

Bayer Heritage Federal Credit Union Scholarship Program

Eligibility Requirements:

1. You must have been a member of Bayer HFCU a minimum of 6 months.
2. You must be a graduating high school senior at the time of application.
3. You must complete and submit the scholarship application as well as the Finances for College Students Quiz.
(see link to module or print and submit)

Selection Criteria:

A random drawing from returned completed applications will be held to choose ten \$500.00 winners.

Instructions:

1. Complete the application along with the Finances for College Students Quiz. (see link or print)
2. Mail, or submit on line to Bayer Heritage Federal Credit Union
You may also drop off your application and completed quiz to any Bayer HFCU office.
3. Your entry must reach one of our offices by April 15th.

Bayer Heritage Federal Credit Union Scholarship Application

Name
Account Number
Mailing Address
City
State
Zip
High School Attending
Activities, Honors and Awards
College/University Planning to Attend
Field of Study

Finances for College Students

If you are like most college students, your top priority is your education, but you can make sure monetary concerns don't get in the way of your studies by fitting financial management into your schedule. If someone else isn't footing the entire bill for the next few years, you are responsible for making sure you have enough money for tuition, books, food, housing, entertainment, and/or other expenses. Even if your parents are supporting you now, once you leave the confines of campus, you'll be faced with a whole new set of costs. Learning to make the most of your money today can help you prepare for tomorrow. This course will cover:

- Money Management
- Checking and Savings Accounts
- Credit Cards
- Household Bills
- Student Loans

Chapter 1: Money Management

Money management is the process of knowing where your money is going now and having a plan in place for where you want it to go in the future.

Setting goals

Goal setting is your chance to figure out what you want and get it without having to borrow. There are three basic types of goals: short-term (achievable in under a year), mid-term (achievable in one to five years), and long-term (achievable in five-plus years). Determine how much your goals will cost and when you want them by.

- **Complete the Financial Goals chart on page 7.**

How much do you need to put aside each month? For short- and mid-term goals, the calculation is simple: the price divided by the months you have to save equals how much you need to put aside each month. For long-term goals, you may want to factor in the interest you expect to earn on your savings. This can be done with a financial calculator.

Budgeting

Budgeting involves knowing what you have coming in and restricting what goes out. A well-designed budget allows you to make the most of your money – you will get rid of wasteful spending while having the cash to pay for the expenses that are really important to you.

- **Complete the Budgeting worksheet on page 8.**

When creating your budget, begin with your income, as it determines what you can afford to spend

and save. Total up every net (already taxed) dollar you make in a month. If you have periodic sources of income, such as a summer job or living stipend from a student loan, total what you receive for the year, and divide by twelve to get a monthly figure.

Now move on to your expenses. When developing this section, have two columns to work with – a “current” column, for where your money is going now, and a “proposed” column, for the changes you want to make. Like with periodic income, for periodic expenses, like birthday gifts, total what you spend per year, and divide by twelve to get a monthly number. Remember to include money for savings – both for your goals and emergency, unexpected expenses.

Though each budget is unique, one rule applies to everyone – your expenses should never exceed your income. If you find there is more going out than is coming in, it’s time to make changes. You can increase your income, decrease your expenses, or do both. Using the current column as a guide, consider each expense carefully. Which are wants? Which are needs? In the proposed column, finalize where you want your dollars to go each month and what can be cut.

Keeping an eye on cash

Creating a budget often is easier than staying on it. However, following these tips can help:

- **Avoid impulse purchases.** Have you ever seen something in a store and bought it on a whim? It can be hard to avoid impulse purchasing completely, but keep your goals in mind. Before buying a product, think about if you really need or can afford it.
- **Don’t gamble your money away.** Many college students blow off steam by gambling. However, when you gamble, you are more likely to lose money than earn it. If you cannot control your gambling, consider seeking professional help.
- **Track spending.** Knowing where your money is going can help you to examine your spending habits and eliminate expenses that are not necessary.
- **Complete the Tracking worksheet on page 9.**

Chapter 2: Checking and Savings Accounts

If you do not have both a checking and savings account in your own name yet, now is the time to get them. These accounts allow you to save money, make purchases, and pay bills efficiently. When deciding where to open an account, pay attention to the fees. Are you charged a monthly maintenance fee for not keeping your balance above a certain amount? Are you charged a fee for ordering checks? Credit unions can be a great place to open checking and savings accounts – since they are non-profits, they frequently charge lower fees than banks. Many financial institutions also offer special checking accounts for college students, which can have lower fees as well.

Checking accounts

Having a checking account allows you to make purchases and pay bills without having to carry around or store a lot of cash. If you live in a dorm or apartment with roommates, you probably do not want to keep your money in a shoebox under the bed! However, when you pay for things with a debit card or check, instead of cash, your spending is not automatically limited by the cash you physically have. What happens when you try to charge or write a check for more than what you have in your

account? That depends on your financial institution and the way your account is set up:

- **Your debit card transaction could be denied, and your check could bounce.** Not only could this cause you embarrassment, but it may cost you money as well. Hefty fees are commonly charged for bouncing checks.
- **The transaction could go through, but your account becomes overdrawn.** You are spared the embarrassment but not the costs. Just like with bounced check fees, overdraft fees can be high. Plus, you now owe your financial institution money. Typically, as soon as you deposit more money in your account, they will take it out to cover the overdraft, leaving you with less money to pay your bills.
- **If you have overdraft protection, the transactions will go through, and you avoid having to pay overdraft fees.** Since overdraft protection is usually cheaper than bounced check or overdraft fees, it can be a good thing to have. When you overdraw, either the funds are withdrawn from your savings account or charged to your credit card or line of credit, depending on how the overdraft protection is set up. Still, even if you have overdraft protection, overdrawing your account is usually not a good idea – you are either taking away money from your savings or increasing your debt.

The best way to avoid problems is to know your account balance before you make a purchase. It is easy - most financial institutions will let you check your balance on the phone or on-line. Don't make a purchase if you know the money is not there. Another way to avoid problems with your checking account is to keep your debit card, statements, and receipts safe. Don't let someone borrow your card or leave sensitive financial information lying around. If your card gets lost or stolen, report it to your financial institution immediately.

Savings accounts

It may not feel possible to save money when cash is tight, but getting into the habit of setting money aside regularly is the foundation for a successful financial future. Saving even a couple of dollars per month is a step in the right direction.

- **Save for emergencies.** If you are working while going to school, consider saving a portion of every paycheck, until you have at least a few months' worth of expenses tucked away for emergencies, such as job loss, unexpected car repairs, and health problems.
- **Save for goals.** Remember the goal chart in the first chapter? Saving provides a way for you to achieve your goals, whether it is a new car, Caribbean vacation, or something else.
- **Sign up for an automatic transfer of funds.** You can make building your nest egg easy by signing up for an automatic transfer. All you have to do is select the date that you want a specific sum deducted from your checking account and deposited into your savings account – and then watch your money grow!

Chapter 3: Credit Cards

Getting your first credit card is an exciting step toward true financial independence. Credit cards can cause major problems if they are not sensibly used, but they have important advantages as well.

First, having and responsibly using credit cards allows you to build a positive credit history and score. In the future, having a good credit score can help you to get a car loan or mortgage with a low interest rate, rent an apartment, get a job, and get good insurance rates. Second, having credit allows you to borrow money interest-free for a short period of time. You can buy something, and you do not have to pay the bill until the next month. However, if you charge more than what you can afford to pay back when the bill comes, you will have to pay interest on the portion you do not pay off. When you do not pay off the balance in full each month, you are said to “carry a balance”. Some people wind up paying thousands of dollars in interest on their credit cards because they carry a balance.

What to look for in a credit card

Considering the pervasiveness of credit card companies on college campuses, getting a credit card is often not a problem for college students. However, remember that not all credit cards are created equal. Just as you would not purchase a shoddy car just because it came with a free pen, neither should you automatically accept a credit card offer because of the freebie you get when you apply. Instead, pay attention to the features of each card. When shopping for a card look for the following:

- **Low interest rate/annual percentage rate (APR).** The lower the APR, the less money you'll be charged to hold onto the balance. However, if you never carry a balance (the most financially savvy thing to do), the APR won't matter.
- **Grace period.** A grace period is how long you have to pay off the balance before you are charged interest on new purchases. It is best to go with a card that gives you a grace period (although be aware that it only applies if you paid off your balance in full the previous month).
- **No annual fee.** Why pay for the privilege of holding a card if you don't have to? If you are new to credit, you may have to pay an annual fee, but after a year or so of responsible use, you can ask for it to be reduced or eliminated.
- **Low penalty fees.** If you make a payment after the due date or go over your credit limit, you could be charged a fee. While you should manage your account so neither of these events occurs, look for a credit card with the lowest penalty fees - just in case.

If you are under 21, you must have an independent means of repaying the balance (such as a job) or a co-signer to get a credit card. Even if the card is for your use, late payments can be reflected on a co-signer's credit report, and the creditor can engage in collection activity against him or her if you stop making payments. Don't hurt your co-signer by running away from or forgetting about your obligations. Repairing trust can take longer than repairing credit damage.

How to use credit

Once you have a credit card, use it wisely:

- **Stay out of debt.** It doesn't take long for a few purchases to add up to hundreds, even thousands, of dollars. Never charge more than you can afford to repay by the time the bill comes in.
- **Pay more than minimum payment due.** If you absolutely cannot pay the entire balance, at least pay more than the required minimum payment. Because the minimum due is often very low (usually between two to four percent of the balance), you will drag the debt out for many, many years if that is all you pay.

- **Pay on time.** If you miss a payment, your credit score can take a quick and hard hit. Furthermore, you may have to pay that late payment fee, typically \$25 to \$40.
- **Limit the number of cards you have.** The more open credit lines you have, the more you'll be tempted to spend beyond your means. Also, too many applications can hurt a credit score.

Chapter 4: Household Bills

If you are not living on campus, you probably have some household bills to pay. Even if you are living on campus now, you will have these kinds of bills to pay in the future. These can include:

- **Rent.** If the rent is due by the first, don't pay on the fifth or some other late date. Also, don't ignore the rules. If your lease says no pets, don't get a pet. If you do not pay your rent on time or break a rule, you could be evicted. Think ahead. It is highly unlikely that you will remain in the first place you get forever, so being a good tenant today can help you rent another place in the future. Most landlords call the former landlords of potential applicants, and you probably do not want yours to say that you were a bad tenant.
- **Insurance.** Having renters insurance is not required, but it is recommended. Think your landlord's homeowners insurance covers your personal property if your apartment burns down? It doesn't. Renters insurance covers your personal property and also your liability, such as if someone hurt him or herself in your apartment and sued you. Renters insurance is fairly cheap, usually costing no more than a few hundred dollars a year.
- **Utilities.** Utilities can include cable, Internet, telephone, garbage, gas, electric, and water. For utilities that charge based on usage, practicing conservation is a way to keep your bills from being sky-high. It is extremely important to pay your utility bills on time. If you don't, you may be charged late payment fees, and if left unpaid, they will probably land in a collection agency. Dealing with collectors can be unpleasant, and the negative effect on your credit report is severe. Furthermore, your utilities could be shut off, and you may not be able to turn them on again until they are paid (and even then it can be difficult).

Sharing a place with roommates can make bill-paying more complicated. Establish how the bills will be paid from the beginning. You may be able to split some of the bills and each send a check for your portion of the amount due. Another option is for one of you to act as money manager and collect from the others. However you arrange it, if an account is in your name, know that you are responsible for making sure the bill is paid on time.

Chapter 5: Student Loans

If you are like many of your fellow college students, you are receiving student loans to finance your higher education. While you are in school, you are probably not worried about your student loans, since the payments are deferred, but you will have to start paying them once you graduate or leave school.

What types of loans do you have?

Do you know what type of loans you have? Many students don't – they just fill out the application package and take what they can get! You may have:

- **Stafford loans.** Stafford loans are the most common type of loan offered by the federal government. They can either be subsidized (the government pays the interest on the loans while you are in school or deferment) or unsubsidized (you are responsible for the interest that is charged while you are in school or deferment – you can pay it as it accrues or have it added to the loan balance).
- **Perkins loans.** Perkins loans are available to students with extreme financial hardship. These loans are always subsidized, and the interest rates are very low.
- **PLUS loans.** PLUS loans are made to your parents or guardians, so they can help pay for your education. Are you expected to pay the PLUS loan back? That is up to your parents!
- **Private loans.** The above-mentioned loans are public loans, meaning the government acts as the lender. However, some credit unions and banks offer their own student loans. Private loans often have higher interest rates and fees than public loans and usually do not offer the benefits mentioned below, such as flexible repayment plans and loan forgiveness. However, the amount you can borrow is typically higher.

If you do not know what types of loans you have, you should be able to find out with a little bit of research. Look through your loan documents, or call your lender and ask.

Repaying your loans

After you graduate from school or drop below a certain number of units, you will have a grace period, typically six months, before your first payment is due. It is best to make your payments on time. If you fall behind, your credit score can be damaged. If your loans are public, your wages can be garnished without a lawsuit, and your tax refund can be intercepted. Student loans are rarely dischargeable in bankruptcy, and since there is no statute of limitations on student loans, collection activity can continue indefinitely.

Many people struggle to pay their loans once they graduate, especially if they borrowed a lot. However, if you have public loans, there are options available that could make repaying them easier:

- **Forbearance or deferment.** Getting a forbearance or deferment allows you to temporarily stop making payments. With a deferment, interest does not accrue on subsidized loans; with a forbearance, interest is added no matter what type of student loans you have. Forbearances are usually easier to obtain than deferments.
- **Alternative repayment plan.** Unless you ask for something else, you are generally put on a standard, ten-year payment plan. However, you may be able to get a lower payment with an alternative repayment plan. (Keep in mind though, if the payments are lower, the total interest paid over the life of the loan will be higher.) In a graduated repayment plan, the payments start off small and increase over time. In an income based, income sensitive, or income contingent repayment plan, your income is taken into consideration when determining your monthly payment. The repayment period could be stretched up to twenty-five years with an extended repayment plan.
- **Loan forgiveness.** In certain circumstances, you may be able to have all or part of your public student loans forgiven. Loan forgiveness programs may be available to borrowers who participate in volunteer work or military service, teach or practice medicine in certain types of communities, or meet other criteria of a specific program.

Financial Goals

Your financial goals are specific things you want to do with your money within a certain time period. Short range goals are accomplished within one year, mid-range goals are accomplished within 2 to 5 years and long range goals generally take more than 5 years to achieve.

	Target Date	Total Needed	Current Savings	Additional Savings Needed	Pay Periods Until Target Date	Savings Needed Per Pay Period	Savings Needed Per Month
Short Range Goals							
Mid Range Goals							
Long Range Goals							

Finances for College Students: Budget Worksheet

Monthly Income	Gross (Pre-tax)	Net (Post-tax)
Job	\$	\$
Allowance	\$	\$
Student loans (living stipend)	\$	\$
Other	\$	\$
TOTAL FOR MONTH	\$	\$

Monthly Expenses	Current	Proposed
Rent/mortgage	\$	\$
Gas/electric (average)	\$	\$
Water/sewer/garbage	\$	\$
Telephone (landline)	\$	\$
Cell phone	\$	\$
Internet access	\$	\$
Cable/satellite	\$	\$
Groceries/household items	\$	\$
Health/life insurance	\$	\$
Prescriptions/doctor visits	\$	\$
Car payment	\$	\$
Gassoline	\$	\$
Car maintenance	\$	\$
Car insurance	\$	\$
Car registration	\$	\$

Tolls/parking/mass transit	\$	\$
Tuition/lessons	\$	\$
Beauty/barber	\$	\$
Movies/music	\$	\$
Dining out	\$	\$
Sports/hobbies/gym	\$	\$
Vacations/travel	\$	\$
Books/magazines	\$	\$
Clothing purchases	\$	\$
Laundry/dry cleaning	\$	\$
Gifts/cards	\$	\$
Pet care	\$	\$
Banking fees/postage	\$	\$
Religious/charity donations	\$	\$
Savings (emergency account)	\$	\$
Savings (goals)	\$	\$
Credit card payments	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
Other	\$	\$
TOTAL FOR MONTH	\$	\$

The Bottom Line		
Monthly net income		Monthly surplus or deficit
	-	=

Finances for College Students

1. Which of the following is an example of a periodic expense?:

- Rent
- Birthday gifts
- Cell phone bill

2. In order to stay on your budget, you should:

- Avoid making impulse purchases
- Put all of your purchases on your credit card
- Always go to the store with a friend

3. If you have overdraft protection on your checking account, you should:

- Make purchases without checking your account balance first, since you are covered by overdraft protection
- Still be careful with your debit card and check use, to avoid depleting your savings or increasing your debt
- Cancel it, since it is expensive

4. When saving, it is best to:

- Put money aside every month, even if it is only a few dollars
- Not worry about saving now, since you are young
- Keep your money in a shoebox under your bed, so you know it is safe

5. Which of the following statements about credit cards is true?:

- You should not get a credit card, because they have no advantages
- When choosing a credit card, you should get the one that gives you the best freebie
- Your APR does not matter if you never carry a balance on your card

6. The minimum monthly payment on credit cards is:

- Usually set very low, so it could be years before you are debt free if you only make the minimum payments
- Usually set very high, because creditors want their money back as soon as possible
- Only a suggestion – you can pay less if you want

7. If your rent is due on the 1st of the month, you should:

- Pay it by the 15th of the month to avoid a late fee
- Make sure your landlord receives the rent by the 1st
- Just let your roommates worry about paying the rent

8. If you rent, renters insurance is:

- Not necessary, since your landlord's homeowners insurance will cover you
- Only needed if you are renting a house, not an apartment
- A good way to provide personal property and liability protection

9. Which type of public student loan is the most common?:

- PLUS
- Stafford
- Perkins

10. In which of the following careers may you be able to have part or all of your student loans forgiven:

- Accountant
- Truck driver
- Doctor