



# HARVARD UNIVERSITY EMPLOYEES CREDIT UNION

Debt Repayment Strategies



# Today's Webinar

## Reducing Background Noise

We've muted all attendees to help with audio quality.

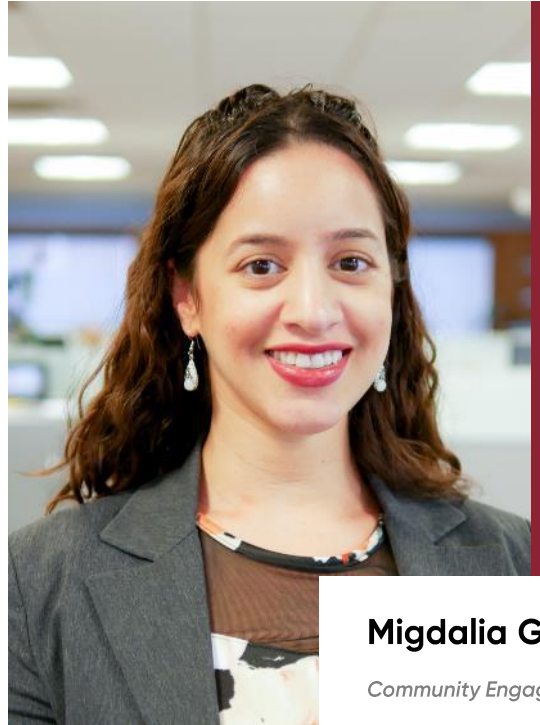
## Using the "Questions" Feature

Submit questions at any point. Let's test it!

## Presentation & Recording

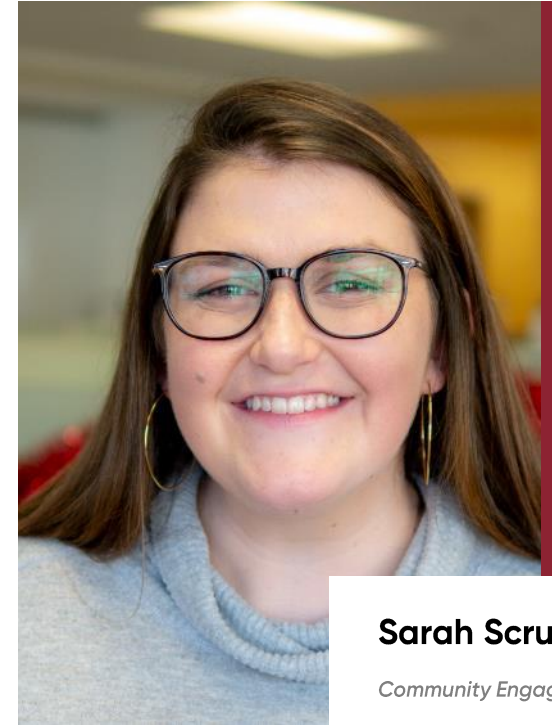
This presentation is being recorded and will be posted on our YouTube channel to re-watch.

# Today's Presenters



**Migdalia Gomez**

*Community Engagement Manager*



**Sarah Scruggs**

*Community Engagement Specialist*

# The Credit Union Difference



## **Better Value**

As a not-for-profit, HUECU puts members first in the form of better rates on savings and loans, lower & fewer fees, and more free services and perks.

## **Better Service**

Credit unions consistently outperform banks in metrics of customer service and satisfaction. You have a name not just an account number here.

## **Better Business Model**

The member controlled co-op model is always focused on operating in the best interests of our members.

## **Better For the Community**

Your money stays local when you bank with HUECU. We give back to our community by offering financial education programs and support for local charitable organizations.



# STEP 1

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What Are Your Goals?

## ALIGNING PRIORITIES



Consider the 10 items of priority. Have your community, especially those who have an interest in your financial well-being, reviewed the items and ranked them in order of priority. Then, call the toll-free number to request our financial guide. This is a great way to get a second opinion on your priorities and to get a second opinion on your financial well-being.

Complete the survey and send it to us. If you need additional support, please call our customer support team at 877-337-3399 or request a call.

OR REQUEST A CALL



Empowering people to lead financially healthy lives.

## ALIGNING PRIORITIES

THIS ACTIVITY BOOK MAY BE HELPFUL FOR THOSE WHO:

- Have experienced a sudden change, such as loss of income
- Desire more clarity on their short term financial plan
- Feel motivated to take action, but aren't quite sure where to start



Empowering people to lead financially healthy lives.

# You Are Here



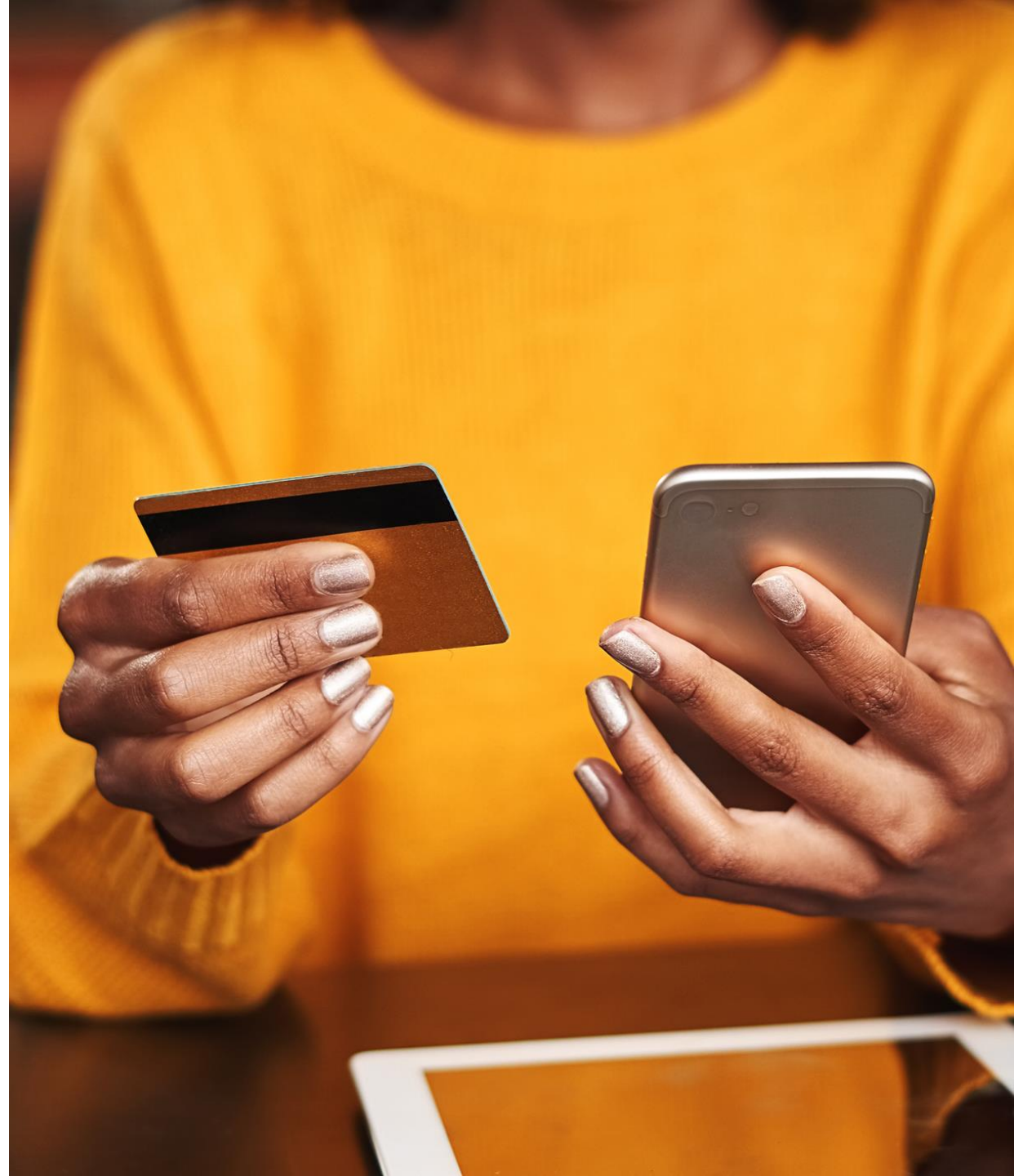
WHAT DO YOU OWE?



WHAT'S YOUR CREDIT SCORE?



CALCULATING COST OF DEBT



# Calculating the Cost of Your Debt

AMOUNT	APR	TERMS	MONTHLY PAYMENT	TOTAL INTEREST PAID
\$10,000	7.5%	120 MONTHS	\$119	\$4,244
\$5,000	18.0%	60 MONTHS	\$127	\$2,618

TOTAL AMOUNT	MONTHLY PAYMENT	TOTAL INTEREST
\$15,000	\$246	\$6,862





# STEP 2

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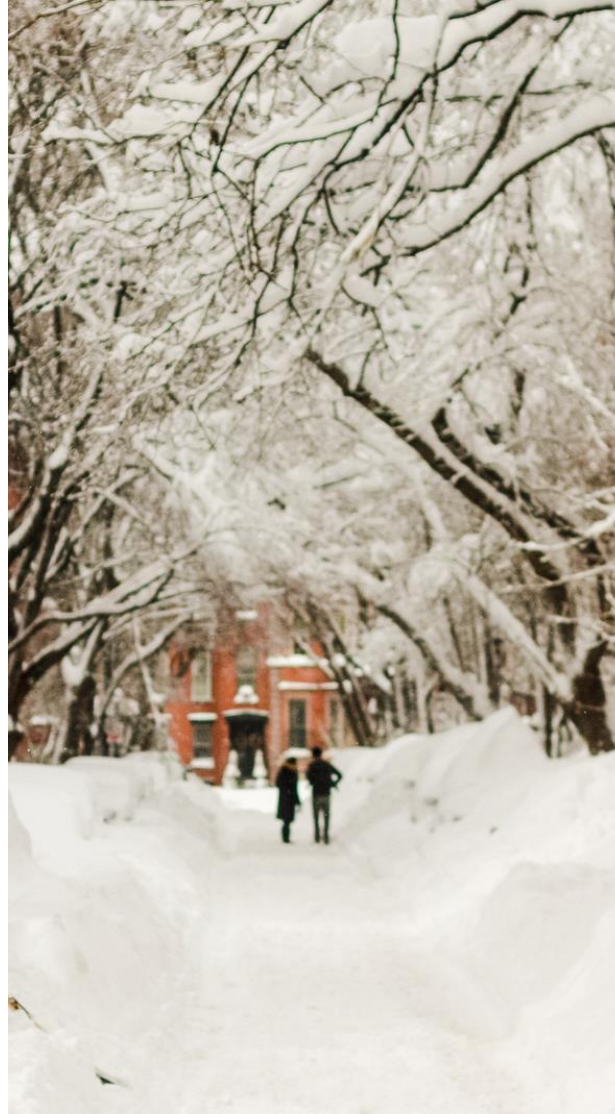
Debt Repayment Strategies

# Snowball and Avalanche **Methods**

## SNOWBALL

Focuses on smallest amount of debt.

- ✓ **Make minimum payments on each debt monthly**
- ✓ **Make extra payments on the smallest loan**
- ✓ **When paid off, move to the next smallest loan debt**



## AVALANCHE

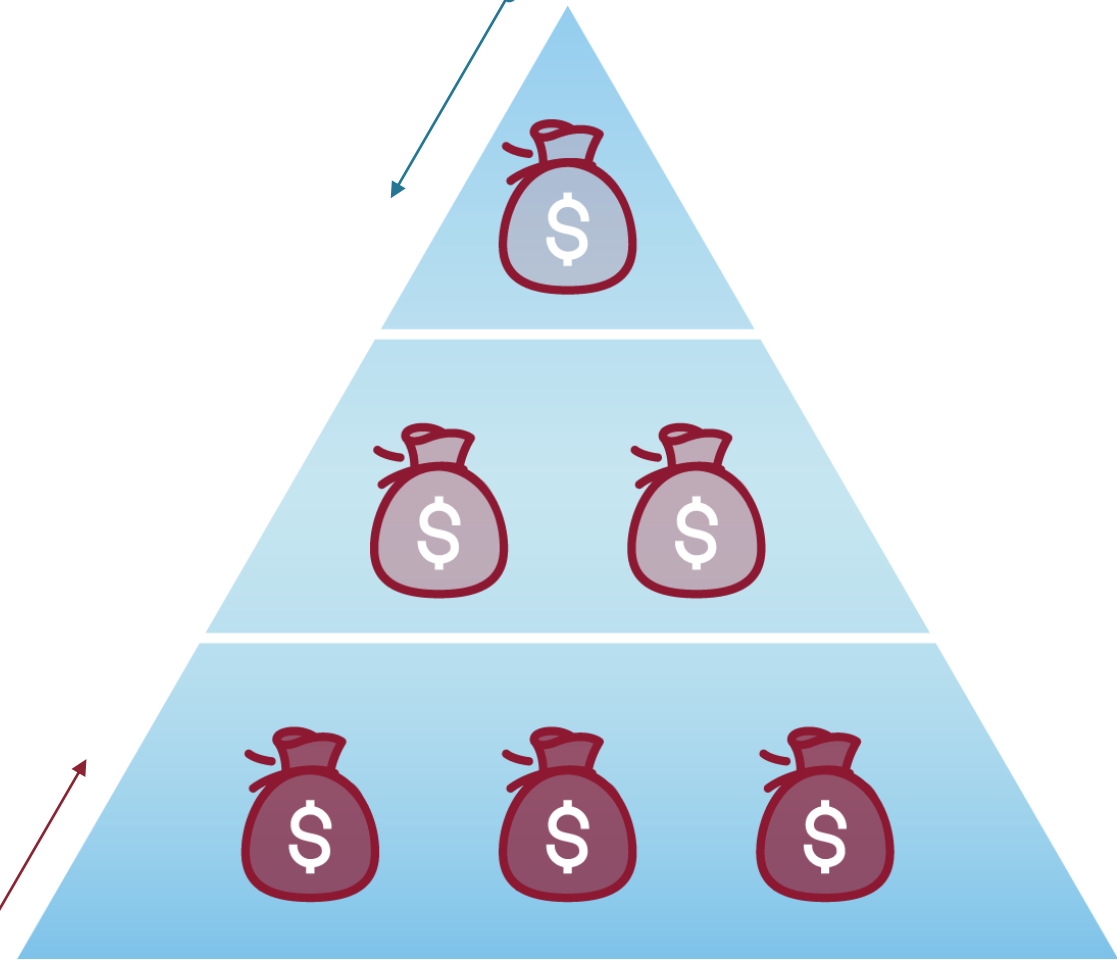
Focuses on highest interest.

- ✓ **Make minimum payments on each debt monthly**
- ✓ **Make extra payments on the highest interest rate loan**
- ✓ **When paid off, move to the next debt with the highest interest rate.**

## DEBT SNOWBALL

Focuses on the smallest amount of debt.

START HERE



## DEBT AVALANCHE

Focuses on highest interest rate.

START HERE

# A Little Goes a Long Way

\$10,000 LOAN AT 7%		
MONTHLY PAYMENT	TOTAL INTEREST PAID	TERMS
\$200	\$1,858	60
\$225	\$1,609	52
\$250	\$1,421	46



# STEP 3

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Know Your Options

# Talk With Lender



## Speak with Decision Maker

Explain your situation to determine whom can best help you.



## Propose New Payment

Calculate how much you can pay and discuss repayment options with your lender



## Ask About

Interest Rate Reduction, Loan Deferment, Loan Forbearances, Loan Extension and Consolidation



## Have a Paper Trail

Keep notes on your conversations, including names of those you spoke with.

# What is Refinancing?

A new loan that pays off your previous loan.

## BENEFITS OF REFINANCING

- ✓ Lower interest rate.
- ✓ Extended loan terms, leading to lower monthly payment.
- ✓ Typically, no application fee and no prepayment penalties.



# Benefits of Refinancing

**\$10,000 LOAN WITH \$200 PAYMENTS FOR 60 MONTHS**

INTEREST RATE	MONTHLY PAYMENT	TOTAL INTEREST PAID	TERMS
7%	\$200	\$1,858	60
5%	\$189	\$1,323*	60
5%	\$200	\$1,237*	57

\*Does not include prior interest paid on original loan.



# What to Consider Before Refinancing

*\*Some lenders offer interest rate discounts for automatic loan payments.*



## Interest Rate

Compare interest rate, and whether it is fixed, variable or hybrid.



## Benefits

May lose benefits associated with original loans.



## Credit Score

A higher credit score may mean lower interest rate.

# Debt Management Plan

- ✓ Reduces interest rates on debts
- ✓ Provides financial counseling
- ✓ Cost based off state  
(\$75 max monthly in MA)
- ✓ Debt Management Plans are NOT  
the same as Debt Settlement



# Debt Management Plan By The Numbers

An example of GreenPath Financial Wellness' program. Member is estimated to payoff unsecured debts 40 months sooner and save \$31,960

	CURRENTLY	ON GP PROGRAM	YOUR BENEFITS
<b>INTEREST CHARGES</b>	\$573.13	\$234.22	\$338.91
<b>LATE/OVERLIMIT CHARGES</b>	\$150	\$30.00	\$120.00
<b>SERVICE FEE</b>	\$0.00	\$50.00	(\$50.00)
<b>PRINCIPLE PAYMENT</b>	\$75.87	\$484.76	\$408.91



# GreenPath

GreenPath Financial Wellness offers free credit, budget and COVID-19 counseling.

**[HUECU.ORG/GREENPATH](https://huecu.org/greenpath)**

# Next Steps



**STAY MOTIVATED**



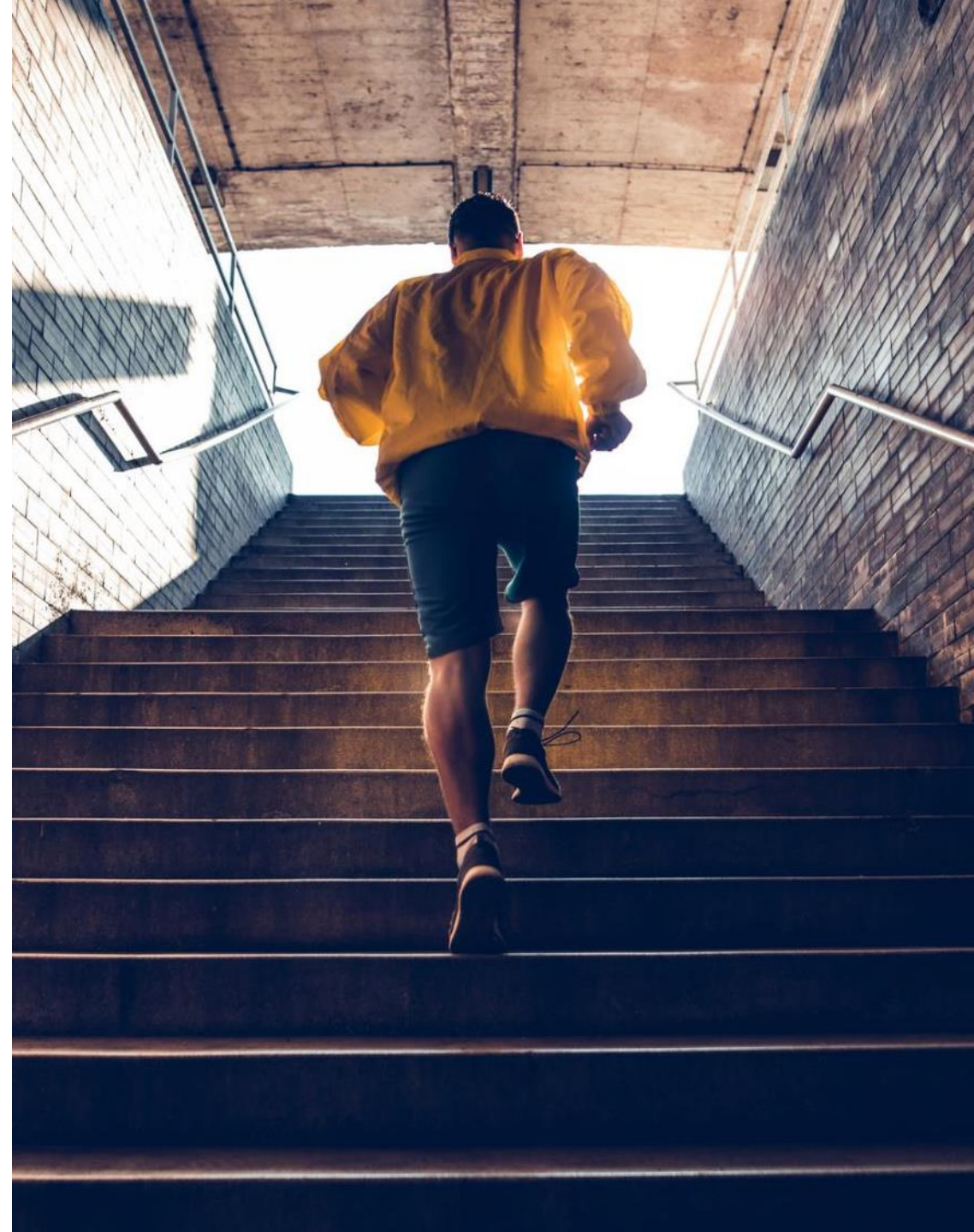
**STAY INFORMED**



**TAKE ACTION**

**WHAT WILL YOU DO?**

- ✓ Today
- ✓ This week
- ✓ This month



# Disclaimer

This presentation is a general overview of principles you may want to consider. Only you can decide what is best for you. This presentation is educational in nature and is not intended to be, and should not be construed as tax, legal or investment advice. You should always consult a certified advisor for advice on your specific situation. The examples used in this presentation are for illustrative purposes only.

# Keep in Touch



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