

My Financial Plan For Education: Does Debt Make Sense? (B3)

Course/Grade(s)

Personal Finance/9-12

Module:

My Financial Plan For Education

Lesson Title:

Does Debt Make Sense?

Duration:

2 - 45 minute classes

Materials/Resources/Technology:

Student Activity Sheet B3-A

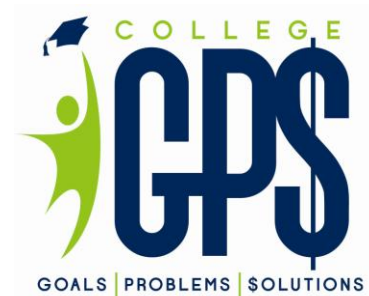
Student Activity Sheet B3-B

Computer/Internet Access

www.CollegeforTN.org

www.Jobs4TN.gov

www.StudentAid.Ed.gov/Types/Loans



Classroom Arrangement:

No special classroom arrangement will be needed for this lesson.

Content Background:

According to the Federal Reserve Bank of New York, 60 percent of the 20 million students who attend college borrow annually to help finance their education. Currently, 37 million people in the United States owe some amount of student loan debt.¹

The decision to apply for a student loan involves weighing a myriad of factors including the amount of need and the ability to repay the loan after students leave college. In consideration of the ability to repay the loan(s), students must factor in the amount of money they expect to earn once they graduate. Generally, students are advised not to take out more in student loans than the equivalent of one-half to three-fourths of their expected annual salary. At that level, the repayment amount would be approximately eight to ten percent of their gross income.

¹Brown, M. H. (2012, March 5). *Liberty Street Economics*. Retrieved from Federal Reserve Bank of New York: <http://libertystreeteconomics.newyorkfed.org/2012/03/grading-student-loans.html#U4YpkXam1yE>

College GP\$: Goals, Problems, and Solutions

Standards:

National Jump\$tart: Financial Responsibility and Decision Making – Standard 4: Make financial decisions by systematically considering alternatives and consequences.

National Jump\$tart: Credit and Debt – Standard 1: Identify the costs and benefits of various types of credit.

Tennessee Personal Finance: Standard 5 – Research multiple viewpoints that support or question the use of student loan debt in paying for post-secondary education.

Day 1

Learning Targets/Objectives:

Students will evaluate the cost and benefits of obtaining a student loan.

Students will calculate their recommended amount (if any) of student loan debt based on their career earnings potential.

Activating Strategy:

Using Student Activity Sheet B3-A, have the students brainstorm a list of pros and cons for taking out student loans. Then have the students discuss their ideas in small groups.

Instruction:

After students complete the activating strategy, have them access their portfolios in CollegeforTN.org. They will then record their three potential careers explored during the Considering My Future Module on the Student Activity Sheet B3-A table.

The students will search for the United States median income information for their three potential careers in the *Occupational Outlook Handbook* (BLS.gov/OOH) and record their findings on the table. Students will then search for the Tennessee median income information for their three potential careers on the Jobs4TN.gov website and record their findings on the table. Once completed, instruct students to calculate the maximum recommended student loan debt that they should incur for each potential career should they decide to apply for a loan. Students will record their maximum recommended student loan debt for each potential career.

Finally, ask the students to write in the space provided at the bottom of Student Activity Sheet B3-A, a paragraph or two about their thoughts on incurring student loan debt. Tell them to explain their position from a personal standpoint.

Modifications/Grouping:

Students with learning disabilities or cultural differences may need to be provided with more cues to complete the assignment. Advanced students could be encouraged to search for the interest rates currently offered on each of the four types of loans recorded on Student Activity Sheet B3-B. Instructor will determine additional modifications/grouping required for each class.

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B3-2

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Assessment/Evaluation/Closure:

Since students have completed Student Activity Sheet B3-A ask them if their potential income is going to be able to support student loan debt in addition to any other debt they may accrue (e.g. car or home loan, etc.). Tell students that during the next class they will be exploring the characteristics of the four major types of student loans that are available for post-secondary education.

Reflect on the students' questions/feedback, activating strategy, and instruction and make notes for future instruction. Did students attain the learning targets at an acceptable level? Were special needs students adequately accommodated?

Day 2

Learning Targets/Objectives:

Students will analyze four types of student loans.

Activating Strategy:

Present the following scenario to students: Spring Break is two weeks away and you have no money to go to Florida with your friends, but you have a student loan disbursement coming in one week. Based on what you learned in the previous lesson, should you book the trip to Florida since you are going to have "extra" money next week? Justify your answer.

Instruction:

Have students explore the website StudentAid.Ed.gov/Types/Loans to research the four major types of loans available for post-secondary education. Student Activity Sheet B3-B should be completed with the characteristics of each type of loans as well as the maximum loan amount. Emphasize to students that just because they can borrow more money than is essential does not mean that they should do so.

Modifications/Grouping:

Students with learning disabilities or cultural differences may need to be provided with more cues to complete the assignment. Advanced students could be encouraged to search for the interest rates currently offered on each of the four types of loans recorded on Student Activity Sheet B3-B. Instructor will determine additional modifications/grouping required for each class.

Assessment/Evaluation/Closure:

Students will submit their completed Student Activity Sheet B3-B for a formative grade. Ask the students to complete an exit ticket explaining two things that they learned about student loans during this lesson.

Reflect on the students' questions/feedback, activating strategy, and instruction and make notes for future instruction. Did students attain the learning targets at an acceptable level? Were special needs students adequately accommodated?

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Student Activity Sheet B3-A

Student Name: _____ Period: _____

Pros and Cons of Having Student Loan Debt - Brainstorm

1. _____

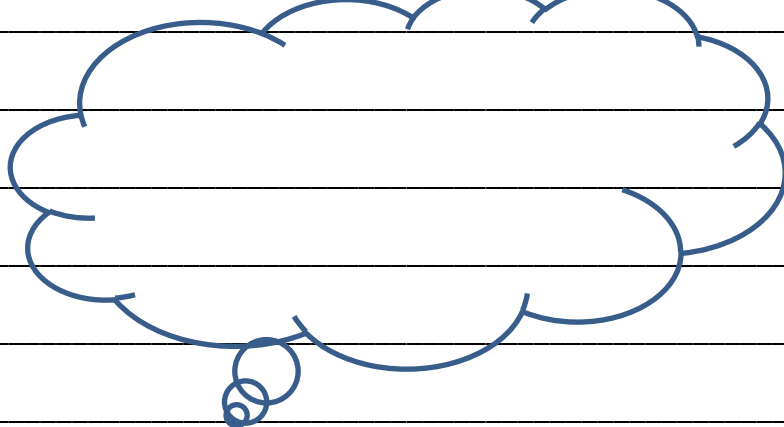
2. _____

3. _____

4. _____

5. _____

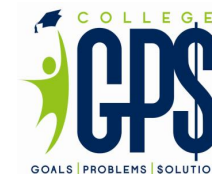
6. _____



Potential Income Versus Debt Amount			
Career	Median Income U.S. Average	Median Income Tennessee	Maximum Student Loan Amount (8-10%)

Based on this information, do you think applying for and receiving a student loan for college is the right thing to do for you? Why or why not?

My Financial Plan For Education: Does Debt Make Sense? (B3)



My Financial Plan For Education: Does Debt Make Sense? Student Activity Sheet B3-B

Student Name: _____ Period: _____

<i>Federal Student Loan Program</i>	<i>Characteristics</i>	<i>Maximum Loan Amount</i>
Federal Perkins Loan		
Subsidized Direct or Federal Family Education Loan (FFEL)- Stafford Loan		
Unsubsidized Direct or FFEL Stafford Loan		
Direct or FFEL Parent PLUS Loan		

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