



BUSINESS & EDUCATION at work for Maine

Responsible Borrowing

Why It Matters and Efforts That Can Help

- Why does it matter?
- Key times to impact decision making
 - Prior to enrollment
 - While in school
 - After graduation
- Closing thoughts



- Student loan debt is growing at an alarming rate
 - According to USA Today:
 - Student loan debt exceeds \$850B
 - Credit card debt is approximately \$828B
- According to the Project on Student Debt, Maine's Class of 2009 had an averaged indebtedness of \$29,143 (3rd highest in the US)
 - Translates to a monthly payment of \$345 per month
 - Salary of approximately \$51,000 is needed to support that debt

- How many students will earn \$51,000 or more the first year out of school?
- According to the US Census Bureau, the 2009 median household income in Maine was \$46,541
- How many students even know what they can expect to earn when they graduate?

- There are three periods of time when critical information can have an impact:
 - Prior to enrollment
 - While in school
 - After graduation
- The focus is different for each period of time
- The earlier thought is given to this topic, the more options that exist
- Students have a great deal of control over their borrowing

- Save a much money as possible
 - Savings provides options
 - Every dollar saved is a dollar not borrowed
 - Very little impact on financial aid eligibility
- Earn as credit prior to enrollment
 - AP and Dual Enrollment
- School selection
 - Community colleges and public schools charge less
 - Private schools often have better financial aid
 - Focus on “net cost”
 - Factor in living expenses and travel expenses

- Students need to apply to a variety of schools and have a financial aid “safety school”
- Apply for Financial Aid
 - Federal aid, school aid and scholarships
 - Deadlines are critical
- The difficult conversation about school affordability needs to take place
- Run through scenarios for several schools



Impacting Borrowing - Prior to Enrollment

Responsible Borrowing

BUSINESS & EDUCATION
at work for Maine

	University of Maine	University of New England	Southern New Hampshire
Total Direct Costs	\$19,500	\$41,450	\$36,400
Total Grants and Scholarships	- \$9,500	- \$22,000	- \$23,000
<i>Sub Balance</i>	<i>\$10,000</i>	<i>\$19,450</i>	<i>\$13,400</i>
Total Federal Loans	- \$6,750	- \$7,500	- \$7,000
<i>Remaining Balance</i>	<i>\$2,500</i>	<i>\$11,950</i>	<i>\$6,400</i>



Impacting Borrowing - Prior to Enrollment

Responsible Borrowing

BUSINESS & EDUCATION
at work for Maine

	University of Maine	University of New England	Southern New Hampshire
Total Federal Loans	\$6,750	\$7,500	\$7,000
<i>Remaining Balance</i>	<i>+\$2,500</i>	<i>+\$11,950</i>	<i>+\$6,400</i>
<i>Net Cost</i>	<i>\$9,250</i>	<i>\$19,450</i>	<i>\$13,400</i>
Assume borrow only federal loans	\$27,000	\$30,000	\$28,000
Assume all Net Cost borrowed	\$37,000	\$77,800	\$53,600

- Scenarios are eye opening
- What happens when we start dealing with numbers that are large? Do people start to disconnect?
- Two ways to re-connect them:
 - What will the monthly payment be?
 - How much income is needed to support the debt?



Impacting Borrowing - Prior to Enrollment

Responsible Borrowing

BUSINESS & EDUCATION
at work for Maine

	\$20,000	\$30,000	\$50,000	\$80,000
Monthly payment for 10 years	\$230	\$345	\$575	\$920
Total interest	\$7,620	\$11,430	\$19,050	\$30,477
Income Needed to Support	\$34,500	\$51,780	\$86,300	\$138,100

Important websites:

Salary info - www.careerinfonet.org or www.salary.com

Salary/Debt Wizard - www.famemaine.com/education

- Students and families need to understand the potential before the student starts borrowing
- Flexibility is critical
- Making wise choices before they start borrowing will provide them with additional choices after they graduate

- Understand that not all student loans are the same
 - Federal Student Loans (Direct Stafford and Perkins)
 - Private/Alternative Loans
 - State Supported or University Loans
- Federal loans are better than private/alternative loans
- Avoid borrowing private/alternative loans
 - Interest rates are rarely fixed
 - Deferment options are more limited
 - Repayment options are not flexible

- Keep track of indebtedness
 - The Master Promissory Note (MPN) made borrowing easier - maybe too easy!
- Limit borrowing to cover tuition, fees, room and board only
 - Federal regulations allow students to borrow to cover books, travel and personal expenses (indirect expenses)

- Earlier we focused on direct costs
- What if students also borrow their indirect costs

	University of Maine	University of New England	St. Joseph's College
Books, supplies, travel and personal expenses	\$3,200	\$4,150	\$2,800
Multiplied by four years	\$12,800	\$16,600	\$11,200
Total repaid with interest	\$17,676	\$22,924	\$15,466

- Cover these indirect expenses through summer, Work-Study and other earnings
 - Establish a plan to save enough to cover their expenses throughout the year
- Minimize expenses - Live Like a Student!
 - Buy used books
 - Have a roommate
 - Coffee, water, eating out
 - Smart phones, cable and computers
 - Car - necessary?
 - Public transportation and car pooling
- Only use loan money to cover critical expenses

- Consider taking summer courses at a lower cost school and transferring back to home school
- Take advantage of tuition payment plans
 - Any amount that can be paid out of the household budget will reduce debt
 - It all adds up!
- Make interest payments on unsubsidized loans while in school

- Complete Exit Counseling
 - Required in some cases
 - Great source of information
- Understand when each loan goes into repayment
 - Direct Stafford - 6 month grace
 - Perkins - 9 month grace
 - All others - grace period varies
- Are there cancellation or forgiveness options?
 - Most common for teachers and public service workers

- Investigate ways to reduce the interest rate
 - .5% rebate - make payments on time to keep it
 - Automatic payments
- Know the deferment and forbearance options
 - In school?
 - Unemployment?
 - Financial hardship?
- Know the repayment options
 - Can payments be tied to income?
 - Can payments gradually adjust?

- Investigate tax benefit programs
 - Opportunity Maine
 - American Opportunity Tax Credit (formerly Hope Scholarship)
 - Lifetime Learning Tax Credit
 - Student Loan Interest Deduction
- Pay off loans as soon as possible
 - Longer repayment - flexible but more interest
 - Keep in mind interest rates on other debt
 - Having a budget is key!
- Stay in contact with your lender
 - Make sure they always have contact information
 - Options often exist, but students must reach out

- Obtaining a college degree makes sense
 - On average, those with a bachelor's degree earn over \$1M more than those with only a high school diploma
- Borrowing is an investment in oneself
 - "An investment in knowledge pays the best interest." - Benjamin Franklin
- It is all about balance and choices!
 - Borrow for what you need - not what you want



Questions?

Financial Aid Basics

BUSINESS & EDUCATION
at work for Maine

Finance Authority of Maine

5 Community Drive

P.O. Box 949

Augusta, ME 04332

1-800-228-3734

education@famemaine.com

www.famemaine.com