# TABLE OF CONTENTS

## STUDENT LIFE

04  First Generation College Students

06  The Socioeconomics of Friendship

20  Spotlight: Peer Financial Counseling

## SPENDING WISELY

08  Spending & Happiness: Do They Correlate?

18  Ballin’ on a Budget

## FINANCES AND YOUR FUTURE

10  The Missing Link

12  Financial “Text” Talk

14  Waters Rising: Why Tuition Costs are Soaring

16  The Origins of the Great Recession
When it comes to money, what questions do you have?

Big questions? Little questions? Things that seem obvious? Things you’re uncomfortable asking?

We all have questions, and some are easier to answer than others. But when it comes to making sound financial decisions, seeing that dollar sign can add even more confusion to the issue. So, how can we chip through that layer of monetary mystification? What answers lie behind our wall of being fiscally flustered?

In our Fall 2014 issue, we at MINT shed light on some of those questions: the big ones, the little ones, the obvious, and the uncomfortable. What are some advantages and disadvantages of being a first generation student at Emory? What are many college students overspending on—and is it making them happy? What do FAFSA, NASDAQ, and W-2 stand for? And what’s the deal with the rising price of tuition?

In this issue, we aim to answer your questions and spark new topics of discussion. We hope that your monetary mysteries are solved! Happy reading!
Whether you are acknowledged for your accomplishments as the first person to go to college in your family, or whether the only time you came close to thinking about your identity as a first generation college student was when you were sitting down filling out college applications, the spotlight on first generation college students is strong at this moment. Programs that support the comfortable transition of first generation students have been in existence for some time, but there is a noticeable increase in demand for the development of resources for this specific population.

According to *I’m First*, “an online community founded to provide first-generation college students—and those who advise them—with inspiration, information, and support through college,” a first generation college student is defined as “anyone whose parents or guardians have not completed a four-year college degree.” As projected in earlier decades (Levine and Associates, 1989), there has been a continual evolution in the demographic profile of students entering higher education. Increase in diversity in terms of gender, race/ethnicity, and family background have been found, and along with the trend, a notable growth in the first-generation college student population. As colleges and universities became more accessible, more and more students take advantage of the higher education opportunity. Specific research on first-generation students can be largely divided into three categories: 1) pre-college expectations, planning, or college choice process (Attinasi, 1989; Conklin and Dailey, 1981; Murphy, 1981; Pratt and Skaggs, 1989; Stage and Hossler, 1989; York-Anderson and Bowman, 1991); 2) the transition between high school or work and college (e.g., Lara, 1992; Rendon, 1992; Rodriguez, 1975, 1982); 3) the effects of their college experiences on persistence during college especially in comparison to their “traditional” peers (e.g., Attinasi, 1989; Bean and Metzner, 1985; Billson and Terry, 1982; Richardson and Skinner, 1992; Skinner and Richardson, 1988).
According to empirical research conducted by Pascarella et al. (2004), both “traditional” and first-generation students were open to diversity and challenge. Pascarella also observed a slightly more positive effect of college years on first-generation students in their preference for higher-order cognitive tasks. They also demonstrated modestly larger end-of-third-year levels of both motivation for studying and preference for more challenging cognitive tasks than did the traditional students. Reasons may vary, but those students who survive the first year of college learn to aim higher, to demonstrate dedication, and to heighten their commitment in attaining higher education.

Conversely, Pascarella’s research also revealed a negative trend with regards to degree planning. In comparison to the traditional students who have parents who can advise from their own experience, the first-generation students remain at a slight disadvantage when it comes to planning their college careers. However, as the need for such support and guidance has come to the attention of institutions, including Emory University, many establishments have now effected a mandatory advising program; facilitating a consultation between faculty and students not just on planning college degree, but on general questions regarding their academic career and performance.

Financial aid advisors play an important advocacy role. “I help to bring awareness of first generation students to the college community from the financial aspect,” said S. Samuels, an Emory University financial aid advisor for first generation college students. “It is a good way to reach out to those students without making them feel like they are targeted.” She also acknowledges the growth in the population of the first generation students and recalls a new policy that was implemented when she was first positioned in the Financial Aid Office. “When I first got here, they had just implemented a new policy that was geared towards being more sensitive to issues that first generation/lower socioeconomic background students might have. People are more open to thinking about the first generation students now. It is definitely an issue on the radar now and I can attest that more developments are forthcoming.”

Emory’s system for helping first generation college students reflects well and resonates across all of Financial Aid. “Emory Advantage program is a financial aid initiative to help students from families with annual total incomes of $100,000 or less who demonstrate a need for financial aid,” says S. Samuels. “The goal is to make an Emory education attainable for students from all financial backgrounds by reducing the amount of educational loans borrowed. Currently, there are committees and task forces dedicated to cohort planning and strategic initiatives for targeted communications and activities to help these students beyond the Emory Advantage program.

Fruits of these initiatives include the creation of a first generation-financial aid advisor and more positions campus-wide are likely in the future. Emory Advantage program has 891 recipients. Pell Grant is awarded to about 21% of undergraduates, and over 18% undergraduates self-identify as ‘first generation.’

As the students matriculate through their program, and as specific advisors are assigned to each students according to their major and concentration area of study, the students are encouraged to form a close relationship with their advisors as their vast resources help not only through their final year of college, but also after graduation. Therefore, it can be said with confidence that such a disadvantage can easily be attended to. The general lookout for advancement in programs and resources for academic life is relatively bright. Therefore, should the student seek and reach out for help, there will always be a hand to guide him/her in the desired direction. The advancement in academic setting also means greater competition, and with the ever-increasing importance and value placed on education, the advantage gap between traditional students and first generation students seems smaller than ever. After all, success is measured -- moreso than background or resources -- by the passion and ambition that each student carries.
When it comes to cultivating relationships in college, there are a number of differences that we can easily point out that make our relationships unique: geographical, racial, cultural, the whole gamut. But one difference that is not often considered is the socioeconomic gaps that often cause a rift in the way we relate with one another. How does money play a role in the friendships you cultivate and the ones you do not? Has money ever mattered to you as you develop relationships with people on campus?

A sophomore student at Emory, who self-identifies as “upper class” revealed that most of his friends are from the same social class. “We all come from wealthy families and money really isn’t an issue for us.” When asked if he had any friends who weren’t as wealthy, he said, “Probably not. My friends and I are good students but we party hard. You’d have to be used to the lifestyle to really get into it.” The anonymous student also noted that he has friends of different cultures but all are from the same socioeconomic background.

A 2012 New York Times article explored this idea of socioeconomics in our nation’s colleges. The number of low-income students who come to schools like Emory find themselves at a huge disadvantage because they do not have a strong social or economic background to help them navigate what is considered an “Ivy League” space.

The New York Times article, “For Poor, the Leap to College Often Ends in a Hard Fall,” explores the lives of three young women who, with very promising futures, found themselves struggling to maintain the academic and social rigors of college because of their socioeconomic backgrounds. One woman, Angelica, found herself alienated, as she noted in the article, as one of only a few of her peers without a credit card. While I would venture to say that not having a credit card is a good thing (racking up credit card debt in college is a major fail!), the idea that having access to money to keep up with the social pressures to create friendships around fun outings like shopping, weekend trips, and hanging out at bars can be daunting.

The other girls struggled to keep up with the rigors of school because of the financial burden looming over them. One of the girls, in fact, was a student at Emory and left the college after only a couple of years of study.

Much of our focus around differences is on the racial and cultural distinctions that are more evident between us; with protests and debates about race relations at the college, we often forget that there are people in our lecture halls and colloquy groups who pay a hefty price to stay in school. There are students who do not have the familial support required to make it through a rigorous academic program like Emory’s and find themselves alienated, not only from their

THE SOCIO-ECONOMICS OF FRIENDSHIP

Does money play a role in the

Alisha Gordon
familial groups but other social groups that are often formed in school.

I took to Twitter and Facebook to ask some of my friends and colleagues if they ever felt the mounting pressures of being friends with people of different socioeconomic groups while in college.

Gabrielle Perry, a senior at LSU, who self-identifies as “economically disadvantaged,” tweeted, “Coming from a background of destitution at a young age can be taxing on forming relationships with people who’ve never experienced a weight like that on their shoulders.” Another Twitter friend who sent me a direct message said that socioeconomics are just another part of how we delineate who is a part of our circles and who is not. “Think about how we grow up: the people who live in your neighborhood, who attend your school, and shape your understanding of the world are often from the same economic background. The only time that changes is when you have the opportunity to move up into a higher class. It’s very rarely the other way around.”

So how can we create relationships with each other that are mindful of the often daunting socioeconomic difficulties that many of our classmates have? How do we reshape the sometimes-rigid lines between social classes to engage in meaningful relationships among all people? There’s no formula to this, and it takes more work than most of us realize. But one of the most effective ways in understanding how the socioeconomics of friendship work is by being intentional about exposing ourselves to people of different backgrounds. Exposure to various cultures, ethnic groups, and even socio economic situations can enlighten us to the unique experiences of others. And, if we are lucky, we will learn something amazing about ourselves too: we have more in common with each other than we think!

Much of our focus around differences is on the racial and cultural distinctions that are more evident between us.
You check your wallet. You sign in to your online bank account. You frantically check your pockets. But you can't find it.

It's the great mystery of our time: where did all of my money go? And more specifically, how did I spend it so quickly and what could I possibly have spent it on?

As university students, it's easy for us to map out the big things: rent, tuition, textbooks, phone bills. When we know we are about to spend a lot, we can plan ahead. We estimate, save, and budget accordingly. When expenses turn out cheaper or more expensive than planned, we adjust.

But what about the little things? Your morning cup of coffee? A quick app or song download? Those shoes you found online—because, hey, free shipping?

It turns out that over time, those small, thoughtless purchases can be just as costly as the big ones. Consider the daily cup of coffee. If you only buy coffee on weekdays, at about $2.50 per cup, you're spending $12.50 per week on coffee. If $12.50 a week still doesn't sound like a lot, consider your coffee expenditures for an entire year: stretched out across 52 weeks, your daily dose of caffeine will end up costing you $650. $650 could be a month's rent—or a year's textbooks—but instead, it's hidden in your daily routine.

This gets at an interesting question: are you spending your money on items you consciously want to spend on? And more importantly, are these purchases making you happy?

At Emory in particular, a common area where students overspend is dining.

"I probably overspend the most on food," said College junior Elizabeth Howell. "The way my schedule works out, I'm on campus from early morning to late at night. In between, I have to find places to eat, and they aren't always planned or cost-efficient."

Howell admitted that sometimes that means wasting money on snacks and food she doesn't necessarily want or need.

"There just aren't very many options if you're stuck on campus all day and running from one class or meeting to another," she said.

Jacob Garret, also a College junior, said he found himself usually over-spending on late night takeout.
“I definitely overspend on food, particularly by ordering delivery from Chinese and Japanese places,” he said.

Both Howell and Garrett have searched for other options, but tend to stick with their current food purchasing habits because it’s the option that works best with their schedules.

But is it making them happy?

For some, like Garrett, ordering out can be a great late night treat. “Nothing beats eating chicken katsu while watching Netflix, so I still order food every once in a while,” he said. “I would say that delicious food definitely has a positive effect on my overall happiness.”

But for others like Howell, overspending on food can be frustrating. “I’d definitely rather be spending money on things I actually want and don’t consume immediately,” Howell said.

So, what can you do to avoid overspending and the frustration that comes with it? The solution is easier than you’d think: it’s all about identifying and evaluating problematic spending areas and making a plan for achievable change.

**1. Identify the area in which you’re overspending.**

First, identify the item or service you tend to spend too much on. You might already have an idea of your problem area or maybe it is less obvious. Try tracking your purchases in a notebook for a week to isolate and identify instances of overspending or impulse buying.

**2. Evaluate the costs and benefits of your purchases.**

Next, evaluate the item’s effect on your overall happiness. How does this purchase help you in the short run? In the long run? Which is more important to you? Also, are the costs outweighing the benefits? If so, reconsider your reasons for purchasing the product.

**3. Create a new budget.**

Make an action plan. Ask yourself, “If I see this item, what will I do? What precautions can I take that will prevent me from overspending in this area?” Or, if the item is essential to overall happiness, think, “how can I fit this into my budget? What might I have to give up so I can have my morning coffee?” Stick to the budget and readjust when necessary.
If you’ve ever channel surfed and passed CNN, MSNBC or networks like it, you’ve probably come across analyses of the Stock Market. To the casual listener, all the experts’ talk of “consumer confidence” and “the value of money” would just seem like jargon that could be tuned out. After all, everyone “knows” that the green percentage means you’re making money and the red percentage means you’re losing money. But there is a reason that the experts look at consumer confidence, and with a bit of basic know-how, you can not only sound like a big-wig, but also begin to look at stock markets with a more critical eye and get a sense of how the economy is doing.

Consumer confidence is an economic indicator, which is just a fancy way of saying it’s a measure of the economy. The basic theoretical principle is that if the average consumer (the average person) is feeling good about the general economic situation, they’ll go out and spend more money, which will make the economy expand. Conversely, if they feel bad about the general economic situation, they’ll be more inclined to keep their money, in which case our beautiful capitalist economy will start to feel a little sickly. Consumer Confidence is the thermometer that takes the economy’s temperature.

Consumer Confidence is measured by the Consumer Confidence Index (CCI) and prepared monthly by The Conference Board, a business membership and research organization. The CCI was arbitrarily set to 100 as its benchmark the first time it was calculated in 1985 and is adjusted every month as the results are reported. In managing the CCI, The Conference Board administers a survey to
5,000 households. This survey consists of five questions that ask people’s opinions on current business conditions, future business conditions, current and future employment conditions, and the household’s projected income for the next six months. The survey asks that each question be answered positive, negative, or neutral. Each of the answers is then averaged, giving a relative value to the CCI. It’s then compared to the relative values from 1985. The comparison of the relative values then results in an index value.

Now you know the process of obtaining a Consumer Confidence Index, but why should you care? Well here’s a good reason: Consumer confidence is a lagging indicator that measures the optimism the average consumer has in regards to the economy, which means it’s looking at trends that are already in development. If the CCI is high, that means that consumers would be more willing to spend money, banks would be more willing to give out loans, and people would be more willing to take risks in investments because more money is circulating. The world is happy!

Now that you’re armed with this information concerning consumer confidence, that stock monitoring app on your smartphone might look a little more useful. Maybe you won’t be so quick to change the channel when experts start talking about stocks...or maybe you will. Either way, the more information you have, the easier it will be to make sound financial choices. And your wallet will thank you.
In a society of “text” talk, you would be surprised to know that acronyms and lingo exist not only on your cell phone or through email but also in finance.

The student loans and credit cards students apply for, in addition to the scholarships and financial aid young adults receive has unique short hand lingo that make communication faster and more efficient... that is, if you can understand what it means.

There are some acronyms that are common sense but what about those tricky financial acronyms whose letters don't even stand for the word it describes. An example is the word Roth in Roth IRA. It is actually the last name of a prominent senator, Williams Roth Jr. of Delaware, a key agent in the passage of the Taxpayer Relief Act of 1997. Now when you see Roth you can automatically associate it with tax breaks.

Other important financial investment acronyms include:
- **IRA**: Individual Retirement Account, which provides tax breaks for retirement savings
- **ROE**: Return on Equity, which is a company's annual income divided by shareholder's equity or one measure of its profitability
- **EPS**: Earning Per Share, which is net income divided by the number of outstanding shares of common stock. This is also a measurement of profitability.
- **P/E**: Price to Earning Ratio, which is the stock price divided by its annual earnings per share. This a good tool to measure the health of a company.

These investment acronyms are vital to anyone beginning to build a portfolio. The financial realm not only includes acronyms related to investment but also acronyms that govern your personal finance decisions like credit cards and student loans.

Often when you apply for a credit card you will see terms like **APR** and **APY** which are two completely different rates. **APR** stands for Annual Percentage Rate, it is simply the interest rate, but the **APY** stands for Annual Percentage Yield, and similarly is the interest rate but also takes into account the compounding of interest within that year.

Other important credit and loan acronyms include:
- **FDIC**: Federal Deposit Insurance Corporation is an agency created by the U.S. congress to insure financial institution deposits up to $250,000.
- **FTC**: Federal Trade Commission is an agency responsible for protecting the financial rights of consumers. FTC's website also has great information for choosing your first credit card.
- **FCRA**: Fair Credit Reporting Act lists consumer rights in relation to credit reporting agencies. A summary of your rights can be found on the FTC website.
- **FICO**: Fair Issac Corporation is the agency that uses information generated from the three credit reporting agencies (Experian, Equifax, and TransUnion) to calculate your credit score. It is available for a fee and not included in your credit report.

Financial Aid also has important financial acronyms that students should be aware of because it is necessary to obtain funds for school.

Each time you apply for a student loan you have to agree to terms and conditions for that loan. The department of education requires all borrowers to sign a **MPN**: Master Promissory Note. It is a legal document where the borrower promises to repay the loans, interest, and accrued fees to the U.S. Department of Education. You should read and pay close attention to your MPN as it often has information about deferment and default.

Other acronyms that are important to the financial aid process include:
- **FAFSA**: Free Application for Federal Student Aid is a form submitted annually by current and prospective students to determine eligibility for need based aid, grants, and work study. It also determines a student's **EFC**: Expected Family Contribution.
- **W-2**: Employee Wage Report Form is an annual summary of an employee's earnings and taxes paid at both the state and federal level.

Another important loan term is **Direct**. The loans are called direct loans because they are made directly from the department of education, without going through a lender. Direct loans are useful because they offer low interest rates compared to banks and private lenders.

**PLUS**: Parent Loan for Undergraduate Students, is a Direct loan taken out in the parents' name and not the student's.

Keeping your financial lingo up to date will allow you to be ahead of the game.
Want an extra challenge?
Quiz yourself on these additional terms!

1. AGI
2. AIR
3. ARM
4. CD
5. CFP
6. COA
7. DCA
8. DRN
9. ED
10. EFT
11. FAA
12. FAT
13. FC
14. FDLP
15. FFELP
16. FOREX
17. FRB
18. FSEOG
19. FWS
20. GNP
21. IPO
22. ISIR
23. LEAP
24. LOI
25. MMKT
26. NASDAQ
27. NAV
28. PIN
29. PMI
30. POP
31. PSP
32. ROI
33. SEC
34. TSA
35. YTM

CHECK OUT MORE ACRONYMS AT HTTP://WWW.ACRONYM-GUIDE.COM/FINANCIAL-ACRONYMS.PHP
WATERS RISING: WHY TUITION COSTS ARE SOARING

Ever wondered what really contributes to the increasing tuition cost? “Between 1997-2007, home prices increased by nearly 70 percent. In that same period, college costs grew even more rapidly (by over 80 percent). As a result, average student loan debt has grown to over $25,000. The total amount owed exceeds our country’s collective credit card debt” (Ebersole, “Why Does College Cost So Much”). According to the National Center for Education Statistics (NCES), “for the 2010–11 academic year, annual current dollar prices for undergraduate tuition, room, and board were estimated to be $13,600 at public institutions, $36,300 at private not-for-profit institutions, and $23,500 at private for-profit institutions. Between 2000–01 and 2010–11, prices for undergraduate tuition, room, and board at public institutions rose 42 percent and prices at private not-for-profit institutions rose 31 percent, after adjustment for inflation. The inflation-adjusted price for undergraduate tuition, room, and board at private for-profit institutions was 5 percent higher in 2010–11 than in 2000–01.” Increase rate of the tuition has slowed down, but students are still paying the increased cost. Some say that it is partially due to the difference in growth rate between the financial aid package and the tuition cost, thereby diminishing the ability of the financial aid package to cushion the differences.

There is not a single reason or simple explanation to account for rising tuition costs. One explanation suggested by Ronald Ehrenberg, Irving M. Ives Professor at Cornell University, is that “top institutions have chosen to maintain and increase quality largely by spending more, not by increasing efficiency, reducing costs, or reallo-locating funds.” The growing list of federal requirements and regulations by the U.S. Department of Education also adds a cost of compliance for all institutions, which then is expected to fall on students, specifically on their tuition costs; the alternative is the loss of Pell Grants and Stafford loans.

Another interesting aspect highlighting the workings of the universities, or the shared governance of institutions—the shared system of ruling and overseeing between trustees, administrators, and faculty—has different leverage in private and public institutional contexts. This is because in public institutions, the budget cuts can always be blamed on the state government whereas at private institutions, the administrators are subject to blame for cutbacks. Hence, especially more in private institutions, “they are more likely to agree to raise tuition than take other actions to provide budget relief” (Ehrenberg, “Tuition Rising: Why College Costs So Much”).

David Mitchell, a British actor, writer and comedian, though speaking for the conditions in United Kingdom argues that “the real price of outrageous tuition is not money, but something far more valuable—freedom to be creative, and a safe space for self-exploration...” He continues to note, “the whole free and easy, open-minded attitude to university could die as a result of that funding being withdrawn.”

The infographic created by CourseSmart, an e-textbook provider, detailing the effects of the college tuition explosion in simple terms suggest that even as college education is becoming more necessary (especially with the research prediction that postsecondary education will be required for most jobs by the year of 2018), with such a tremendous rise in tuition cost, it is becoming harder and harder to afford. As Bruce Watson of DailyFinance.com writes, “there are a lot of ideas being floated to get these problems under control: value report cards for universities; pay-it-forward tuition plans; a renewed focus on non-collegiate higher education. For now, however, tuitions continue to rise and students continue to take on back-breaking debt to cover the bills.” The best advice, at least for now, is to choose a loan repayment program that works best for you. Make an appointment with your financial advisor and learn about your options. The first step is getting to know the resources available around you and learning to utilize them. Do not wait until your loan status becomes delinquent! When needed, know that you can seek help!
Soaring College Tuitions

College tuition continues to outpace median family income and the cost of medical care, food and housing.

Growth since 1982-84

College tuition and fees

Medical care

Median family income

Consumer price index

Average per-borrower debt

- Public 4-year schools
- Private 4-year schools

Photo Courtesy of The College Board
THE ORIGINS OF THE GREAT RECESSION

Ross Gilmore

For many students, growing up in the Great Recession has been a confusing time, a time with unguided frustration. Some believe that the 2008 financial crisis was the worst crisis since the events leading up to the Great Depression. So it is important to understand exactly what happened considering the significant impact it has had on most of our lives. However, finding the origin of the Great Recession is not as simple as finding the origin of the Great Depression, considering the growth in the complexity and interconnectedness of our financial system.

The financial crisis started with the notion that everyone should own a home. Labeled as a safe investment, it was often thought that the equity in homes would continue increasing as the market value of homes increased. Little did the public know, the housing bubble was bound to burst because of the lucrative incentives of mortgage originators.

Mortgage originators were paid commission that relied on mortgages they originated. Their incentives were only amplified by the fact that government sponsored entities (GSE) (i.e. Fannie Mae, Freddie Mac) would purchase these mortgages. Given that the GSEs did not consider the risk of the mortgages they purchased due to their backing by the US government, the mortgage originators did not have the incentive to evaluate the credit risk of the real-estate buyers they were lending to.

When the GSEs acquired the mortgages, they did not keep them on their books as they would miss out on profiting off of the notion of the fair-market value of these mortgages increasing as the underlying value of real estate increases. As a result, the mortgages were sold to investment banks. After acquiring the mortgages, underwriters at investment banks would undergo the process of “securitization.” In this process, investment banks would bundle the mortgages into pieces, ironically called “tranches,” based on their risk of default. These tranches were separated into levels. The levels consisted of junior, equity, and senior tranches with the risk of default decreasing in each tranche, respectively.

By separating the mortgages from tranches into one investment—called a mortgage-backed security (MBS), investors could choose which portion of the MBS to invest in. While the junior tranche, for example, would generally provide a higher return, there was also a trade-off with respect to greater risk taken. Within a mortgage-backed security, as the risk of real estate values declined due to decreased demand in the real-estate sector, senior tranches would be paid first, followed by junior and equity tranche investors.

Going against conventional wisdom at the time, home values declined. Many of the higher credit-risk consumers often agreed to adjustable-rate mortgages often referred to “teaser rates.” In 2008 when the financial crisis was at its peak, these rates increased substantially based on the higher credit risk associated with these mortgages, making it harder to make their payments.

With the decrease in payments, less cash flow was being channeled to institutions that invested in the subprime portions of mortgage-backed obligations. As the situation snowballed, more mortgage lendees defaulted creating a vicious circle stemming from the lack of cash flow coming in from mortgage payments. As a result, the value of the mortgage-backed securities declined rapidly, crippling companies who were highly involved in the securitization of mortgage-backed securities (e.g. Bear Stearns and Lehman Brothers).

Indeed, the miscalculation of this risk was greatly undervalued. The two entities with the greatest responsibility for this miscalculation are the credit rating agencies and issuers of credit-default swaps. The investment banks issuing the mortgage-backed securities relied on the credit rating agencies (e.g. Standards & Poor’s, Fitch Group, and Moody’s) since they were not allowed to issue the MBSs to investors without their stamp of approval. Using S&P as an example, the scale consists of AAA, AA, A, BBB, BB, etcetera, with the credit risk of the securities they were examining increasing in risk respectively. The whole purpose of securitization with respect to the creation and issuance of mortgage-backed securities was to diversify the risk of the security, in addition to allocating the risk to investors based on their risk preferences. The concept was great and all, excluding...
the fact that credit-rating agencies didn’t account for “systemic risk” in their financial models, which is the risk accounting for all variables within a market. As a result, credit-rating agencies gave artificially high credit ratings on these MBSs, exacerbating their perceived safety, and consequently the greater issuance, and investment in mortgage-backed securities.

For added safety, investors could purchase credit-default swaps, which is insurance that covers the mortgage-backed securities in case of a decline in value. In essence, the misperceived safety of investing in mortgage-backed obligations channeled from credit-rating agencies to issuers of credit-default swaps such as AIG and Lehman Brothers. Given their massive role in issuing credit-default obligations, the massive decline in values of mortgage-backed securities required companies with skin in the game like the two previously mentioned to payout billions.

AIG and Lehman Brothers, companies thought of as “too big to fail,” became insolvent as their ability to pay their CDS obligations waned. While Lehman Brothers was allowed to fail, AIG was saved with cash injections from the Federal Reserve Bank to keep it afloat. Officials assumed saving AIG was more important due to the more integrated—“systemic”—role it had in the financial sectors, with their default making the situation worse. As a side note, allowing Lehman Brothers and Bear Stearns increased the interconnectedness—systemic risk—of the financial sector considering there were two less players in the game making the financial sector less competitive and therefore concentrating risk.

The after effects only extended outward to the public. Because of the economic uncertainty and greater cost of capital due to equity and debt market declines, not only was it harder for companies outside of the financial sector to expand, but they were forced to cut costs. Cutting costs in preparation for a shift in economic climates usually starts at the employee level. An economic shift on this scale, with the core of our economy crippled to levels that resemble the Crash of 1929, would bring us to where we started: the brink of another great recession.

Indeed, systemic risk can also be translated into systemic responsibility, where there were multiple players responsible for the crisis. Like in most asset bubbles, it was based on keeping the bubble floating as long as possible to sustain profits for the entities involved. The less resourceful financial institutions that were not in positions to hedge against the risk in their positions, other than holding credit-default swaps, would survive the crisis and become stronger as existing investment banks bought the divisions of those who were not as lucky at fire-sale amounts. Like with other crises, the public can point their fingers towards entities that were just following monetary interests and incentives. However, we should shift our focus towards being aware of and implementing laws and regulation that improve the transparency and efficiency of our financial sector.

This is what Dodd-Frank aims to do, such as starting an oversight council to evaluate systemic risk. Some other major proposals include bringing derivatives onto exchanges to make the pricing and valuation of these instruments more reliable. Dodd-Frank will also tighten the regulation of credit-rating agencies to make sure their incentives are aligned with giving accurate valuations of the financial instruments they rate. By having an exchange for derivative instruments, like options, forwards, and futures are now, this will allow credit-rating agencies to more easily value such instruments so banks—and society—can experience the benefits financial innovation gives us.
College is often associated with being broke, but if you’re trying to get a nice little fall romance in, being broke might be a problem. Luckily, we’ve got just the solution: Here are five nice date ideas for tight pockets that do NOT include McDonalds.
Steak 'n' Shake
This place is nice, cutesy and comfortable. It’s not the most modern-looking establishment; actually, it looks a lot more like a set from an 80s musical. That being said, there is some quality food and genuinely pleasant service in a nice atmosphere. Plus, everything is 5 dollars or less. Located in Toco Hills.

Romeo’s Pizza
The classic pizza date never really goes out of style, and the portions are large for an affordable price. For a real throwback date idea, you can get a second couple and double date. Located in Emory Village.

SunO
There’s something timeless about the whole ice cream, fro-yo date idea. Same goes for SunO. If you can drop by before it’s too cold, this place will be perfect for all your dessert and boba tea related needs. Large portions, lots of fun, and a discount for flashing your student ID. Sweet!

Piedmont Park
Look, I get it. Nobody wants to walk anywhere anymore. So maybe this is an old-school notion, but a walk through Piedmont Park in the fall is beautiful. After all, the beauty of nature and the company of your significant other is all you really need, right? But if you really want to go for it, you can even bring food along and make a picnic out of it. And they say romance is dead.

Dinner & Movies
Sometimes dates require all sorts of effort and planning... and sometimes they don’t. Remember that dinners and movies sometimes just means cooking something quick and cuddling up to watch Netflix. If Netflix isn’t your thing, the Woodruff Library has plenty of movies to choose from. Dates don’t always have to involve going somewhere. Sometimes it can be just as nice for your relationship (and your savings account) to stay in.
Highlighting Peer Financial Counseling
&
What They Can Do for You

GOT LOANS?

Need help navigating through the student loan repayment process?

www.studentaid.ed.gov

Photo By: Whitney Tucker
Maria Carthon, Assistant Director of Financial Aid, initiated Emory’s Peer Financial Counseling program in 2004 as a vessel for helping students understand financial stability and independence. Faced with a rising tide of students with insurmountable debt, Maria envisioned a program that would help students shoulder the crushing weight of debt with confidence and a rock solid repayment plan. Has it been a success? Maria certainly thinks so.

“It used to be very person-to-person,” says Maria. “But we feel like people learn differently now, so we use outlets like social media, the Film Series, and the Financial Debates to open up access to information in such a way that the students would be more receptive to what we’re trying to do. I think that because we’ve learned to adjust to the times, we’ve been very successful.”

PFC is deeply committed to helping people understand and plan for their future financial stability and independence. Peer Financial Counseling hosts presentations that focus on several modules dealing with money management with the intent of helping people become aware of their financial status and set up a safe, stress-free long term financial plan. For 10 years, PFC has been fighting to help people understand trigger words like “loans” and “debt.” However, the two coordinators don’t do it all alone: a large part of the process relies on volunteers from the community. The volunteers are the counselors who help people understand the various phrases that are callously thrown around in all aspects of financial life. Now, PFC continues to grow and change, trying to help people understand financial literacy both in school and beyond.

“Often times, the best people to talk to students about something like Financial Literacy are other students” -PFC
Show Us Some Love!

The Emory MINT Newsletter staff wants your feedback on how to make the newsletter more appealing to you. We want you to help us help you become a happier, more financially independent person. To that end, we encourage you to take our survey and let us know how you feel. For added interest, taking the survey will enter you into a drawing for a chance to win a **$50.00 Visa gift card**.

www.surveymonkey.com/s/Y2YX7VL

**DEADLINE: 12/31/2014**