



Your Bottom Line

Your go-to resource for timely information about personal finance, college planning and student loan management



Big Trend in Tiny Homes

Small houses are the newest craze in home ownership. Why are people choosing this option instead of renting an apartment, purchasing a manufactured home, or buying an RV? Enthusiasts say that tiny homes allow people to live a minimalist lifestyle, lower housing costs and reduce carbon footprints, which gives small home owners peace of mind.

The trend seems to be gaining ground thanks to popular television shows like HGTV's *Tiny House*, *Big Living* and fyi, Network's *Tiny House Nation*. There are also books on construction and design, and expert advice from organizations that specialize in small home ownership and construction such as the National Association of Realtors® and the American Tiny Houses Association. Even cities are joining

this movement by creating tiny home communities to help curb chronic homelessness or to restore neighborhoods such as New Orleans' Lower Ninth Ward, which suffered extensive destruction during Hurricane Katrina in 2005.

So how small is small? The American Tiny House Association limits a tiny home's structure to no more than 500 square feet. As for the construction of a tiny home, the Association suggests that builders look to their county and state's building codes for guidance. For those who construct tiny houses on wheels (THOWs), the Association offers construction guidelines for sturdiness and safety. One of the characteristics that make small homes so successful is the focus on using all available space, especially

vertical space. For example, in a traditional house, additional living spaces, such as a bedroom, add square footage to the structure. In a tiny home, a bedroom is built vertically in the upper rafters of the home's structure. This construction is similar to recreational vehicles or micro apartments. Tiny homes encourage builders to become creative with multi-functional space for eating, lounging, and playing.

Tiny homes aren't ideal for everyone. There are drawbacks to consider. First, think about the potential resale value. Even with the home's creative use of space, some people can't see past the restricted size. Second, many standard appliances and possessions may not fit in the limited space.

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For instance, you may not be able to accommodate a full sized shower or you might have to forgo a washer and dryer, instead relying on a laundromat to wash your clothes. Another potential drawback is what the tiny home movement champions: minimal space. Conditions like claustrophobia may become a challenge as you adapt to living in a smaller space.

Many people choose a tiny home because of the cost savings. The cost of a minimalist home depends on what type of home you choose (foundation or THOW) or if you build it yourself. One Oklahoma-based tiny home custom manufacturer prices their homes between \$49,000 and \$67,000 with five floor plans to choose from. For more information about tiny homes and to determine if a small home is right for you, visit the American Tiny Houses Association's website at AmericanTinyHouseAssociation.org. Also, visit the consumer page at OklahomaMoneyMatters.org to learn more about becoming financially prepared for homeownership.



Thrift Shopping Tips

Walking into a thrift store can be a little overwhelming if you're not familiar with the store's system. Believe it or not, there's a method to the madness of thrift shopping.

For the best result, plan ahead. Search online for the "best thrift stores" in your city. When you identify some you'd like to visit, call to find out when new items are stocked.

As you arrive, pay attention to any notices posted on or near the front door. It's common for thrift stores to use a system of color coded tags to cycle through sales.

Here are a few more tips to help you find thrift shopping success:

- Take cash.
- Check all items for stains, tears or other damage.
- Browse the household appliance and tableware sections for good deals.
- Look for original store tags and dry cleaning tags. Nothing beats a brand new or freshly cleaned thrift find.
- Shop out of season.
- Make a day of it and visit multiple stores.
- If you find great deals on items for children and babies, check them thoroughly for features that don't meet current safety standards.

Beware of little expenses. A small leak will sink a great ship.

— Benjamin Franklin





Impact of Student Loans

Cynthia Campbell, Director of Innovation and Strategy
Oklahoma Central Credit Union

Ms. Campbell answers some frequently asked questions from students regarding education loans and the ways they can impact borrowers' creditworthiness.

When financial institutions evaluate a borrower's creditworthiness, how much consideration is given to student loan debt?

Credit scores are calculated based on certain aspects of a consumer's credit report, including payment history, how much available credit is being used, the age of credit and the credit types used. A well-managed student loan can have a positive impact on credit scores. Failure to make payments as scheduled, or file forms in a timely manner to defer payments, may result in negative reporting to the credit bureaus.

As far as credit reporting is concerned, is there a difference between federal student loans and private student loans?

No, both the federal government and banks and credit unions report the active trade line, which includes the disbursement date, amount owed and payment history. However, a federal student loan can be in deferment or forbearance status, which is unique to that loan type.

If a borrower defaults on student loans, what impact will that have on his or her credit score?

Defaulted loans show as an unpaid debt, which reduces a credit score substantially and shows lenders that you're not repaying money you've borrowed. The credit score is a statistical model of risk that tells lenders your likelihood of defaulting on a loan, so if you already have a defaulted student loan, you'll have a lower credit score and be a higher risk to lenders. If you're struggling to make your student loan payments, you can consider loan consolidation, a different payment plan that aligns with your income, an extended deferment or forbearance. The key is to communicate with your lender before going into default so that your credit score isn't damaged.

If I have a large student loan balance, can I still qualify for a home loan?

Lenders consider your debt-to-income ratio and credit score when making lending decisions. Your debt-to-income ratio tells them how much of your monthly income is already dedicated to other loans (student loans, auto loans, credit cards, etc.) and helps them determine if you'll have the ability to pay a mortgage payment. A large student loan balance doesn't automatically preclude you from a home loan if your income supports the payment plan and the loan is in good standing.

How do financial institutions view student loan deferments, forbearances and consolidations?

Consolidating student loans can be seen as a smart move when managing debt. For example, consolidating four loans with varying interest rates into one payment with a lower rate would save money and effort. As for loans with deferments and forbearances, financial institutions still view them as outstanding loan balances that need to be repaid and will consider them in a lending decision. If you've been granted forbearance due to economic hardship, creditors may hesitate to lend additional funds knowing you're already experiencing financial difficulty.

What's the best piece of advice you can give regarding student loans and credit?

Only borrow the amount you absolutely need. Apply for federal student aid first by completing the Free Application for Federal Student Aid (FAFSA) and seek scholarships throughout your college career. Consider working part-time during school and full-time during summers to minimize the need to borrow funds for your education. Repay the money you borrow to build a strong credit score so you'll qualify for better interest rates in the future.

Eliminate Careless Spending with a No Spend Weekend

An epic end-of-season sale or specialty item that screams “buy me” can wreak havoc on your carefully crafted budget. The next time the shopping bug rears its tempting head, try these methods for keeping your spending habits in check.

You’ve probably heard of no-spend months, when you only pay for things like rent, bills and very basic groceries. The idea behind this is not only to save money, but also to become more aware of how much you spend on things you don’t actually need.

If avoiding spending for an entire month seems too intimidating, maybe you could start smaller. How about a no-spend weekend?

After a no-spend weekend or two, you might find yourself ready to amp up your saving game and tackle a week... or even an entire month!

Instead of the theater or Redbox, go to the library and borrow your entertainment. In addition to books, magazines and CDs, browse their DVDs and take home a blockbuster.

Instead of dining out, go on a picnic. Pack your meals, fill your reusable water bottles and head to the park with a blanket. You can talk, people watch and maybe get a little exercise in before you leave.

Have a family night. Cook together, dust off the board games and enjoy some quality time while making lasting memories.

Take advantage of any media subscriptions you already have, such as cable, Amazon Prime videos, Hulu or Netflix. Even YouTube, which is already free, can provide a cinema fix.

Indulge in one of your hobbies. Knit a shawl, construct a puzzle, or break out your sketchbook.

Look up free events in your area, which can be found in the newspaper, online, and even on your mobile apps.

Self-improvement projects could be a great fit for no-spend weekends. Search for online tutorials on a skill you’ve always wanted to learn, get in a workout or volunteer for an organization you admire.

Healthy, Frugal Cookouts

It's summer, and that means it's cookout season! You don't have to break the budget or sacrifice a healthy eating plan when planning a barbecue. Here are some tips for hosting a healthy and frugal cookout.

- Expecting a crowd? Make it a potluck so you don't have to pay to feed dozens of people.
 - If you do need to feed a crowd, buy in bulk.
 - If grilling meat, remember that beef isn't your only option. Poultry, lean pork and larger, meatier fish are options that grill beautifully.
 - If you're making burgers, consider ground turkey or chicken. If you want to stick to beef, look for labels listing a higher "lean" percentage.
 - For sides, focus less on processed items like chips and more on fresh food. Crispy veggies, roasted corn, and potato salad are a few favorites. If you have skewers or a grilling basket, you can also grill cut vegetables like zucchini, onions, tomatoes and bell peppers.
 - Skip the sugary desserts and opt for the quintessential cookout fruit: watermelon.
- Other in-season fruits include berries, cantaloupe, cherries, grapes and peaches.



On Our MIND

What's on the mind of OCAP staff?
This month, OKMM outreach specialist Ava Doyle talks about the cost of owning a pet.



I recently adopted a domestic short-haired cat at my local animal shelter. When the shelter's specialist processed the paperwork, she jokingly announced, "Congratulations, you have a 10 month old son!" That's when I fully realized the responsibility I'd just accepted; it's been awhile since I've taken care of anything other than myself. Twelve years ago, I owned a cat named Missy and quite a bit has changed since then regarding the costs of pet ownership. These are some financial responsibilities I've experienced since adopting Max.

- **Veterinarian visits:** The American Pet Product's Association reports dog owners pay a yearly average of \$786 for both routine and surgical visits while cat owners pay \$594. Pet owners are encouraged to enroll in wellness plans or purchase insurance to defray exorbitant expenses. I paid Missy's vet costs out of pocket, but Max is enrolled in his vet's wellness plan to ensure I can afford all routine and unexpected costs.
- **Food:** This is the most important reoccurring expense for pet owners. Because diet can cause issues like food sensitivities and obesity, finding the right pet food is crucial. Missy was a selective eater, but Max isn't. His veterinarian encouraged me to pay a few extra dollars for a higher-quality product, and the results seem to make him feel better and I worry (and clean up) less.
- **Toys and accessories:** Missy was a pretty passive cat and preferred lying around the house with few toys. Max, on the other hand, runs, pounces, and loves to bring live creatures in the house. Investing in toys and accessories for him is important, but can be financially draining if I'm not careful. Toys are now bigger, faster and shinier and come with expensive name brands attached. Identifying necessary items, finding great deals and learning not to excessively spend helps keep my money in my pocket and my spending under control.

I can't put a price tag on the affection I feel for Max. It's a wonderful feeling to be unconditionally loved by your pet. Some day I may even expand my fur family by getting Max a companion. Until then, I'll continue to take him to his vet appointments, feed him quality food and try to deter him from bringing in "gifts" by purchasing engaging toys.



The Wrong Way to Pick A College

Choosing the school that's right for you isn't always easy. In fact, for some students it can be really complicated. Luckily, we're here to help. Here are four student-tested strategies to avoid when considering which school to attend.

- **Playing the big name game.** Many students are swayed by the fringe benefits of big-name schools, like champion sports teams, an Ivy League reputation or even the draw of Greek life. While those things may be important, they shouldn't be the foundation of your decision. Going to a school with a "big" reputation doesn't guarantee that they'll offer the classes necessary for your desired career, provide the individualized attention you need or that you'll find a job in your chosen field after graduation.
- **Following your boyfriend/girlfriend/BFF.** Going to school with your nearest and dearest seems like a good idea - hello, ready-made support network - but it's usually not all it's cracked up to be. Even the best of relationships can become strained with the hustle and bustle of classes, learning to navigate a new environment and cultivating new friendships. Choose the school that best meets your needs and work on your existing relationships during the weekends and holidays.
- **Moving far away just to get away.** Many students can't wait to leave home, and if the degree you're looking for isn't offered nearby, you may need to consider a college in a distant location. However, if you're just looking at college as the perfect opportunity to get away, remember that moving a long distance can have its drawbacks, like homesickness, excessive travel expenses and possibly paying out of state tuition. Choosing a school that offers the degree you're seeking reasonably close to home allows you the flexibility to return home when you're sick, need to do laundry or are craving some home-cooking.
- **Avoiding community colleges.** Some students only want to consider four-year universities, but ruling out community colleges can be a mistake. A community college is a great place to start your education, especially if you aren't ready to declare a major, are more accustomed to smaller class sizes or prefer more personalized instruction. Taking classes at a community college can also be more cost-effective. If your heart is set on graduating from a four-year school, consider taking your general education requirements at a community college and transferring those credits to a university at a later date.

When comparing schools, consider the overall cost, the classes offered, the student support available, and the overall impression you get of the campus and professors. How does each campus fit with your needs and wants?

College Dorm Room Checklist

Moving into your college dorm room- and buying the items you need to furnish and decorate it- can be very exciting. When shopping for your dorm, however, you don't want to overdo it and end up wasting money on unnecessary items or items that don't meet dorm room regulations. Below are some items that, if allowed, can make your college living more comfortable.

- ☐ Personal fridge and microwave (limit one each per dorm room; coordinate with your roommate)
- ☐ Blender/food processor
- ☐ Toaster
- ☐ Storage containers
- ☐ Re-usable plastic ware
- ☐ Can opener
- ☐ Knife and cutting board
- ☐ Power-strip
- ☐ Bedding
- ☐ Bed-risers (check to make sure beds aren't already elevated)
- ☐ Laundry basket and supplies
- ☐ Bath robe, towels, caddy and toilet paper
- ☐ Emergency first aid and sewing kit (parents go over safety for over the counter medications and dosages)
- ☐ Cleaning supplies and caddy
- ☐ Small personal fan (no heaters)
- ☐ Compact tool kits
- ☐ Seasonal clothing (save space by switching out when visiting home)

Follow These Tips Tonight to Have a More Productive Day Tomorrow

A productive day isn't always based solely upon your intense work ethic and natural talent. While these attributes are important, a few tweaks to your evening routine can have a significant impact on your success for tomorrow.

- **Make a list.** Before you go to bed, write down your concerns and tasks for the following day. Writing it down helps you remember and reduces the tendency to worry in the middle of the night.
- **Plan ahead.** Prep your meals and outfit for the next day. Packing your breakfast and lunch in advance will save time in the morning, keeping you from running late or relying on fast food. Laying out your wardrobe for the following day can save you from last minute stress.
- **Clean and declutter.** A messy environment can leave you feeling chaotic and less productive. As part of your evening routine, take five minutes for a quick clean up. Put away items that were used throughout the day, such as shoes, books and toys. Load the dishwasher and wipe down counters and sinks. There's nothing better than waking up to a tidy house - except maybe coming home to one.
- **Reduce blue light.** One hour before going to bed, set your alarms for the morning, turn off all electronics and dim bright lights. Blue light emitted from phones, tablets, computers and the TV interferes with your melatonin, a hormone that helps regulate other hormones and plays a critical role in when we fall asleep and when we wake up. When it's dark, your body produces more melatonin. When it's light, the production of melatonin drops. Exposure to bright lights in the evening or too little light during the day can disrupt the body's normal melatonin cycles. Try sleeping with your phone away from you. It's best to leave it in another room, but if that won't work, keep it as far from your bed as possible.
- **Maintain a low-level noise.** A fan, white noise machine or other source of constant, low-level noise will help lull you to sleep and block out any nonthreatening noises that might wake you up unnecessarily.
- **Set a bedtime routine.** Proper sleep is crucial to productivity and overall health. Instead of staying up to cram for a test or prepare for a presentation, go to bed. Without sufficient sleep, the body and mind start to break down. Not only will you feel exhausted the next day, you'll be less focused and more forgetful. Continuous lack of sleep can also lead to serious health issues. To reset your body's natural sleep cycle, allow yourself to sleep until your body naturally wakes up feeling refreshed; this will help you determine how many hours of sleep you really need. Try this over a long weekend or add 15 minutes per night until you reach your optimal sleep time.





Partner News and Events



11.10.16

FINANCIAL EDUCATION IN OKLAHOMA CONFERENCE

Save the date:

Thursday, November 10

Moore Norman Technology Center - S. Penn Campus
Oklahoma City



Member Meeting

Wednesday, August 31

11:30 a.m. until 1:00 p.m.

Oklahoma City

For more information, email Melissa Neal at mneal@ocap.org
or visit OklahomaJumpstart.org.

Have News to Share?

Let us feature it! Do you have a contest, educational workshop or other event you'd like us to highlight in a future edition of the newsletter? Send a note to bnichols@ocap.org today; space is limited.



Oklahoma Money Matters (OKMM), an initiative of the Oklahoma College Assistance Program and the Oklahoma State Regents for Higher Education, is a personal finance education program that helps K-12 schools, higher education campuses, businesses and community partners develop or expand educational services that empower Oklahomans to make positive financial choices.

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