Agenda

- Introductions
- A few considerations before you take out a loan
- Overview of student loans
  - Types, amounts, eligibility, application, disbursement
- How much can you afford to borrow?
- Repayment & Forgiveness
- Q & A
Student Debt May Damage Grads' Lives More Than We Realize, Gallup Finds

Debt in America: It's Worse Than You Thought

By Alexander Scarlis on 08/05/2014 @ 05:15 PM

College Student Debt Grows.

THE COLLEGE DEBT CRISIS - SPECIAL REPORT

The Debt That Won't Go Away

Student Debt Hurts More Than Your Wallet

Poll: Student loan debt cripples graduate happiness

College Loans Are a Burden Long After Graduation, Poll Finds

Students Borrowing More Than $25,000 Score Worse Than Debt-Free Counterparts on Quality-of-Life Measures Decades Later

Student loan debt linked to less health and wealth later in life, poll finds

What We Mean When We Say Student Debt Is Bad
A few considerations

- **College graduates** have lower unemployment rates, show better health, and enjoy wages roughly double those of high school graduates.

- **Rising cost** of higher education and shrinking financial aid support, 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 trillion. And it keeps growing!

- **Average borrower** has about $27k in Federal debt (4-year graduate); $300 per month/120 months (10 years)

- 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, other types of credit, and even withhold wages and tax returns.
Have you thought about…?

...how much you will have to **borrow** to graduate?
...how much **interest** your loans will accrue?
...the additional **cost** of not graduating on time?
...how easy it will be to find a **job** in your field?
...what your entry-level **wages** will be?
...what your monthly student loan **payment** will be?
...will you be able to **afford** it in the end?
Unfortunately, research shows that most students do not think about these key questions.
What circumstances put you at risk?

- Undeclared major
- Changing majors
- 5 or 6-year educational plan
- Academically not ready
- Working too much
- Not completing your program
Keep track of your progress and required courses!

### Associate of Arts DTA (2200)
Catalog Year 2001 - 2013

<table>
<thead>
<tr>
<th>College composition (10 credits)</th>
<th>Credits required: 9.5</th>
<th>Credits applied: 0</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENGL 101, ENGL 102.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composition I (5 credits)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Course Options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Composition II (Research paper - 5 credits)</td>
<td>Credits required: 4.5</td>
<td>Credits applied: 0</td>
</tr>
<tr>
<td>Course Options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantitative Reasoning (5 credits)</td>
<td>Credits required: 4.5</td>
<td>Credits applied: 0</td>
</tr>
<tr>
<td>The Natural World (NW) 15 credits</td>
<td>Credits required: 15</td>
<td>Credits applied: 0</td>
</tr>
<tr>
<td>Individual, Cultures &amp; Societies (IC&amp;S) 15 credits</td>
<td>Credits required: 14.5</td>
<td>Credits applied: 0</td>
</tr>
</tbody>
</table>

Step #1: Meet with an academic advisor!
Loans are financial aid

- **Source**: Federal government
- **Features**:
  - Not guaranteed funding; you have to qualify.
  - Must be **repaid**
  - Loan fees
  - Fixed interest rates
    - Accrue interest
  - Repayment options
  - Some opportunities for deferment, forbearance, forgiveness, and cancellation
## Types of Federal Student Loans

<table>
<thead>
<tr>
<th></th>
<th>Subsidized</th>
<th>Unsubsidized</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For who?</strong></td>
<td>Undergraduate students with financial need.</td>
<td>Undergraduates; students with bachelor degrees; graduate students with no financial need.</td>
</tr>
<tr>
<td><strong>Interest</strong></td>
<td>Paid while enrolled in at least 6 credits or during grace periods.</td>
<td>Starts accruing with first disbursement.</td>
</tr>
<tr>
<td></td>
<td>4.29% (7/1/15 – 6/30/16)</td>
<td>4.29% (7/1/15 – 6/30/16)</td>
</tr>
<tr>
<td><strong>Fees</strong></td>
<td>1.073</td>
<td>1.073</td>
</tr>
<tr>
<td><strong>Repayment</strong></td>
<td>6 months after graduation or stopped being enrolled in at least 6 required credits.</td>
<td>6 months after graduation or stopped being enrolled in at least 6 required credits.</td>
</tr>
<tr>
<td><strong>Length of borrowing</strong></td>
<td>Up to 150% of program length. If exceed, lose subsidy.</td>
<td>Lifetime maximum amount</td>
</tr>
</tbody>
</table>
Borrowing limits

The amount that you can borrow depends upon several factors:

- Dependency Status
- Class Standing
- Program
- Borrowing History
- Calculated EFC (Estimated Family Contribution)
- Unmet need:

\[
\text{Cost of Attendance} - \text{EFC} = \text{FINANCIAL AID NEED}
\]
# How much can you get?

Let’s take an example:

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Attendance (COA)</td>
<td>$16,090</td>
<td>Tuition, books, housing, transportation</td>
</tr>
<tr>
<td>EFC</td>
<td>$1,000</td>
<td>Estimated Family Contribution</td>
</tr>
<tr>
<td>Financial Need</td>
<td>$15,090</td>
<td>Difference between cost for one year and family’s contribution</td>
</tr>
</tbody>
</table>

Financial aid award example:

<table>
<thead>
<tr>
<th>Aid Type</th>
<th>Amount</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pell Grant</td>
<td>$4,780</td>
<td>Free Money</td>
</tr>
<tr>
<td>State Need Grant</td>
<td>$3,696</td>
<td>Free Money</td>
</tr>
<tr>
<td>Work-study</td>
<td>$3,000</td>
<td>Has to be earn</td>
</tr>
<tr>
<td>Loans</td>
<td>$3,316</td>
<td>Money that has to be repaid</td>
</tr>
</tbody>
</table>
How is the money distributed?

It is divided in equal amounts* each quarter. Tuition gets paid first, if anything remains, then it’s disbursed to the student through Higher One card.

<table>
<thead>
<tr>
<th></th>
<th>Fall</th>
<th>Winter</th>
<th>Spring</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Aid</td>
<td>$3600</td>
<td>$3600</td>
<td>$3600</td>
</tr>
<tr>
<td>Tuition</td>
<td>$1400</td>
<td>$1400</td>
<td>$1400</td>
</tr>
<tr>
<td>Refund</td>
<td>$2200</td>
<td>$2200</td>
<td>$2200</td>
</tr>
</tbody>
</table>

*assuming student is enrolled fulltime each quarter.
Loan limits

<table>
<thead>
<tr>
<th></th>
<th>Undergraduate students</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dependent(^1)</td>
<td>Independent(^2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1st-year</td>
<td>$5,500 ($3,500)(^3)</td>
<td>$9,500 ($3,500)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd-year</td>
<td>$6,500 ($4,500)</td>
<td>$10,500 ($4,500)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3rd- and 4th-year</td>
<td>$7,500 ($5,500)</td>
<td>$12,500 ($5,500)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aggregate</td>
<td>$31,000 ($23,000)</td>
<td>$57,500 ($23,000)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\)Except those whose parents are unable to borrow a PLUS loan.  
\(^2\)These limits also apply to dependent students whose parents are unable to borrow a PLUS loan.  
\(^3\)The numbers in parentheses represent the maximum amount that may be subsidized.

Please note: these are the maximum amounts available each academic year. The amount you actually receive may be less.

BAS program only
Eligibility

- Be a U.S. citizen or eligible non-citizen.
- Have a high school diploma or GED.
- Enroll or be accepted at South Seattle College.
- Submit a financial aid application and demonstrate financial need as determined by federal, state, and institutional policies.
- Enroll in an eligible program of study and take eligible courses.
- Meet Selective Service requirements, if applicable.
- Not be in default on any federal student loan or owe a federal grant repayment.
- Not be convicted for possession or sale of illegal drugs while receiving federal aid.
- Make satisfactory academic progress:
  - Maintain a cumulative 2.0 or higher Grade Point Average (GPA) for SSC classes each quarter;
  - Successfully complete at least 67% of attempted credits*; and,
  - Demonstrate progress toward finishing your declared degree or certificate within a 150% maximum time frame.

*special conditions apply
Application

• Submit:
  — Any **other paperwork** required to complete your financial aid application, if applicable.

• Complete:
  — **Master Promissory Note** (MPN) at [www.studentloans.gov](http://www.studentloans.gov) agreeing to the terms of the loan. You will use your FAFSA PIN# to sign in. Make sure your first and last names match your FAFSA.
  — **Entrance Counseling**, a tool to ensure you understand your obligation to repay the loan at [www.studentloans.gov](http://www.studentloans.gov)
  — A **profile** at SALT Money, an online tool to help you take control of your finances, manage and monitor your student loans at [https://www.saltmoney.org/index.html](https://www.saltmoney.org/index.html)

• **Attend financial literacy workshop** prior to receiving your funds.
Authentication is via the user’s FSA PIN. Visit www.pin.ed.gov to obtain a PIN or select additional PIN associated tasks.
Counseling landing page provides students with information on selecting the type of counseling they wish to complete.
Entrance, Exit, and Financial Awareness Counseling pull data from NSLDS including the school(s) associated with a borrower completing Exit Counseling.
Conditions to retain eligibility

- Be enrolled in at least **6 REQUIRED** credits each quarter;
- Complete your program of study in a timely fashion (no more than **150%** of the published program length)
  - If your program is 2 years long, you can only borrow for 3 years. If you go beyond 3 years, your subsidy goes away.
  - If your program is 4 years long, you can only borrow for 6 years. If you go beyond 6 years, your subsidy goes away.

**IMPORTANT TO KNOW:** IT DOESN'T MATTER IF YOU ONLY RECEIVED LOANS FOR A FRACTION OF THE TIME. YOU ARE STILL EXPECTED TO COMPLETE YOUR PROGRAM WITHIN THAT TIMEFRAME.

- You could still borrow from the Direct Unsubsidized loan if you have eligibility left.
- Maintain a **cumulative 2.0** or higher GPA for **required courses** taken at South Seattle College.
- Successfully complete **67%** of attempted credits each quarter.*
First-time borrowers

Applies only to first-time borrowers as of July 1, 2013: Student who has no outstanding balance on a FFEL or Direct Loan when receiving a Direct Loan on or after July 1, 2013.

Example A:

Student has never borrowed before
Student enrolls in August 2014
Student receives a Direct Loan
Student is a first-time borrower

Example B:

Student received FFEL and Direct Loans prior to July 1, 2013
Student pays off all FFEL and Direct Loans in 2014
Student enrolls in 2015
Student is a first-time borrower
Plus, First-time borrowers should know:

If you are borrowing for the first time, your first quarter award has a 30-day waiting period.

Therefore, you will need to make payment arrangements until your funds come in.
One-quarter awards:

If you are borrowing for one quarter only, your funds will be disbursed in 2 installments.

Therefore, you will need to make payment arrangements until your funds come in.
Disbursement

- Attend loan orientation.
- Loan will be disbursed in **three equal installments** (generally, one in fall, one in winter, and one in spring).
- Your loan funds must first be used to **pay for any balance** owed to South, such as tuition and fees. If loan funds remain, you will receive these funds in your HigherOne account.
- Loans that cover one term will be disbursed in **two equal amounts**. In this case, you will receive your second check shortly after mid-term.
- Your student loan will **not** disburse until **you are attending** 6 required credit hours. If you are enrolled in late starting classes, your disbursement may be delayed.
Minimize Loan Burden

- Never borrow more than you need.
- Budget carefully: the cost of attendance can be reduced.
- Consider working more during summer months or school year, but do not over-commit.
- Work vs. loans
  - How much work is too much? How much loan is 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 much can you afford?

- Know in advance when you will enter repayment.
- Consider likely future career, income, and monthly repayment amount.
- Consider impact on post-college finances, including purchasing a car or a home, starting a family, career choice, 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
- Take-away: The student loan repayment calculator at http://mappingyourfuture.org/paying/standardcalculator.htm
Sample repayment scenario:

In this case, this student borrowed $27,000 and plans to pay it back under a standard repayment plan of 10 years.

<table>
<thead>
<tr>
<th>Number of Monthly Payments</th>
<th>120</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple Interest Rate</td>
<td>3.44</td>
</tr>
<tr>
<td>Principal Amount of Loan</td>
<td>$27000</td>
</tr>
<tr>
<td>Your Monthly Payment Will Be</td>
<td>$266.23</td>
</tr>
<tr>
<td>Your Total Interest Cost Will Be</td>
<td>$4948.03</td>
</tr>
</tbody>
</table>

Minimum annual salary to handle these payments: $39935.00

Roughly $20/hr.
Repayment options

- **Standard**: lowest cost, 10-year repayment term.
- **Graduated**: Smaller monthly payments that increase over time; 10-year repayment term.
- **Extended**: Must owe at least $30,000 to qualify; 25-year repayment term.
- **Income-based**: Reduces your monthly payment, based on AGI, but must have a partial financial hardship; 10-year repayment term.
- **Income-sensitive**: Monthly payment varies according to AGI; includes at least accruing interest.
- **Pay As You Earn**: Keeps your monthly payments affordable, and usually has the lowest monthly payment amount of the repayment plans that are based on your income.
- **Income-contingent**: Reduces your monthly payment if you don’t qualify for IBR or Pay as you Earn. Only direct loans qualify; based on AGI; 25-year repayment term.
- **Consolidation**: Combines multiple loans into one convenient payment; locks fixed interest rate; 25-year repayment term.
Forgiveness

- **Public Service Loan Forgiveness**
  - Forgives remaining federal student loan debt after 10 years of qualifying payment and eligible employment.
  - You must be a FT employee for 10 years before you can apply AND you must be employed in a qualifying employer at the time of application (it doesn’t have to be the same employer).
  - Loans must be through federal Direct Loan program
  - ONLY three repayment plans qualify:
    - Standard
    - Income-based
    - Pay As You Earn
    - Income-Contingent
  - Eligible employers/organizations include:
    - Non-profit, tax-exempt 501(c)(3)
    - Federal, state, local, or tribal governments, including military and public schools and colleges
    - AmeriCorps (full time)
  - Employment/payments made after October 1, 2007 count toward 10-year requirement

- **Nursing Education Loan Repayment Program**

- **Teacher Loan Forgiveness**
  - Teach full-time in a low-income elementary or secondary school or educational service agency for five consecutive years; you can have as much as $17,000 of your loans forgiven if you are a first time borrower.
What if you can’t pay?

- **Deferment**
  - 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 you don’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 nine 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 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.
  - Contact the Ombudsman to resolve your situation: [http://studentaid.ed.gov/repay-loans/disputes](http://studentaid.ed.gov/repay-loans/disputes)
Homework

- Research your expected salary in your future career, make a sustainable and affordable plan, and borrow responsibly. Use the “Responsible Borrowing” worksheet at http://www.southseattle.edu/financial-aid/forms.aspx
- Research job availability in your selected field.
- Consider all other types of financial aid available before borrowing.
- Educate yourself on the many loan options available before borrowing.

Remember: inconsistent or untimely repayment can affect your future!
Additional Resources – StudentAid.gov
Resources and tools

- https://www.nsldsfa.ed.gov/nslds_FAP/  ➡ Keep track of your loans!
- www.studentloans.gov
- www.federalstudentaid.ed.gov
- www.salt.org
- www.mymoney.gov
- www.jumpstart.org
- www.collegefinancecenter.org
- www.youcandealwithit.com
- www.nefe.org (National Endowment for Financial Education)  ➡ Plan your spending