

## ***So You Want to Buy a Pony? A Case for Financial Literacy***<sup>1</sup>

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*Abstract: This case is about the financial considerations made in everyday life such as buying a car, house, or any large purchase on credit. This case is introductory and intended to start participants on the path of financial literacy. Many students have not had the opportunity to learn the basic principles for financial stability and success. Too many people learn these lessons the hard way; through bankruptcy, loss of property, avoidable poverty, and poor credit management. This case is best taught as an interrupted case with discussion, written work, or research required at the end of each section.*

### ***So You Want to Buy a Pony? A Case for Financial Literacy Part 1:***

Nancy and Jeff decide that they want to buy a new pony (slang for a car in some parts of Indian country and referenced in their favorite movie Pow Wow Highway). Nancy is 24 years old, just got her GED last year, and has two children with Jeff. The children are eight years old and six years old. Nancy and Jeff got married six months ago and live in a HUD (Housing and Urban Development) home on the reservation, which they bought three years ago. Their youngest child just started first grade in fall and Nancy got a job at the tribe as a clerk with the tribal council.

Jeff is 26 years old, and is attending community college and is getting ready to transfer into an on-line distance learning four year college. He is a B+ student and receives enough tribal and other grant funds to cover his college tuition and books. Jeff has worked for the tribal casino for five years and is now floor supervisor. He changes shifts every three months which is why the distance learning format is a good fit for Jeff. Even so, it takes much planning and a second car will ease some of the family transportation strain.

Nancy and Jeff own a 1999 4-WD Subaru sedan. It runs fine, but they really need a second car so Nancy can go to the store and transport the children to the medical clinic, soccer games, and other activities in other communities. Nancy works five minutes from her house and the boy's school. Jeff needs to commute 35 miles each way to the casino over hilly terrain (and snowy roads in the winter). The major grocery store is forty-five miles from their home each way.

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Jeff has his eye on a brand new red, full sized, extra cab, 4-wheel drive pick up. Nancy wants a newer blue (her favorite color) van of some kind. He sees hunting trips and she sees traveling to softball tournaments with family.

Nancy and Jeff decide to do some research before buying their car. Nancy's cousin went to the local dealership and bought a brand new car 6 months ago without doing any homework and it was just repossessed. They did not want that to happen to them.

### ***So You Want to Buy a Pony? A Case for Financial Literacy - Part 2***

One of the first things Nancy and Jeff thought about was their current financial situation. What could they afford? Where would the money come from? Did they really have enough to buy a car? And desire aside, what kind of vehicle do they really need and what is its main purpose?

Nancy and Jeff currently pay \$696.00 a month for their tribal housing authority managed HUD home on the reservation. When Nancy's new job income is figured in the mortgage payment, it will increase to \$999.00 each month which is the cap payment for any tribally managed HUD home on the reservation. They have never been late on a payment in the three years since they bought the house.

Nancy currently makes \$18,240.00 a year and is paid monthly. Prior to this time Nancy did not work. Jeff makes \$35,795.00 a year and is paid twice a month. He does not anticipate an increase anytime soon due to the depressed economy and the tribe's economic concerns. Because of his position he doesn't expect to be laid off, but does expect a few months of slightly reduced work hours because of an expected slower season at the casino.

Jeff bought the 1999 4-WD Subaru for \$3,996.00 four years ago from a local used car dealership. He was late on two payments over a one year period because of temporary layoffs. The car is now paid off. He also was late once over two years for the furniture they purchased from Bob's Rent-to-Own after they bought their house. The furniture was paid off six months ago.

Two years ago Nancy applied for a credit card and found she was only eligible for a secured credit card. Her credit card is secured for \$500.00 which she uses to buy groceries and other things for the kids and the house. Her balance is currently \$465.00 at 15.9% APR (annual percentage rate) and she generally makes minimum payments each month. The lowest balance she has had in the two years she has had the card is \$350.00. In order to help out with her grandmother's shopping her grandmother got a joint J.C. Penny card with Nancy four years ago with a credit limit of \$8,000.00 and 22% APR. She and her grandmother never missed a payment or were late and the balance has never been over \$4,000.00. They always paid more than the minimum on that account. Her grandmother died last year and the card has been solely in Nancy's name for the last year. The current balance is \$1,200.00. Jeff and Nancy also inherited \$6,000.00 from her

Grandmother when she passed away. They spent \$2,500.00 of it and have \$3,500.00 of it left in a savings account.

Jeff and Nancy wonder what financial information would make a difference in their ability to get a loan to purchase a new pony and how much they would need to put down.

***So You Want to Buy a Pony? A Case for Financial Literacy - Part 3***  
**The Rest of the Story**

After doing their research, Jeff and Nancy purchased a pony from a local dealership.