

Center for Student
Achievement

WHAT'S COVERED:

- **What is financial literacy?**
- **Funding sources for your college education**
- **How to manage your credit, loans, and debt**



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Your Guide to Finance!

What is Financial Literacy?

The ability to understand and analyze your personal finances in order to make responsible decisions and informed choices about your money.

Sources of Funding for College Education

Grants

Student grants are free monetary gifts to people who are pursuing higher education. Unlike student loans, grants do not require repayment.

Loans

Like credit, a loan is a debt that has to be repaid over a period of time. There are usually fees attached to the loan and the lender charges an interest rate. As an educated consumer, shop around for the right loan for you.

Scholarships

Scholarships are a sum of money awarded to a student to help with living expenses, study, or travel. Scholarships are available from the Federal and State government, your college, and even local companies or your parent's workplace.

FAFSA

FAFSA stands for "Free Application for Federal Student Aid," and it is used to determine how much aid you can receive from the government for college expenses, either in the form of grants or loans. You must fill out a new FAFSA each year to receive additional federal aid.

Managing Credit, Loans, and Debt



Budgeting and Saving

Budgeting is used to see if what you have to spend is greater than or equal to what you spend. Once you create your budget, you will be able to see more clearly how your financial resources or wealth and expenses compare.

★ Responsibility

Put yourself on a budget. Set aside the needed money for tuition, books, housing, and meals first and then create a budget. Tracking your monthly expenses will give you the information you need to plug those spending leaks and still save for spring break.

★ Long-term Effects

The key to saving money is spending less than you earn. To save money and live on a budget, it helps to really understand the difference between *needs* and *wants*. And you probably do understand that, say, food is a need and a latte is a want.

Credit Cards

Credit cards are often more convenient to use than paying cash, great for emergencies and can help you establish a good credit history but use of credit cards may get out of control. Credit is a loan, a debt that must be repaid. Your credit card statement can help you keep track of your expenses and might even categorize the type of expense.

★ Federal Credit Card Accountability, Responsibility, & Disclosure Act (CARD)

The Credit Card Accountability, Responsibility, and Disclosure Act (CARD) that was signed into law last summer took effect on February 22, 2010. This law was developed to provide citizens with additional consumer protection

- No rate increase 1st year

- No rate increase to new charges

- Constraints on over the limit transactions

- Limitations on high fee cards

- Under age protection

★ Credit Reporting

Your credit score is expressed on a scale between 300 and 850. This numeric credit rating system originated with the Fair Isaac Corporation, and is also known as your FICO score. To come up with your score, several factors are considered together to measure your responsible use and repayment of borrowed money over time. The average credit score is in the range of about 700.



Managing Credit, Loans, and Debt (cont'd)

Credit Cards (cont'd)

★ Avoiding Default

If you have trouble meeting your monthly payments, have exhausted your deferment and forbearance options, and/or want to avoid default, a Direct Consolidation Loan may help you.

If you have variable interest rates on your Federal education loans, you may want to consolidate. The interest rate for a Direct Consolidation Loan is fixed for the life of the Direct Consolidation Loan. The rate is based on the weighted average interest rate of the loans being consolidated, rounded to the next nearest higher one-eighth of one percent and cannot exceed 8.25 percent.

Other Resources

- ★ SU financial aid office
http://www.salisbury.edu/admissions/finaid/financial_literacy/finlit4.html#part7
- ★ Cash course
<http://www.cashcourse.org/salisbury/Default.aspx>
- ★ 360 degrees of financial literacy
<http://www.360financialliteracy.org>
- ★ EdFund
<http://www.edfund.com/wps/portal/EdFundVideoClips>
- ★ College Explorer
<http://www.campusexplorer.com/college-advice-tips/A377B575/Need-Based-vs-Merit-Based-Financial-Aid/>
- ★ US Treasury
<http://www.controlyourcredit.gov/>

