

# Paying for College and Cars

*FDIC Money Smart for Young Adults*



Building: Knowledge, Security, Confidence

# Purpose

The *Paying for College and Cars* module provides general information on installment loans, including:

- **Car loans**
- **Student loans**



# Objectives

**By the end of this course, you will be able to:**

- **Differentiate between secured and unsecured installment loans**
- **Explain why installment loans cost less than rent-to-own services**
- **Identify the factors lenders use to make loan decisions**
- **Identify questions to ask when buying a car**
- **Describe college loans and loan programs**



# Todd Wonders about Loans for College...





# Installment Loans

- Repaid in equal monthly payments
- Repaid for a specific period of time, usually several years



# Types of Installment Loans

- **Secured loan**
- **Unsecured loan**



# Secured Loans

## The borrower:

- **Offers collateral for the loan**
- **Gives up his or her right to the collateral if the loan is not paid back as agreed**



# Unsecured Installment Loans

- **Sometimes called personal or signature loans**
- **Can be used for:**
  - Education expenses
  - Medical expenses





# Benefits of Unsecured Installment Loans

- **Fast approval time**
- **Interest rates lower than credit card rates**



# Activity 1: Unsecured Installment Loan Tips

**Complete Activity 1 in your Participant Guide**

– Review the loan tips



# Cost Terms Related to Installment Loans

- Annual percentage rate (APR)
- Fixed-rate loan
- Variable-rate loan
- Finance charge



# Activity 2: Cost of Installment Loans

## Complete Activity 2 in your Participant Guide

- Review the terms
- What terms are being described in each scenario?



# Activity 3: Consumer Loans vs. Rent-to-Own

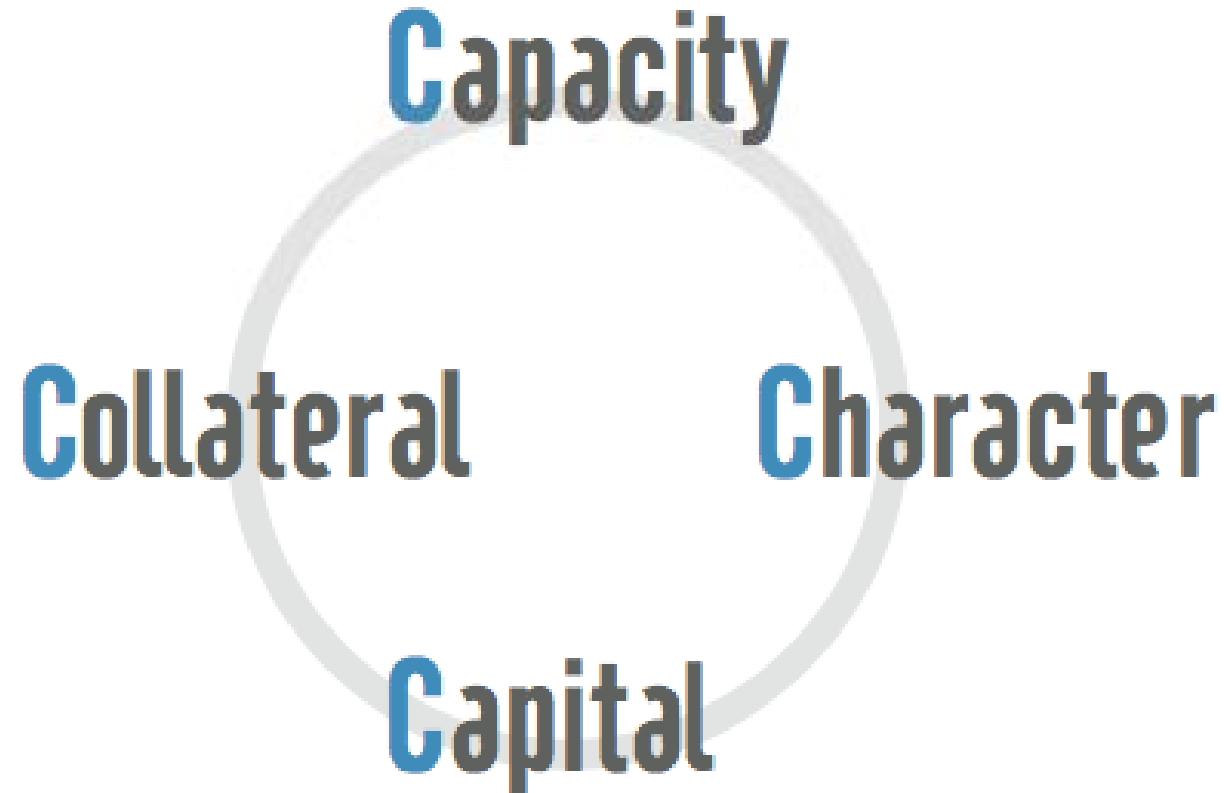
## Complete Activity 3 in your Participant Guide

- Break into 2 groups
- Read through your section of material
- List and describe 5 reasons to choose your payment method





# The Four Cs



# Activity 4: Loan Approval

## Complete Activity 4 in your Participant Guide

Apply for a loan and see if the Loan Officer will approve you:

- What is the loan for?
- How much is the loan?
- How do you qualify?



# Car Loans vs. Car Leases



- **Ownership potential**
- **Wear and tear**
- **Monthly payments**
- **Mileage limitations**
- **Auto insurance**
- **Cost**



# Activity 5: Car Loans vs. Car Leases

## Complete Activity 5 in your Participant Guide

Role play to prove your case to the other side of the class

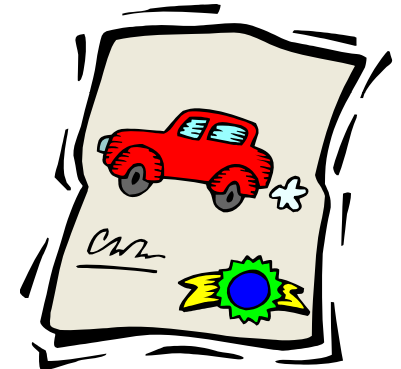
- Car Salesman
- Teen who wants to buy a car
- Parent/Guardian



# Financing a Car

“Getting a car loan” = “Financing a car”

- Car is collateral for the loan
- Lender holds the car title
- Amount you pay depends on the price of the car, the APR, and length of loan





# Where to Obtain Car Loans

- **Banks**
- **Credit unions**
- **Thrifts**
- **Finance companies**
- **Car dealerships**



# Loan Pre-approval

Lender figures out how much they will lend

**Loan pre-approval:**

- **Is a free service**
- **Does not obligate you to accept a loan offer from the institution**



# When Dealers Offer Low Interest Rates

- **Make a large down payment**
- **Agree to a short loan term, usually 3 years or less**
- **Have an excellent credit history**
- **Pay a participation fee**



# Participation Fees

A charge to get a lower rate

- **Example: To get a 2 percent APR, you pay a participation fee of \$200**



# Beware of Dealer-Lender Relationships

- Dealer might pick the lender that makes the most profit for the dealership
- Lender might pay money to the dealership for referring you and other customers





# Activity 6: Beware of Dealer-Lender Relationships

## Complete Activity 6 in your Participant Guide

- Review the instructions
- Answer the questions



# Activity 7: Auto Financing Tips

**Complete Activity 7 in your  
Participant Guide**  
– Review the tips



# Car Title Loans

- **Short-term (usually 1 month) loans**
- **Use your car as collateral**
- **Watch out for high interest rates**



# Activity 8: Beware of Car Title Loans

## Complete Activity 8 in your Participant Guide

- Review the instructions
- Answer the questions



# Cost of College Calculator

Income – Expenses = \$ \_\_\_\_\_  
(Your Balance)



Expenses		Income	
Education	\$	Family Contribution	\$
Tuition		Parents	
Books		You	
Fees		Friends/Relatives	
Supplies			
Transportation	\$	Financial Assistance	\$

Expenses		Income	
Education	\$	Family Contribution	\$
Tuition		Parents	
Books		You	
Fees		Friends/Relatives	
Supplies			
Transportation	\$	Financial Assistance	\$
Bus/Air/Train		Summer Job Savings	
Car Payment		Other Savings	
Car Repair/Insurance			

Direct Unsubsidized Loan	
Emergencies	\$
Other Expenses	\$
Credit Card Payment	
<b>Total Expenses</b>	\$
<b>Total Income</b>	\$





# Activity 9: Cost of College Calculator

## Complete Activity 9 in your Participant Guide

- Review the items in the Cost of College Calculator
- Is there anything in the Expense column that you do not understand?



# Tips to Getting Aid

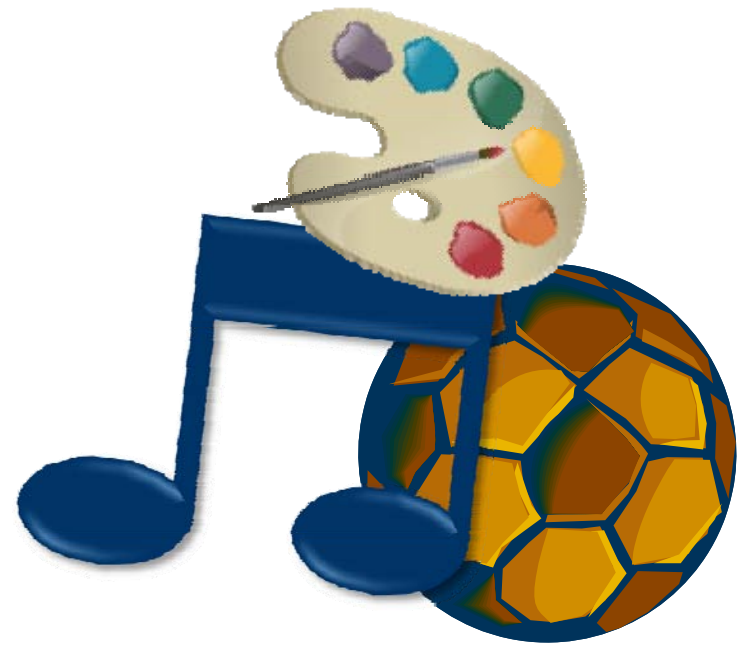


- **Read all instructions**
- **Apply early**
- **Complete tax returns**
- **File FAFSA electronically**
- **Locate any additional forms**



# Scholarships

- Designated for students who fit a particular profile
  - Music
  - Arts
  - Athletics
  - Academics



# Activity 10: Grant Programs

## Complete Activity 10 in your Participant Guide

Review the information about:

- Federal Pell Grant
- FSEOG
- Academic Competitiveness Grant
- National SMART Grant



# Federal Loan Programs

- **Complete the FAFSA to see if you qualify for federal programs**
- **Private Loans also available**





# Activity 11: Loan Programs

## Complete Activity 11 in your Participant Guide

Review the information about various loan programs:

- Federal Work-Study
- Federal Perkins Loans
- Stafford Loans (FFELs and Direct Loans)
- PLUS Loans



# Repay Your Loan

- **Begin repayment after:**



- Graduation
- Leaving school
- Below half-time enrollment

- **Exit counseling**

- **Consolidating student loans**



# Activity 12: Alternative Ways to Pay for College

## Complete Activity 12 in your Participant Guide

- What are some other ways to pay for college?
- Record your responses



# CONCLUSION: Even Ramón may need a Loan!



# Paying for College and Cars



**Congratulations!** You have completed the *Paying for College and Cars* module. You have learned about:

- **Secured and unsecured loans**
- **The cost of loans**
- **The Four Cs of loan decisions**
- **Car loans and auto financing**
- **Scholarships and grants**
- **Student loans**





# Assess Your Knowledge

**Don't forget to complete the  
Knowledge Check in your  
Participant Guide!**

