Agenda

- Real world examples
- Basic budget realities
- Borrowing Wisely
- Repayment
Federal Perkins Loan

- Total borrowed $2,750 in 1996-97
- Graduated almost 15 years ago
- Defaulted right away
- Payments:
  - $2,485 in interest
  - $747 in principal
  - $122 in late fees
  - $873 in collection fees
  - $4,227 TOTAL Payments to date
- STILL OWES $2,941
New Teacher

- Student graduated from SUNY Potsdam and got a teaching position at a local school
- Debt exceeded $70,000
- Starting salary $36,000
Basic Budgeting Realities

- Starting salary of $35,000 nets $25,350 per year or $2,112.50 per month
- Quicken.com cost of living budget, residing in Potsdam on this salary:
  - 30% ($634) Housing
  - 10% ($211) Utilities and other housing expenditures (including renters insurance)
  - 15% ($317) Food (at home and away)
  - 10% ($211) Transportation (including car loan)
  - 10% ($211) Debt repayment (student loans and credit cards)
  - 10% ($211) Saving
  - 5% ($106) Clothing
  - 5% ($106) Entertainment
  - 5% ($106) Car insurance and miscellaneous personal expenses
HOW MUCH TO BORROW
Some Tools Available

- SUNY Smart Track
- Award letter
- BearPAWS
- Financial Aid Office
Average Federal Student Loan Debt for SUNY Potsdam Undergraduate Student:

$20,033
What is the typical amount borrowed for a student’s undergraduate study?

Families typically borrow $20,033 in Federal loans for a student’s undergraduate study. The Federal loan payment over 10 years for this amount is approximately $230.54 per month. Your borrowing may be different.

To learn about loan repayment options, go to:
http://studentaid.ed.gov/repay-loans/understand/plans
BORROW WISELY

- Loan type for undergraduate students
  - Federal Direct Subsidized & Unsubsidized Undergraduate Stafford Loan—4.66% w/ 8.25% cap
  - Federal Direct Unsubsidized Graduate Stafford Loan—6.21% w/ 9.5% cap
  - Federal Direct Parent Loan for Undergraduate Students (PLUS)—7.21% w/ 10.5% cap
  - Federal Perkins Loan—5%
  - Alternative/Private Loan—interest rates vary by lender, some greater than 18%
The student IS the Borrower on all student loans

Actively take steps to save on expenses in college

Limit what you need to borrow—Needs vs. Wants

Students are required to do their OWN Master Promissory Notes and Entrance

Be informed—borrow at the best rates and terms available
### Capitalization of Interest Example

<table>
<thead>
<tr>
<th></th>
<th>If you pay the interest as it is charged ...</th>
<th>If you do not pay the interest as it is charged ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount</td>
<td>$15,000</td>
<td>$15,000</td>
</tr>
<tr>
<td>Capitalized Interest for 12 months (at the maximum rate of 7.9%)</td>
<td>$0</td>
<td>$1,185</td>
</tr>
<tr>
<td>Principal to be Repaid</td>
<td>$15,000</td>
<td>$16,185</td>
</tr>
<tr>
<td>Monthly Payment (Standard Repayment Plan)</td>
<td>$181</td>
<td>$196</td>
</tr>
<tr>
<td>Number of Payments</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td>Total Amount Repaid</td>
<td>$21,744</td>
<td>$23,462</td>
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</tbody>
</table>
KEEP THOROUGH RECORDS

- Loan amount
- Loan type
- Interest rate
- Date/year of loan
- Copies of communication
- Document phone conversations
  - Person’s name
  - Date
  - Time
FEDERAL DIRECT LOAN REPAYMENT OPTIONS

- studentaid.ed.gov/repay-loans
- Standard
- Graduated
- Extended
- Income-Based
- Pay-As-You-Earn
- Income-Contingent
- Income-Sensitive
# Repayment Options on $30,500 Total Debt

<table>
<thead>
<tr>
<th>Monthly Repayment</th>
<th>Standard Repayment</th>
<th>Graduated Repayment</th>
<th>Extended Fixed Repayment</th>
<th>Extended Graduated Repayment</th>
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</thead>
<tbody>
<tr>
<td>Months of Repayment</td>
<td>120</td>
<td>120</td>
<td>300</td>
<td>300</td>
</tr>
<tr>
<td>Monthly Repayment</td>
<td>$306</td>
<td>$171</td>
<td>$158</td>
<td>$98</td>
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<tr>
<td></td>
<td>Monthly payments increase over time</td>
<td>Monthly payments increase over time</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Interest Repayment</td>
<td>$6312</td>
<td>$7871</td>
<td>$17,092</td>
<td>$21,531</td>
</tr>
<tr>
<td>Total Repayment</td>
<td>$36,812</td>
<td>$38,371</td>
<td>$47,592</td>
<td>$52,031</td>
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</tbody>
</table>
OTHER IMPORTANT TERMS

- Consolidation
- Deferment
- Forbearance
- Forgiveness
- DEFAULT
CONSOLIDATION

- One new loan out of multiple federal student loans of various types
- New interest rate is the weighted average of rates from original loans being consolidated
- One monthly payment under different repayment options
- Borrower loses benefits of individual loans (grace period, forgiveness opportunities, etc.)
- Generally, results in a more costly loan
DEFERMENT

A temporary suspension of repayment in certain circumstances:

- In-School
- Graduated Fellowship or Rehabilitation Program
- Unemployment
- Economic Hardship
- Military
  - Active Duty
  - Post-Active Duty Student

Interest may not accrue
FOREBEARANCE

- A temporary postponement or reduction of repayment
- Applicable when a standard deferment is not
- Interest accrues during periods of forebearance
FORGIVENESS

A portion or all of a loan may be forgiven under certain public service obligations
DISCHARGE

- Cancellation of loan under certain circumstances, including:
  - Bankruptcy
  - Disability
  - Death
DEFAULT

- Repayment 270 days past due
- May not be discharged in bankruptcy
- Garnishment of wages
- Confiscation of tax refunds
- Loss of access to federal student aid
- Impact on credit report
- Difficulty access other types of credit
- Litigation, including collection and court costs
RESOURCES

- US Department of Education Federal Student Aid Ombudsman—to resolve disputes related to student loans at 1-877-557-2575 or fsaombudsmanoffice@ed.gov

- NSLDS at www.nslds.ed.gov - use the FAFSA PIN to access loan information

- Wealth of information at studentaid.ed.gov
FINANCIAL AID OFFICE

Mail: 44 Pierrepont Avenue, Potsdam, NY, 13676
Phone: 315-267-2162
Fax: 315-267-3067
E-mail: finaid@potdam.edu