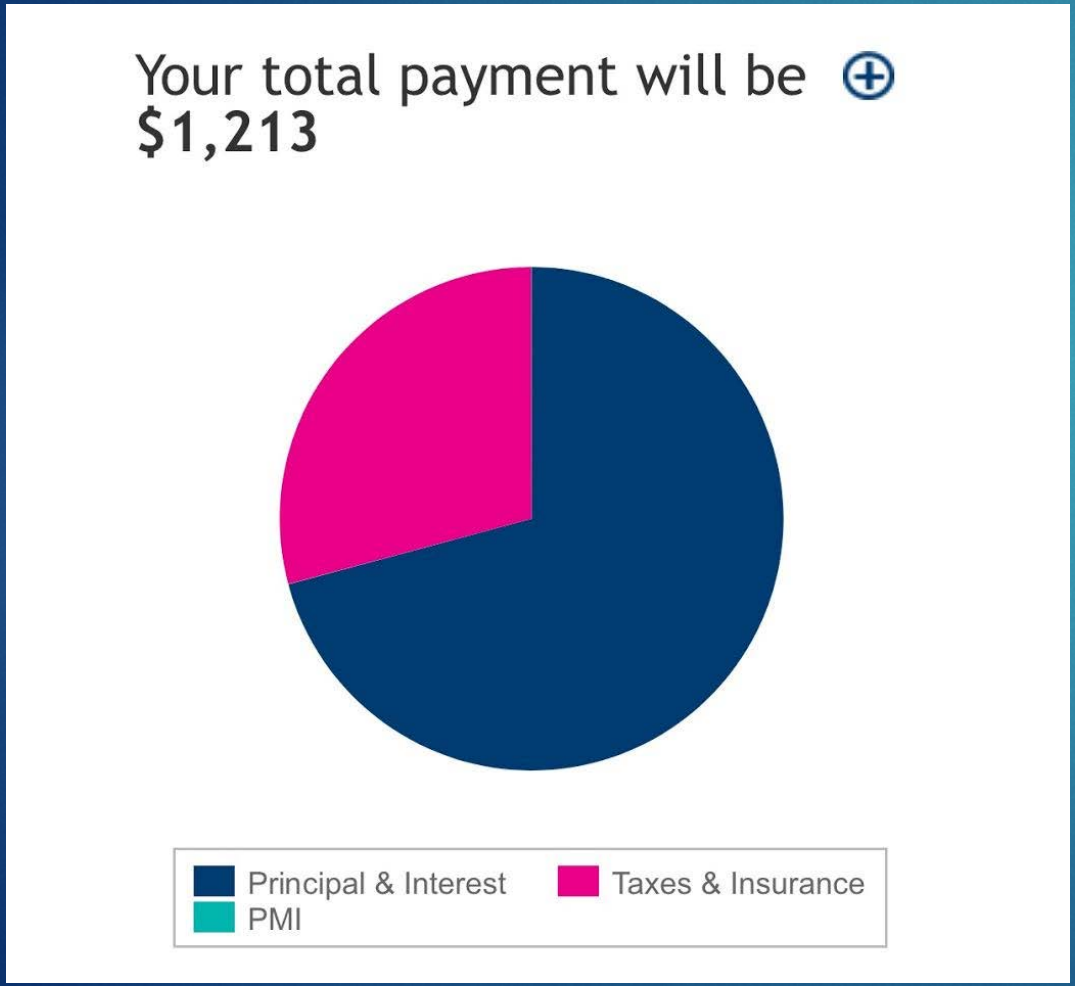
Person B
690 Credit Score

8.5% interest rate

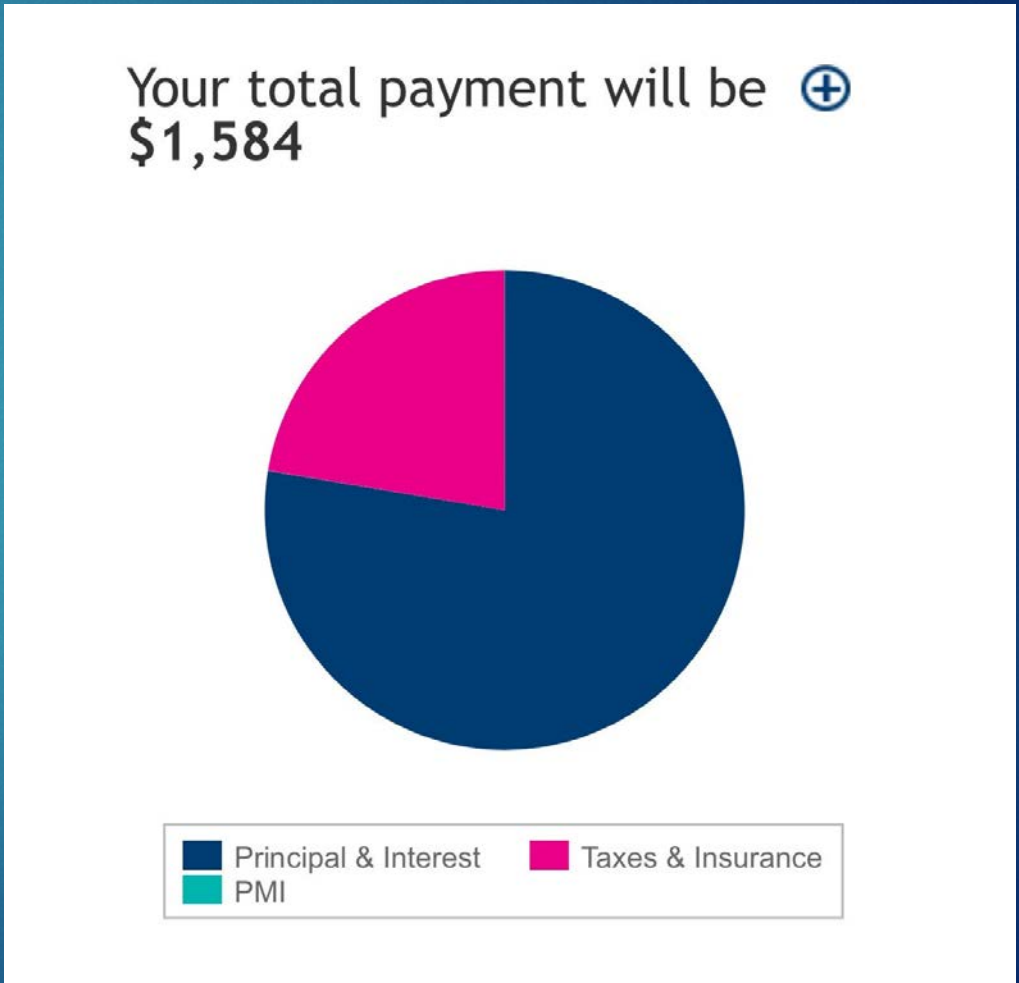


Buying a home

5% interest rate



8.5% interest rate



Principal and Interest

Person A: 720 Credit Score, 5% interest rate

Your payments over time

Month	Monthly payment	Balance	Principal paid	Interest paid	Cumulative interest
Year 1 (months 1-12)					
1	$859	$159,808	$192	$667	$667
2	$859	$159,615	$193	$666	$1,333
3	$859	$159,421	$194	$665	$1,998
4	$859	$159,226	$195	$664	$2,662
5	$859	$159,031	$195	$663	$3,325
6	$859	$158,834	$196	$663	$3,988
7	$859	$158,637	$197	$662	$4,650
8	$859	$158,439	$198	$661	$5,311

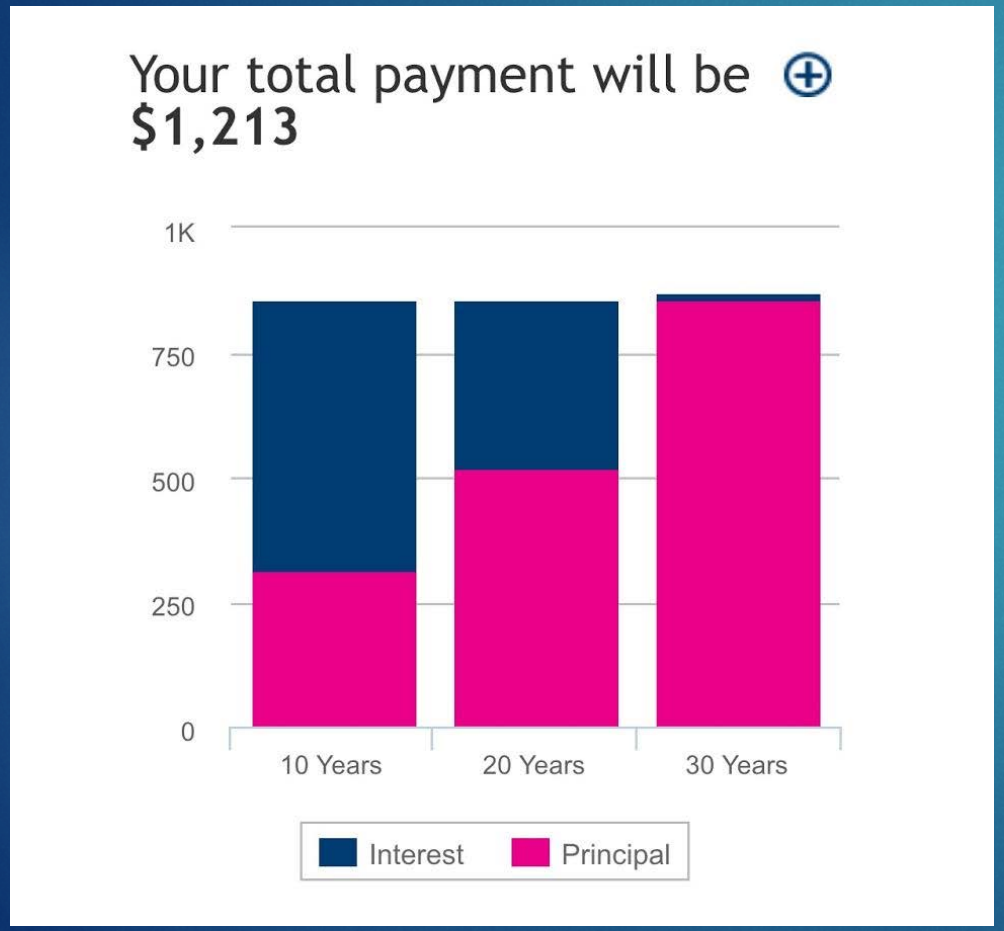
Person B: 690 Credit Score, 8.5% interest rate

Your payments over time

Month	Monthly payment	Balance	Principal paid	Interest paid	Cumulative interest
Year 1 (months 1-12)					
1	$1,230	$159,903	$97	$1,133	$1,133
2	$1,230	$159,805	$98	$1,133	$2,266
3	$1,230	$159,707	$98	$1,132	$3,398
4	$1,230	$159,608	$99	$1,131	$4,529
5	$1,230	$159,508	$100	$1,131	$5,660
6	$1,230	$159,408	$100	$1,130	$6,790
7	$1,230	$159,307	$101	$1,129	$7,919
8	$1,230	$159,205	$102	$1,128	$9,047

Payments over time

Person A: 720 Credit Score, 5% interest rate



Person B: 690 Credit Score, 8.5% interest rate

Managing Debt

Revolving Debt

- Keep balances below 30%
- Example: If you have a credit card with $1,000 credit limit, do not charge more than $300
- Consolidation
- Balance transfers

Installment Debt

- Do not miss monthly payments
- Pay highest interest rate debt first
- Refinance
- Balance transfers
- Loan consolidation

Preparing to Borrow

- Pay down debt, lowering revolving debt first then installment debt
- Check credit report: Equifax, Experian, TransUnion
- Determine your down payment, how much you can borrow
- Limit your number of inquires
- When you're ready to borrow, run all financing options at the same time
- Debt to income ratio compares how much you owe to how much you earn each month

Questions?

- Natalia Allen, M.S.Ed
- FinancialFreedomCFF@gmail.com
- 305-761-8015

THE EDUCATION FUND

FOR EXCELLENCE IN MIAMI-DADE PUBLIC SCHOOLS

Apply for an Ideas with IMPACT Adapter Grant!

All Miami-Dade County public school teachers, media specialists, counselors or assistant principals may request funds to implement any project idea, teaching strategy or project from the 2017 Idea EXPO workshops and/or curriculum ideas profiled annually in the ***Ideas with IMPACT*** catalogs from 1990 to the current year, 2017-18. Most catalogs can be viewed on The Education Fund's website at educationfund.org under the heading, "Publications."

- Open to all K-12 M-DCPS teachers, counselors, media specialists
- Quick and easy reporting requirements
- Grants range from $150 - $400
- Grant recipients recognized at an Awards Reception

To apply, you must contact the teacher who developed the idea before submitting your application. Contact can be made by attending a workshop given by the disseminator, communicating via email or telephone, by visiting the disseminator in their classroom, or by having the disseminator visit your classroom.

Project funds are to be spent within the current school year or an extension may be requested. An expense report with receipts is required by Friday, June 1, 2018.

APPLICATION DEADLINE: December 13, 2017

Apply online at educationfund.org

For more information, contact:

Edwina Lau, Program Director
305.558.4544, ext. 113
elau@educationfund.org

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