

## Office for Financial Success – Financial Tip of the Week

A service of the Personal Financial Planning Department  
College of Human Environmental Sciences  
University of Missouri-Columbia  
**(February 24, 2006)**

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### **Watch out for that overdue library book ...**

I've known for a long time the damage parking tickets can do to one's credit [fortunately not from personal experience]. I've met with a lot of students that received a ticket; forgot to pay for it; moved; and the next time they are reminded of it is when they apply for a car loan [or some other type of loan] and are denied because of that old parking ticket which is now sitting with a collection agency. All that hassle for \$15? You better believe it ...

I was talking with a library science grad student before a recent workshop and learned about something I hadn't thought about – library fines ... Apparently it's not just parking tickets – add library fines to that list of items that will be sold to a collection agency. Would an overdue book really affect my credit score? Sure will – according to Craig Watts of Fair Isaac (company that developed FICO score), the collection account on your report is considered a serious delinquency (even though we're likely not talking about a lot of money). That delinquency could drop a high FICO score by 100 points! There is a new version of the FICO score that ignores delinquencies on accounts for which the past-due amount is less than \$100. Most lenders, however, still use the older version of the score.

It's no secret that a good credit score can save thousands of dollars on your mortgage, car loan, credit cards, etc. It can also reduce your premiums for auto, homeowners and other insurance policies. If you haven't ever taken the time to look, it's worth spending a few minutes at Fair Isaac's site to see just how costly poor credit decisions can be (<http://www.myfico.com>).

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**Student Loan Consolidation reminder** ... Consolidating your federal student loans this semester is important. You have the opportunity to lock your rates at current levels (**4.7%**) by consolidating your loans today. Contrary to popular belief, consolidation will not trigger immediate repayment, you will also have the opportunity to consolidate in the future to take advantage of other programs (like UHEAA), as well as the opportunity to consolidate any future loans. Based upon current financial data, the interest rate would rise to **6.15%** on July 1<sup>st</sup> if you don't. This rate [which will "officially" be calculated the last business day in May] is the variable rate that your federal loans will rise to if you don't consolidate and lock your current rate. Use the information below to schedule a session to talk more about student loan consolidation if you have unanswered questions or don't understand the importance of taking these steps.

Additionally, more information is available on the consolidation section of our site (<http://financialsuccess.missouri.edu/consolidationhome.htm>) to gather information about calculating your weighted loan average rate, consolidating while in-school, estimating your monthly student loan payment, etc.

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**Tip Archive.**

Free access to recent weekly financial tips ...  
<http://financialsuccess.missouri.edu/archive.htm>

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A primary objective of the MU Office for Financial Success is to provide sound, non-biased information related to your financial life. Financial products are neither sold nor promoted. Our service is free to MU students and an inexpensive educational option for non-students. Visit us (<http://financialsuccess.missouri.edu>) to learn more and/or to schedule an appointment.

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Interested in a career in Financial Counseling/Planning? (<http://pfp.missouri.edu>)  
Interested in becoming involved with the Office for Financial Success?

Contact me: [olesonm@missouri.edu](mailto:olesonm@missouri.edu)

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SUBSCRIBE TO: [financialsuccess@missouri.edu](mailto:financialsuccess@missouri.edu)
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