

# Operation Uplift

## Consumer Credit Part 2: Student Loans and Other Credit Topics

A Consumer Financial Wellness Program from the Federal Reserve Bank of Philadelphia

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# Agenda

1. Overview
2. Choosing a Credit Card
3. Student Loan Repayment Options
4. Leasing vs. Financing a Car
5. Renting vs. Buying a Home
6. Q&A





# Factors to Consider in Choosing a Credit Card

# Factors to Consider in Choosing a Credit Card

Compare features of the cards you qualify for

- Interest rate
- Fees: annual and late
- Penalty rate

Examine benefits

- Rewards
- Extended warranty
- Car rental insurance



A woman wearing a brown hijab and glasses is smiling and looking down at a credit card she is holding in her hands. She is wearing a white floral patterned blouse. The background is blurred, showing some greenery and a yellow structure.

# Factors to Consider in Choosing a Credit Card

## Decide how you will use the card

- If you pay the balance in full each month, you will not pay interest
- If you expect to maintain a balance, consider a card with lower rates

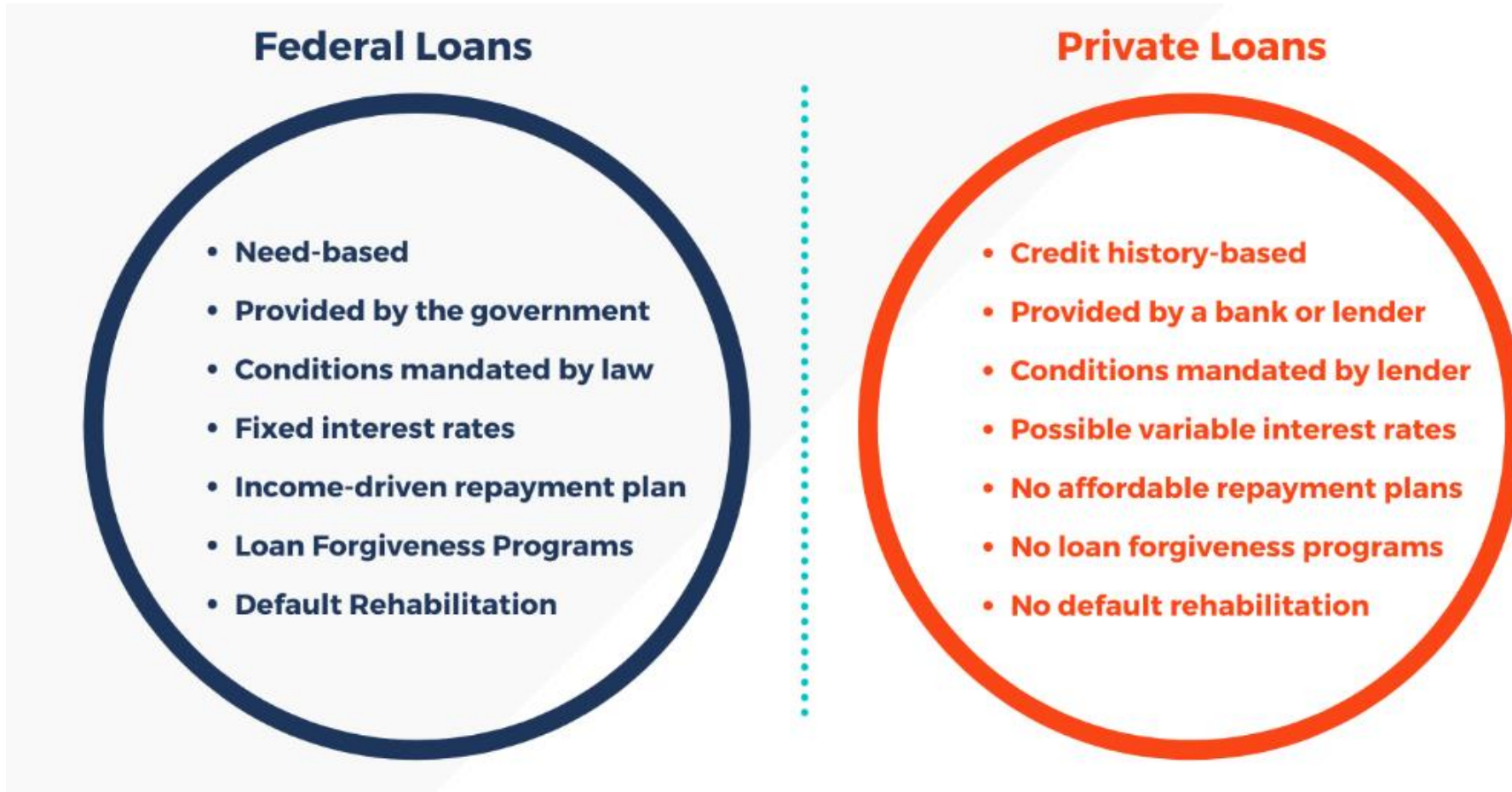
## Check your credit report and score

- Your score determines the cards you're likely to qualify for
- Do not apply for a card that will likely deny your application
- You can contact the card company and ask its minimum credit score for the card you're considering



# Student Loans

# Comparing Federal and Private Student Loans



Source: [Let's Go to College California](#)



# Check-In Questions

- Do you have student loans?
- If so, do you know what type of student loans you have?

# Loan Repayment Options

# Loan Repayment Options


- For private education loans, repayment options vary with the lender.
- For federal loans, several options are available, including income-based repayment (IBR) plans.
- The Department of Education introduced the SAVE IBR Plan last year to limit monthly payments to 5 percent of a borrower's income.
- However, lawsuits have challenged the SAVE Plan. It is currently on hold, but payments have been paused for students that were already enrolled.
- You can check the current status of the SAVE Plan [here](#).



# Loan Repayment Options

Plan	Features	When Is Loan Forgiven?
<ul style="list-style-type: none"> <li>Standard Plan</li> </ul>	<ul style="list-style-type: none"> <li>Federal loans</li> <li>Repayment options for private loans vary with lender</li> </ul>	<ul style="list-style-type: none"> <li>Fixed monthly payments for up to 10 years, except for consolidation loans, which have a longer repayment period</li> </ul>
<ul style="list-style-type: none"> <li>Public Service Loan Forgiveness Program</li> </ul>	<ul style="list-style-type: none"> <li>All direct loans</li> <li>Consolidated direct loans</li> </ul>	<ul style="list-style-type: none"> <li>Employment with federal, state, or local government agencies, or <a href="#">certain</a> nonprofit organizations; military service qualifies</li> </ul>
<ul style="list-style-type: none"> <li>Teacher Loan Forgiveness Program</li> </ul>	<ul style="list-style-type: none"> <li>Borrowers with federal loans teaching in a qualifying low-income school or educational service agency are eligible</li> <li>The Department of Education has a <a href="#">list</a> of qualifying schools</li> </ul>	<ul style="list-style-type: none"> <li>After the borrower teaches for 5 consecutive years, up to \$17,500 forgiven</li> </ul>
<ul style="list-style-type: none"> <li>Army and Navy</li> </ul>	<ul style="list-style-type: none"> <li>Repayment assistance for borrowers on active duty, enlisted for at least three years, and with a score of 50 or higher on Army test</li> </ul>	<ul style="list-style-type: none"> <li>Government pays one-third of the principal balance for 3 years, up to \$65,000</li> </ul>


# Choosing a Loan Program for Your Situation: Teacher Example



**Ally Hernandez**

- Teaches at a low-income school
- Science teacher
- Biology degree
- 6 years teaching full-time
- Current loan balance: \$17,500

✓ *Teacher Loan Forgiveness Program*



**Josh Collins**

- Teaches at a public school
- Media teacher
- Education degree, Masters in English
- 2 years teaching full-time
- Current loan balance: \$60,000

✓ *Public Service Loan Forgiveness Program*

- Both Ally and Josh have federal loans and will be working as teachers.
- This example shows the Teacher Loan Forgiveness Program is better for Ally's situation, while the Public Service Loan Forgiveness Program is better for Josh's situation.

Source: Department of Education

# Leasing vs. Financing a Car: Factors to Consider



# Leasing vs. Financing a Car: Factors to Consider

Lease	Loan
<b>Repairs and Depreciation</b>	
<ul style="list-style-type: none"><li>• Most repairs are covered under warranty</li><li>• Some leases also cover routine maintenance</li></ul>	<ul style="list-style-type: none"><li>• You are responsible for repairs after warranty expires</li><li>• Extended warranties are available</li><li>• A vehicle depreciates rapidly, so it can be costly to sell or trade-in during the early years</li><li>• Keeping a vehicle for a long period has the best value</li></ul>
<b>Mileage, Wear and Tear, and Insurance</b>	
<ul style="list-style-type: none"><li>• Leases typically provide a standard allowance of 10,000 miles</li><li>• You have the option of purchasing a high-mileage lease</li><li>• Leases typically require high levels of insurance</li></ul>	<ul style="list-style-type: none"><li>• High mileage and excessive wear do not affect loan</li><li>• High mileage and excessive wear lower the trade-in or resale value if you plan to sell or trade it in a few years</li><li>• Lender will require insurance (collision and comprehensive)</li></ul>

# Leasing vs. Financing a Car: Factors to Consider (cont.)

Lease	Loan
<b>Technology and Safety Features</b>	
<ul style="list-style-type: none"><li>Leasing a new vehicle provides the latest technology and safety features</li></ul>	<ul style="list-style-type: none"><li>A financed vehicle may lag behind in technology as it ages</li></ul>
<b>Vehicle Modifications</b>	
<ul style="list-style-type: none"><li>Some modifications are permitted</li><li>Vehicle must be returned in original condition</li></ul>	<ul style="list-style-type: none"><li>Modifications are generally permitted; the loan agreement should address the issue</li></ul>
<b>End of Loan and Lease</b>	
<ul style="list-style-type: none"><li>Charges for excess mileage and wear and tear</li><li>Option to purchase at residual value</li><li>Fees apply if you end the lease ahead of schedule</li></ul>	<ul style="list-style-type: none"><li>Some lenders charge a fee for paying a loan early, so ask lenders if a prepayment penalty applies when shopping</li><li>You keep the car</li></ul>

## Effect of Credit Score on Loan and Lease Payments: 60-Month Loan, \$25,000 Borrowed

Credit Score	Monthly Loan Payment	Monthly Lease Payment
720-850	\$502	\$303
690-719	\$511	\$307
670-689	\$538	\$325
610-669	\$547	\$362
580-609	\$585	\$420
520-579	\$610	\$444



Credit scores matter: Borrowers with credit scores of 520–579 pay \$6,480 more on loans and \$8,460 more on leases than borrowers with 720+ scores. These examples are from Toyota's payment estimator. Rates will vary with different lenders and different loan terms.



# Renting vs. Buying a Home: Factors to Consider

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Feature	Buying	Renting
Ownership	You own	Landlord owns
Payment	<ul style="list-style-type: none"><li>• Fixed-rate loans: payment remains the same</li><li>• Variable-rate loans: payment can change</li></ul>	Rent can increase
Repairs and maintenance	Homeowner responsible	Landlord generally responsible
Initial cost	Down payment and closing costs	Security deposit

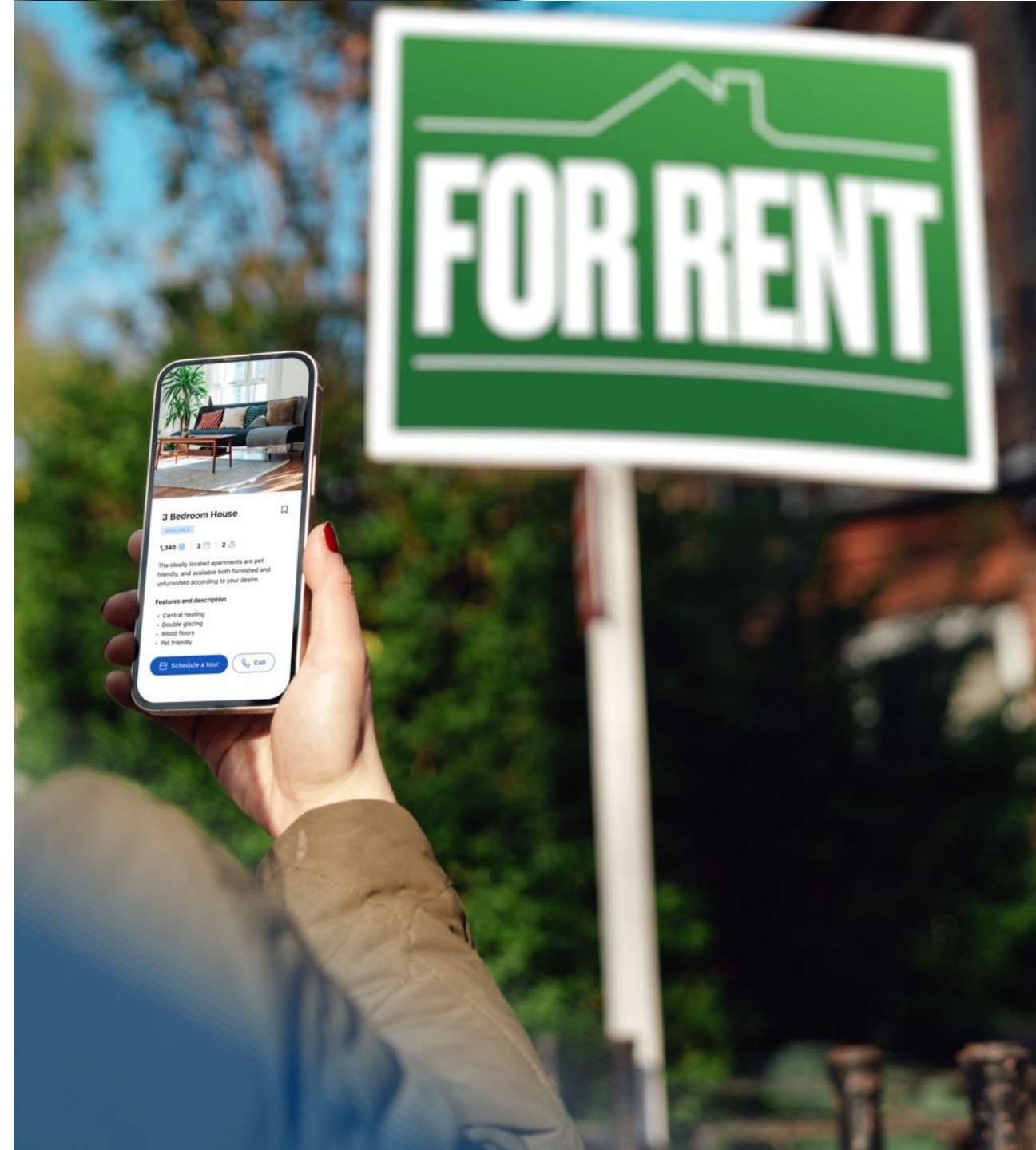
# Renting vs. Buying a Home: Factors to Consider (cont.)

Feature	Buying	Renting
Tax deduction	<ul style="list-style-type: none"> <li>• Interest and discount points</li> <li>• Property taxes</li> </ul>	Rent is not tax deductible
Costs	<ul style="list-style-type: none"> <li>• 20% down to avoid private mortgage insurance</li> <li>• Closing costs</li> <li>• Good-faith deposit</li> <li>• Possible flood insurance</li> </ul>	Security deposit
Property tax	Homeowner pays	Landlord pays
Modifications	You can change the home	Lease governs changes
Credit score	Reported to credit bureaus	Not reported to credit bureaus



# Tips for Renting

- Carefully review the lease and inspect the property **before** signing because it's a legally binding contact.
- Consider renter's insurance to protect your valuables.
- Set up automatic payments to avoid late fees.
- Document any issues in writing for proof you notified the landlord in the event of a dispute.





# Tips for Renting and Home Buying

- Consider travel times for places you frequently visit.
- Due diligence is key *before* you sign.
- Because budgets are not unlimited, some compromise is usually necessary.
- Consider your priorities to help you decide.

# Resources

- [Department of Education loan forgiveness](#)
- [Consumer Financial Protection Bureau \(CFPB\) student loan page](#)
- [Filing a student loan complaint](#)
- [Federal Trade Commission \(FTC\): Buying a used car from a dealer](#)
- [FTC: Financing or leasing a car](#)
- [CFPB: Choosing a credit card](#)

# Questions?

Thank you for your attention and please let us know of any questions or comments.

# Contact Us



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