

Smart Borrower

Money \$ENSE



Presented by:

Office of Financial Aid



SOLANO
COMMUNITY COLLEGE

\$mart Borrower Topics

- ❑ Requesting a Direct Student Loan
- ❑ Subsidized vs. Unsubsidized Loans
- ❑ Loan repayment options
- ❑ Avoiding loan default
- ❑ Budgeting and planning for success
- ❑ SparkPoint Solano (No-Cost Financial Resources)



What is a Student Loan?


- ❑ A student loan is money lent to you by the federal government to help fund your education.
- ❑ It is NOT free money!
- ❑ It is a loan, which means you must pay it back, with interest.



How to Request a Direct Student Loan

- Complete the Smart Borrower workshop.
- Submit loan request to the Office of Financial Aid Office along with the Smart Borrower Workshop Quiz. Via *Submittable* e-mail or fax: (707)646-2071
- Complete the following on line. (You do not need to attach a hard copy of completions)
 - Sign a Master Promissory Note (MPN) at www.studentaid.gov/mpn/
 - Complete the Loan Entrance Counseling at <https://studentaid.gov/app/counselingInstructions.action?counselingType=entrance>

Direct Loan Eligibility

- ❑ Have a completed **FAFSA** on file for the applicable year
- ❑ Complete all **MySolano** requirements (“red flags”)  under the Financial Aid Tab (Progress Link)
- ❑ Complete all Direct Student Loan **requirements**
- ❑ Be enrolled in at least **half-time** (6+ units)
- ❑ Complete **at least 24 units** (**Case-by-case approval**) between each loan request (if you are a previous borrower)
- ❑ Must not be in **student loan default**
- ❑ Must not owe a **federal grant overpayment**
- ❑ Must be meeting Satisfactory Academic Progress (**SAP**)

Types of Direct Loans

Subsidized	Unsubsidized
Need based	Non-need based
Federal government pays the interest while in school at least half-time	Accrues interest immediately and during all loan periods
Interest is also paid during grace period*	Interest <i>capitalizes</i>

*for loans disbursed after July 1, 2014 according to studentloans.gov

Borrow Only What You Need

1st Year: 0 – 29.5 units completed

2nd Year: 30+ units completed

Dependent: Must add parents to FAFSA

Independent: Not required to add parents on FAFSA

Academic Level	Subsidized Limit	Unsubsidized Limit	Total Limit
1 st Year Dependent	\$3,500	\$2,000	\$5,500
1 st Year Independent	\$3,500	\$6,000	\$9,500
2 nd Year Dependent	\$4,500	\$2,000	\$6,500
2 nd Year Independent	\$4,500	\$6,000	\$10,500

Paying Interest

- Interest is the cost of borrowing money.
- Interest is calculated as a **percentage** of the unpaid principal amount (loan amount) borrowed.

Loan Type	Borrower Type	Interest Rate*
Direct Subsidized Loans	Undergraduate	2.75% fixed
Direct Unsubsidized Loans	Undergraduate	2.75% fixed

*loans disbursed during the **2020-2021 academic year**
ON or AFTER July 1st, 2020 and before July 1st, 2021

Paying Fees

- An origination fee is deducted from each loan disbursement received by the borrower.
- Borrowers are responsible for repaying the entire amount borrowed, not just the amount received.

Loan Type	Borrower Type	Origination Fee*
Direct Subsidized Loans	Undergraduate	1.057%
Direct Unsubsidized Loans	Undergraduate	1.057%

*loans disbursed **ON or AFTER October 1st, 2020 and BEFORE October 1st, 2021**

Practical Example

Loan Amount	Origination Fee %	Origination Fee	Loan Amount Disbursed
\$ 1000.00	1.059 (before 10/20)	\$ 10.59	1000.00 – 10.59 = \$ 989.41
\$ 1000.00	1.057 (after 10/20)	\$ 10.57	1000.00 – 10.57 = \$ 989.43

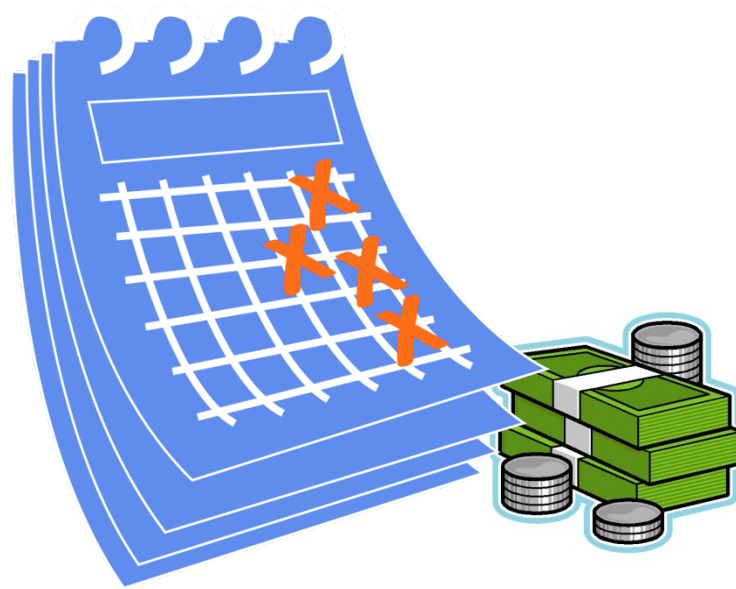
6-Month Grace Period

Borrowers are given a break to re-adjust, find employment, and get financially prepared to make student loan payments.

It begins when you:

- ✓ Graduate.
- Withdraw from classes or leave school.
- Drop below half-time enrollment (less than six units).

6 Months Later, Your Payments Begin!



Keeping Your Promise

- ❑ The **Master Promissory Note (MPN)** is a binding legal document.
- ❑ Terms and conditions under which you agree to repay the loan.
- ❑ It's important to read and save your MPN!
- ❑ Complete your MPN at www.studentaid.gov/mpn/

Direct Loan SAMPLE Timeline

Receive 1st
loan
payment
\$

30 days
later:
Assigned a
loan servicer

Create Loan
Servicer Acct:
Check *NSLDS*



Graduate!

6 months after
grad:
1st loan
payment due

Continue
making
payments
(switch plans if
needed)

Working with Your Loan Servicers

- ❑ Understand that loan servicers are here to **help!**
- ❑ Find your loan servicers by accessing your account on <https://studentaid.gov>
- ❑ Create an account with your servicer.
Mandatory for ALL Students!
- ❑ Many repayment options

Repayment Options

Standard Repayment

Extended Repayment

Graduated Repayment

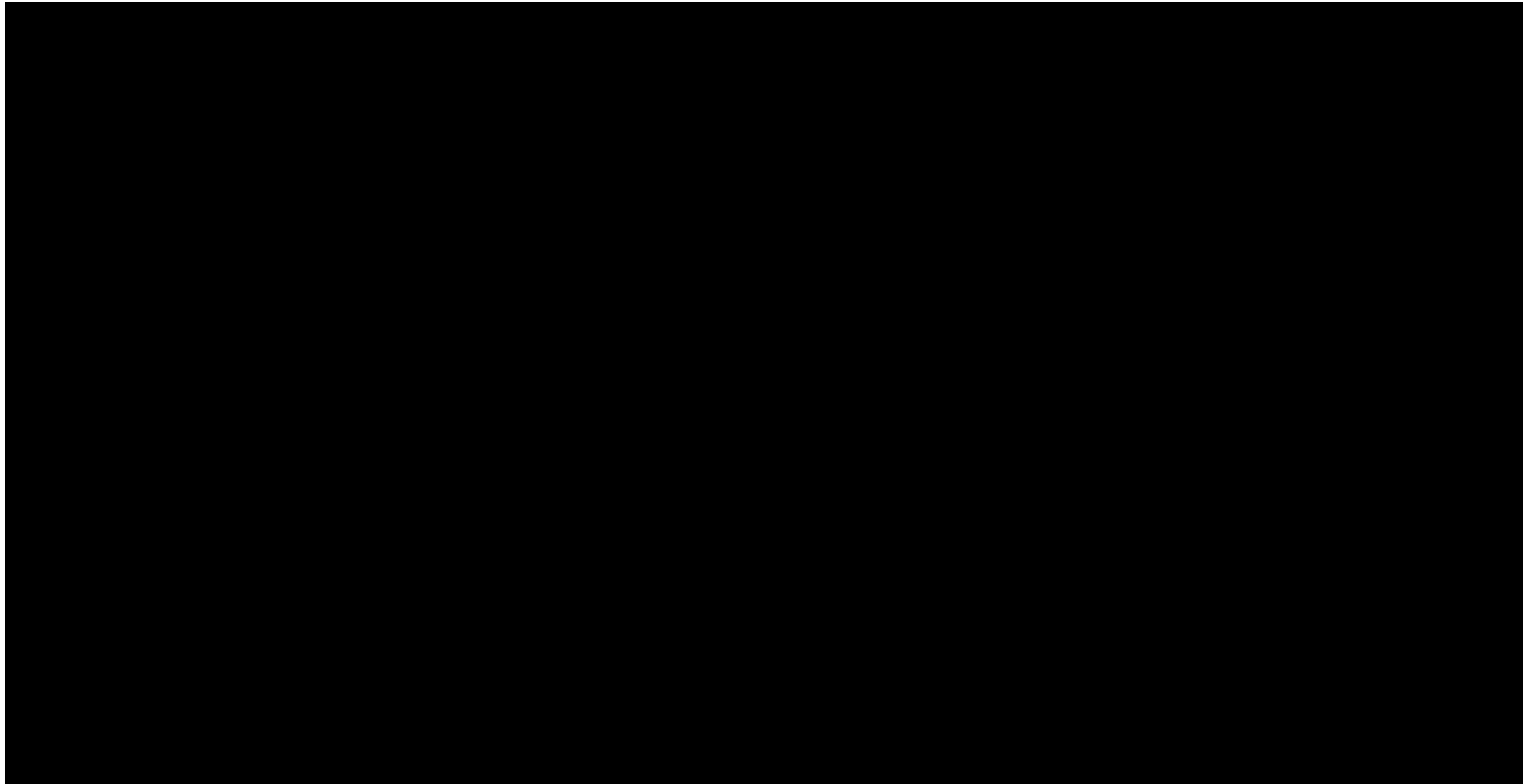
Income Based Repayment

Pay As You Earn Repayment

Income Contingent Repayment

Income Sensitive Repayment

Repayment Options



<https://youtu.be/Nqs0CvY-Pml>

Deferment

- **Deferment is a postponement of payment.**
- ❑ Contact your servicer if you are...
 - ❑ Attending classes and enrolled in school at least half-time.
 - ❑ Unemployed, and unable to find full-time employment.
 - ❑ Going through economic hardship.
 - ❑ Going through active Cancer treatment (covering treatment period and 6 months after)
 - ❑ Currently on active duty/military service.

Forbearance

- Forbearance is when your loan payments are temporarily suspended or reduced for up to **12 months**.
 - ❑ If you are willing to pay, but unable to—
contact your loan servicer!
 - Financial Difficulties
 - Medical Expenses
 - Active Cancer Treatment
 - Change in Employment
 - ❑ **Interest on your Direct Student Loans will continue to accrue during this time period.**

The Impact of Default

- ❑ Ineligible for deferment, forbearance, and other repayment options.
- ❑ Ineligible for federal student aid.
- ❑ Wage garnishment.
- ❑ Federal and state tax refunds withheld.
- ❑ Late fees, additional interest, collection fees, etc.



The Impact of Default



PAST DUE

- ❑ Credit report damage (7-year minimum).
- ❑ May have difficulty obtaining mortgage or car loans.
- ❑ May be unable to rent an apartment.
- ❑ May be denied or lose state occupational license.
- ❑ May be turned down for jobs.

How to Avoid Default



➤ *Graduate!*

- ❑ Increase your employability, career options, and potential income.
- ❑ Make sure to pay on time.
- ❑ Having trouble? Contact your loan servicer.

Make Your Finances a Priority!

- ❑ Check the National Student Loan Data System (NSLDS) to identify your federal loan servicer(s):

<https://studentaid.gov>

- ❑ Start a student loan file.
- ❑ Keep track of how much you have borrowed.
- ❑ Calculate your expected payments **BEFORE** you borrow.



Budget and Plan for Success

- ❑ Important for college students with limited means
- ❑ Reduces stress to help you balance school, work, and family
- ❑ Helps eliminate wasteful spending
- ❑ Stretches each financial aid dollar



Budgeting Strategies

❑ 50/30/20 rule

- ❑ 50% income for **fixed costs** (rent, utilities, etc.)
- ❑ 30% income for **flexible spending** (groceries, gas, etc.)
- ❑ 20% income for **savings and debt payoff**

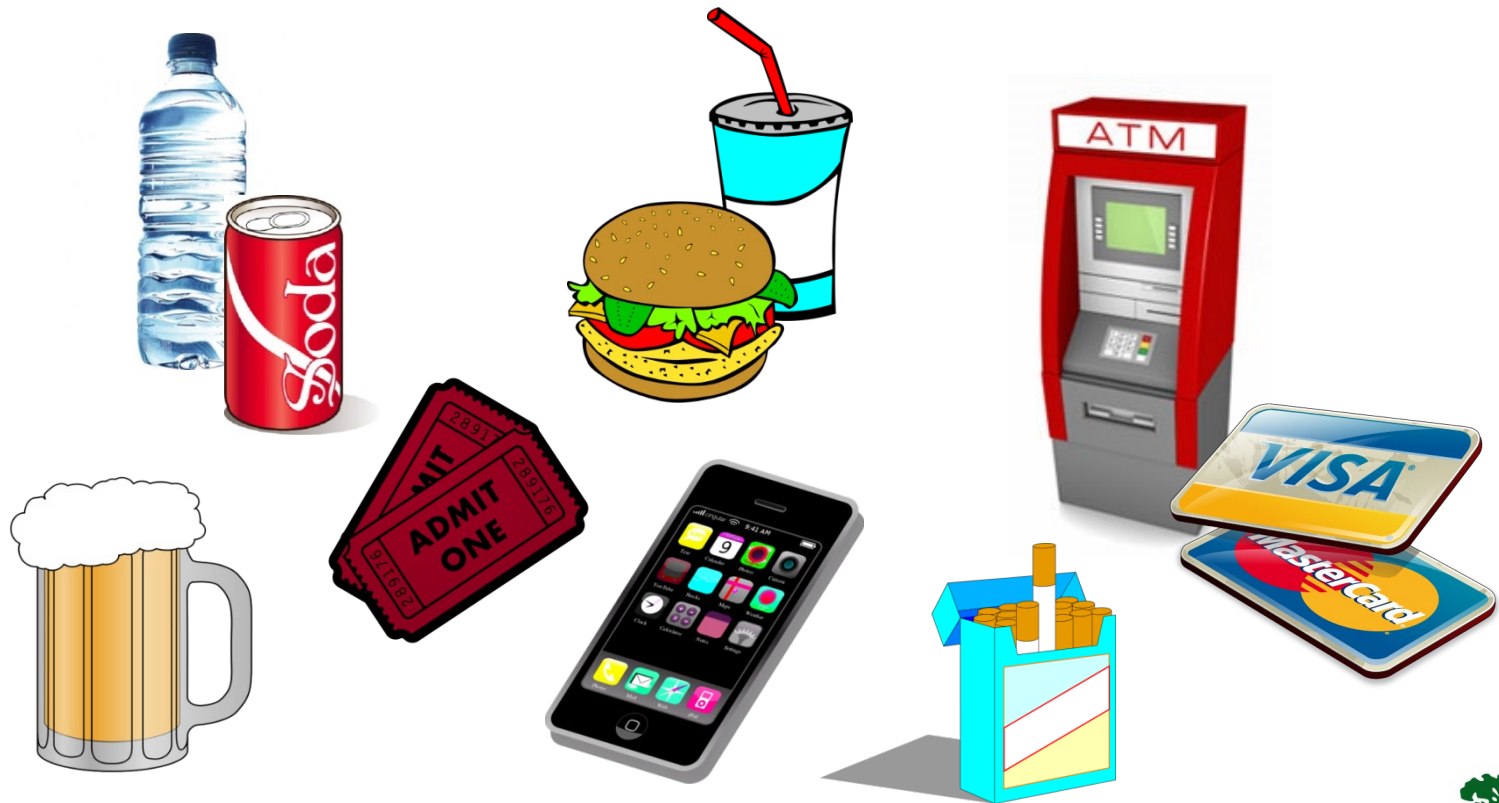
❑ MS Excel Spreadsheet

❑ Budgeting Apps and Tools

- ❑ **Budget Wizard** (www.cashcourse.org)
- ❑ **Mint** (Android, iOS)
- ❑ **Wally** (Android, iOS)

Avoid Budget Busters

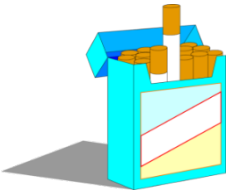
“Beware of little expenses; a small leak will sink a great ship.”
Benjamin Franklin



Budget Busters: Reality Check



Fast Food Meal: **\$8.00 each**
 $\$8.00 \times 4 \text{ meals per week} = \32.00
 $\$32.00 \times 4 \text{ weeks per month} = \128.00
 $\$32.00 \times 52 \text{ weeks per year} = \underline{\underline{\$1,664.00!}}$



Pack of Cigarettes: **\$5.89 each (state average)**
 $\$5.89 \times 7 \text{ packs per week} = \41.23
 $\$41.23 \times 4 \text{ weeks per month} = \164.92
 $\$41.23 \times 52 \text{ weeks per year} = \underline{\underline{\$2,143.96!}}$



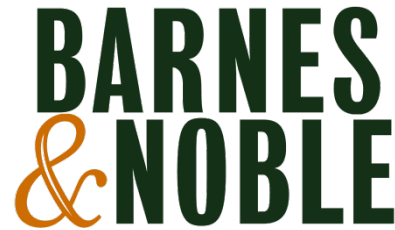
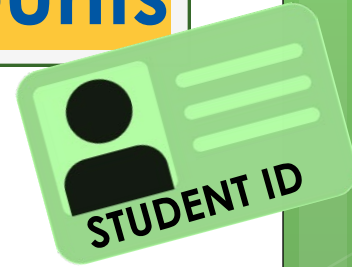
Coffee Run: **\$4.00 each**
 $\$4.00 \times 5 \text{ trips per week} = \20.00
 $\$20.00 \times 4 \text{ weeks per month} = \80.00
 $\$20.00 \times 52 \text{ weeks per year} = \underline{\underline{\$1,040.00!}}$

Save your \$\$\$ while in school!

- Buy/Rent USED textbooks – visit your school library!
- Re-sell books, clothes, items you no longer need!
(Poshmark, Craigslist, FB Marketplace, etc.)
- Walk or use public transportation
- Pay off credit card balances ASAP
- Research stores/services with Student Discounts
- Eliminate any non-necessities (cable TV, unlimited texting etc.)
- Sharing living space - Split rent & utilities
- Negotiate your rates (credit cards, insurance)



Student Discounts



Spotify®

SUPERCUTS®



FedEx

SUBWAY
eat fresh.™



REGAL
ENTERTAINMENT
GROUP®

Chick-fil-A®





SparkPoint brings together a world of resources to help college students and community members grow and prosper.

We provide a range of no-cost services for students and community members customized to the needs of our clients.

Services may include:

- Career development
- Employment services
- Financial education
- One-on-one financial coaching
 - Savings and asset building



SparkPoint Centers are family-friendly places where students and community members can access a full range of NO-COST services to help them achieve long-term financial stability.

SparkPoint services focus on three areas:

Improving Credit

- » Create a balanced budget
- » Manage credit cards and other debts
- » Obtain credit report and correct mistakes
- » Help with foreclosure and mortgage modification

Increasing Income

- » Learn skills to increase chances of landing a job
- » Improve resume
- » Explore career training/education opportunities.
- » Explore career options
- » Connect with money-saving programs, such as free tax preparation, discounted utilities, and nutrition resources.

Building Assets

- » Access to free and low-cost banking services
- » Develop emergency savings
- » Home ownership

www.sparkpointsolano.org

**Please call for appointments:
Solano Community College
(707) 366-4893 Or visit Room #439 (Bldg #400)**

Fairfield: (707) 344-6854 Vallejo: (707)333-0832

Communication is Key!

- **Contact Your Loan Servicers!**

**We Are Here to
Help!**

- **Financial Aid Information:**

www.Solano.Edu/Financial_Aid/

- **Financial Aid Office (707) 864-7103**

