

Understanding the credit crisis

By ANGELA GREEN
STAFF WRITER
AKG145@PSU.EDU

Most of us can't afford to pay for college, buy a new car, or expand a business with cash, and that is why there is credit. With credit we can increase our buying power by spreading out our payments over time.

In the years leading up to the credit crisis, interest rates, the costs of borrowing money, were at historical lows. When interest rates are low, money can be borrowed easily because there is more money available in the economy.

There are three components to the credit crisis: sub-prime lending, credit default swaps and money markets breaking a dollar.

The sub-prime lending crisis involves lenders allowing individuals to borrow more money than they could afford to repay. This left the lenders with billions of dollars in worthless assets.

Credit default swaps involve companies selling insurance on bonds without having the cash

reserves available to pay the insured if the bonds defaulted.

Money markets, generally known as safe investments, were seeing returns of less than a dollar because of their exposure to these worthless assets. This resulted in them being perceived as unsafe investments.

These three factors created a perfect storm and caused the flow of credit to freeze. Lenders were afraid to make loans because they

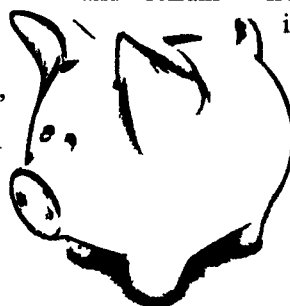
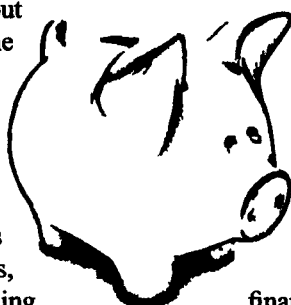
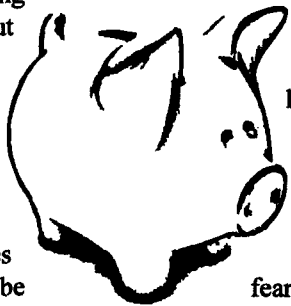
feared they would not be repaid. Without the flow of credit, the economy significantly slows because people must use cash to buy what they need.

Students should care about the crisis because if it continues, the criteria for obtaining student loans will become strict and affect the number of loans available. Also, if businesses find it difficult to obtain the credit they need to buy inventory and pay employees,

the number of seasonal jobs available and permanent job offers made could shrink. Finally, the crisis could affect the quality of life on campus because it could be too expensive for universities to build new dormitories or make capitol improvements.

To address the crisis and unfreeze the flow of credit, the government agreed to bailout these troubled institutions by buying their worthless assets. Buying the worthless assets will allow these lenders to retain their cash reserves. Guaranteeing future loans made will encourage lending. They hope these actions will jump start the economy, but the results won't be seen for at least six months.

Students who want to avoid a personal credit crisis should become financially literate, use credit judiciously, live within your means, save for the future and refrain from buying investments they don't understand.



Building and maintaining credit 101

By KIRILL SOBIN
STAFF WRITER
KVD102@PSU.EDU

A credit score is a number used largely by financial institutions to predict a likelihood of a consumer to default on a loan in the first 90 days. This number is comprised of accounts on your credit file like car loan, credit card, mortgage, utility bills, collection accounts and other items reported by a creditor or a service provider.

Most recently financial institutions are beginning to use a new credit scoring model, FICO. FICO is more comprehensive model in comparison to older credit scoring models; it takes into consideration payment history, amounts owed, length of credit history, percentage of new credit, number of credit inquiries and types of credit used.

In addition credit agencies are providing banks with a number in a range from zero to 1,000, which shows a lender the likelihood that you will file a bankruptcy. Make sure you monitor your credit and know where you stand on the FICO rating scale; after all you

will need to borrow money.

According to Automotive News, GMAC said people with credit scores lower than 700 will no longer be able to borrow money from them for vehicles.

The announcement shows the growing importance of credit score and its implications on our lives.

Take a look at these statistics from creditreport.com: An average credit score in Pennsylvania is 696. What it means to you is most likely you will not be able to finance your next GM vehicle through GMAC.

This is one of many recent steps taken by financial organizations to tighten the availability of credit in order to shield themselves from less than perfect borrowers.

You may ask, What can I do? How can I build my credit history and keep my credit score above 700?

"Start slow with moderate credit limit on a credit card," said Vickie Zettlemoyer, loan center manager at Members 1st FCU. "If you are shopping for a vehicle make sure to put down at least 10 percent. Bankers like to see your

commitment. Payoff your credit card balances in full every month or at least try not to use more than 30 percent of its available credit limit."

The ways to improve your credit score are the same in any case: correct errors, pay your bills on time, pay down your debt and apply for credit sparingly.

According to Nellie Mae, undergraduates carry an average credit card balance of over \$2,300, and 27 percent of students are burdened by balances in excess of \$3,000.

If you are just starting out and have no credit experience, then contact your local bank or credit union. Your local financial institution will be able to offer a student card with low or no fees and manageable interest rate.

"Make sure your checking account in a good standing with your primary institution," Zettlemoyer added. "After all, your goal is to build a strong relationship with your local financial institution; you get to know them and they get to know you."

POLITICS: Proving bias in classrooms as well as media

Continued from page 4

likely increase but not enough to make a drastic difference, Woessner predicted. He doubts that political discrimination really affects this decision, because conservatives' values remain the same.

"We haven't found clear evidence of discrimination," said Woessner.

Woessner, who identifies himself as a conservative Republican, earned his bachelor's degree in political science at the University of California, Los Angeles only nine years before Ben Shapiro, columnist and author of "Brainwashed: How Universities Indoctrinate America's Youth", in which Shapiro described his college experience as a conservative at a liberal university to show that universities are pushing leftist agendas.

Although Woessner and Shapiro both graduated summa cum laude and both call themselves conservatives, Woessner claimed his experience at UCLA was nothing like Shapiro's. Woessner doesn't doubt the sincerity or honesty of Shapiro's narration of his experience, but he does have a problem with the generalizations Shapiro makes in "Brainwashed."

"It is scientifically inappropriate to take your experience and from that conclude that this is the way the rest of the world must operate," Woessner said. "I could no more claim that UCLA is not a liberal institution on the basis of my experience than he can say it is a liberal institution because of what he went through."

Unlike Shapiro, Dr. Harold B. Shill, professor of Political Science and Information Studies, doubts there is an effort to indoctrinate. There is an unspoken code of ethics in the teaching profession regarding indoctrination, said Shill.

"In this day and age, there is very little effort to consciously indoctrinate. We all feel strongly about certain things, but we also have to say, 'I have a professional responsibility to be fair in the classroom and make sure that all points of view are really

welcome,'" Shill said.

Shill doesn't discourage professors from incorporating their views into their lectures as long as they identify their opinions as such and the opinions they present are relevant to the subject. He gave the example that discussing views on global warming in an environmental science class would be appropriate, but discussing abortion would not.

"I think we would sanitize the environment too much if we said professors should not bring their opinions in at all, but they need to distinguish between what are actually their own opinions and the body of knowledge that the course offers," Shill said.

Woessner recognizes that professors can be effective by expressing their political beliefs and challenging students, but he tries to keep his politics out of his lessons and teaches from a nonpartisan standpoint.

"I think it's most effective in getting students interested in the material," Woessner said.

Opinions can be useful teaching methods, but indoctrination causes problems.

"I have no tolerance for professors who try to expound their own political beliefs for the purposes of making students carbon copies of themselves," he said.

Woessner can recall an example of indoctrination from his UCLA days. A professor who taught international relations made the argument that there should be sympathy for Joseph Stalin because he was misunderstood.

"I remember as a young sophomore thinking, 'Oh, isn't that reasonable,' and years later going, 'No. Joseph Stalin was a monster. It wasn't a misunderstanding. He knew what he was doing,'" Woessner said. Because the professor didn't present this argument as an opinion, Woessner said he didn't critically look at it until years later.

As the Woessners' research on academia continues and as more books, articles and columns are written on the subject of indoctrination, universities may join the media as targets in the war on bias.