



**STUDENTIMPACT**  
YOUNGINVINCIBLES

# Student Loans 101

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Paying for College Without Going Broke

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# Pop Quiz!

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# How much do you know?

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1. For students who graduate with loans, what is the average debt load?

- a. \$3,980
- b. \$17,535
- ☒ c. \$29,400

2. True or False? If you file for bankruptcy, your student loans are wiped clean.

- a. True
- ☒ b. False

# Who are Young Invincibles?

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# What are we talking about?

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- Paying for college
- Paying it back

# Paying for College

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# What kinds of colleges?

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## Public

- 2-year Community Colleges
  - Northern Virginia CC
  - Prince George CC
- 4-Year Universities:
  - University of Maryland-College Park
  - University of Texas

## Private

- 4-year colleges and universities:
  - George Washington University
  - American University
  - Sarah Lawrence

# How much is college?

## Prince Georges CC

\$4,400 Tuition & Fees  
+ n/a Room & Board  

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\$4,400  
- \$3,481 Avg. Financial Aid  

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\$909 Total Cost

## U of Maryland

\$9,427 Tuition & Fees  
+ \$10,633 Room & Board  

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\$20,060  
- \$12,986 Avg. Financial Aid  

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\$7,074 Total Cost

# How much is college?

## George Washington University

\$48,850 Tuition & Fees

+ \$11,700 Room & Board

\$60,550

- \$38,313 Avg. Financial Aid

**\$22,237 Total Cost**

## American University

\$41,833 Tuition & Fees

+ \$14,408 Room & Board

\$56,241

- \$29,923 Avg. Financial Aid

**\$26,318 Total Cost**

# Paying for College

- Financial Aid: Award Letter
- Scholarships, grants:
  - Diversity, religious, academic, athletic, community service scholarships
- Federal Work Study Program
- Public and Private Loans



Photo source: collegeessayorganizer.com

# Understanding Your Award Letter

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- **Basic Terms**

- Expected Family Contribution (EFC)
- Cost of Attendance (COA)

- **Types of awards**

- Grants: Pell Grant (\$5,730/year)
  - First thing you should accept!
- Scholarships
  - Often based on academic performance
  - Must maintain a certain GPA
- Federal Work Study

- **Loans**

- Amount you borrow & pay back with interest

# Federal Work Study

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- School helps you get a work study job
- On/Off campus
- Can be related to your field of study
- More flexible
- Resume builder
- Don't pass it up!



Photo source: 3riversfcu.org

# To qualify, students must:

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- Complete the FAFSA: Must meet federal student aid eligibility requirements
- Demonstrate financial need
- Be an undergraduate or vocational student enrolled in or accepted for enrollment in a participating school
- No prior bachelor's or professional degrees
- Deadline: June 30, 2015



Let's Practice!!

Loans: Paying them back

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# Public and Private Loans

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- Loans: Must be paid back with interest
- Public (Federal) Loans
  - Backed by government
  - Fixed and lower interest rate
    - Subsidized:
      - Will NOT collect interest while in school
    - Unsubsidized:
      - Interest adds up while in school
      - Don't have to pay until you graduate
- Private Loans
  - Bank loans
  - Interest rate varies

# Which loans are better?

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- Federal loans are better
- Subsidized Loans are better
- Lower interest rates are better



Photo source: mint.com

# Who cares about interest rates?

Loan Type	Current Rate	Prior Year Rate	Interest Rate Cap
Direct Subsidized	4.66%	3.86%	8.25%
Direct Unsubsidized (UG)	4.66%	3.86%	8.25%
Direct Unsubsidized (G)	6.21%	5.41%	9.50%
Direct Plus Loan	7.21%	6.41%	10.50%

<https://studentaid.ed.gov/types/loans/interest-rates>

# Washington Post Student Loan Calculator

## STUDENT LOAN CALCULATOR

### How much are you borrowing to go to college?

- 1** Financial advisers say student loan payments should be no more than 10% of your income.

Next ➞

The typical graduate borrowed **\$29,400** for a four-year degree and **\$57,600** for a graduate degree in 2012, according to the New America Foundation.

- 2** For your loan to be affordable, you should make at least **\$36,836** a year.

Loan term

years

Interest rate\*

%

Monthly payment\*

**\$307**

Your total loan should be no more than your first year's salary.

**YOU OWE**

**\$36,836 after interest**

**TARGET SALARY**

**\$36,836**

# Don't Just Sign the Dotted Line!!

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- Federal Loans: Master Promissory Note
- Private Loans: Bank Loan's Contract
- Consider interest rates & repayment options
- Once you've signed, you **MUST** pay back!



# Congrats! Now it's time to pay back

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- **Federal Loans**

- Repayment: 6 months after you graduate
- Could pay less based on income or job

- **Private Loans**

- Repayment: immediately after you graduate (for some)
- Almost no repayment options

# Loan Repayment Plans (Federal)

Repayment Option	Description	Max Repayment
Standard	Fixed monthly payments	10 years
Graduated	Payments increase over time	10 years
Extended	Fixed or graduated payments	25 years
Income-based (IBR)	Payments 15% of income	25 years
Pay as you earn (PAYE)	Payments 10% of income	20 years
Income contingent (ICR)	Payments based on AGI, family size, loan balance	25 years
Income sensitive	Payments based on annual income	10 years

# Public Service Loan Forgiveness Program

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- Borrowers may qualify for forgiveness on **FEDERAL DIRECT** loans if they:
  - Made 120 consecutive payments (10 years)
  - While employed full time by certain public service employers
  - Must apply
- **Public Service Employers**
  - Federal, state or local government employer
  - Non-profit organization

# “Nate”



- Private Loans
- \$10,000 at 10%
- Makes \$716/month
- Pay \$130/month
- Must pay every month
- 678/month for other bills



- Private Loans
- \$27,000 at 10%
- Makes \$1,711/month
- Pay \$350/month
- Must pay every month

# “Rita”

- Federal Loans
- \$24,000 at 4.6% interest.
- Makes \$1,711/month
- Pays \$236/month
- Could pay ~\$150/month because she has **FEDERAL** Loans.
- That's \$200/month less than Nate.



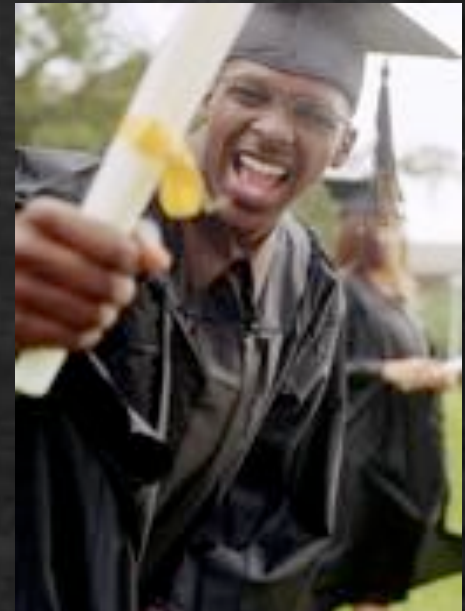
<http://www.ibrinfo.org/calculator.php>

<http://www.alumniroundup.com/relationships-family/education/associated-press-says-hbcus-graduate-too-few-blacks/>

# “Chris”

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- Federal loans for living expenses
- \$4,000 at 4.6% interest
- Makes \$1168/month
- Pays \$50/month for loans
- Could pay \$0/month because he has **FEDERAL** Loans



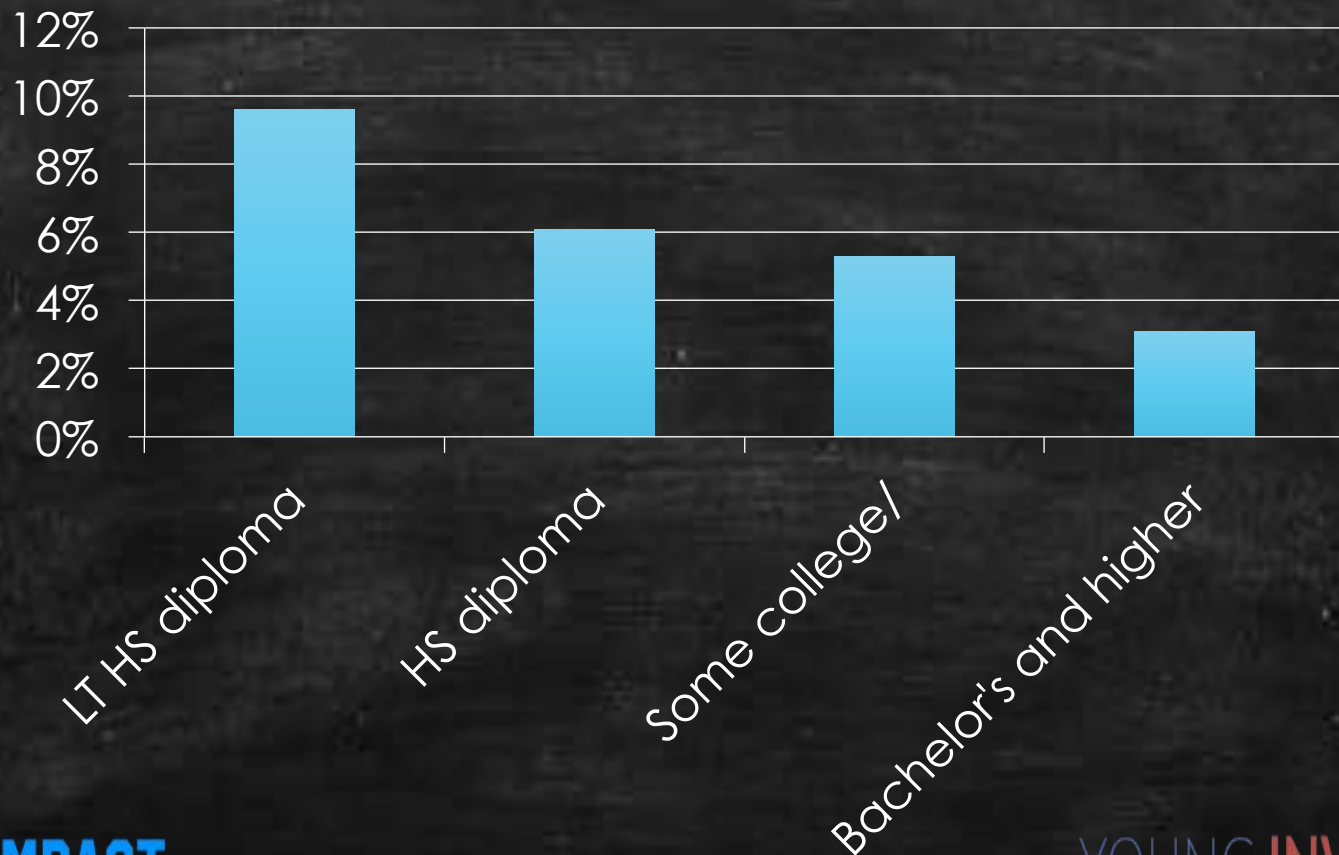
Why did I borrow all that  
money?

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Your investment in perspective

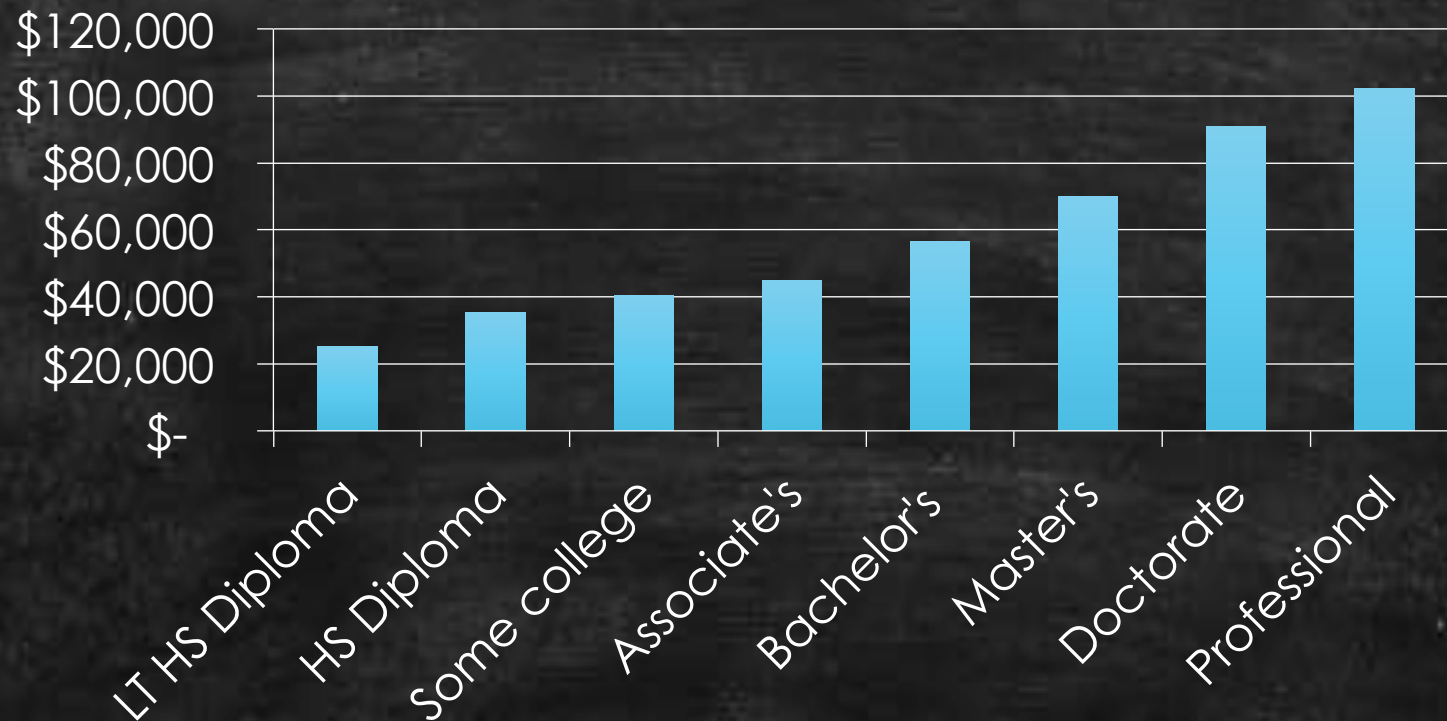
# Unemployment Rate

Unemployment rate by educational attainment, July 2014



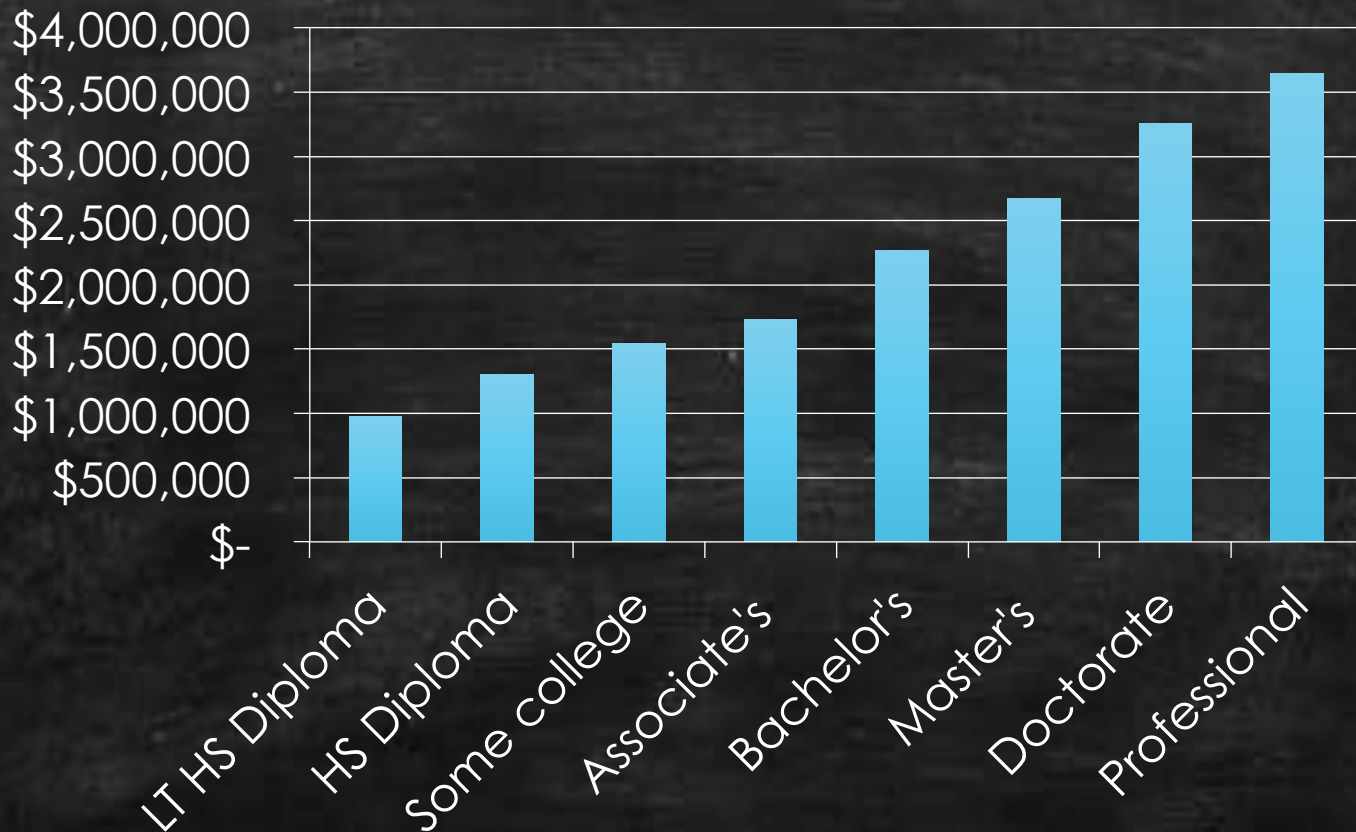
# Average Earnings

Average Yearly Earnings by Degree Level,  
2011



# Lifetime Earnings

Median Lifetime Earnings by Highest Educational Attainment, 2009 Dollars



# You are your best advocate

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- For yourself:
  - Be Informed
  - Don't be afraid to ask
  - Have a plan (timeline of deadlines, recommendations)
- For Others:
  - Sharing information
  - Help keep college affordable
    - Providing lawmakers with facts, trends, and data
    - Sharing our personal stories

# What You Learned Today

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- If you don't need it, don't borrow it
- Always accept grants first
- Ask about Federal Work Study Jobs (if you're eligible)
- Federal loans before private loans
- You can start paying off your loans while you're in school
- Have a plan to pay it back
- Above all – enjoy your college experience



# Keep in touch

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[YoungInvincibles.org](http://YoungInvincibles.org)  
[StudentImpactProject.org](http://StudentImpactProject.org)

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