

Building Language Skills with The Seattle Times

April 7, 2016

Article: “ON THE ROAD TO BEING ON YOUR OWN: CREDIT 101”

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Pre-Reading:

What do you know about credit? What do you know about debt? What is the difference between credit and debt? When should you use credit or debt? Why should you use credit or debt? How do credit and debt work?

Vocabulary:

As you read, look for the following vocabulary words that appear in today’s article. Write down what you think the words mean based on the “context,” or how the words are used in the sentence in which they appear. Next, look up the definitions in a dictionary and see how close your guess was for each word.

Balance

Bankruptcy

Career

Credit

Debt

Expenses

Foreclosure

Gross (income)

Interest

Loan

Minimum

Repayment

Salary

Threshold

Thrifty

Comprehension:

1. What is the benefit of paying more than the minimum balance on borrowed money?

2. How much of the total credit available to you should you use?
3. What is the median debt for a student upon graduation
4. What is the median starting salary for students that have jobs?
5. What should you limit the amount of your student loans to?
6. Name three ways to help pay for college, other than taking out loans:

Post-Reading:

What new things did you learn about credit and debt? Was there anything that you learned that was surprising to you? Do you have any tips for thrifty living to share? Can you think of any other ways to incorporate saving into your daily life?

Building Language Skills:

Read the following passage, and complete the activity below:

“Debt isn’t always a bad thing. In fact, borrowing in order to pay for college can pay off big-time down the road. Research shows that a degree will increase your earning potential and give you more leverage to further your position in life. The question is: how much debt is right for you?”

Think about the situations of the following four students trying to afford college. How can each of these students use credit wisely? How can each of these students make sure they have the least amount of debt? Write a short paragraph explaining what you think about each situation and what the student should do. Discuss your answer with the rest of the class.

- 1) Deidra is a junior in High School. She gets good grades and wants to go to college when she graduates, but isn’t sure if she can afford it. What steps can Deidra take to help make her college dreams possible?
- 2) Maya is a third year college student, majoring in Math. She is planning on graduating this year after using AP courses to test out of at least a semester’s worth of college classes. She already owes \$30,000 in student loans, and each semester costs her an additional \$5,000. However, if Maya stays in school an extra year, she can receive a second degree in Accounting which will double her expected salary at graduation. What should Maya do?
- 3) Theo is a High School senior looking at colleges for next year. He has been accepted to several schools including his top two choices: a public school and a private school. Even though the cost of public school is \$8,000 cheaper per year, Theo is eligible to receive a large scholarship that will pay almost all his tuition from the private school if he continues to get good grades. What should Theo do?
- 4) Julius graduated last year from a four-year public college. He works as a PR Specialist and earns \$47,584 per year. He has \$26,946 in student loans to pay off with an interest rate of 3.9%. He has several different payment options— if he pays the minimum balance on his loans it will take him 148 months (about 12 years) to pay off his loans and it will cost him \$34,074 in total. If he pays \$40 more each month, it will take him 120 months (10 years) to pay off his loans and cost him \$32,585 in total. Which payment plan should Julius choose?

Extension

Go online to explore different scholarship or grant opportunities that might be available to you in the future! Or look at starting salaries for a variety of different jobs.

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Comprehension Question Answers:

1. What is the benefit of paying more than the minimum balance on borrowed money? **Paying more than the minimum can significantly decrease the total amount of interest you pay over time.**
2. How much of the total credit available to you should you use? **A good rule of thumb is to use no more than 30 percent of the total credit available to you.**
3. What is the median debt for a student upon graduation? **The median debt for a student upon graduation is \$35,051.**
4. What is the median starting salary for students that have jobs? **The median salary for students that have jobs after college graduation is \$45,478.**
5. What should you limit the amount of your student loans to? You should try to limit the sum of your student loans to half of your starting salary. **This will keep monthly payments within 5-10 percent of your gross income.**
6. Name three ways to help pay for college, other than taking out loans. **Any three of the following suggestions:**
 1. **Pursue scholarships and grants**
 2. **Look for work-study opportunities on campus**
 3. **Attend a local community college for 2 years, then transfer to a public university**
 4. **Live at home**
 5. **See if your school district offers a Running Start or other dual credit programs to earn college credit in high school**
 6. **Test out of college courses via AP courses**
 7. **Stick to a budget; keeping your overall expenses low will reduce the amount you have to borrow**
 8. **Attend a public university, rather than private**