January/February 2018

OKMM™
OKLAHOMA MONEY MATTERS

Your Bottom Line

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

Love and Money

Balancing the relationship between love and money can be a challenge for any couple. In fact, money issues are among the three leading causes of divorce according to the Institute for Divorce Financial Analysts.

In honor of Valentine's Day, we share the following tips to help our readers find the sweet spot in managing money as a couple.

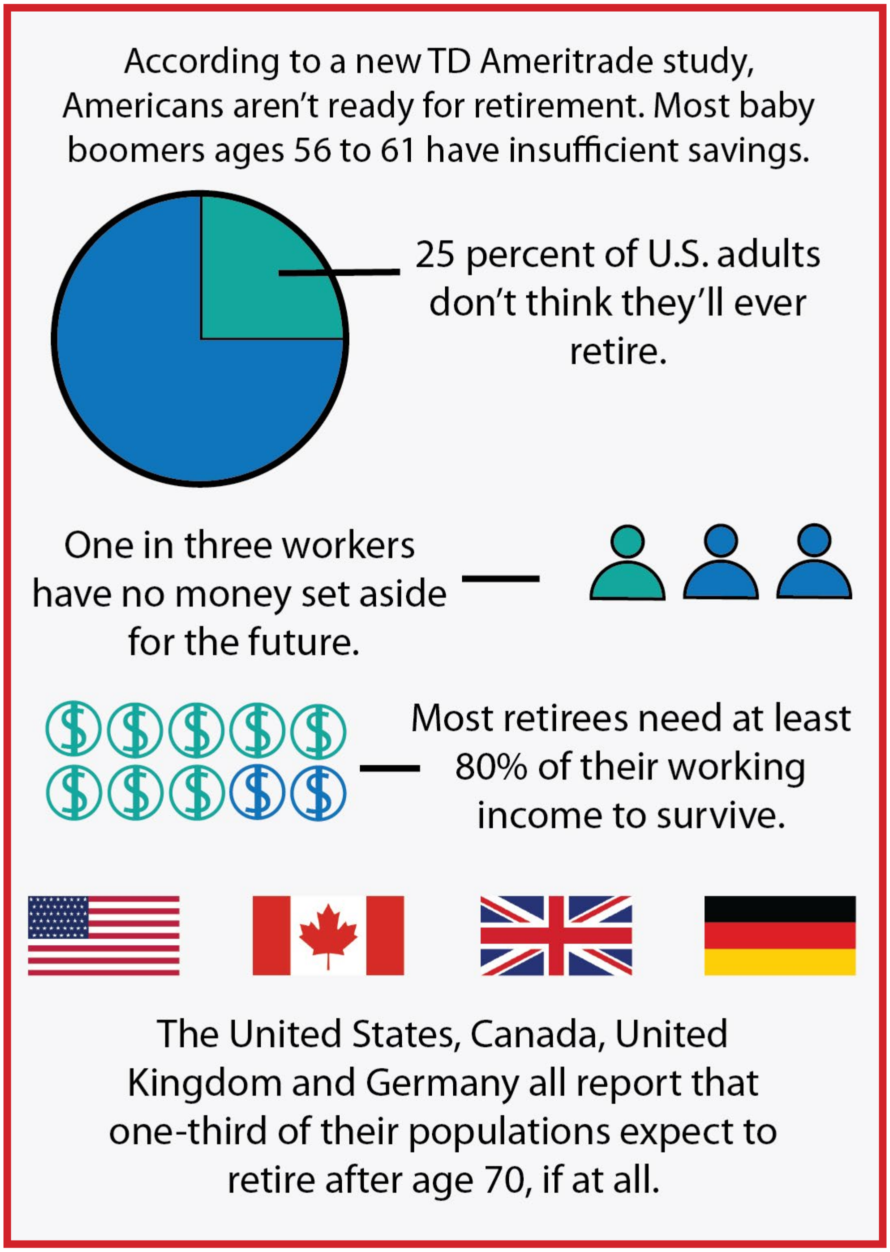
- **Tackle finances as a pair.** It may seem easier to designate one person as the financial head-honcho, but both of you should be involved in the money management process. Make a weekly appointment to review the state of your finances. Take turns balancing the checkbook or online accounts and reviewing savings and investment accounts. Reward yourselves with a coffee date once you've taken care of business.
- **Dig for the root of the disagreement.** It's pretty common for couples to disagree about saving or spending money. However, it's important to remember that dollars may not be the true issue behind the fight. For instance, one couple reported arguing about how to spend a holiday bonus – one wanted new carpet and the other wanted a water softener. The husband couldn't understand why his wife was so passionate about new carpet. Eventually, he learned that her chief concern was their child's health and safety, since she recently started to crawl.
- **Avoid the blame game.** As hard as it may be, try not to accuse or lay blame on your partner for spending habits and actions. If you attack, s/he will naturally become defensive and your conversation won't be very productive. When addressing a potentially tense situation, focus on the facts and avoid using "you" statements. Calmly explain what happened, the consequences of the actions and why it concerns you. Ask open-ended questions and try to avoid making assumptions about your partner's motives.
- **Work toward shared goals.** Even couples with opposing money management styles can find common ground when handling the household finances. The first step is talking about your future goals. Do you dream of buying your forever

Cont. on page 2

home? How about taking a nice vacation? Whatever your vision for the future includes, make a realistic plan to help your dream come to life.

- **Develop spending rules.** Agree on a set dollar amount that you can spend freely without consulting your partner. This is a particularly helpful strategy if you share a checking account. To make it easier to stick to the rules, set aside money as each spouse's weekly or monthly "allowance" – that way you can splurge without compromising your goals.

Above all else, keep your money values in mind. Many people experience financial stress when their money behavior doesn't align with their money values. Talk with your partner about the things that are important to you as individuals and as a couple. When your spending behavior syncs with your financial priorities, you'll know you've found the path to financial harmony in your relationship.



AMERICA SAVES WEEK

America Saves Week (ASW) is a national initiative to remind you to save money. This year ASW runs Feb. 26 - March 3, during which Americans are encouraged to set savings goals, make a plan and save automatically.

- **Monday: Save with a plan.** You can't save money if you don't have a plan. Start with a budget to see what you're already spending.
- **Tuesday: Save automatically.** There are many options for automatic savings. Direct part of your paycheck straight into a savings account or use an app like Qapital or Acorns that allows you to set your own rules - like rounding every purchase to the nearest dollar and depositing the extra into your savings.
- **Wednesday: Save for rainy days.** While it may be easier to save toward a specific goal, such as for a home or a new car, there are always unexpected situations. A good rule is to have three to six months' worth of expenses saved for emergencies.
- **Thursday: Save to retire.** If you haven't started saving for retirement, the sooner you start, the better.
- **Friday: Save the extra.** Saving in small amounts can make a difference. Try skipping the appetizer at a restaurant, then take the $10 you just saved on your bill and put it away.
- **Saturday: Save as a family.** Encourage your family to save as a regular practice, and discuss goals openly. Children will begin to learn the value of money when they have to use their own money to go to the movies or buy new shoes.

Check out OklahomaMoneyMatters.org for budgeting tools, podcasts, and more resources to help you save.

Reverse Mortgages

Nancy Armour, Regional Manager
1st Nations Reverse Mortgage

Nancy Armour, Regional Manager with 1st Nations Reverse Mortgage and 25 year veteran of the reverse mortgage industry answers our questions about reverse mortgages.

What is a reverse mortgage?

A reverse mortgage, also called a Home Equity Conversion Mortgage, is a Federal Housing Administration loan created by the United States Department of Housing and Urban Development (HUD). It allows consumers to borrow a percentage against the equity or value of their home as a means to supplement their retirement income.

What is the difference between a reverse mortgage and a home equity loan?

A home equity loan is like a second mortgage where the borrower has to make the payments. A reverse mortgage pays you.

Who qualifies for a reverse mortgage?

To qualify for a reverse mortgage, borrowers must be at least 62 years of age and own their home or have a low mortgage balance that can be paid off with funds from the reverse mortgage. There is no income requirement.

When should someone consider a reverse mortgage?

Many homeowners consider a reverse mortgage during retirement as a strategy to manage cash flow and investment planning. A reverse mortgage may be used to purchase a second home, refinance and payoff the loan(s) on an existing home or pay for medical care.

How does the lender determine the loan amount?

There are three factors that determine how much a borrower qualifies for: the borrower's age, current appraised value of the home and the current interest rates. The borrower would be offered a loan amount of 40-80 percent of the home's value.

How are reverse mortgage funds received?

Funds can be received as an upfront lump sum, through monthly payments, as a line of credit that grows with interest and can be accessed as needed, or a combination of all three.

What are the potential negatives of a reverse mortgage?

Reverse mortgage fees can be costly. Additionally, the property must remain the borrower's primary residence. The owner is also responsible for any upkeep and maintenance of the home and property. Payment of all property charges including taxes, homeowners insurance and homeowners association dues must be kept up to date. If any of these responsibilities are not met, the borrowers could be considered in default on their loan and subject to foreclosure.

Can the estate be bequeathed to a spouse or children?

Upon death, sale of the home, or if the home is no longer used as the borrower's primary residence – the balance, interest and fees of the reverse mortgage are due. Once that is paid any remaining equity can be passed to heirs.

Where would a potential borrower go for a reverse mortgage?

Interested individuals would want to look for a Home Equity Conversion Mortgage (HECM), which is insured by the Federal Housing Administration. They can search for a lender through the HUD Lender List Search or find more information on the National Reverse Mortgage Lenders Association (NRMLA) website.

Keeping Your New Year's Resolutions on Track

New Year's resolutions are notoriously difficult to keep. Everyone has a story about a resolution that didn't last, but this doesn't mean you should stop striving to improve yourself. The start of a new year is a great time to set goals and evaluate the direction your life is going. However, merely setting a goal is not enough. It takes persistence and effort to make a worthwhile transformation in life.

According to Art Markham, a professor of psychology at the University of Texas, the main reason New Year's resolutions fail is because people don't take the necessary steps to succeed. Systematic changes need to be made in order to really make a positive difference in your life. This takes constant evaluation to ensure you don't fall back into your old habits or comforts zones.

For example, getting in shape requires a lot more than just exercise; it requires watching what you eat and drink, monitoring your sleep habits, and changing the way you think about health. A worthwhile goal rarely has an easy solution, but making small changes can have a big impact.

A good way to get started is to begin with a small, easy step. For example, consistently flossing your teeth doesn't consume much time or energy, and it can help get you in the mindset of taking better care of your health. Once you get in the habit of flossing, pick up a new habit, like taking a walk during your lunch break. Once you've integrated daily walks into your routine, choose another manageable step to take. By continuing this process, you learn how to form new habits that support larger steps toward your meaningful goal.

A New Year's resolution doesn't have to be an exercise in disappointment. By setting a realistic goal and constructing the right plan for follow through, you can achieve nearly any resolution you choose.

Tips for Holiday Debt Relief

If you've found yourself staring at a heap of credit debt after the holiday season, you're not alone. According to NerdWallet, 24 percent of shoppers report they overspent during the Christmas season. By tackling this debt early and efficiently, you can remove this stress and begin enjoying your new year.

Determine what you owe

In the rush of the season, it's easy to lose track of how often you swiped your credit card.

- Take time to sit down and sort through your receipts or review your account statements.
- Once you have this information, you can begin to craft a repayment plan.

Make a Plan

Like all debt, holiday debt will get more expensive the longer it goes unpaid.

- Create a new budget that reflects your new debt.
- Activate the debt snowball, an approach in which you systematically pay off your smallest debt, then add that payment amount to the payment on your next smallest debt. Repeat this pattern until all debts are paid.

Use your Tax Return

If you receive an income tax return, use it to pay off as much of your debt as possible.

- Using this influx of cash is a quick and painless way to pay your holiday debt.
- If you have money left over, add it to your emergency savings fund.

OKLAHOMA'S PROMISE
OKLAHOMA HIGHER LEARNING ACCESS PROGRAM

Legislative Updates

The Oklahoma's Promise scholarship program has been helping Oklahoma students realize their dreams of higher education for more than 25 years. The latest estimates show that 18,000 students will receive the Oklahoma's Promise scholarship during the 2017-18 school year.

To be awarded the Oklahoma's Promise (OKP) scholarship, students must demonstrate financial need and meet certain academic and behavioral requirements. The Oklahoma State Regents for Higher Education recently released an overview of changes made by the Legislature to the OKP scholarship requirements.

- Students enrolling in OKP in the eighth, ninth or tenth grades must have a family income no greater than $55,000 at the time of enrollment.
- A one time income limit check has always been conducted at the beginning of the student's college career to verify that family income does not exceed the $100,000 limit. Beginning in 2018-19, this income limit check will happen on an annual basis. College students will also be required to complete a Free Application for Federal Student Aid (FAFSA) each year, since the Adjusted Gross Income (AGI) from the FAFSA is used to determine scholarship eligibility.
- Oklahoma's Promise will no longer cover the cost of noncredit remedial courses, beginning in the 2018-19 academic year.

For more details about the Oklahoma's Promise scholarship, please visit OKPromise.org.

On Our MIND

What's on the mind of OCAP staff? This month, staff assistant Andrew Boes talks about having adequate car insurance.

As a new driver, I was far more entranced by the feeling of freedom that came with driving than I was by the obligations that go along with being a responsible motorist. My parents purchased the car, reminded me about necessary maintenance, and handled insuring the vehicle. I didn't understand it at the time, but this last item has proven to be the most vital, albeit complicated, part of owning a car.

Recently, a family member was involved in a car accident. Dealing with the aftermath of the wreck helped me realize the importance of owning car insurance and making sure our assets are adequately protected.

- **Underinsured motorist.** Each state has a minimum level of coverage that all drivers must carry in order to legally operate a vehicle on the road. The at-fault driver in our wreck carried only the minimum coverage required by law. Although this amount of coverage is usually enough to pay for the auto damage, it often doesn't cover the cost of medical expenses for the other drivers involved in the accident. Fortunately, my family member's policy included underinsured motorist coverage that bridged the gap once the at-fault policy maximum was met.
- **Rental car reimbursement.** In best case scenarios, car accidents are fender benders with minor damage to the vehicle. In our case, the car had to be towed from the scene. Unfortunately, we were without a vehicle that would be essential for getting to doctor's appointments and eventually back to work. Since the other driver was at fault, their insurance company paid for a rental car. If the situation had been reversed and my relative was at fault, having rental car reimbursement would be a good option to consider so we could immediately get back to our daily routine.
- **Medical coverage.** This option covers the policy holder no matter who is at fault. It allows you to be reimbursed for medical expenses that you have to pay out-of-pocket, like a deductible or the cost of equipment like a neck brace or crutches. We were lucky; all of the drivers involved were insured, and everyone walked away from the accident. However, there were immediate medical costs, and while we were still sorting everything out with our insurance company, the medical coverage in our insurance policy allowed us to quickly be reimbursed.

Recovering from Student Loan Default

For many college students, student loans are required to bridge the gap between family savings, grants and scholarships and college costs. Ideally, once the loan's grace period expires, the borrower makes on-time monthly payments until the debt is paid in full. However, sometimes life doesn't go as planned and borrowers fall behind on payments - and some default on their student loans.

Being in default means the loan payment is 270 days past due or the borrower otherwise failed to repay the loan according to the agreed upon terms, and the loan has been turned over for collection efforts. Defaulting on a loan is a serious situation, resulting in a negative credit rating and ineligibility for future federal financial aid. However, with some determination, loan default can be overcome. If you're currently in default status, contact your lender to discuss your situation. Below are three options you can explore that may help you get your student loan out of default and back into good standing.

- **Satisfactory repayment program.** This option allows you to regain financial aid eligibility while your loan is still in default. To participate in this program you must make full, on-time, voluntary loan payments for six consecutive months. A voluntary payment is one that comes directly from the borrower and not from garnished tax refunds, trustee payments or wage garnishments.
- **Loan rehabilitation.** Successfully completing this program takes your student loan out of default status and removes the default from your credit report. This program requires nine full, on-time, voluntary loan payments to be made during 10 consecutive months. The borrower also has to turn in a Rehabilitation Application to the loan servicer before the ninth payment is received.
- **Loan consolidation.** This program removes the default status and combines all outstanding student loans into one loan repayable to the U.S. Department of Education. There are several ways to consolidate a loan, but it's important to remember that consolidation may not be the best option for every borrower. Consolidating may affect the total interest you'll pay, the terms of your current repayment agreement and your loan forgiveness options.

For more in-depth information about your student loan repayment options, contact your lender or loan servicer or visit ReadySetRepay.org.

Are You Looking for Money to Pay for College?

If you're considering going to college, either for the first time or returning as an adult learner, you may be wondering about the different financial resources available to help you pay for college. You're not alone; a majority of today's college students are using some form of financial aid to help them cover their college expenses.

To learn about your various financial aid options, be sure to visit UCanGo2.org and OKcollegestart.org where you'll find valuable information about the different ways to pay for college. OCAP's *Are You Looking for Money?* booklet is a free publication that provides information about the various forms of federal and state aid, as well as tips for applying for scholarships and trusted websites you can use to begin your scholarship search.

For all students, the first step toward financial aid is to complete the Free Application for Federal Student Aid or FAFSA. To learn more about eligibility requirements for federal aid and how to submit your FAFSA, visit StartWithFAFSA.org and StudentAid.ed.gov.

Reaching Your Savings Goals

Successfully reaching your saving goals leads to a sense of financial freedom. To ensure your savings success, implement some specific savings strategies. First, track your spending to find out where all your dollars really go. You may find financial leaks, like daily coffee runs or dining out that thwart your ability to save. If needed, make some spending adjustments and use your expense tracking to create a budget that works for you. Identify how much money you can allot to saving and check out the strategies below to help you reach your goals.

Emergency savings. An established emergency fund is one of the most important pieces of any budget. Life happens, and if you haven't budgeted a portion of your monthly income, no matter how small, to handle unexpected expenses, you'll struggle to make a sustainable budget work or reach your financial goals.

Retirement savings. Many workers reach retirement age without adequate retirement funds. The earlier you work retirement savings into your budget and take advantage of any available employer-matched savings programs, the more your money will grow over time. The key is to save early and often to maximize the benefits of compound interest.

Annual events. Don't let routine expenses like Christmas, birthdays, and back-to-school shopping sneak up on you. Determine what you normally spend on each of these events and divide that amount by 12 so you can spread the cost throughout the year. Regularly contribute this dollar amount to savings so you're ready when the event arrives.

Vehicle maintenance and replacement. Eventually your car will need to be repaired or replaced. One strategy for avoiding additional debt is to set aside money each month for this purpose. The same is true for replacing the roof on your home or handling other big-ticket replacement items. On average, a roof lasts approximately twenty years.

College savings. If you have children, it's a good idea to start preparing for their post-secondary education when they're young. An Oklahoma 529 College Savings Plan account is a great option that includes a variety of tax benefits and allows friends and family members to contribute, too.

Vacation. Instead of borrowing money or putting vacation costs on your credit card, set a cap for the total cost of next year's vacation and begin contributing to a vacation fund throughout the year. Paying cash will save you some stress and possibly hundreds of dollars in interest.

Bonus tip!

Make savings automatic! Have your budgeted savings allocation deducted automatically from your paycheck or by auto bank draft. You're more likely to save without the hassle of making manual deposits.

Partner News and Events

Oklahoma JumpStart Coalition

Member Meeting:
Wednesday, January 31
11:30 a.m. until 1:00 p.m.
UCO Boathouse, Oklahoma City

For more information,
email Amy Lee at alee38@uco.edu
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.

OKMM™ Oklahoma Money Matters

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.

Visit us online at OklahomaMoneyMatters.org.

To ask questions or share comments regarding this newsletter, call 800.970.OKMM (toll free) or email OklahomaMoneyMatters@ocap.org.

Follow 'OKMoneyMatters'

Like 'OklahomaMoneyMatters'

UCanGo2.org
WITHIN REACH ... WITHIN YOU

Like 'UCanGo2'

Ready Set Repay.org
ON TRACK FOR STUDENT LOAN SUCCESS

Like 'RepaymentScoop'

OCAP
Oklahoma College Assistance Program

OKLAHOMA STATE REGENTS FOR HIGHER EDUCATION
Improving our future by degrees