

HOW YOU PAY FOR COLLEGE **MATTERS**

TODAY'S PRESENTERS



Abigail Enright

Program Officer, Scholarships &
Financial Aid Education



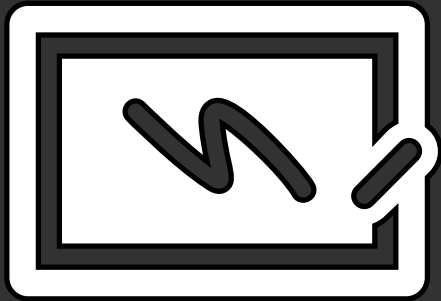
**Cricelia Calderon
Sandoval**

Program Officer, Scholarships
& Financial Aid Education



Maria Rebecchi

Director, Scholarships & Financial
Aid Education



PRE-ASSESSMENT

OBJECTIVES



By the end of this presentation, you will be able to:

- Define what are loans
- Distinguish between different types and qualities of loans
- Learn how to guide students on their personal borrowing limits
- Discover resources available to students who can't pay
- Find out what happens when students default on their loans
- Help students plan their individual safe borrowing

WHAT IS FINANCIAL AID?

Money is available to students in order to help pay for their education

Types of Financial Aid

- Scholarships
- Grants
- Loans
- Work-Study

Comes from a variety of sources

- Federal government
- State government
- Private sources
- Colleges and universities





STUDENT LOANS

Four-year students from class of 2018 have average \$29,200 in student debt, a record high



The U.S. has a record-breaking \$1.73 trillion in student debt—borrowers from these states owe the most on average

Published Thu, Sep 9 2021 1:03 PM EDT



Americans Have So Much Debt They're Taking It to The Grave



Half of student loan borrowers worry they'll be in debt forever, study finds

PUBLISHED WED, SEP 11 2019 8:32 AM EDT | UPDATED WED, SEP 11 2019 8:46 AM EDT



There seems to be no end to the rise in student loan debt



Students graduating in these states are drowning in loan debt

Samuel Stebbins, 24/7 Wall Street | Published 10:00 a.m. ET July 12, 2019 | Updated 6:56 a.m. ET July 20, 2019



CBS NEWS | April 30, 2019, 6:44 PM

Student loan debt crisis: How did we get here?

DID YOU KNOW...?



Rising costs of education and decreasing financial aid translate into student loans playing an increasingly important role in financing higher education



Higher education is an important investment, but it is accompanied with a **growing student debt burden**, approaching \$1.7 trillion. And it keeps growing!

DID YOU KNOW...?



Almost one in three borrowers that go into repayment are delinquent on student debt

Defaulting on a loan can have catastrophic consequences that may affect borrowers' *access to employment, ability to buy a car or a house, and even withhold wages and tax returns*

IMPORTANT QUESTIONS TO THINK ABOUT WHEN CONSIDERING BORROWING STUDENT LOANS



- If free aid (scholarships + grants) is not enough, how much is reasonable to borrow?
- How much do I have to **borrow** to graduate?
- How much **interest** will be added to my loans?
- What's the additional cost of not graduating on time?
- How easy it will be to find a job in my field?
- What will my entry-level wages be?
- What will my monthly student loan payment be?
- How much will I be able to afford in the end?



**UNFORTUNATELY, RESEARCH
SHOWS THAT MOST STUDENTS
DO NOT THINK ABOUT THESE
QUESTIONS**

WHAT CIRCUMSTANCES PUT STUDENTS AT RISK?



- Undeclared major
- Changing majors
- 5- or 6-year educational plan
- Academically not ready
- Working too much
- Not completing your program
- 'Buy Now, Pay Later' mentality

LOANS ARE FINANCIAL AID!

Subsidized

Unsubsidized

Parent Plus

Private

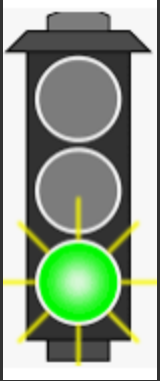
Loans come from the federal government, private and nonprofit organizations.

- Must be repaid
- Loan fees
- Interest rates
 - * Accrue interest
- Repayment options
- Some opportunities for deferment and forgiveness

TYPES OF FEDERAL STUDENT LOANS

| | Subsidized | Unsubsidized |
|---------------------|--|---|
| Who can borrow | Undergraduate students with financial need | Undergraduates; graduate students with no financial need |
| Interest | <p>Paid while enrolled in at least 6 credits or during grace periods</p> <p>3.73% (7/1/21 – 6/30/22)</p> | <p>Starts accruing with first disbursement</p> <p>3.73% (7/1/21 – 6/30/22)</p> |
| Fees | 1.057% | 1.057% |
| Repayment | 6 months after graduation or stopped being enrolled in at least 6 required credits | 6 months after graduation or stopped being enrolled in at least 6 required credits. |
| Length of borrowing | Lifetime maximum amount | Lifetime maximum amount |

TYPES OF FEDERAL STUDENT LOANS



LOANS

Good or better loans

Subsidized loans

- Need-based
- Government pays the interest while in school
- **FAFSA required**
- The interest rate on subsidized loans first disbursed to undergraduate students between July 1, 2022, and June 30, 2023, will be fixed at 4.99%
- Students have a 6-month grace period

TYPES OF FEDERAL STUDENT LOANS



LOANS

Be cautious: limit

Unsubsidized loans

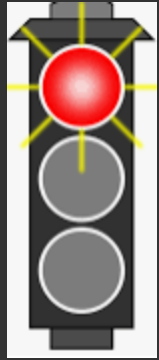
- NOT need-based
- Government does NOT pay interest, which means interest accrues immediately.
- **FAFSA required**
- The interest rate on unsubsidized loans first disbursed to undergraduate students between July 1, 2022, and June 30, 2023, will be fixed at 4.99%
- Students have a 6-month grace period

Be cautious: limit or avoid loans

Parent Plus loans

- NOT need-based
- Interest accrues immediately
- **FAFSA required**
- Biological or adoptive parent borrows for the student's education.
- Credit-based
- The interest rate on PLUS loans first disbursed between July 1, 2022, and June 30, 2023, will be fixed at 7.54%.
- Repayment begins when the loan is fully disbursed. The first payment is 60 days after the final disbursement.

TYPES OF FEDERAL STUDENT LOANS



LOANS

Be cautious: Avoid loans

Private loans

- Institutional
- Bank
- May have credit requirements
- May require cosigner
- High and/or variable interest rate
- Limited, if any, options for deferment or forbearance
- **FAFSA required:** all private bank loans must be certified by financial aid administrator.

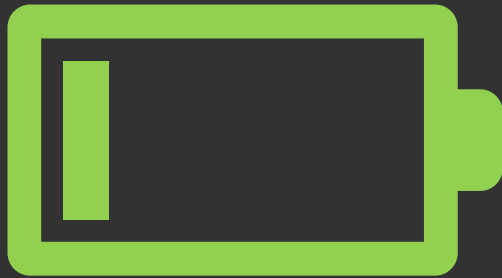
BORROWING LIMITS

The amount that you can borrow depends on several factors:

- Dependency Status
- Class standing
- Program
- Borrowing History
- Calculated EFC (Estimated Family Contribution)
- Unmet Need = COA - EFC



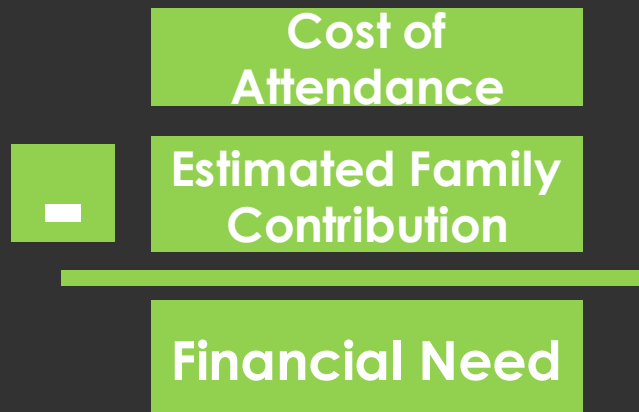
BORROWING LIMITS



| Loan Type | Freshman | Sophomore | Junior & Senior |
|--------------------------|----------|-----------|-----------------|
| Subsidized (DEP & INDEP) | \$3,500 | \$4,500 | \$5,500 |
| Unsubsidized (DEP) | \$2,000 | \$2,000 | \$2,000 |
| Unsubsidized (INDEP) | \$6,000 | \$6,000 | \$7,000 |


HOW MUCH CAN STUDENTS BORROW?

Let's look at a real-life example:



| | | |
|--------------------------|----------|---|
| Cost of attendance | \$16,000 | Tuition, books, housing, food, transportation |
| EFC | \$ 1,000 | Estimated Family Contribution |
| Financial Need | \$15,000 | Difference between cost for one year and family's |
| Pell Grant | \$ 5,300 | Free money |
| Washington College Grant | \$ 6,600 | Free money |
| Work-Study | \$ 1,500 | Has to be earned |
| Loans | \$ 1,600 | Has to be repaid |

MINIMIZE LOAN BURDEN

- 
- Never borrow more than you need
 - Budget carefully: the cost of attendance can be reduced
 - Consider working more during the summer months or the school year, but do not over commit
 - Work vs. Loans
 - How much work is too much? How much loans are too much?
 - More than 15 hours per week is not recommended for full-time students
 - Private loans and credit card debt are the most expensive, risky ways to borrow for college!

HOW TO CALCULATE HOW MUCH A STUDENT CAN AFFORD?

- Know in advance when they will enter repayment
- Consider future career, likely income, and monthly repayment amount
- Consider the impact on post-college finances, including purchasing a car or a home, starting a family, career choices and saving for retirement
- Know about temporary reducing or eliminating monthly repayment amounts:
 - Income-based repayment available for federal loans
 - Forgiveness for public service and other careers (uncertain about the future of forgiveness)

Tool: The student loan repayment calculator at:

<https://mappingyourfuture.org/paying/standardcalculator.cfm>

WHAT IF THE STUDENT CAN'T PAY?



Deferment

- A period during which payments are not required
- Deferment requests are granted for periods of up to 3 years
- Examples include graduate school, Peace Corps, or other public service, active military duty, unemployment, and economic hardship

Forbearance

- If borrower does not qualify for deferment but still needs relief, can appeal to lender or servicer for forbearance
- Can reduce or postpone payments or extend the time for making payments
- Forbearance requests typically are granted for periods of up to 12 months

WHAT IF THE STUDENT DOESN'T PAY?

- **Student loans must be repaid whether or not the student finishes his/her program of study**
- **Student loans are rarely dischargeable in bankruptcy**
- **Default happens after 9 months of non-payment**
 - Default ruins credit score
 - Wages and even Social Security may be garnished
 - Tax refunds may be seized
 - Eligibility for other aid programs may be lost
 - Academic transcripts may be withheld
 - Federal government can file a lawsuit against the defaulter
 - Eligibility for certain state and federal jobs may be denied; professional licenses lost
- **Communication with loan holder is key and may prevent default through alternative repayment arrangements**

BORROWING PLANNING

These are good tools for your students to practice looking at careers and future earnings to get a sense of how much to borrow:

1. Look up jobs and their earnings:

<http://www.bls.gov/ooh/a-z-index.htm>

2. Calculate how much you plan to borrow:

<http://mappingyourfuture.org/paying/debtwizard/>

3. Calculate your monthly payment:

<https://studentaid.gov/loan-simulator/>

4. Look at specific school information:

<https://collegescorecard.ed.gov/>



Western Washington University

Bellingham, WA
15,098 undergraduate students
www.wvu.edu



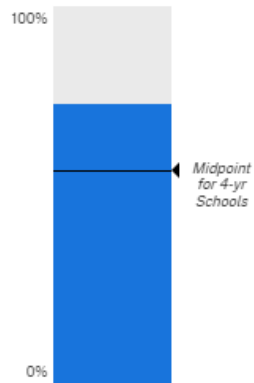
Midpoint for 4-yr Schools

Midpoint for All Schools

Graduation Rate

74%

Midpoint for 4-yr Schools: 56%



Average Annual Cost

\$16,529

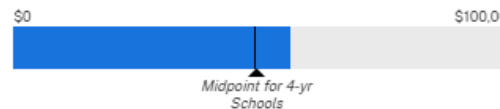
Midpoint for 4-yr Schools: \$19,202



Median Earnings


\$54,976

Midpoint for 4-yr Schools: \$47,976



LOOK AT SPECIFIC SCHOOL INFORMATION:

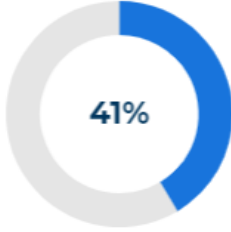
LOOK AT SPECIFIC SCHOOL INFORMATION

-  Fields of Study
▼
- Costs
▼
- Graduation & Retention
▼
- Financial Aid & Debt
▼
- Typical Earnings
▼
- Student Body
▼
- Test Scores & Acceptance
▼

Financial Aid & Debt ^

Federal Student Loans ▼

Students Receiving Federal Loans ◦



41%

At some schools where few students borrow federal loans, the typical undergraduate may leave school with \$0 in debt.

Median Total Debt After Graduation ◦

The typical total debt for undergraduate borrowers who complete college.

\$18,993

Typical Monthly Loan Payment ◦

\$190

This is based on a standard 10-year payment plan, other [payment options](#) are available, like income-driven repayment. An [income-driven repayment](#) plan sets your monthly student loan payment at an amount that is intended to be affordable based on your income and family size.

CALCULATE YOUR LOAN REPAYMENT

Principal Amount of Loan

Number of Monthly Payments


Simple Interest Rate

Your Monthly Payment Will Be

Your Total Interest Cost Will Be

Minimum annual salary to handle these payments:

| | |
|---------------------|----------------|
| After taxes salary: | \$2,850 |
| Rent | \$1,200 |
| Utilities | \$250 |
| Food | \$300 |
| Transportation | \$400 |
| Health | \$200 |
| Entertainment | \$100 |
| Loans | \$400 |

 Nothing left for emergencies, savings, cost increases.

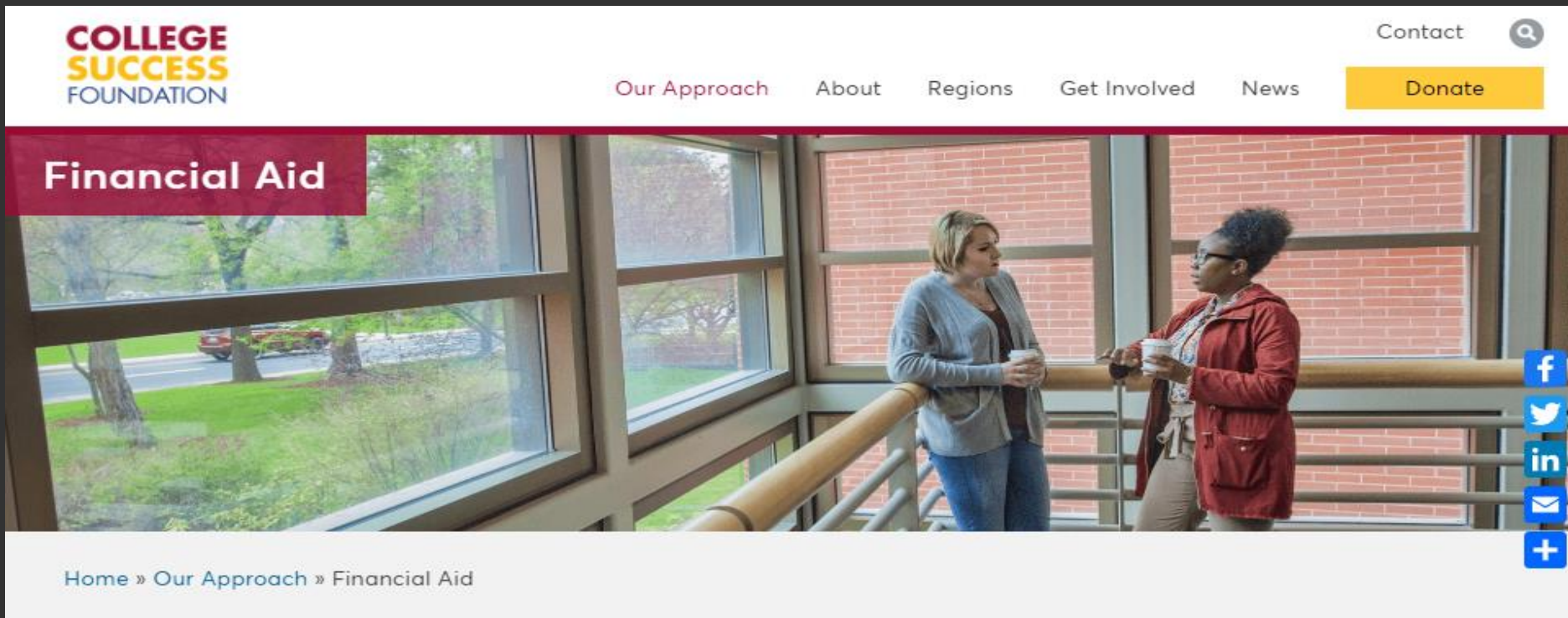


The Summer 2021 NACE Salary Survey report shows that the average starting pay for Class of 2020 graduates was 2.5 percent above the average starting salary of **\$53,889** for the Class of 2019 and up 8.5 percent from the Class of 2018's final average starting salary of \$50,944. Sep 14, 2021

<https://www.shrm.org/hr-topics/compensation/pages>



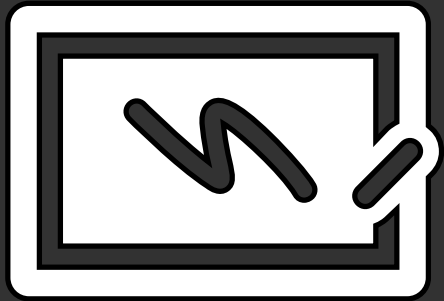
DON'T FORGET! FINANCIAL AID HUB



We have tons of resources in our financial aid hub:

1. Recorded presentations
2. Powerpoints
3. Guides of FAFSA and WASFA (English & Spanish)
4. Handouts:
 - ✓ Required documents
 - ✓ Special circumstance appeals
 - ✓ Tax and financial information

<https://www.collegesuccessfoundation.org/our-approach/financial-aid/>



POST-ASSESSMENT

QUESTIONS? COMMENTS? **HELP?**

1. Types of aid
2. Accessing aid
3. Cost calculation
4. Awarding Aid
5. **Q&A**



scholarshipservices@collegesuccessfoundation.org