



STUDENT LOANS

Do The Math!



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Suggested Lesson Plan

These materials may be used in a variety of ways. For maximum benefit, we suggest the following lesson plan:

- As a class, discuss the Preview Questions OR you might assign one of the Preview Questions as an opening journal activity, then discuss.
- Distribute copies of the Viewing Guide for students to use as a note-taking tool during the video.
- Play the video, pausing if needed to facilitate understanding and note-taking.
- Review and discuss the answers to the Viewing Guide using the Answer Key as a guide.
- Use [Discussion Questions](#) to spark class discussion or assign these questions as homework. Feel free to pick and choose among the questions. Students may also benefit from the explanation of compound interest linked in Enrichment (page 12).
- Administer and grade the [quiz](#) using the Answer Key as a guide or use the [online quiz](#) version for immediate, autoscored feedback. (Students should log in to izzit.org as a student using your CLASS CODE – found on the MY ACCOUNT page – to take the online quiz.)
- Optional: Complete the [Why Budget?](#) Activity.
- Optional: Follow up with izzit.org's [Financial Literacy](#) video and lesson.

Preview Questions

1. When you borrow something from someone, what are your responsibilities/obligations?
2. Should everyone go to college? Why or why not?
3. Do you have a plan or idea for your future?
4. How much do you know about what college costs?
5. Why do you think college is so expensive?
6. Is college a good investment? Why or why not?
7. Do you think that a college degree is necessary to be successful? Explain.

Key Terms

APR (annual percentage rate): Your loan's interest rate stated as a yearly rate. An APR for a loan can include fees you may be charged, like origination fees. APR is important because it can give you a good idea of how much you'll pay to take out a loan. (from Credit Karma)

Asset: The entire property of a person, association, corporation, or estate applicable or subject to the payment of debts; or an advantage or resource

Bankruptcy: The process of being released from paying a debt in exchange for losing certain assets. Bankruptcy can remain on a credit record for up to 10 years, and those who file for personal bankruptcy are often required to undertake credit counseling and learn about personal financial management before filing.

Compound interest: The addition of interest to the principal (amount borrowed or deposited) and previous interest of a loan/deposit. The interest is added to the original amount and the next round of interest is charged on the full amount. Compound interest works in your favor when you are saving money but against you when you are borrowing money.

Credit rating: An estimate of the ability of a person or organization to fulfill their financial commitments based on their previous dealings

Default: Failure to fulfill an obligation, especially to repay a loan

Forbearance: When your lender allows you to temporarily pay your loan at a lower payment or pause paying your loan. You still must pay the payment reduction or the paused payments back later. Interest still builds on the balance while the payments are suspended. (See Compound interest for why that could be very bad!)

Garnishment: When money is legally withheld from your paycheck and sent to another party. It refers to a legal process that instructs a third party to deduct payments directly from a debtor's wage or bank account.

Principal: The base amount you borrow

ROI: Return on investment

Trade Schools: Any post-secondary educational institution that offers training for a specific job. Students attend a trade school program to learn the skills needed for their chosen career path, such as welding, business administration, or computer repair.

Viewing Guide

Student Name: _____

1. Before you take out a loan, what is especially important? Know what you're getting and also _____.
2. Why did Jessica pursue a master's degree and borrow more money?
 1. _____
 2. _____
3. How much did Jessica owe at the time of filming? _____
4. What job does Mike have? _____
5. How long had Jessica been paying on the debt at the time of the film?

6. What is the average student loan debt (for a four-year degree), according to the film? _____
7. What should help you decide how much debt you can afford?

8. How does a \$40,000 loan turn into \$66,000 that you have to pay?

9. What can students do to reduce the amount of money they need to borrow?
 1. _____
 2. _____
 3. _____
 4. _____
10. What percentage of millennials say they can't afford to buy a home?

11. When considering how much to borrow, consider the _____ salary, not the _____ salary.
12. Most trouble with student loans comes when the degree doesn't pay for itself with higher earnings or when _____.
13. A good rule of thumb: Don't borrow more than _____.

Viewing Guide Answer Key

1. Before you take out a loan, what is especially important? Know what you're getting and also how you will pay the money back.
2. Why did Jessica pursue a master's degree and borrow more money?
 1. She couldn't find a job right away.
 2. She figured she should earn as much money as she could to be able to pay back the loans.
3. How much did Jessica owe at the time of filming? \$132,000
4. What job does Mike have? construction laborer
5. How long had Jessica been paying on the debt at the time of the film? 10 years
6. What is the average student loan debt (for a four-year degree), according to the film? \$40,000
7. What should help you decide how much debt you can afford? The starting salary of the field you are pursuing.
8. How does a \$40,000 loan turn into \$66,000 that you have to pay? Compound interest continues to build as you make payments.
9. What can students do to reduce the amount of money they need to borrow?
 1. Research and pursue scholarships
 2. Pursue work-study options
 3. Get a part-time job and save before attending school
 4. Join the military and use the GI Bill to pay for school
10. What percentage of millennials say they can't afford to buy a home? 1/2 (50%)
11. When considering how much to borrow, consider the starting salary, not the average salary.
12. Most trouble with student loans comes when the degree doesn't pay for itself with higher earnings or when the student doesn't finish the degree.
13. A good rule of thumb: Don't borrow more than you'll make in your first year.

Discussion Questions

1. If you borrow something from someone, what are your responsibilities and obligations?
2. Why do you think some students don't view college debt or student loans as "real money?"
3. Jessica said that because she didn't have any savings, loans were her only option. After watching this video, what would you say to someone in Jessica's situation who was a senior in high school? What other options are available?
4. If you were Mike, would you marry someone with as much debt as Jessica? Why or why not? Did the idea that student loan debt could impact your future relationships surprise you? Why or why not?
5. How might a student avoid paying so much in interest?
6. Why is forbearance appealing to some people? Why do the experts say you should only do this as a last resort?
7. In 2022, President Joe Biden declared that the federal government would forgive up to \$10,000 in student loans to borrowers who made less than \$125,000 at the time (or \$250,000 for a household). What might be some arguments for and against this policy? Where does that money actually come from? Who's paying that debt? Is that fair? Why or why not?
8. Did that loan forgiveness actually happen? Why or why not?
9. If you take out a loan, who should be responsible for paying it back? Why?
10. If your parents cosign a loan for you, what happens if you don't pay it back? How will that impact your cosigner(s)?
11. Which of the suggestions did you find most helpful? Why?
12. When might college be the right option? What did Mr. Bahnsen say about seeing the debt serve a good purpose?
13. The narrator said that the purpose of this video was not to scare people away from college, but to encourage young people to weigh the costs and benefits of borrowing to pay for school. Do you think it succeeded in that goal? Why or why not?
14. What is your personal plan for your future?

Comprehension Quiz

Name _____

Circle the letter of the best answer.

1. What is Mr. Bahnsen's main concern about the student loan debt he's seen over the last 20 years?
 - a. The rise in the cost of tuition
 - b. The increase in interest rates
 - c. The thoughtlessness with which students borrow money
 - d. The poor return on investment for a college degree

2. Why wasn't Jessica's principal going down even though she was making payments?
 - a. Compound interest kept adding to the total
 - b. She wasn't meeting the minimum payment requirements
 - c. Inflation was eating away at the value of her money
 - d. Her lender was cheating her

3. In order to determine if college is a good investment, one must consider _____.
 - a. how prestigious the school is
 - b. what you will be likely to earn when you leave
 - c. whether you're likely to meet a spouse there
 - d. how wealthy your family is

4. According to the video, before you borrow anything, you should
 - a. Make sure you've been accepted to your dream college
 - b. Check out the interest rate and the final cost
 - c. Have a plan for how you will pay back the loan
 - d. b and c

5. A good rule of thumb when borrowing money is, "Don't borrow more than..."
 - a. You'll make in your first year
 - b. Your parents make
 - c. You'll need more than 20 years to pay back
 - d. \$50,000

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6. The average student loan debt for lawyers, according to the video, was
- a. \$54,000
 - b. \$145,000
 - c. \$193,000
 - d. \$250,000
7. If you are having trouble paying your loans, should you go into forbearance?
- a. Yes, since you get to pause your loan payments
 - b. No, you should arrange for other short-term loans to cover the debt
 - c. Never, since the interest still accrues
 - d. Only as a last resort
8. What happens if your loans go into default?
- a. You will get nasty calls from bill collectors
 - b. Your wages or tax refund may be garnished
 - c. Your credit score will be negatively affected
 - d. All of the above
9. Mr. Bahnsen notes that while we can't control our future earnings, young people do have some control over their _____.
- a. biological urges
 - b. grades
 - c. consumption
 - d. choice of profession
10. A good approach for student loan planning includes these elements:
- a. Find ways to _____ the amount of money borrowed.
 - b. _____ your student loan payment.
 - c. Know your expected _____.
 - d. Calculate your likely _____ in the area you want to live.

Quiz Answer Key

1. C
2. A
3. B
4. D
5. A
6. B
7. D
8. D
9. C
10. Reduce, calculate, income, living expenses

Activity: Who Chooses? Who Benefits? Who Pays? What's Fair?

President Biden decided in 2022 that the federal government would universally forgive \$10,000 in student loan debt (or \$20,000 if a student had taken out Pell grants for low-income students).

Consider Jessica from the film. She had more than \$100,000 in debt after earning her master's degree, and she would probably be very happy to receive that debt forgiveness. However, the debt doesn't just disappear; someone has to cover the costs. Essentially, the cost is distributed among all taxpayers, either directly through taxes, or in the assumption of more government debt, or in inflation through an increase in the money supply.

Use the box below to identify the advantages and disadvantages of the federal government reducing student loan debt by forgiving loans:

Reasons for the government to help pay student loans	Reasons for the government to NOT help pay student loans

Remember the four students from the video. Antonio went to trade school and finished in two years. Maya was delaying school. Lyla and Ryan, on the other hand, were planning to earn degrees and to incur some significant debt. Now let's make this personal. Imagine that you are Lyla or Ryan. You are to explain to Antonio and Maya why they should contribute to your education. How would you explain it to them? Write a brief letter to persuade them that they should help you.

What is the difference between volunteering to help someone and being required to do so through taxes?

Activity: Why Budget?

Look up the average STARTING salary in your area for a career you are considering. (You might want to look at one career that requires a college degree and another that doesn't.)

Take the example of \$550/month for 10 years to pay off a \$40,000 loan.

Use the budget planning guide below to determine what kind of lifestyle you might be able to live based on the estimated salary. You may need to talk to your teacher, parents, or other adults to learn more about the cost of living in your area.

You may also want to compare how reducing your loan from \$40,000 to \$20,000 impacts your ability to make other choices with your disposable income.

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Student Name: _____

Income: _____

Divide your estimated annual salary by 12 to get a monthly budget amount.

Don't forget that taxes will take a portion of your salary as well. For this exercise, allow 20% for taxes (federal and state).

So if your research suggests that you will earn \$50,000 annually, multiply that by .8 to determine \$40,000 as your net pay.

Divide that by 12 to get \$3,333.33 as your monthly budget.

Housing:

Mortgage/rent: _____

Utilities: _____

Phone/internet _____

Debt: _____

\$550/month for a \$40K loan; \$267/month for a \$20K loan

Transportation:

Car payment: _____

If you already own a car, consider saving for its eventual replacement

Gas _____

Maintenance _____

Oil changes, new tires, repairs, new wiper blades, etc.

Insurance _____

Living Expenses

Groceries/household _____

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Clothing _____

Consider what type of professional clothes you'll need

Going out/entertainment _____

Streaming services _____

Other items:

Health insurance _____

Savings/retirement _____

Remember the power of letting compound interest work FOR you

Will you have a pet? Hobbies? Gifts?
Charitable giving?

TOTAL: _____

Should match the monthly income above

Extensions

1. If students are struggling with the concept of compound interest, this simplified version breaks down the explanation in easy-to-understand terms:
<https://www.mathsisfun.com/money/interest.html> .
2. Have students write a letter to their parents explaining their plans for the first year after high school. Will they go to college? Get a job? Go to a technical school? Students should begin with a pro/con list to determine the details they will use to make their “case.” At least part of the argument should analyze the expected cost of the college they’d be likely to pick, explaining why an investment in college IS or ISN’T worth the cost.
3. Further material on the value of college can be found in Jason L. Riley’s *Wall Street Journal* column of 6 September 2022, “Student-Loan Forgiveness Raises a Basic Question About College” (free link here:
https://www.wsj.com/articles/student-debt-forgiveness-raises-a-basic-question-about-college-loans-forgiveness-biden-high-school-employment-rate-pay-back-graduation-11662496166?st=jhw9htjxcufytli&reflink=desktopwebshare_permalink). Have your students read this column and then discuss Mr. Riley’s proposals for how we might address the student-loan problem.
4. As you get students interested in managing their money more carefully, guide them to izzit.org’s [Financial Literacy](#) to learn more about budgeting and making good choices.

Thanks for choosing izzit.org materials! We'd love to hear from you! If you have any comments, questions, or feedback, please email Ask@izzit.org or call us at the number below. We can't serve you well if we don't know what you need!



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