

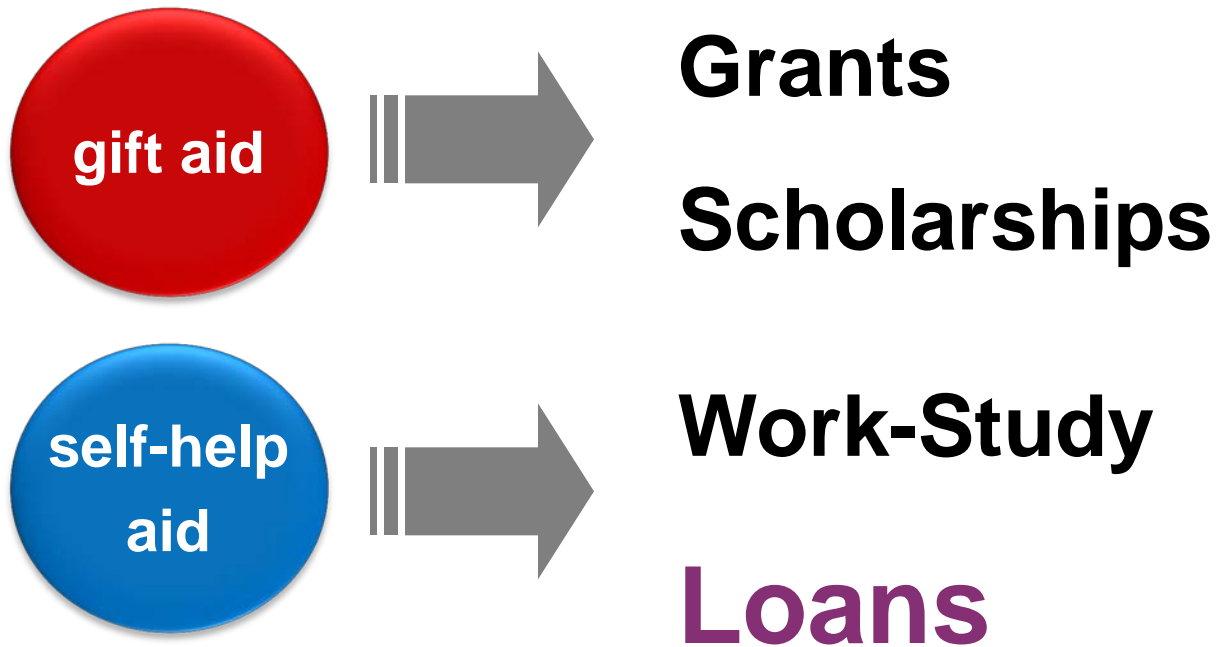
Federal Student Loans

Paying for College



TYPES OF FINANCIAL AID

There are many types of financial aid.



These funds may be merit-based, need-based, or non need-based.



TAKE ADVANTAGE OF GIFT MONEY

Grants and Scholarships

○ Grants

- Federal Pell Grants
- Monetary Award Program (MAP) grants
- Federal Supplemental Educational Opportunity Grants (SEOG)

○ Scholarships

- Western Commitment Scholarship
- Scholarship Office <http://wiu.edu/scholarships>
 - Departmental Scholarships
 - Foundation Scholarships



U. S. DEPARTMENT OF EDUCATION

Federal Loan Programs, 2012-13



Type **Rate** **Amount** **Grace**

Stafford	Subsidized	6.8% Fixed	\$3,500 first year	6 Months
	Unsubsidized	6.8% fixed	\$2,000 first year	6 Months
PLUS Parent loan	Credit-based Unsubsidized	7.9% fixed	Depends on remaining financial need.	Within first 60 days



Annual Direct Loan Limits for Undergraduate Students

http://www.wiu.edu/student_services/financial_aid/types_of_aid/FedDirectUnderGrad.php

Academic Year	Base Award (Subsidized/ Unsubsidized)	Additional Unsubsidized
1st year (1-29 hours)	\$3,500	\$2,000
2nd year (30-59 hours)	\$4,500	\$2,000
3rd and 4th years (60+ hours)	\$5,500	\$2,000



HELPFUL HINTS

- Only borrow what you need
- If you must take out an unsubsidized loan you can save money in the long run by paying the interest while you are in school.
- You will be required to take an entrance interview so that you will understand your rights and responsibilities. It is important that you read and understand the provisions of your loan.
- You will be required to sign a promissory note and it is also important that you read and understand what you are signing.



HOW MUCH SHOULD I BORROW?

- Borrow only what you need
 - The Financial Aid Office offers the maximum amount you may borrow on your Award Letter.
 - You may reduce the amount offered

 - Calculate what you need to borrow
 - + Direct Costs (tuition, fees, room, board)
 - + Plus books, supplies and other personal expenses
 - Minus what the family can pay
 - Minus student employment earnings
 - Minus grants and scholarships
- Remaining amount needed**



ESTIMATE YOUR MONTHLY PAYMENTS

<http://mappingyourfuture.org/paying/standardcalculator.htm>

Enter your Number of Monthly Payments, Simple Interest Rate, and Principal Amount of Loan.

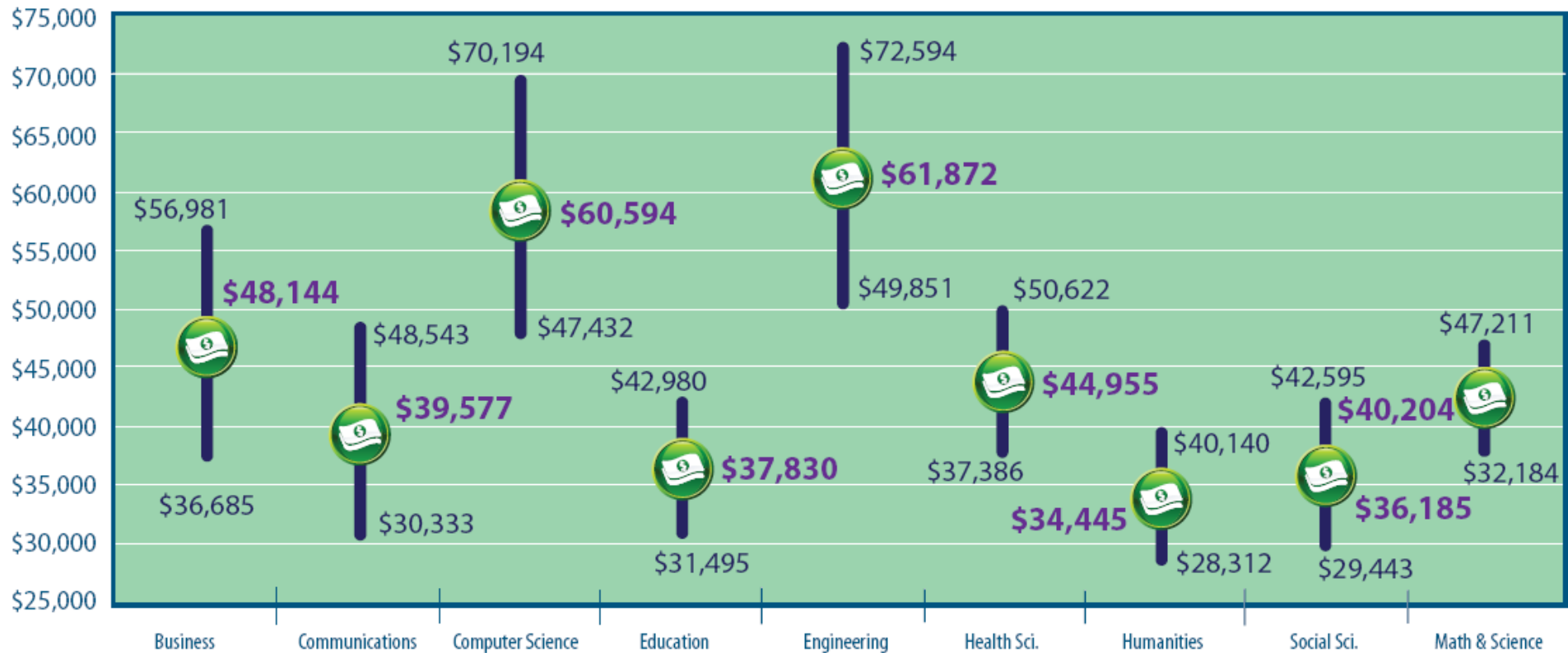
Number of Monthly Payments	<input type="text" value="120"/>
Simple Interest Rate	<input type="text" value="6.8"/>
Principal Amount of Loan	\$ <input type="text" value="22500"/>
Your Monthly Payment Will Be	\$ <input type="text" value="258.93"/>
Your Total Interest Cost Will Be	\$ <input type="text" value="8571.68"/>
Minimum annual salary to handle these payments: \$ <input type="text" value="38839.00"/>	
<input type="button" value="Compute Payment and Cost"/>	
<input type="button" value="Reset"/>	

Loan repayments can become burdensome when monthly repayment amounts exceed 8% of your monthly adjusted gross income.



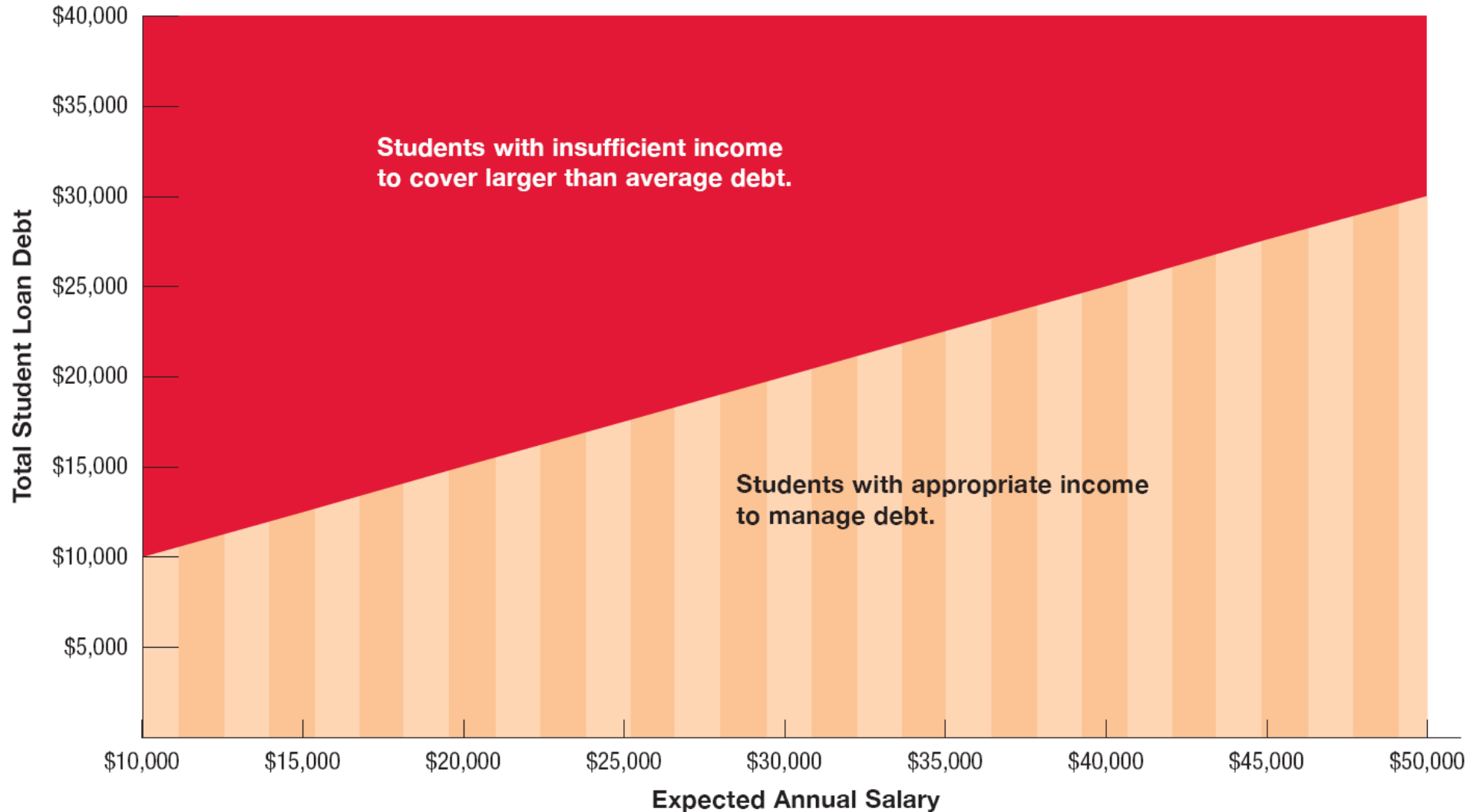
SALARY RANGES BY DISCIPLINE

http://www.naceweb.org/uploadedFiles/NACEWeb/Research/Salary_Survey/Reports/SS_January_exsummary_4web.pdf



DO YOU KNOW YOUR DEBT BURDEN

http://www.collegezone.com/media/DPO_Debt_Burden06.pdf



REPAYMENT PLANS

- Standard Repayment
- Extended Repayment
- Graduated Repayment
- Income Based Repayment
- Income Contingent Repayment

<http://www2.ed.gov/offices/OSFAP/DirectLoan/inrepayment.html>



REPAYMENT PLANS

Standard Repayment

- With the standard plan, you'll pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least \$50, and you'll have up to 10 years to repay your loans.
- Your monthly payment under the standard plan may be higher than it would be under the other plans because your loans will be repaid in the shortest time. For that reason, having a 10-year limit on repayment, you may pay the least interest.
- To calculate your estimated loan payments, go to:

<http://www2.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlentry1.html>



REPAYMENT PLANS

Extended Repayment

- Under the extended plan, you'll pay a fixed annual or graduated repayment amount over a period not to exceed 25 years. Direct Loan borrowers must have more than \$30,000 in outstanding Direct Loans. Your fixed monthly payment is lower than it would be under the Standard Plan, but you'll ultimately pay more for your loan because of the interest that accumulates during the longer repayment period.
- This is a good plan if you will need to make smaller monthly payments. Because the repayment period will be 25 years. Remember that the longer your loans are in repayment, the more interest you will pay.

<http://www2.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlentry1.html>



REPAYMENT PLANS

Graduated Repayment

➤ With this plan, your payments start out low and increase every two years. The length of your repayment period will be up to ten years. If you expect your income to increase steadily over time, this plan may be right for you. Your monthly payment will never be less than the amount of interest that accrues between payments. Although your monthly payment will gradually increase, no single payment under this plan will be more than three times greater than any other payment.

➤ *To calculate your estimated loan payments, go to:*

<http://www2.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlentry1.html>



REPAYMENT PLANS

Income Based Repayment

➤ Income Based Repayment is a new repayment plan for the major types of federal loans made to students. Under IBR, the required monthly payment is capped at an amount that is intended to be affordable based on income and family size. You are eligible for IBR if the monthly repayment amount under IBR will be less than the monthly amount calculated under a 10-year standard repayment plan. If you repay under the IBR plan for 25 years and meet other requirements you may have any remaining balance of your loan(s) cancelled. Additionally, if you work in public service and have reduced loan payments through IBR, the remaining balance after ten years in a public service job could be cancelled. For more important information about IBR go to [IBR Plan Information](#).

➤ *To calculate your estimated loan payments, go to:*

<http://studentaid.ed.gov/PORTALSWebApp/students/english/IBRCalc.jsp>



REPAYMENT PLAN OPTION

Public Service Loan Forgiveness Program

- Income based Repayment option
- Congress created the Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, Direct Loan borrowers may qualify for forgiveness of the remaining balance due on their eligible federal student loans after they have made 120 payments on those loans under certain repayment plans while employed full time by certain public service employers.
- *For more information go to:*

<http://studentaid.ed.gov/PORTALSWebApp/students/english/PSF.jsp>



REPAYMENT PLANS

Income Contingent Repayment

- This plan gives you the flexibility to meet your Direct Loans obligations without causing undue financial hardship. Each year, your monthly payments will be calculated on the basis of your adjusted gross income (AGI, plus your spouse's income if you're married), family size, and the total amount of your Direct Loans. Under the ICR plan you will pay each month the lesser of:
 - The amount you would pay if you repaid your loan in 12 years multiplied by an income percentage factor that varies with your annual income, or
 - 20 percent of your monthly discretionary income.

Continued on next slide...



REPAYMENT PLANS

Income Contingent Repayment - continued

- If your payments are not large enough to cover the interest that has accumulated on your loans, the unpaid amount will be capitalized once each year. However, capitalization will not exceed 10 percent of the original amount.
- The maximum repayment period is 25 years. If you haven't fully repaid your loans after 25 years (time spent in deferment or forbearance does not count) under this plan, the unpaid portion will be discharged.
- To calculate your estimated loan payments, go to:

<http://studentaid.ed.gov/PORTALSWebApp/students/english/IBRCalc.jsp>



OTHER OPTIONS

Deferments, Forbearance, Consolidation & Cancellation

- Deferment - temporarily stop making payments
 - Enrolled at least half-time
 - Unemployed
 - Meet rules of economic hardship
- Forbearance - temporarily stop making payments or temporarily reduce payments
 - Common reasons are illness, and financial hardship
- Loan Consolidation
 - Combining federal loans into one loan
 - <http://www.loanconsolidation.ed.gov>
- Loan cancellation due to
 - Disability
 - Death
 - Bankruptcy



DELINQUENCY AND DEFAULT

Avoiding default - bad things can happen

- What is delinquency
 - If your monthly payment is not received on time
 - You will receive reminders that your payment is late and be told the consequences of default
- What is being in default
 - Default occurs when you are 270 days delinquent

Continued on next slide...



DELINQUENCY AND DEFAULT

Avoiding default - bad things can happen

- Consequences of default
 - Entire unpaid amount becomes due and payable
 - Reporting of default to national credit agencies
 - The federal government will sue you, garnish wages, or take all or part of your federal tax refund and you must pay collection costs , court costs and attorney fees.
 - Lose eligibility for federal student aid and other benefit programs
 - May lose license to practice if required for your profession

- Can't pay, call the Direct Loan Servicing Center to discuss your options.



FIND OUT WHAT YOU OWE

<http://www.nslds.ed.gov>

- The National Student Loan Data System (NSLDS) has information about your federal student loans.
- To review the information you will need:
 - Social Security number
 - First 2 letters of your last name
 - Your date of birth
 - Person Identification Number (the PIN assigned to you when you completed the FAFSA)

Note: NSLDS does not display information on Private loans.



QUESTIONS

WIU contact information

- ◉ Phone- 309-298-2446
- ◉ EMAIL- finaid@wiu.edu
- ◉ WEB - wiu.edu/fa

