THE Scholarship Foundation OF ST. LOUIS

I've Borrowed. Now what?

Reflecting on Year 1 Borrowing

- Did you borrow too little?
  - Were you short funds for a semester or the year?
  - Did you owe a balance?
- Did you borrow too much?
  - Did you borrow everything the school offered?
  - Did you get a refund check?
- Did you borrow “just right”?

Clarifications & Reminders

- You are not required to borrow everything the school offers you. Rejecting and turning down loans is your right.
- You can accept partial amounts of any loans offered to you; accepting the full amount is not required.
- Once you receive a refund check, you still have the right to return that funding to the school.

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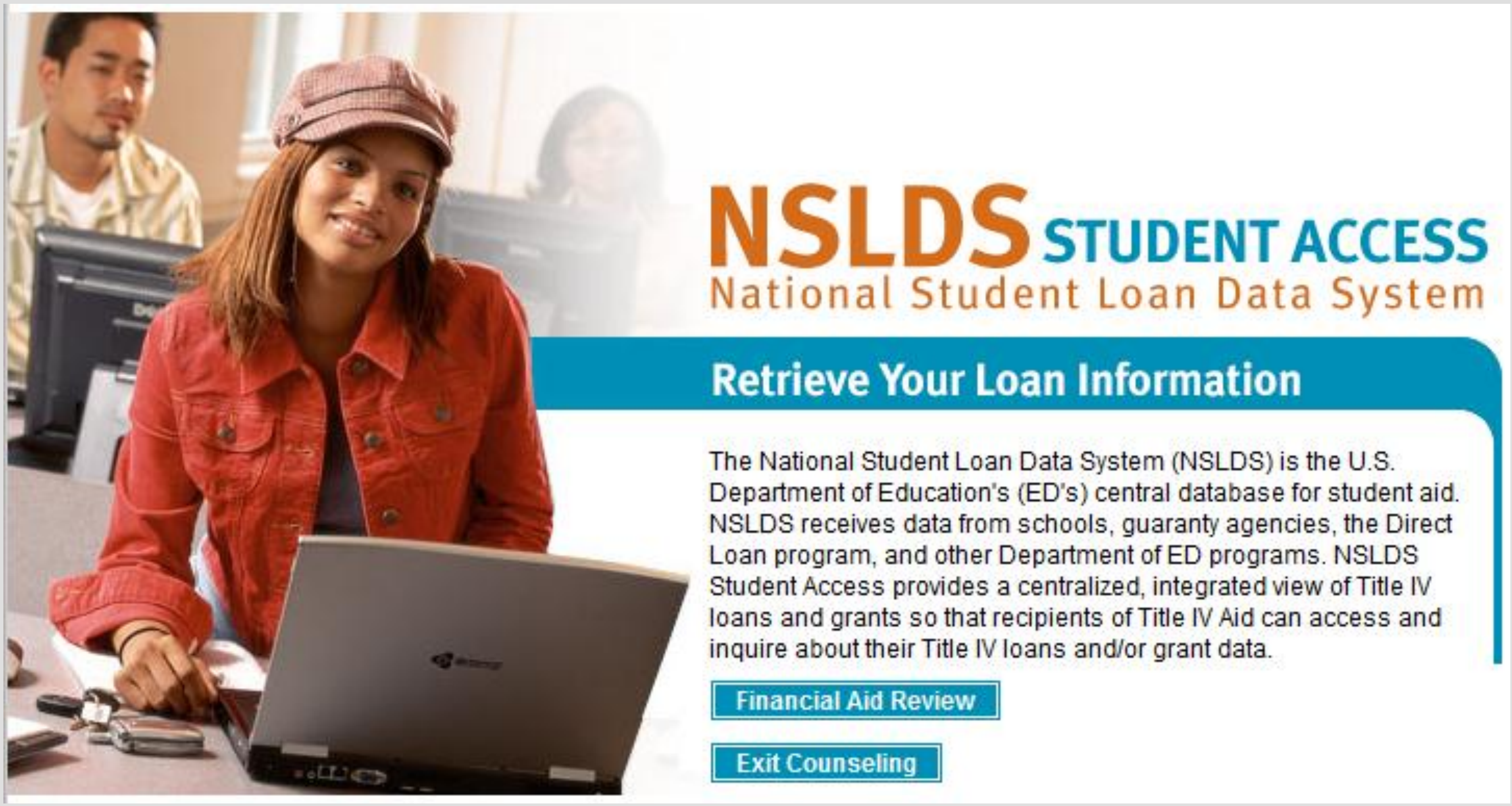
Things to Consider

- Keep track of your borrowing; annually and cumulative!
- Knowledge is power—research your salary and earning potential.
- Understand terms and conditions of all loans, repayment options, and consequences if loans are not paid.
- Be prompt. Open everything sent by a lender (mail and e-mail) and respond in a timely fashion.

Keeping Track:
National Student Loan Database System
www.nslds.ed.gov



Keeping Track: National Student Loan Database System

- Types of loans borrowed
- Loan amounts
- Disbursement date
- Canceled amounts
- Outstanding principal
- Outstanding interest
- Total of all federal loans in borrower's (i.e., student) name

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Activity

1. Review page 5 of your Student Aid Report (SAR).
2. Complete handout, filling out how much you borrowed in Federal Direct Subsidized, Federal Direct Unsubsidized, Perkins, Scholarship Foundation, etc.
3. Do the math!

Loan Maximums for Undergrads

Type of Loan	Annual Maximum	Lifetime Maximum (Undergraduate)	Interest Rate
Subsidized Stafford	\$3,500 (Year 1) \$4,500 (Year 2) \$5,500 (Year 3+)	\$23,000	6.8%
Unsubsidized Stafford	\$2,000 (Dependent) \$6,000-\$7,000 (Independent)	\$31,000 (Dependent) \$57,000 (Independent)	6.8%
Perkins	\$5,500	\$27,500	5%
Scholarship Foundation	\$9,000	\$40,000	0%

Knowledge is Power

1. What do people in that career actually do?
2. What knowledge, skills, and abilities are required?
3. What level of education is needed?
4. What is the average annual salary?
5. What is the expected demand for this career in the future?

- Occupational Outlook Handbook http://www.bls.gov/ooh/
- Department of Labor (My Next Move) http://www.mynextmove.org/

www.studentaid.ed.gov/prepare-for-college/careers/search

Understand Terms & Conditions

- What is a grace period? How much grace period do your loans offer?
- Is the interest rate fixed or variable? What does that mean?
- What happens if you drop below part-time (less than 6 credit hours) or withdraw from school?

Repayment Options

Repayment Plan	Monthly Payment and Time Frame	Important Information for Comparison
Standard Repayment Plan	• Payments are fixed; minimum of $50 per month. • Repayment time frame is up to 10 years.	Borrowers pay ***less interest*** under this plan than others.
Graduated Repayment Plan	• Payments are lower at first, but then increase, typically every two years. • Repayment time frame is up to 10 years.	Borrowers pay ***more in interest*** under this plan than the Standard Repayment Plan.
Extended Repayment Plan	• Payments may be fixed or graduated. • Repayment time frame is 12-25 years.	Borrowers will have a ***lower monthly payment*** than under the Standard Repayment Plan. You must have more than $30,000 in outstanding debt to qualify. Borrowers pay ***more in interest*** under this plan than the Standard Repayment Plan.

Repayment Options Cont'd.

Repayment Plan	Monthly Payment and Time Frame	Important Information for Comparison
Income-Based Repayment Plan (IBR)	• Payments will be 15% of discretionary income. • Repayment time frame is up to 25 years.	Borrowers must have a ***partial financial hardship*** to qualify. Borrowers will have a ***lower monthly payment*** than under the Standard Repayment Plan. Borrowers pay ***more in interest*** than under the Standard Repayment Plan. Borrowers who have not repaid the loan in full after making the equivalent of 25 years of qualifying monthly payments and 25 years have passed, any outstanding balance may be canceled.

Repayment Options Cont'd.

Repayment Plan	Monthly Payment and Time Frame	Important Information for Comparison
Income-Contingent Repayment Plan (ICR)	• Payments are calculated each year and are based on annual income, family size, and the total amount of your Direct Loans. • Repayment time frame is up to 25 years.	Borrowers will have a ***lower monthly payment*** than under the Standard Repayment Plan. Borrowers pay ***more in interest*** than under the Standard Repayment Plan. Borrowers who have repaid their loan after 25 years under this plan will have the ***unpaid portion forgiven***. Borrowers ***may have to pay income tax on the amount that is forgiven***.
Income-Sensitive Repayment Plan	• Payments are based on annual income; payments change as your income changes. • Repayment time frame is up to 10 years.	Borrowers will have a ***lower monthly payment*** than under the Standard Repayment Plan. Borrowers pay ***more in interest*** under this plan than the Standard Repayment Plan.

What is "Default"?

- Default is failure to make your payments on your student loan as scheduled according to the terms of your promissory note. The promissory note is the binding legal document you signed at the time you took out your loan.
- A loan becomes delinquent the first day after you miss a payment. Delinquency continues until all payments are made to bring your loan current. After 90 days, loan servicers report delinquencies to the three major credit bureaus. A negative credit rating makes it difficult to borrow money to buy a car or a house. You will be charged higher interest rates. You may also struggle to sign up for utilities; get homeowner's insurance; obtain a cell phone plan; or get approval to rent an apartment.

http://studentaid.ed.gov/repay-loans/default

Reminder: Consequences of Default

- National credit bureaus can be notified of your default, which will harm your credit rating, making it hard to buy a car or a house.
- You will be ineligible for additional federal student aid if you decided to return to school.
- Loan payments can be deducted (garnished) from your paychecks.
- State and federal income tax refunds can be withheld and applied toward the amount you owe.
- You will have to pay late fees and collection costs on top of what you already owe.
- You can be sued.
- Some employers do a credit check. You might miss an internship or even an employment opportunity.

How do I reduce my debt?

- Reminder: Many schools offer institutional scholarships for continuing students.
  - Do you know the deadline(s)?
  - Are you applying?
- Check out www.stlouisgraduates.org
- Apply for Scholarship Foundation—we aim to help students replace unsubsidized Stafford loans!
- Work a part-time job; work study or otherwise!
- Take summer classes at the community college. This will help you stay on track to graduate on time and the classes are less expensive.

Suggestions for Graduate Funding: How to Minimize Debt

- Do your research and be open-minded. ***Consider all of your options for a graduate program.***
- Just as when you applied to undergrad, ***apply to a range of schools.***
- Look for ***assistantships and fellowships***. These are great ways to have partial tuition covered, receive a stipend, and/or have health benefits paid for.
- Research ***graduate scholarships***; they are extremely competitive, but there are opportunities out there for graduate students.
- If at all possible, ***live at home*** or ***share housing with roommates***! This will help reduce costs.
- ***Only borrow what you absolutely need***. Many graduate students live off of student loans; remember, you are paying interest for years on things like rent, groceries, and other expenses. Be frugal.

Questions & Concerns

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