



# Financial Aid: Funding College from Start to Finish

## Introductions

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# Why we are here

- Student Loans continue to be a focus for national discussion.
  - Student loan debt totals more than \$1.6 trillion
  - 2/3 of students pursuing a Bachelor’s degree borrow to fund their education
  - Average student loan debt is \$28,400
- On a local level, in our Community Financial Center, we see the human face of all the concerns being discussed. Mirroring the national trends, we see more and more individuals facing:
  - Large amounts of student loan debt
  - Student loans in deferment, forbearance or delinquent due to inability to pay
  - Student loans in default/collections
  - Individuals who don’t understand what their options are or how to find more information about their own loans
  - Individuals who took out loans and didn’t complete a degree



# Today's Agenda

- **Aida – Financial Aid**
  - How our programs work together
  - Financial Aid process
  - Types of loans available
  - Difference between federal student loans
  - How much you can borrow
  - Resources for understanding your own loans
- **Laura–Student Loan Repayment**
  - Repayment options
  - Deferment & forbearance
  - Consolidation
  - Default



## What We Can Do:

How our programs can work together to empower students and former students

- Free Tax Preparation
- College Hub
  - FAFSA/TASFA Preparation
  - General financial aid questions
  - Scholarship Mentoring
- Financial Education
  - Money Management
  - One-on-One Financial Coaching
  - Credit Counseling





# What is Financial Aid?

- Grants
  - Often offered by state or federal government or the school (rather than a private individual or organization)
  - Student not required to pay the funds back as long as he/she meets requirements
- Scholarships
  - Can be offered by anyone! Individuals or organizations
  - Student not required to pay the funds back as long as he/she meets requirements



# What is Financial Aid?

- Work/Study
  - School offers student a job on campus if one is available
  - Benefits: on campus, flexible hours, schedule in line with school schedule
  - Must select 'yes' on the FAFSA questions that asks whether you want to be considered
- Loans
  - You will get an earful today!



# Financial Aid Process: 6 Steps

- 1) Fill out the FAFSA or TASFA
- 2) Fill out the School's Financial Aid Forms
- 3) Receive the Financial Aid Award Offer
- 4) Evaluate, Accept & Reject Awards
- 5) Follow through: Entrance Counseling, Master Promissory Note and 'other'
- 6) Disbursement of funds





# Financial Aid Process

- **Step One: Fill out the FAFSA or TASFA**
  - [www.fafsa.gov](http://www.fafsa.gov). Free Application for Federal Student Aid – students who are permanent residents or U.S. citizens
  - Determines student’s eligibility for federal student aid
  - Colleges also use FAFSA to determine state aid and institutional aid
  - Undocumented students who attended a Texas high school for at least 3 years can complete a paper TASFA to qualify for state aid
  - Applications look at financial picture for a student’s entire family considering household number, number in college, assets, income and more...
  - Taxes must be completed correctly in order to link them to the FAFSA from the IRS website
  - FAFSA should be filed after as soon as possible after October 1<sup>st</sup> every year
  - Texas Financial Aid Priority Deadline is March 15
  - Eligibility for Federal Pell Grant and loans determined immediately



# Financial Aid Process

- **Step Two: Fill out the school's Financial Aid Forms**
  - Students can add up to 10 schools on the FAFSA
  - If required, student must complete necessary financial aid forms at each school from which he/she wishes to receive a financial aid award offer
  - Each school will have its unique process on the website and may also require a residency form, a household form, a tax transcript, or other forms. The student must make himself/herself aware of what the requirements are



# Financial Aid Process

- **Step Three: Receive Financial Aid Award Offer**
  - The offers can come in many forms:
    - A letter via U.S. mail
    - An e-mail to the student’s personal e-mail account or to a special school e-mail account set up for the student
    - In a special online student account set up by or for the student on the school page with username and login
  - If the offer doesn’t come, students should call, email, stop by the school or check their online account—something’s probably missing!



# Financial Aid Process

- **Step Four: Evaluate, Accept & Reject awards**

- Once a student receives financial aid award offers from the schools he/she has been accepted to and is considering, student should find a way to compare them and consider each offer
- College Board is one of many organizations with an online tool for comparing financial aid award offers  
<https://bigfuture.collegeboard.org/pay-for-college/financial-aid-awards>
- Once students have a picture of what their offers are, they can always **negotiate/request more funding**
- Once the decision is made, students are tasked with accepting any awards they want (grants and scholarships) and rejecting any awards they don't want (loans they might not need)
- These days, awards are almost always accepted/rejected through an online student account
- Students do not need to accept the entire loan offer, if they just need a portion to cover tuition, they can always just accept a portion or just accept the subsidized loan, for example



# Financial Aid Process

- **Step Five: Follow through**

- Accepting federal student loans means:

- Completing entrance counseling at [www.studentloans.ed.gov](http://www.studentloans.ed.gov) . The log-in is the same one they used for the FAFSA
- Completing the Master Promissory Note\*

- Some scholarship offers from schools may involve follow-up, like a ‘thank you letter’ to the donor. If you don’t do this simple thing, you forfeit the scholarship!





# Financial Aid Process

- **Step Six: Disbursement**

- Federal student loans and awards offered through the school go directly to the financial aid office to pay tuition, fees and on campus housing first
- Timing of disbursements—minimum of 2 installments per year – one per semester
- Private scholarships may go to the school or may go to the student—it's up to the organization offering the scholarship
- Students whose financial aid exceeds their tuition will receive a reimbursement for the extra amount. This can be in the form of a check, a debit card or electronic debit to the student's bank account—it's up to the student to set up the preferred delivery method with the school.



- Federal Student Loans
  - More deferment, forbearance, and repayment options
  - Fixed/affordable interest
  - Grace period
  - No credit checked (unless Grad PLUS or Parent PLUS)
- Texas State Loans
  - Low interest
  - Certain forgiveness options for students who follow rules
  - Grace period



: Types

- Institutional Student Loans
  - Use as last resort
  - Generally higher interest rates
  - Often must be paid in one semester
- Private Student Loans
  - Use as last, last resort
  - Varying (even higher) interest rates
  - Credit checked
    - Example: Student loan from UFCU or Sallie Mae





# Federal Direct Loans

## Subsidized vs. Unsubsidized

### **Subsidized Loans**

- For Undergraduates
- Fixed interest rate 4.45%
- Interest deferred while in school
- 6-month grace period

### **Unsubsidized Loans**

- For Undergraduates
- Fixed interest rate 4.45%
- Interest begins accruing the day the money is disbursed
- 6-month grace period

If students can prioritize subsidized loans they'll be better off and knowing that they don't have to accept the entire amount they're offered if they don't need it, may help. Grace periods start to kick in if a student goes under 'half-time enrollment' (generally that's 6 credits). Summer breaks don't count against students but a semester off will. Students should also know that they can begin paying the interest on their unsubsidized loans while they're in school if they want/can.



# Undergraduate Loan Limits

Loan limits increase for students each year...

Annual Limits	Dependent Students	Graduate students or undergrads whose parents can't get a Parent PLUS Loan
1 <sup>st</sup> Year	\$5,500 (up to \$3,500 in subsidized)	\$9,500 (up to \$3,500 in subsidized)
2 <sup>nd</sup> Year	\$6,500 (up to \$4,500 in subsidized)	\$10,500 (up to \$4,500 in subsidized)
3 <sup>rd</sup> Year & Beyond	7,500 (up to \$5,500 in subsidized)	\$12,500 (up to \$5,500 in subsidized)
Aggregate Limits	\$31,000 (up to \$23,000 in subsidized)	\$57,500 (up to \$23,000 in subsidized)



# Before you Borrow: Think

- Read up on student loans at [www.studentaid.ed.gov](http://www.studentaid.ed.gov) and understand the terms: *interest rate, grace period, loan servicer, subsidized, unsubsidized*—inform yourself!
- Know what you're getting into – student loans never go away
- Estimate what payment will be after graduation. There are student loan repayment calculators online that can help give you an idea.
- Do you really need to borrow as much in loans as you're being offered?
- Start thinking about ways to decrease the amount you're borrowing next year—maybe a summer job is in order, maybe there are more scholarships you can apply for.





# Once You've Borrowed: Keep Track of your Loans

- The National Student Loan Database [www.nslds.ed.gov](http://www.nslds.ed.gov), can tell you:
  - How much you've borrowed so far
  - What status your loans is in (e.g., repayment, deferment, forbearance, default)
  - Your school enrollment status
  - Who your loan servicer(s) is and contact information
  - The power is in your hands!





# Student Loan Repayment





# Repayment

- Stafford loans – enter repayment at end of 6-month grace period
- Parent or Grad PLUS loans
  - Enter repayment at final disbursement
  - May request 6-month deferment after borrower or dependent student falls below half-time enrollment



# Repayment plan comparison tool

- Repayment plan comparison calculator available at <https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action>
- Borrower enters information to obtain:
  - Preliminary repayment plan eligibility information
  - Estimated repayment amounts for each repayment plan
  - Total amount paid
  - Projected loan forgiveness
  - Repayment period





# Repayment Plans

- **Standard**—fixed payments for 10 years
- **Graduated**—increasing payments for 10 years
- **Extended**—fixed or graduated payments for up to 25 years; loan balance > \$30,000
- **“Income-driven” plans**—payments based on income and family size; calculated annually

<http://studentaid.ed.gov/repay-loans/understand/plans>



# Repayment Plans

- “Income-driven” repayment plans
  - Income contingent (ICR)
  - Income-based Repayment (IBR)
  - Pay As You Earn (PAYE)
  - Revised Pay As You Earn (REPAYE)



# Income-Driven Repayment Plans

- Intended for borrower with high loan debt compared to income
- Monthly payment based on borrower's income and family size
- Interest may be subsidized for a period of time
- Annual recertification is required
- Forgiveness after 20 or 25 years of repayment



# Deferments

- Deferments are entitlements
- Payments are postponed
  - Borrower may be responsible for accruing interest during deferment period
- Eligibility criteria relate to
  - Education
  - Economic difficulties
  - Military service

<http://studentaid.ed.gov/repay-loans/deferment-forbearance>



# Forbearance

- Temporary cessation, reduction, or extension of payments
- Used when borrower is willing but temporarily unable to pay
- Can be offered up to 12 months at a time; subsequent forbearances permitted
- Borrower responsible for accruing interest during forbearance on all loans



# Consolidation

- All **federal** loans may be consolidated
- No borrower fees
- Borrower must be in grace period or have entered repayment on each loan being consolidated
- Interest rate
  - Fixed
  - Weighted average, rounded up to the nearest 1/8<sup>th</sup> of one percent
  - Capped at 8.25%

**To consolidate, contact loan servicer**



# Why Consolidation?

- Lowers the monthly payment amount by extending the repayment period (12 - 30 years)
- Combines multiple loan balances so borrower makes only one monthly payment
- \*\*If all loans are with the same servicer, there is no need to consolidate!



# Forgiveness & Discharge

- Full or partial loan forgiveness may be available:
  - Teacher Loan Forgiveness
  - Public Service Loan Forgiveness
  - \*Income-driven Repayment
  - \*Total and Permanent Disability
  - \*Death
- Tax liability, in some cases\*





# Defaulted Federal Loan

- What is default?
  - For most federal student loans, a borrower will default if he has not made a payment in more than 270 days.
- 2016 student loan default rates
  - National = 11.3%
  - Texas = 12.6%
- It's expensive—collection costs can be as high as 24%



# Default

- If borrower does not resolve debt, collection may include:
  - Administrative wage garnishment – up to 15% of disposable pay
  - Treasury offset
  - Withholding professional license
  - Seizing lottery winnings
- Federal loan debt rarely goes away—even if a borrower files for bankruptcy or retires!



# Default

- Options to resolve a defaulted federal loan:
  - Pay balance in full
  - Rehabilitation
    - Through 9 on-time, full monthly payments
    - Allowed only once per loan
  - Consolidation with DOE



# Resources

- Department of ED's website has everything [www.studentaid.ed.gov/](http://www.studentaid.ed.gov/)
- TG has a wealth of information, publications and their college access website, Adventures in Education: [www.aie.org](http://www.aie.org)
- College for all Texans offers a comprehensive review of state aid available to Texas students [www.collegeforalltexas.com](http://www.collegeforalltexas.com)
- Our favorite Scholarship-searching website is College Greenlight [www.collegegreenlight.com](http://www.collegegreenlight.com)
- To compare schools visit the National Center for Education Statistics' 'College Navigator Page' [www.nces.ed.gov/collegenavigator/](http://www.nces.ed.gov/collegenavigator/)



Questions??