

# **\$mart Borrower** **Money \$EN\$E**



**Presented by:**

**Office of Financial Aid**



# \$mart Borrower Topics

- ❑ Requesting a Direct Student Loan
- ❑ Subsidized vs. Unsubsidized Loans
- ❑ Loan repayment options
- ❑ Avoiding loan default
- ❑ Budgeting and planning for success



# 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

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- Complete the Smart Borrower workshop and Smart Borrowers Quiz.
- Submit loan request to the Office of Financial Aid Office.
- Complete the following online:  
**(You do not need to attach a hard copy of completions)**
  - Sign a Master Promissory Note (MPN) at [www.studentaid.gov/mpn/](http://www.studentaid.gov/mpn/)
  - Complete the Loan Entrance Counseling at <https://studentaid.gov/entrance-counseling/>

# Direct Loan Eligibility

- ❑ Have a completed **FAFSA** on file for the applicable year
- ❑ Complete all **MySolano** requirements (“red flags”)   
under the Financial Aid Tab> FA Requirements
- ❑ 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 <b>interest</b> while in school at least half-time | Accrues <b>interest</b> immediately and during all loan periods |
| <b>Interest</b> is also paid during grace period*                              | Interest <i>capitalizes</i>                                     |

\*for loans disbursed after July 1, 2014 according to [studentloans.gov](http://studentloans.gov)

# Borrow Only What You Need

**1<sup>st</sup> Year:** 0 – 29.5 units completed

**2<sup>nd</sup> 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 <sup>st</sup> Year Dependent   | \$3,500          | \$2,000            | \$5,500     |
| 1 <sup>st</sup> Year Independent | \$3,500          | \$6,000            | \$9,500     |
| 2 <sup>nd</sup> Year Dependent   | \$4,500          | \$2,000            | \$6,500     |
| 2 <sup>nd</sup> 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 | <b>4.99%</b> fixed |
| Direct Unsubsidized Loans | Undergraduate | <b>4.99%</b> fixed |

\*loans disbursed during the **2022-2023 academic year**  
ON or AFTER July 1<sup>st</sup>, 2022 and before July 1<sup>st</sup>, 2023



CURRENT FEE  
2022-2023

# 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%           |

# Practical Example

| Loan Amount       | Origination Fee % | Origination Fee | Loan Amount Disbursed                   |
|-------------------|-------------------|-----------------|---|
| <b>\$ 1000.00</b> | 1.057             | <b>\$ 10.57</b> | $1000.00 - 10.57$<br><b>= \$ 989.43</b> |

# 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/](http://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 AFTER you get disbursed **Mandatory for ALL Students!**
- ❑ Many repayment options

# Repayment Options

Standard Repayment  
Extended Repayment

Graduated Repayment

Income Based Repayment

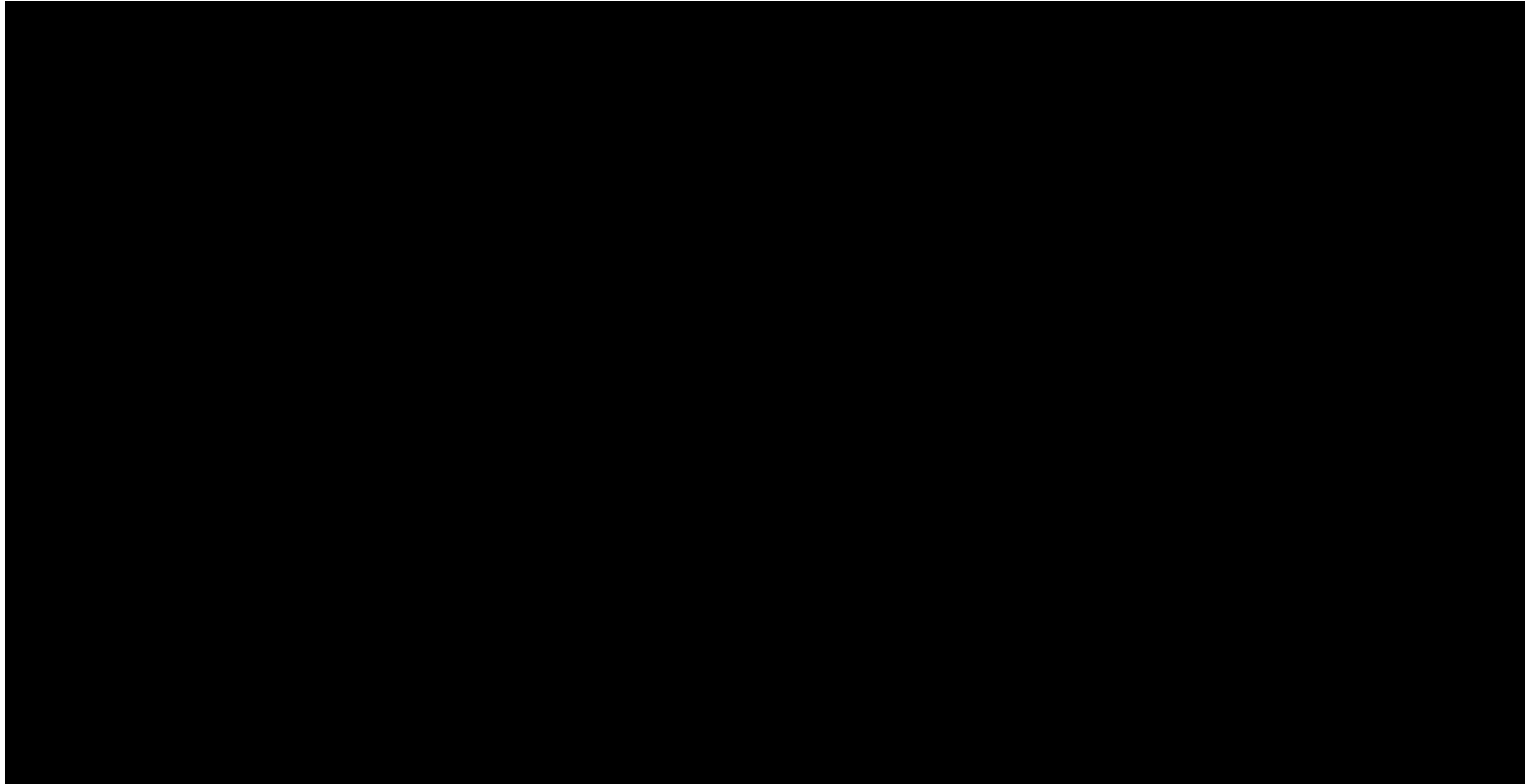
Pay As You Earn Repayment

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



- ❑ 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

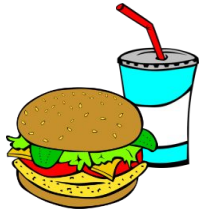
- ☐ **Budget Wizard** ([www.cashcourse.org](http://www.cashcourse.org))
- ☐ **Mint** (Android, iOS)
- ☐ **Wally** (Android, iOS)

# Avoid Budget Busters

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



# Budget Busters: Reality Check

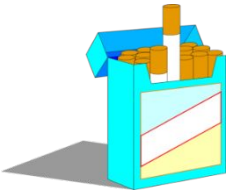


Fast Food Meal: **\$8.00 each**

$\$8.00 \times 4 \text{ meals per week} = \$32.00$

$\$32.00 \times 4 \text{ weeks per month} = \$128.00$

$\$32.00 \times 52 \text{ weeks per year} = \underline{\$1,664.00!}$



Pack of Cigarettes: **\$5.89 each (state average)**

$\$5.89 \times 7 \text{ packs per week} = \$41.23$

$\$41.23 \times 4 \text{ weeks per month} = \$164.92$

$\$41.23 \times 52 \text{ weeks per year} = \underline{\$2,143.96!}$



Coffee Run: **\$4.00 each**

$\$4.00 \times 5 \text{ trips per week} = \$20.00$

$\$20.00 \times 4 \text{ weeks per month} = \$80.00$

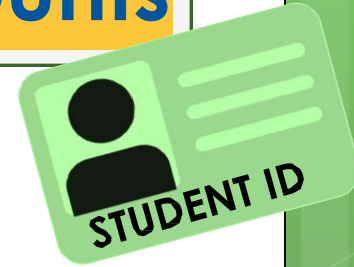
$\$20.00 \times 52 \text{ weeks per year} = \underline{\$1,040.00!}$

# 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



amazon.com  
*Prime*

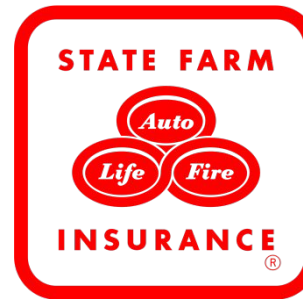


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REGAL  
ENTERTAINMENT  
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# Communication is Key!

- ▮ **Contact Your Loan Servicers!**

**We Are Here to  
to Help!**

- ▮ **Financial Aid Information:**  
[www.Solano.Edu/Financial\\_Aid/](http://www.Solano.Edu/Financial_Aid/)

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

