

Investing in Graduate Education

Understanding Financial Concerns in Graduate School

UWM Financial Aid Department

Overview

1. Aid Eligibility as a Graduate Student
2. How to Be Responsible with Borrowing & Budgeting
3. Repayment Options
4. Benefits of Loans (Credit and Tax)
5. Examples
6. Questions / Discussion

Federal Stafford Student Loan

Annual Loan Limits for Students

- Graduate students are eligible for a total of \$20,500 in unsubsidized loans per academic year
- Graduate students may borrow up to \$138,500 (includes undergraduate direct loans)

Unsubsidized

- Unsubsidized: need is not a consideration

Interest Rate 6.08% for 2019-2020 (change every year)

- Interest paid by student while in college (recommended)
- Interest payments can be deferred

Additional Financing Options

- ❑ Scholarships
- ❑ Fellowships
- ❑ Assistantships

Some outside sources of funding may affect your Financial Aid Award and must be reported to the Financial Aid Office

- ❑ Grad PLUS Loan
 - ▶ *Must Apply for separately*
 - ▶ *Based on Credit*
 - ▶ *Interest 7.0%*
 - ▶ *Similar to Unsubsidized loan*
 - ▶ *Can Consolidate with other Stafford loans*

Credit Level

- ▶ We initially award on the assumption of 8 or more credits
- ▶ Students can still receive aid at as low as 4 graduate credits, but you need to update us about the planned credit level
 - ▶ *1 Credit for Prelim Status as determined by the Graduate School*
 - ▶ *3 Credits for Dissertator Status as determined by the Graduate School*
- ▶ Aid will not disburse if credit level does not match
 - ▶ This protects students from over-awarding and under-awarding

Being A Responsible Borrower

- ▶ Keep track of your total loan debt
 - ▶ Log into the National Student Loan Database System @ www.nslds.ed.gov
 - ▶ Type of loans (sub vs. unsub)
 - ▶ Loan amounts
 - ▶ Outstanding Principle & Interest
 - ▶ Loan Balance
 - ▶ Get to know your loan servicer - create an account
- ▶ To get an estimate of your monthly payments
 - ▶ Go to www.studentaid.gov and log in. There are calculators on the website to assist with this.
- ▶ Complete exit counseling

Budgeting Resources

- ▶ Apps (just a few)
 - ▶ **Mint:** build your budget, set goals, if enabled will help pay and remind you of your bills, etc.
 - ▶ **Digit:** follows your spending habits and moves money from your account if you can afford it into savings (automatic savings planner)
 - ▶ **Mvelopes:** digitized the envelope strategy, setting aside a budgeted amount each month for different categories, when the money is gone, its gone
- ▶ Follow Financial expert blogs, websites, podcasts, etc.
 - ▶ uwm.gradready.com
 - ▶ <http://www.suzeorman.com/blog/>
 - ▶ <http://www.ourfreakingbudget.com/>
- ▶ Invest in Retirement right away!
 - ▶ “Match the Match”!

Types of repayment options:

Traditional

- ▶ Standard
- ▶ Graduate
- ▶ Extended

Income Based

- ▶ Pay as your earn (PAYE)
- ▶ Revised Pay as you earn repayment plan (REPAYE)
- ▶ Income Based Repayment (IBR)
- ▶ Income Contingent Repayment
- ▶ Income Sensitive Repayment

Payment plans at a glance

▶ Standard

- ▶ Sub, unsub, PLUS loans
- ▶ 10 year repayment plan, fixed payments

▶ Graduated

- ▶ 10 year repayment plan
- ▶ Repayments start out low, increases every 2 years
Con: Anticipating your income will increase proportionately

- ▶ By extending the repayment plan you are increasing the interest

▶ Extended

- ▶ 25 year repayment plan
- ▶ Must have at least \$30,000 in loans
- ▶ Payments are lower, but paying more because interest is accruing over longer time period

...Continued

- ▶ Pay as you earn repayment plan (PAYE)
 - ▶ Max monthly payment 10 percent of discretionary income
 - ▶ Payments are recalculated each year, based on family size, (spouse income is taken into consideration)
 - ▶ Must have high debt relative to income

Continued...

- ▶ Revised pay as you earn repayment plan (REPAYE)
 - ▶ Monthly payments are 10% of your discretionary income (income remaining after deduction of taxes, other mandatory charges, and expenditure on necessary items)
 - ▶ Payments recalculated each year and based on income and family size (married? This will be taken into account)
 - ▶ *Any outstanding balance on loan will be forgiven if not paid in full after 20-25 years*

Income Based Repayment (IBR)

- ▶ Based on income and family size
- ▶ Payment is 10 or 15% of discretionary income
- ▶ Payments recalculated each year
- ▶ Forgiven amount may become taxable income.....
- ▶ Interest still accrues

Income Contingent Repayment (Direct Loans Only)

- ▶ Direct Loans only
- ▶ Repayment period is 25 years
- ▶ Tied to income and family size
- ▶ Payment is the lesser of 20% of discretionary amount OR the amount you'd pay on a repayment plan with fixed payment over 12 years, adjusted according to your income
- ▶ It is very important to do the math
 - ▶ (use the calculators) because it may not be worth it in the long run)
- ▶ Portion forgiven after 25 years, could become taxable income

Income Sensitive Repayment Plan

- ▶ FFELoans only (These are the older type of federal loans)
- ▶ Income based only
- ▶ Repayment plan up to 15 years
- ▶ No forgiveness options
- ▶ Check in with your lender, formula for determining monthly amount will differ

Consolidation

- ▶ Can simplify loan repayment by centralizing loans to one bill, lower monthly payments by giving you 30 years to repay
- ▶ Lose your grace period
- ▶ Interest rate is weighted average of the loans
- ▶ One payment
- ▶ May choose from different repayment options
- ▶ Apply through studentloans.gov

What to do if you can't make your loan payment?

Deferment

Military Service

Post Active Duty

Economic Hardship

****MUST MEET**

Qualifications and be able to provide documentation

Forbearance

Temporary postponement or reduction of payments for a period of time due to financial difficulty.

Interest still accrues

What impact does it have on your credit?

You will not go in to Default!

“VERBAL agreement” for 24 months....

Default (Avoid!)

Bad Credit history

Makes you ineligible for federal aid

Late fees and Collection fees added on to your balance

Pay check and taxes can be Garnished.

Student Loans and Credit

- Having student loans isn't all bad....
 - Student Loans can help build your credit score
 - Credit scores based on payment history, debt levels, age of credit, debt diversity
 - A well-managed student loan has a positive impact on credit scores
 - Amount owed in student loans bears LITTLE impact on borrower's credit scores
 - Considered “good debt” - looked at as an investment in your future
 - Deferments and forbearance do not negatively affect credit

Tax Benefits for interest paid on student loans

- ▶ Simple Interest on the Loan
- ▶ Adjusted Gross Income = \$80,000 (single) or \$160,000 (married) or less
- ▶ Student loans for qualified education expenses
- ▶ Student must be you, spouse or claimed dependent

Loan Forgiveness Programs

- ▶ The Public Service *Loan Forgiveness* (PSLF) Program forgives the remaining balance on your Direct Loans after you have made 120 qualifying monthly payments under a qualifying repayment plan while working full-time for a qualifying employer
- ▶ Qualifying employer? Government orgs (federal, state, local, tribal), non-profits tax-exempt under Section 501(c)(3), AmeriCorps, Peace Corps
- ▶ Takes 10 years to become eligible - can track your service, let you know if you're making qualifying payments
- ▶ After 120 payments, need to submit the PSLF application to receive loan forgiveness

Studentaid.gov - for more information & application

Nursing

Teaching

Public service

Discharge or Cancellation

Helpful “Hints” for Smart Borrowing

- ▶ Students do not need to borrow the full \$20,500, or may not need to borrow at all!
 - ▶ “Ships” help cover some, or most of the costs
 - ▶ Most “Ships” are no longer affecting award packages
- ▶ Students should be paying the interest per month to avoid “snowball” interest by graduation
- ▶ Repayment plans



Questions?

Thank you!