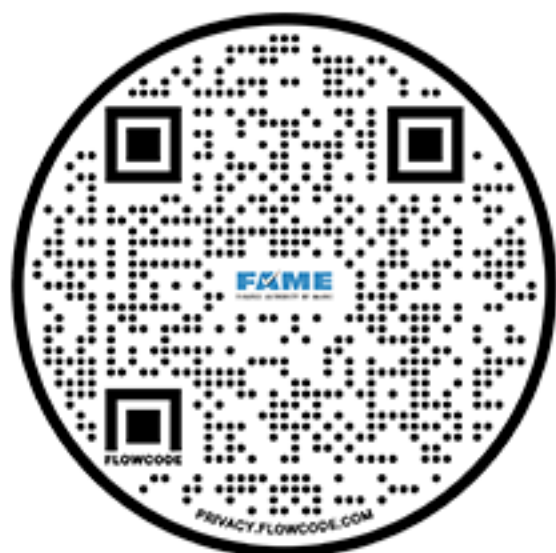


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Responsible Borrowing 101

Tools and Strategies to Support Your Students Before They Borrow

April 27, 2023

PRESENTED BY

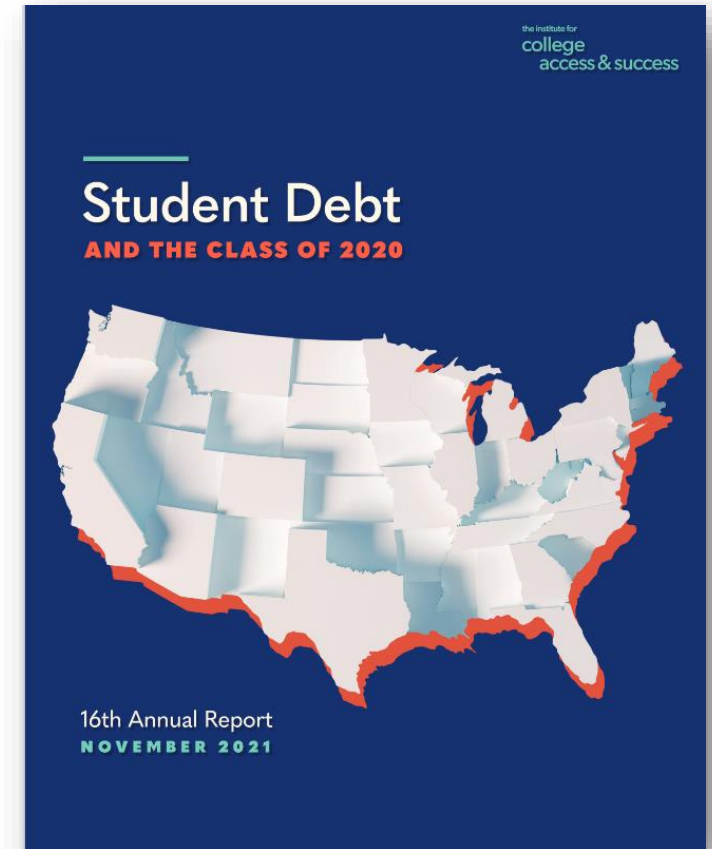
Mila Tappan, Manager of College Access and Outreach

- Student Loan Debt Reality Check
- Timing is Everything!
- Federal Loan Programs
- Private Loans
- Tax Credits and Loan Forgiveness Programs



Student Loan Debt Reality Check ...that you won't hear on the news

- Average student loan debt for four-year degree holders in Maine (public and private) was **\$32,764 (10th highest in nation)**
- The **loan crisis is not about six figure debt**, it's about persistence and completion
 - Withdrawn students become defaulted borrowers
 - **Most have minimal debt, but no degree**



Three periods of time when critical information can have an impact:

- ➔ Before applying and selecting a school
- ➔ During the financing process
- ➔ While in college



Before Applying or Selecting a School

- Share the concept of the **piecemeal approach**
- Encourage students to apply to a variety of schools, **including a financial aid “safety school”**
- Help them evaluate “net price”
- **Promote conversations about affordability**
- Compare financial aid offers to find the best financial fit
- **Provide scenarios:**
 - What will the monthly payment be?
 - How much income is needed to support the debt?

Resources & Tools: Before Applying or Selecting a School

- Net Price Calculator
- College Board - *Big Future*
- US Dept of Ed - *College Scorecard*
- US Dept of Ed – *College Navigator*
- FAME Conversation Starters: *The Path to Affording Higher Ed*
- FAME – Comparing Costs & Financial Aid Offers
- **Bankrate.com** Student Loan Calculator

Eye Opening Scenarios

Borrowing for Direct Expenses

Tuition, fees, room, board

Annual Borrowing	\$ 10,000	\$ 15,000	\$ 20,000
Over Four Years	\$ 40,000	\$ 60,000	\$ 80,000
10-yr Monthly Payment	\$ 415	\$ 622	\$ 829
Total Interest	\$ 9,746	\$ 14,620	\$ 19,493
Total Repaid With Interest	\$ 49,746	\$ 74,620	\$ 99,493
Annual Income Needed	\$ 77,000	\$ 116,000	\$ 155,000

Indirect Expenses

Books, supplies, travel, personal

Annual Borrowing	\$ 3,000	\$ 6,000	\$ 8,000
Over Four Years	\$ 12,000	\$ 24,000	\$ 32,000
10-yr Monthly Payment	\$ 124	\$ 249	\$ 332
Total Interest	\$ 2,924	\$ 5,848	\$ 7,797
Total Repaid With Interest	\$ 14,924	\$ 29,848	\$ 39,797
Annual Income Needed	\$ 23,000	\$ 46,000	\$ 62,000

- **Exhaust all scholarship, grant, and non-loan options**
 - Apply for financial aid
 - Research and apply for outside scholarships
 - Talk to a financial aid counselor
 - Consider a tuition payment plan
- **Determine future earnings and recommended debt level**
- **Borrow federal loans first** and only borrow what is needed
 - It's okay to decline or return loan refunds

Resources & Tools: During the Financing Process

- Complete the Free Application for Federal Student Aid (FAFSA) at [FAFSA.gov](https://fafsa.gov), and all college-related financial aid requirements
- FAME FAFSA Completion Support & Resources
- FAME Scholarship Search Tool
- [CareerOneStop.org](https://www.careeronestop.org)
- FAME Student Loan/Salary Calculator



- **Reduce college-related expenses**
 - Create a budget and stick to it
 - Buy used or rent textbooks
 - Get a roommate (maybe more than one)
 - Keep an eye on coffee and meals out
 - Reconsider bringing the car to campus
- **Establish a plan to cover expenses** throughout the year with summer earnings or work-study
- **Only use loan money to cover critical expenses**



Resources & Tools: While in College

- Sign up for iGrad at [FAME.iGrad.com](https://www.fame.org/iGrad.com)
 - Complete your Money Personality Analysis
 - Explore courses, tools, videos and more!
- Consider purchasing the You Need a Budget (YNAB) app
- NGPF – Payback Game, SPENT
- Explore FAME’s financial wellness resources
 - [FAMEMaine.com/financial-wellness](https://www.famemaine.com/financial-wellness)

Why Federal Loans First?

- **Flexible Repayment**
 - Standard
 - Graduated
 - Extended
 - Income Driven
- Deferment options
- **Public service loan forgiveness**
- Cancellation due to death or disability
- **Fixed and possibly lower interest rates**
- No credit check or co-signer required for students



Federal Direct Loan Program – undergraduate and graduate students attending college at least ½ time

■ Direct Subsidized Loans

- Need-based, included on award letter, no credit check required
- Interest (4.99%) does not accrue while the student is in school

■ Direct Unsubsidized Loans

- Not need-based, included on award letter, no credit check required
- Interest (4.99% undergrad, 6.54% grad) accrues while the student is in school

■ Federal Direct PLUS Loans – parents and graduate students

- Not need-based, *may* be included on financial aid offer, credit check required
- Can help pay for expenses not covered by other financial aid
- Interest rate is 7.54%

- **Can help bridge gap** between cost of education and financial aid
- Offered by private lenders, **including FAME and other ME lenders**
- Separate from the financial aid process and **generally not included on financial aid offer**
- Credit-based, co-signer usually require

Eligibility criteria

- Interest rates and fees – fixed or variable?
- Annual percentage rate (APR) – cost of interest and fees expressed over time
- Repayment and deferment options
- Quality of customer service, lender experience and reputation
- Additional considerations:
 - Application process
 - Minimum, maximum, and aggregate loan amounts
 - Repayment term, borrower benefits, deferment and repayment options
 - Prepayment penalties, if any
 - Co-signer release

- **Maine's Student Loan Repayment Tax Credit Program (aka Opportunity Maine)**
- **Federal Education Tax Credits and Deductions**
 - American Opportunity Tax Credit
 - Lifetime Learning Tax Credit
 - Student Loan Interest Deduction
 - IRS Publication 970
- **Federal Loan Forgiveness Programs**
 - Public Service Loan Forgiveness
 - Teacher Loan Forgiveness



You are a key influencer and can help by:

- Creating opportunities to discuss affordability
- Promoting financial wellness
- Encouraging your students to reach out to FAME
- Don't go it alone – we're here to help!



Questions?



Thank you for joining us today!

Find more FREE resources and information at
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