

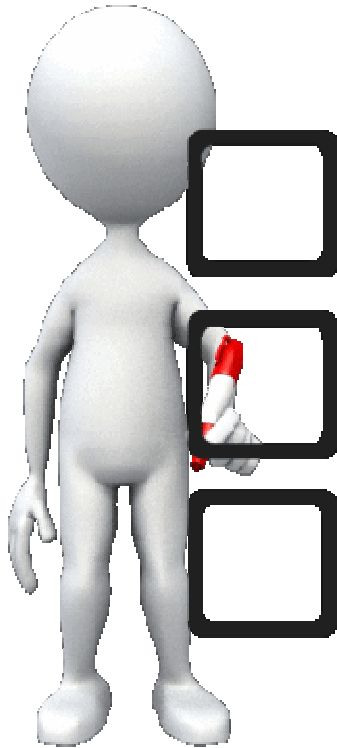
Student Loans & Repayment

**Focus on the
outcome**



Presented By
Fred Amrein

Haverford HS College Financial Aid Programs



Paying for College 10/10

Loans & Repayment
10/17

Saving For College
10/24

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Agenda



- Financial Aid Review
- Importance of Debt Structure
- Repayment and Forgiveness
- Life after Graduation
- Conclusion

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Current Environment

- Current debt exceeds \$ 1.2 trillion
- Larger than car or credit card debt
- Increase dissatisfaction
- Impact on other financial aspects
- Headlines versus Reality



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Need Based Financial Aid

Based on a "needs analysis" formula

School:	1	2
Total College Costs	\$20,00	\$40,000
Expected Family Contribution (EFC)	<u>- 25,000</u>	<u>- 25,000</u>
Financial Need	- 0 -	\$15,000
School Package	\$ 5,500	\$12,000

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Your Financial Award

Based on a "needs analysis" formula

School:	1	2
Subsidized Stafford Loans	\$ - 0 -	\$3,500
Unsubsidized Stafford Loan	\$5,500	\$2,000
Work Study	- 0 -	\$1,500
College Grant	<u>- 0 -</u>	<u>\$5,000</u>
School Package	\$ 5,500	\$12,000

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Why are you going to college?

- Get a job or career
- Learn more or stepping stone
- Peer pressure of education
- Not sure



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Importance of Cash Flow

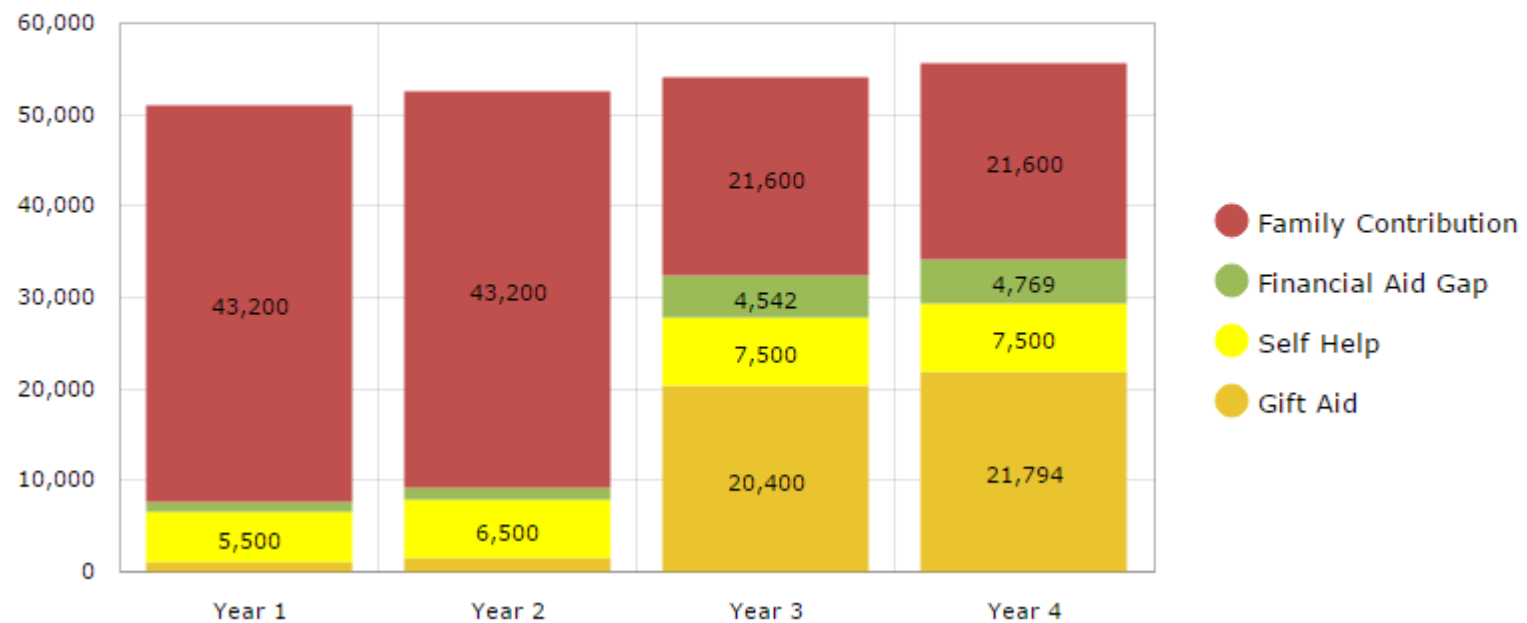


- Complete the FAFSA each year
- Determines debt structure
- Importance of a 4 year plan
- High reason for transfer
- Loan repayment impact

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Financial Aid Award

Projected Financial Award

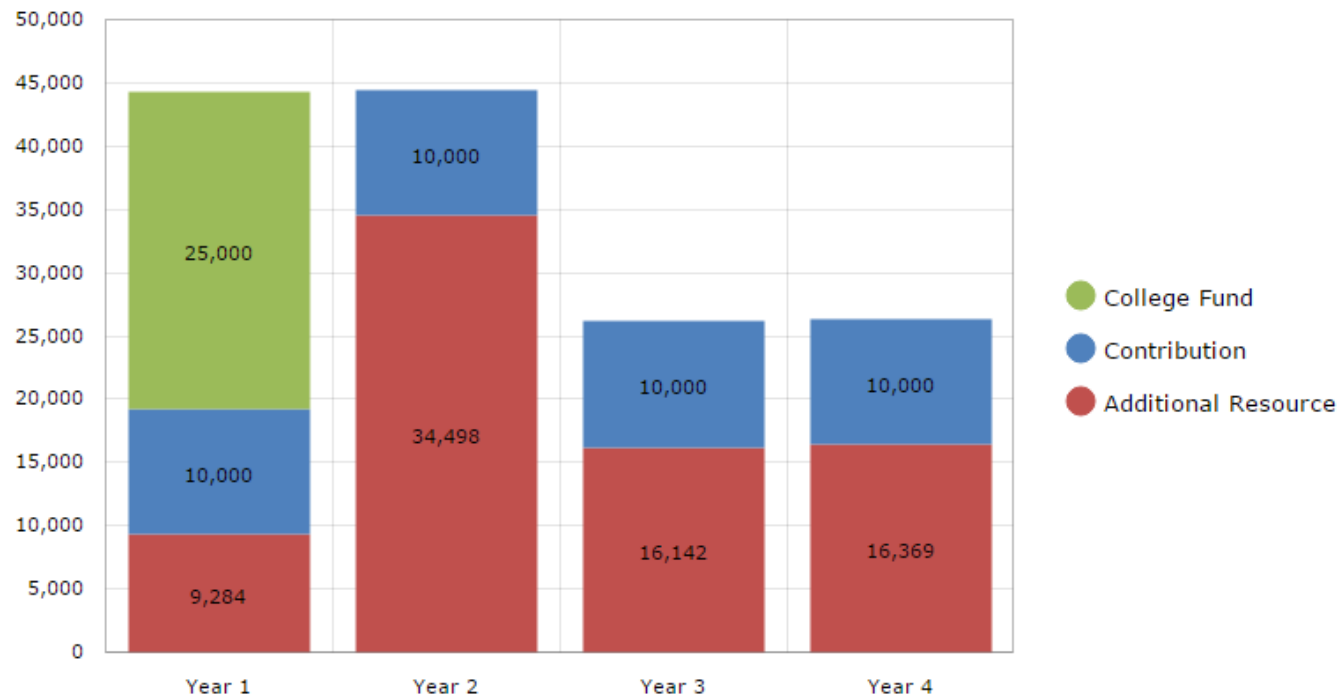


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Understanding Cash Flow

YOUR FUNDING SOURCE ANALYSIS

With Stafford Loans Included



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Reviewing Your Financing Options

Financing Option Analysis

Stafford Limit	\$5,500	\$6,500	\$7,500	\$7,500	\$27,000
Other Student Loans ⓘ					
Other Financing Amount	\$9,284	\$34,498	\$16,142	\$16,369	\$76,293

Parent Direct or Indirect Legal Responsibility

These are the three most common financing options to fund the addition resources needed.
You will select one or a combination of the three.

			Monthly Payment at Graduation
PLUS Loan	6.31%	10	\$866
Home Equity	4%	10	\$779
Alternative (Variable) (Private Student Loan)	6%	10	\$854

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Federal College Financing Options

- Use Federal Student Loans First
- Perkins
- Stafford Loan
 - Progressive amount
 - Subsidized & Unsubsidized
- Parent PLUS Loans
- Grad PLUS & Stafford
- Loan Limits per year & total



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Alternative Financing Options



- Private Student Loans
- New Alternative Loans
- Parent Personal Loans
- Home Equity
- Retirement Account

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Financing Cost of Borrowing

- Administrative fees
- Federal rate is semi- variable
- Private student loans are variable
- Home equity are both
- Retirement accounts normally fixed
- Need to know net cost of money



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Loan Repayment & Forgiveness

- Students have better options
- 8 different federal methods
- Private loans offer limited options
- Loan forgiveness is for federal loans
- Loan forgiveness is often taxable
- Will affect other personal decisions



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Loan Repayment Methods

- Standard
- Graduated
- Extended & Graduated Extended
- Income Based Determined Methods
 - Income Based Repayment (IBR)
 - Pay as You Earn (PAYE)
 - Repay as You Earn (REPAYE)
 - Income Contingent (ICR)
 - Income Sensitive (ISR)



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Loan Repayment Complexities

- Staying current is critical
- Colleges and Services will normally recommend lowest payment
- Negative loan amortization (Balance Increasing)
- Impact other financial decision
 - Tax filing
 - Other personal financing
 - Career decisions
 - Increased taxes

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Loan Consolidation

- Simplifies repayment process
- Parent PLUS should consolidate by child
- Federal and Private can not be combined
- Direct loans are the only loans forgiven under Public Service Loan Forgiveness Program
 - Need to be specific
 - Forgiveness credited payments maybe lost

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Federal Loan Forgiveness

- Only certain repayment methods qualify
- Need to consider life changes in decision
- Education and Medical area have advantages
- Could be taxable
- Public Service Loan Forgiveness (PSLF)
- Need to maintain excellent records
- Payments do not need to be sequential



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Repayment & Forgiveness

	IBR	IBR	Standard 10 Year	Extended Repayment
Salary/Adjust Gross Income	15,000	35,000	35,000	35,000
Minimum Payment	0	234	288	191/20 years
Interest Paid	Negative Amortization		9,524	20,802
Total Paid	Variable	Variable	34,524	45,802
Loan Forgiveness	Yes	Yes	Yes/No	No

Assumes \$25,000 in Stafford Loans and
Consolidated in Direct Federal Program.

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Life after Graduation

	Stafford only	%	Stafford & Private	%
Annual Salary	\$ 35,000		\$ 35,000	
Federal Taxes	7,800	23	7,800	23
State Taxes	1,100	3	1,100	3
Net Pay	26,100	74	26,100	74
Loan Repayment	3,575	10	12,215	35
Car Expense (400/month)	4,800	14	4,800	14
Net Available (Annual)	17,725	50	9,085	26
Net Available (Monthly)	1,477		757	

Not included is health insurance, rent, living expenses, retirement or saving for future

Conclusion

- Who is legally responsible for the debt
- Impact of other personal decisions
- Headlines versus reality
- Understand your options
- Short term versus long term
- Default is not an option



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Questions

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The College Funding Solution

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