

Don't Just Read the Headlines - Here's Why! - Transcript

Tom Mullooly: In episode 108, we're going to talk about ways that the media could possibly trick you into making some bad decisions.

Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode number 108. Thanks for tuning in.

In this episode, we want to talk about how the media can trick people into making some potentially bad decisions. In a nutshell, if you just live on reading the headlines, we've got some bad news for you. A lot of times when you read through these stories, you find out that the headline doesn't always match the story. We're going to give you an example today in the video.

It was an article in Forbes. The headline read, "Student Loan Forgiveness Program Rejects 99% Of Applicants." That sounds really bad. There's so many misleading points if you actually take some time to read the article. I read it this morning and I have to admit I was a little ticked off when I got to the bottom of the article. The article begins by saying there's 44 million people in the United States with student loans representing 1.5 trillion dollars of debt, student loans. Wow, 44 million people is a lot of people borrowing money for student loans to go to college and 1.5 trillion dollars is just eye-popping. It's hard to even conceive of a number that big, but wait, did they say in the article how many people are actually past due or how many people are struggling? Didn't say that.

The other thing that we kind of have to break down, because the article won't do it for us, is if you take 1.5 trillion dollars and you divide it into the number of borrowers, 44 million, the average loan is \$34,000. It may not be backbreaking to everybody. It's certainly something that you can't ignore however, so let me share some more numbers with you.

As of June 30th, 2018. This was from the article here in Forbes, 28,000 borrowers submitted 33,000 applications. You have to put in an application for each loan that you have. 29,000 of the 33,000 applications have already been processed in the last three months.

Pretty good so far, but wait, here's where it gets really interesting, 70% of the applications, rejected. They didn't meet program requirements. We'll get to that in a moment. 28% of the applications were rejected because people didn't fill out the forms right or they were incomplete. When you get down to the bottom line, 300 applications were approved, about 1%. 96 people who submitted these 300 applications received forgiveness on about five and a half million dollars' worth of student loans. Sounds like a crappy program when you think about it. Gee, those numbers are lousy. Why would the government put together a program that nobody qualifies for? This doesn't make any sense. Typical government. I mean, that's the impression that a lot of people get reading an article like this, but wait, let's address some of these numbers. First of all, the 28% who couldn't fill out the paperwork right or didn't fill it out completely, they are a little hopeless.

They need to pay attention when they're filling out paperwork that might help them in the future but the 70% that didn't meet program requirements let's drill down a little further on this.

The first thing is for a student to qualify to meet the program requirements, they have to be in an income-driven federal student loan program. Hang on a second. Income-driven federal program so it can include private loans and it has to be income-based. Now we've done a couple of videos and a couple of podcast, Tim, you can link to them in the show notes, about income-driven repayment programs. It's not your typical student loan where you're going to pay it off in 10 years or 120 payments. If you're an income based program, it's 20 and sometimes 25 year programs. Pay attention, okay? In order to qualify for the forgiveness, you had to have made at least 120 payments. As I'm reading the article I'm like wait a second, 120 payments is 10 years.

Under most student loan programs you'd be finished, but in an income-based program it takes a little longer. This is really important that you pay attention to this. This is why people are getting rejected but this is the part that absolutely killed me when I read this.

The program, this forgiveness program was started in October 2007. Borrowers only became eligible after 10 years. That was October of last year. That's only 11 months, so no wonder a very, very small portion of the applicants are being approved. The bottom line when it comes down to this, this is not about student loans, this is about me wanting my three minutes back. I felt totally tricked when I read this article because it had nothing to do with the headline. Yeah, a lot of people aren't getting approved, a lot of people filled out the paperwork wrong but let's talk about this. This is a good program and if you just read the headline, you would probably start building a decision in your mind that government programs never work.

They never work. This is clickbait. What's happening? We're finding out in talking with some of our peers in the industry that when their articles get picked up by publications and we're not just talking about Forbes, this happens with all publications, whether they get picked up by a website, a TV channel, a publication, they're going to write their own headline based on what you wrote. They're going to write their own headline to get people to click. Very interesting lesson here that people are discovering that, hey, I'm writing these articles, they're really packed with good information, but they're becoming clickbait, so be super careful when you read this. If you live on the headlines, you're going to make some bad decisions and you're going to make some bad investment decisions. We're getting people who are calling us now worried about certain things, "Hey, is this going to impact the stock market? Is this going to impact my account? Is this going to impact my retirement?"

Because all they're doing is scanning the headlines. They're not reading the actual articles. If you've got questions about this kind of thing, definitely speak with your investment advisor or your financial planner. Be happy to speak with you if you've got questions and reach out to us.

Thanks for watching episode 108. Be careful out there. Talk to you again soon.