Texas Tech University

Is “Loan” a 4 Letter Word
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What have you heard about student loans from the media?

The Student Loan Debt Crisis Is About to Get Worse

The next generation of graduates will include more borrowers who may never be able to repay.

Despite the economic recovery, student debtors' 'monster in the closet' has only worsened.

The Student Debt Crisis: Could It Slow the U.S. Economy?

The financial problem that just won't die: Student loans

$1.5 trillion of student loan debt has transformed the American dream.
Distribution of Borrowers and Debt by Outstanding Balance, 2018

Source: The College Board, Trends in Student Aid 2018, Figure 11.
Cumulative Debt in 2012 Dollars for Undergraduate and Graduate Studies, 2003-04, 2007-08, and 2011-12
Average Aid per Full-Time Equivalent (FTE) Undergraduate Student in 2017 Dollars, 1997-98 to 2017-18

Source: The College Board, Trends in Student Aid 2018, Figure 1.
How does the number of credits I take affect my educational costs?

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 credits</td>
<td>30 credits</td>
<td>30 credits</td>
<td>30 credits</td>
</tr>
<tr>
<td>$15 K</td>
<td>$15 K</td>
<td>$15 K</td>
<td>$15 K</td>
</tr>
<tr>
<td>$26 K</td>
<td>$26 K</td>
<td>$26 K</td>
<td>$26 K</td>
</tr>
</tbody>
</table>

= 4 years

= 120 credits

= $104 K
How does the number of credits I take affect my educational costs?

Year 1 | Year 2 | Year 3 | Year 4 | = 4 years
24 credits | 24 credits | 24 credits | 24 credits = 96 credits

Year 5
24 credits = 120 credits

Year 1: 24 credits = $9K
Year 2: 24 credits = $15K
Year 3: 24 credits = $15K
Year 4: 24 credits = $15K
Year 5: 24 credits = $24K

= $96 K
= $120 K
Which Would You Rather Pay?

4 years
120 credits
$104 K

5 years
120 credits
$120 K

$16K difference!
What About Summer?

Year 1 | Year 2 | Year 3 | Year 4
--- | --- | --- | ---
24 credits | 24 credits | 24 credits | 24 credits

24 K | 24 K | 24 K | 24 K

Summer: 6 credits | Summer: 6 credits | Summer: 6 credits | Summer: 6 credits

15 K | 15 K | 15 K | 15 K

9 K | 9 K | 9 K | 9 K

2 K | 2 K | 2 K | 2 K

0 K | 0 K | 0 K | 0 K

= 4 years

= 120 credits

= $104 K
Aggregate Borrowing Limits

• Undergraduates
  • A Dependent student can borrow $31,000 total
  • An Independent student can borrow $57,500 total

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent</td>
<td>$5,500</td>
<td>$6,500</td>
<td>$7,500</td>
<td>$7,500</td>
<td>$27,000</td>
</tr>
<tr>
<td>Independent</td>
<td>$9,500</td>
<td>$10,500</td>
<td>$12,500</td>
<td>$12,500</td>
<td>$47,000</td>
</tr>
</tbody>
</table>

• Graduates
  • Graduate students can borrow a total of $138,500
Cumulative Debt of 2011-12 Bachelor’s Degree Recipients by Time Elapsed Between First Enrollment and Degree Completion

Source: The College Board, Trends in Student Aid 2018, Figure 17a.
Federal Student Loan Five-Year Repayment Rate by Completion Status: Borrowers Entering Repayment in 2009-10 and 2010-11

<table>
<thead>
<tr>
<th>Sector</th>
<th>Completers</th>
<th>Noncompleters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Two-Year</td>
<td>68%</td>
<td>39%</td>
</tr>
<tr>
<td>Public Four-Year</td>
<td>79%</td>
<td>54%</td>
</tr>
<tr>
<td>Private Nonprofit Four-Year</td>
<td>80%</td>
<td>54%</td>
</tr>
<tr>
<td>For-Profit</td>
<td>43%</td>
<td>26%</td>
</tr>
<tr>
<td>All</td>
<td>67%</td>
<td>41%</td>
</tr>
</tbody>
</table>

Source: The College Board, Trends in Student Aid 2018, Figure 14A.
What Else Can Students Do?
What Else Can Students Do?

Change the size of the bag!
How Much Can I Borrow?

Cost of Attendance

Any other financial aid

Maximum amount you can borrow
Borrowing Options

**STUDENTS:**
- Federal Direct Student Loan
- College Access Loan
- Private Education Loan

**PARENTS:**
- Federal Direct Plus Loan
- Private Education Loan
Subsidized: the student is not charged interest while they are in school. Once they graduate or leave school, interest starts to accumulate and becomes part of what the student has to pay back.

Unsubsidized: interest accumulates (adds up) while the student is in school and becomes part of what they have to pay back once they graduate or leave school.

### Federal Direct Loan

Federal Direct subsidized and unsubsidized loans are low, fixed interest rate loans. Eligibility is determined by the Free Application for Federal Student Aid (FAFSA), not the student's credit history.

1. Students submit the Free Application for Federal Student Aid (FAFSA) at fasfa.gov.
2. Students can choose to accept, reduce, or decline part or all of a Federal Direct Loan on the MyTech tab in raiderlink.ttu.edu.
3. Students must complete Entrance Loan Counseling and Master Promissory Note (MPN) at studentloans.gov.

<table>
<thead>
<tr>
<th>Federal Direct Student Loan Maximums Per Year</th>
<th>Dependent Students</th>
<th>Independent Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Freshmen</td>
<td>$5,500 (max of $3,500 subsidized)</td>
<td>$9,500 (max of $3,500 subsidized)</td>
</tr>
<tr>
<td>Sophomore</td>
<td>$6,500 (max of $4,500 subsidized)</td>
<td>$10,500 (max of $4,500 subsidized)</td>
</tr>
<tr>
<td>Junior/Senior</td>
<td>$7,500 (max of $5,500 subsidized)</td>
<td>$12,500 (max of $5,500 subsidized)</td>
</tr>
<tr>
<td>Graduate/Professional</td>
<td>Not Applicable</td>
<td>$20,500 (unsubsidized only)</td>
</tr>
</tbody>
</table>
Federal Direct PLUS Loan

Federal Direct PLUS Loans are available to parents of dependent undergraduate students, or graduate/professional students. Eligibility is based on the borrower’s credit history.

1 Students must submit the Free Application for Federal Student Aid (FAFSA) before applying for either type of Federal Direct PLUS Loan.

2 Parents or graduate/professional students may complete a Direct PLUS Loan application at studentloans.gov, and can borrow up to the student’s cost of attendance minus any other financial aid they receive.

3 Once approved, parents or graduate/professional students must complete Master Promissory Note (MPN) at studentloans.gov. In addition, graduate/professional students must complete Entrance Loan Counseling at studentloans.gov.
College Access Loan (CAL)

The College Access Loan (CAL) is a non-need-based educational loan for Texas residents. Eligibility is determined by the student’s credit history, or that of a credit-worthy cosigner.

1. Students must submit the Free Application for Federal Student Aid (FAFSA) before applying for the CAL. Applicants must be Texas residents enrolled at least half-time in a degree-seeking program.

2. Students may borrow up to their cost of attendance minus all other financial aid they receive (including assistance they may have declined) at hhloans.com.

3. Once approved, the lender will ask the student to complete a Loan Approval Disclosure and a Self-Certification form at hhloans.com. Loan funds cannot be paid until the Disclosure has been processed.

Private Education Loan

Private education loans can help students pay for the cost of attendance that is not met by other types of financial aid or personal resources. Consider these loans after using all other aid options. Private education loans are non-need-based, and eligibility is determined by the student’s credit history, or that of a credit-worthy cosigner. Students may borrow up to the cost of attendance minus all other financial aid they receive.

1. The Free Application for Federal Student Aid (FAFSA) is not required for a private education loan. However, students must complete the FAFSA Waiver Form at financialaid.ttu.edu if they choose not to complete the FAFSA.

2. Students may research and complete a private loan application by going to financialaid.ttu.edu then choosing FASTChoice under Private Education Loans.

3. Once approved, the lender will require the student to complete a Self-Certification form.
How to Choose a Private Loan?

FASTChoice – financialaid.ttu.edu

• What is the interest rate?
  • Lower is better.

• Is the interest rate fixed or variable?
  • Fixed: stays the same through the life of the loan.
  • Variable: will go up and down with the market. May start out lower, but has the potential to go higher.
Resources - myStudentAid

Log in to the app: View your loan servicer, loan amount, and payment information.
Check out: Entrance Counseling and Master Promissory Note
studentloans.gov
Financial Awareness Counseling Tool

Check out: your loan servicer, loan amount, and payment information
Graduation Preparation

- Exit Loan Counseling – required of all borrowers
- Repayment Estimator
- Deferment and Forbearance
- Loan Consolidation
- Repayment Options
- Loan Forgiveness
Deferment and Forbearance

- **Deferment** – no requirement to pay interest
  - At least half-time enrollment (e.g., graduate school)
  - Active duty military service
  - Unemployment

- **Forbearance** – must pay interest accrued (capitalized and added to principal)
  - Financial difficulties
  - Medical expenses
  - Change in employment
Direct Consolidation Loan

- Direct Consolidation Loan allows you to consolidate (combine) multiple federal education loans into one loan. The result is a single monthly payment instead of multiple payments.
- No Fees
- Fixed Interest (lose subsidy) – weighted average
- Perhaps longer repayment period
- Interest becomes part of principal
Repayment Options

• Standard repayment
• Graduated repayment
• Pay as you earn repayment
• Income-based repayment
• Income-contingent repayment

https://studentaid.ed.gov/sa/repay-loans/understand/plans
Loan Forgiveness

- **Public Service Loan Forgiveness**
- **Teacher Loan Forgiveness**

10-year **public service loan forgiveness** - If you work full-time in public service and have reduced payments under a qualifying plan the balance remaining after 120 qualifying payments could be forgiven. For more information about Public Service Loan Forgiveness, visit StudentAid.gov.

**Income-Sensitive Repayment Plan**

If you need to make lower payments on your FFEL Loans and do not qualify for IBR, consider the Income-Sensitive Repayment Plan. Under this plan, your monthly payments:

- increase or decrease based on your annual income and
- are made for a maximum period of 10 years.
Final Thoughts

Loans should be considered after all other funding options have been exhausted.

Students need to educate themselves about the loan debt they take on.

Loans can be an effective tool to help students fund their education.

Students can use tools to help them minimize and manage their student debt.
Informational Resources on Borrowing

College Board Trends In Higher Education

• [https://trends.collegeboard.org/home](https://trends.collegeboard.org/home)

• [https://studentaid.ed.gov](https://studentaid.ed.gov)

• [https://www.studentloans.gov](https://www.studentloans.gov)
## Quick Loan Guide

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>FAFSA/TASFA</th>
<th>Subject to Verification</th>
<th>Credit Check</th>
<th>Borrower Type</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Direct Loan</strong></td>
<td>FAFSA Only</td>
<td>Yes</td>
<td>No Credit Needed</td>
<td>Students</td>
</tr>
<tr>
<td><strong>Federal Direct Plus Loan</strong></td>
<td>FAFSA Only</td>
<td>Yes</td>
<td>Based on Credit (180 days)</td>
<td>Parents/Graduate Students</td>
</tr>
<tr>
<td><strong>College Access Loan</strong></td>
<td>FAFSA/TASFA (Requires Expected Family Contribution)</td>
<td>Yes</td>
<td>Based on Credit (180 days) TASFA – US Cosigner</td>
<td>Students</td>
</tr>
<tr>
<td><strong>Private Education Loans</strong></td>
<td>FAFSA/TASFA Can be Waived (unless lender requires Satisfactory Academic Progress)</td>
<td>Depends on Lender</td>
<td>Based on Credit (180 days-360 depending on lender) TASFA – US Cosigner</td>
<td>Students/Parents</td>
</tr>
</tbody>
</table>
Student Financial Aid & Scholarships

Walk-Up Counter:
301 West Hall
8:00-4:30 M-F
No appointment needed!

Phone:
Financial Aid
(806) 742-3681
Scholarships
(806) 742-3144

Email:
financialaid@ttu.edu
scholarships@ttu.edu

Websites:
www.financialaid.ttu.edu
www.scholarships.ttu.edu

Follow us on Social Media!
@TTUFinancialAid
What is the title of this presentation?

Is Loan a 4 Letter Word?
The longer it takes to graduate, the more loan debt a student is likely to have.

True
The average Federal Loans amounts per student has declined for 7 consecutive years.

True
What is the aggregate borrowing limit for a dependent undergraduate student?

$31,000
What is the equation for determining the maximum a student can borrow each year?

Cost of Attendance – any other aid
What app is available for students to use as a tool to manage their Federal Student Loans?

MyStudentAid App
Once a Federal Direct loan is accepted, what 2 requirements must be done for a student to receive the funds?

Master Promissory Note and Entrance Counseling
Who can apply for the Federal Direct PLUS Loan?

The parent...
And a graduate student
What is a requirement for a student to be eligible for a College Access Loan (CAL)?

The student/co-signer must be Texas Residents.
What tool is available to students and parents to compare and choose their Private Loan options?

FastChoice
Students enrolled at least half-time are eligible for:

Loan Deferment
How confident are you in talking with students/families about loans and loan options?