

# ***COUNSELING STUDENTS TO MINIMIZE BORROWING***

Presented By:

**\$ALT**

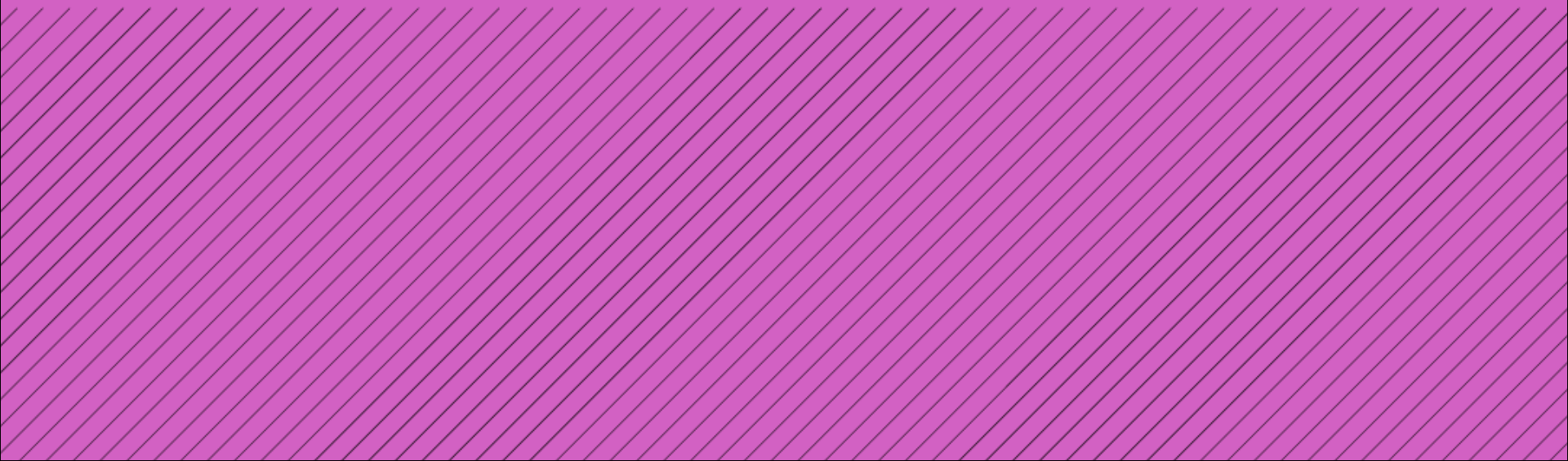
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# ***AGENDA***

- Recent research
- Opportunities to counsel
- Best practices
- Resources

# ***RECENT RESEARCH***



# ***PARENT AND STUDENT PERSPECTIVES***

Attending college is valuable and important.



Little knowledge about college costs and financial aid programs.



Great reluctance to borrow money for college.



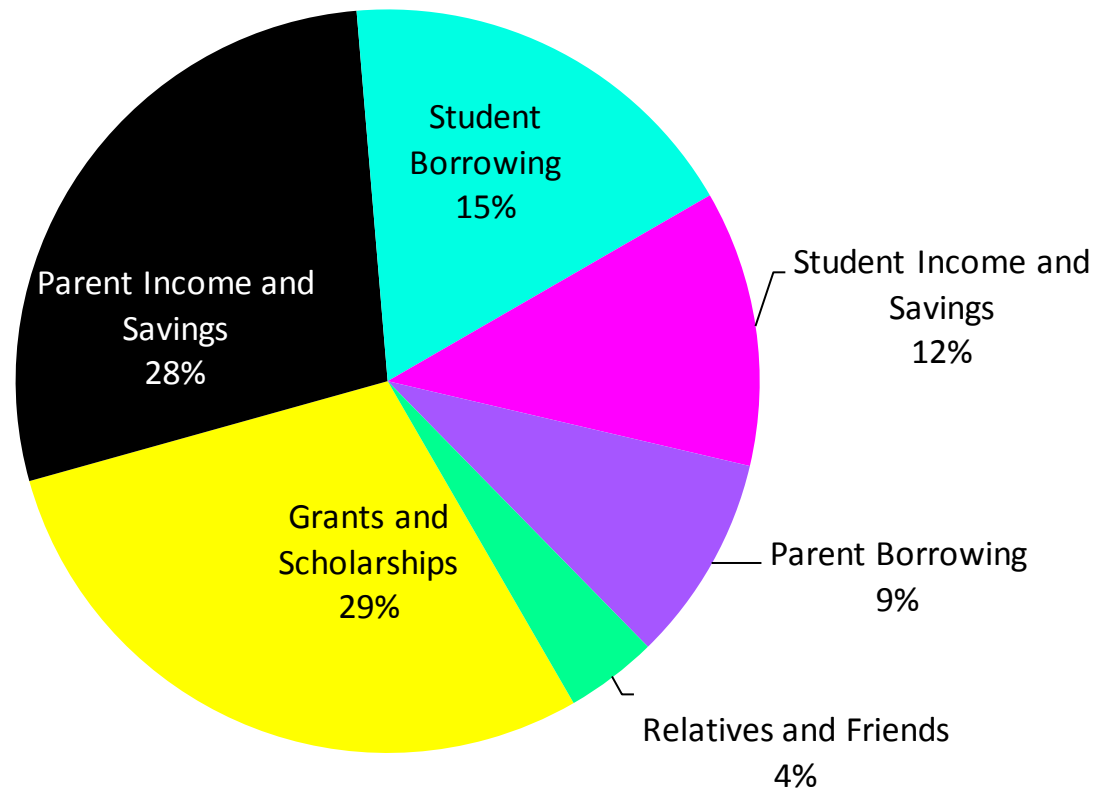
# ***HOW AMERICA PAYS FOR COLLEGE***

- Total amount paid for college
- Funding sources
- Enrollment choices
- Cost-consciousness
- Economic value of a college degree

# TOTAL AMOUNT PAID



# HOW STUDENTS PAY



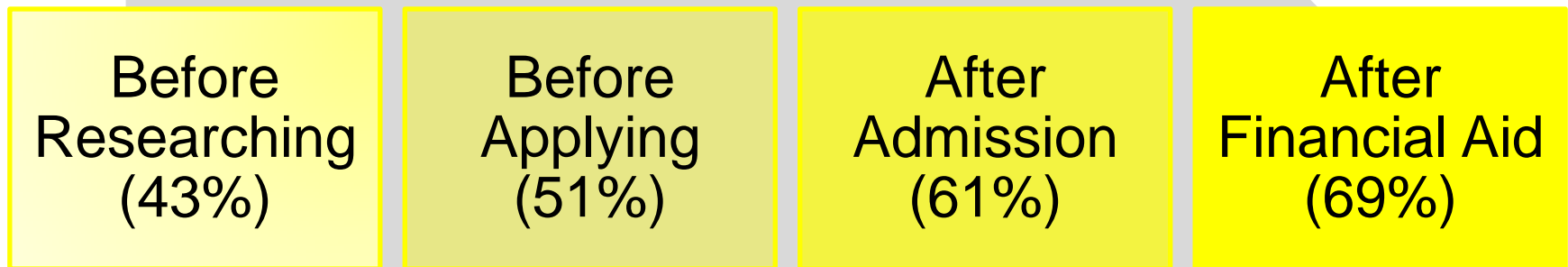
# ***ENROLLMENT CHOICES***

*“Seventy-seven percent of students reported that the family eliminated colleges during the selection process compared with just 60 percent of parents, a particularly notable difference given students’ role as decision maker in choosing the college.”*



# ***COST-CONSCIOUSNESS***

Cumulative Elimination of Schools Based on Cost



# ***ECONOMIC VALUE OF A COLLEGE DEGREE***

**61%**

Willing to stretch financially

**62%**

Rather borrow than not go

**89%**

Investment in future

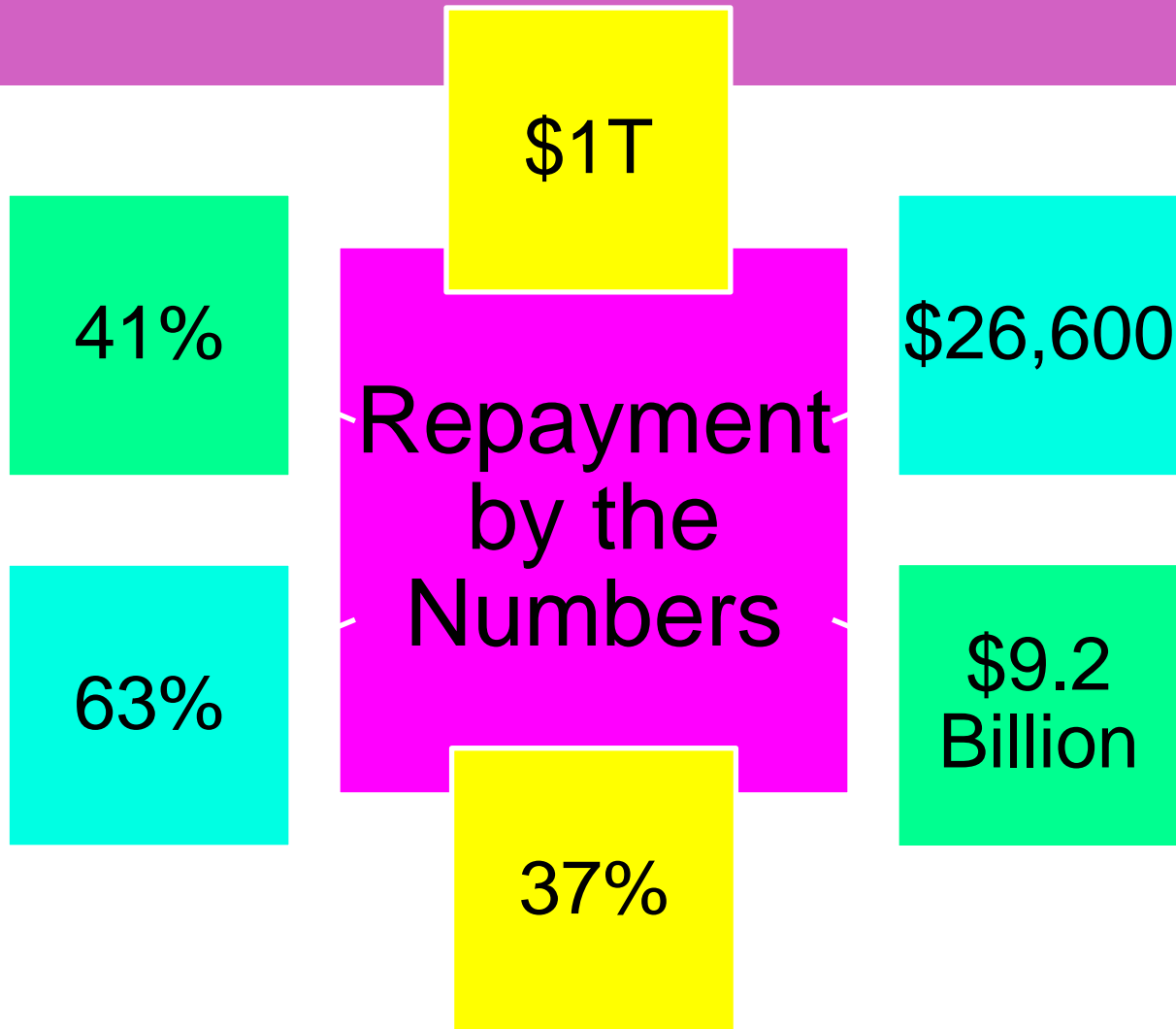
**73%**

Degree more important than ever

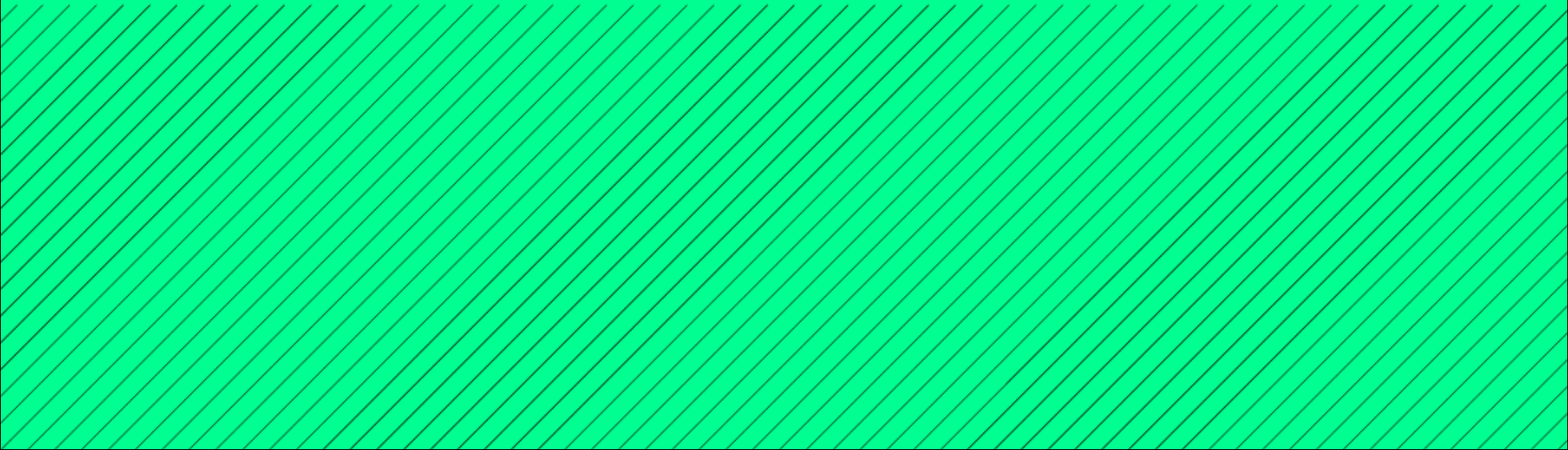
**29%**

Attend for experience despite future earnings

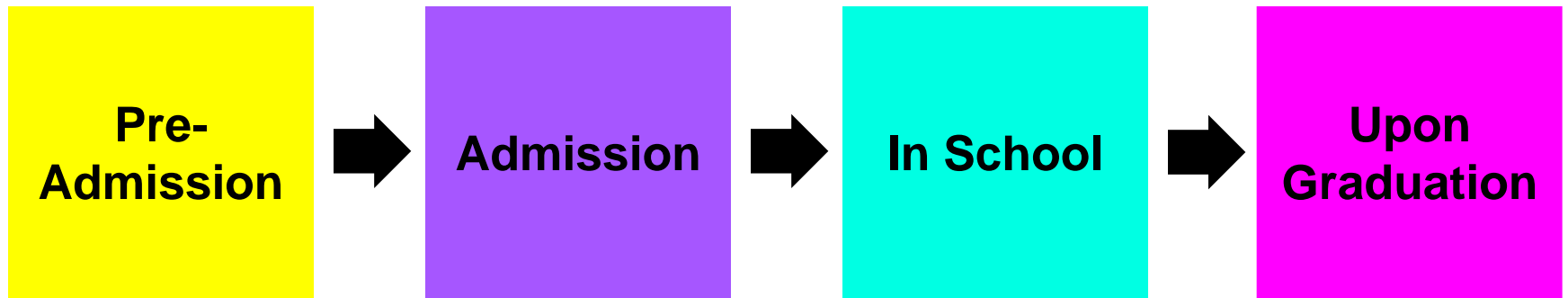
# ***LOAN REPAYMENT***



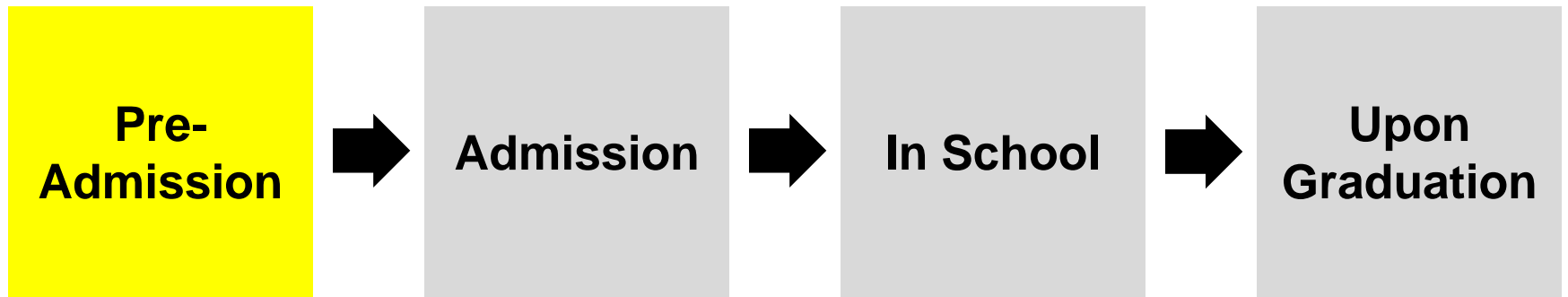
# ***OPPORTUNITIES TO COUNSEL***



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# ***PRE-ADMISSION***

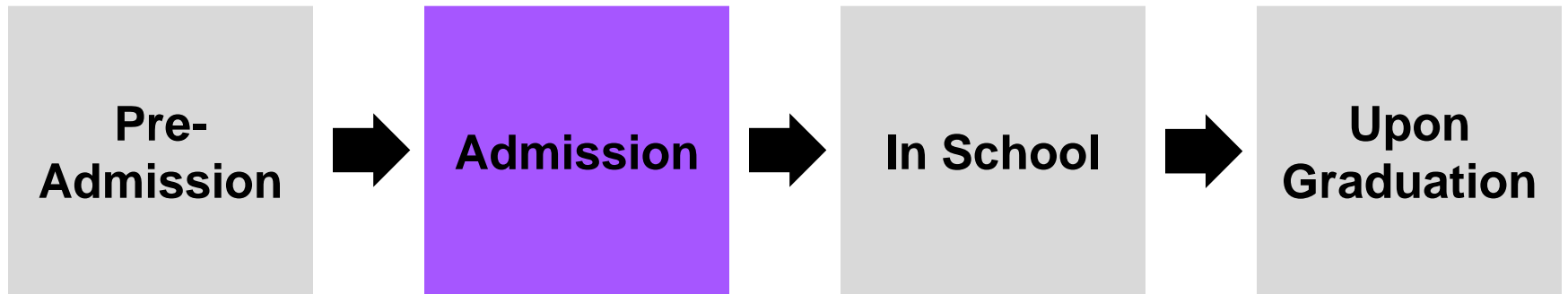
- Make students and their families aware of their financing options.
- Encourage students to apply for free aid—then federal financial aid.
- Urge students to use the institution's Net Price Calculator.

# ***PRE-ADMISSION—BEST PRACTICES***

- Provide all necessary information on your website:
  - Cost of attendance
  - Financial aid application process
  - Types of financial aid
- Conduct training with Admissions staff to ensure they are aware of financial aid options and application process.
- Provide institutional, state, and outside scholarship resources on your website.



# ***OPPORTUNITIES TO COUNSEL***



# ***ADMISSION***

- Advise students to compare financial aid awards.
- Discuss borrowing considerations and scenarios.
- Have the difficult conversations about affordability.
- Encourage students to only borrow what is necessary regardless of higher loan limits.
- Advise students about their rights and responsibilities as student loan borrowers.

# ***BORROWING CONSIDERATIONS***

- Cost of attendance, financial aid projections, and incurred debt for the entire length of the program
- Average indebtedness of others in the same program of study
- Salary projections for the chosen field
- Repayment scenarios and estimation of monthly payment amounts
- Living expenses during and after college.

# ***ESTIMATING COSTS AND FINANCIAL AID*** (EXAMPLE)

	Year 1		Year 2	
	Fall	Spring	Fall	Spring
<i>Tuition</i>	\$5,000	\$5,000	\$5,750	\$5,750
Fees	\$250	\$250	\$250	\$250
Room/Board	\$2,000	\$2,000	\$2,000	\$2,000
Books/Supplies	\$500	\$500	\$500	\$500
Semester Total:	\$7,750	\$7,750	\$8,500	\$8,500
<b>Year Total:</b>	<b>\$15,500</b>		<b>\$17,000</b>	

# ***ESTIMATING COSTS AND FINANCIAL AID*** AN EXAMPLE

	Year 1		Year 2	
	Fall	Spring	Fall	Spring
Federal Pell Grant	\$1,000	\$1,000	\$1,000	\$1,000
<i>Federal Direct Stafford Subsidized</i>	<i>\$1,750</i>	<i>\$1,750</i>	<i>\$2,250</i>	<i>\$2,250</i>
Federal Direct Stafford Unsubsidized	\$2,000	\$2,000	\$2,000	\$2,000
Federal Perkins	\$500	\$500	\$500	\$500
Semester Total:	\$5,250	\$5,250	\$5,750	\$5,750
<b>Year Total:</b>	<b>\$10,500</b>		<b>\$11,500</b>	

# ***ESTIMATING THE GAP***

## ***AN EXAMPLE***

<b>Estimated Gap</b>	<b>Year 1</b>		<b>Year 2</b>	
	Fall	Spring	Fall	Spring
Cost	\$7,750	\$7,750	\$8,500	\$8,500
Financial Aid	\$5,250	\$5,250	\$5,750	\$5,750
Gap	\$2,500	\$2,500	\$2,750	\$2,750
Year Total:	\$5,000		\$5,500	

### **Decision Time!**

Will the gap be paid out of pocket or through additional borrowing?

# ***ESTIMATING DEBT AND MONTHLY PAYMENTS***

## ***AN EXAMPLE***

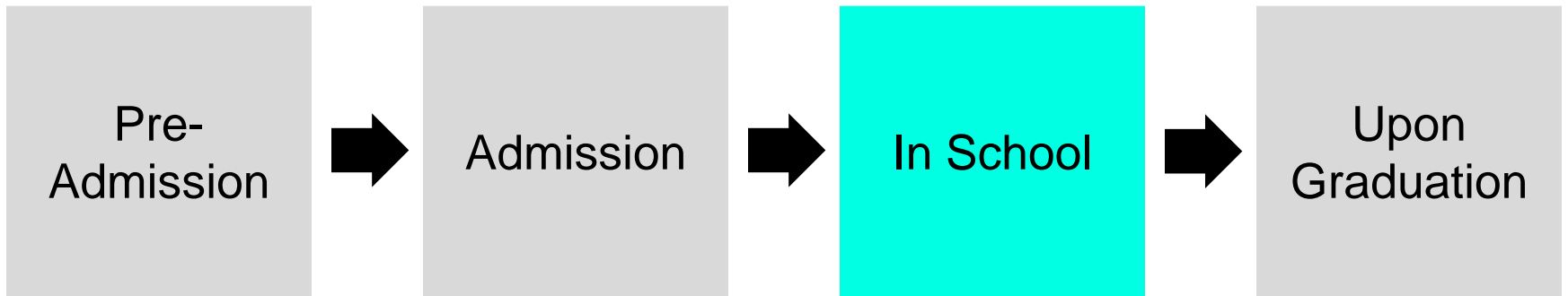
<b>Loan Type</b>	<b>Total Loan Amount</b>	<b>Interest Rate</b>	<b>Grace Period</b>	<b>Estimated Monthly Payments</b>
Subsidized Stafford	\$8,000	6.80%	6 months	\$92
Unsubsidized Stafford	\$12,000	6.80%	6 months	\$138
Perkins	\$6,000	5%	9 months	\$64
Other	\$15,250	Varies	Varies	Varies
<b>Total</b>		<b>\$41,250</b>		<b>\$308 + varies</b>

# ***ADMISSION—BEST PRACTICES***

- Provide sample worksheets that allow students to plan estimated costs, financial aid, and program indebtedness
  - Department of Education *Shopping Sheet*
- Do not automatically package up to cost of attendance.
  - Require that students appeal if they need additional funding.



# ***OPPORTUNITIES TO COUNSEL***



# ***IN SCHOOL***

- Encourage students to track their indebtedness.
- Advise students to only borrow what is necessary regardless of higher loan limits.
- Highlight the benefits of paying the accrued interest on unsubsidized loans and making loan payments each month (if possible).
- Offer opportunities for students to learn personal financial management skills.
  - Encourage students to make, use, and stick to a budget.

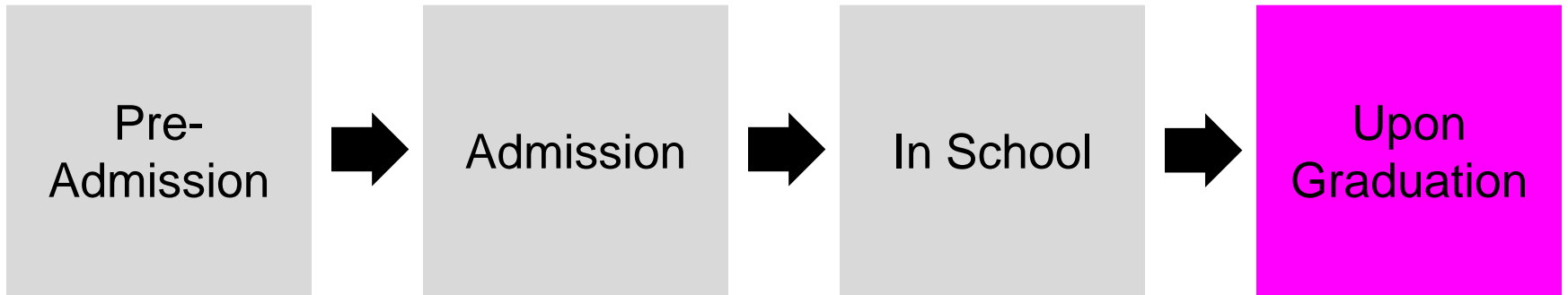
# ***IN SCHOOL—BEST PRACTICES***

- Send annual loan summary letters to all student loan borrowers with estimated monthly payment amounts.
- Encourage students to complete a budget before processing additional financial aid.
- Implement a financial literacy series that encourages responsible money management behavior.

# ***IN SCHOOL—BEST PRACTICES*** (CONTINUED)

- Provide local and online resources to assist students in saving money and finding the best deals.
- Maintain consistent communication with your students—whether that be in person, over the phone, via email, or social media.

# ***OPPORTUNITIES TO COUNSEL***



# ***UPON GRADUATION***

- Make students aware of their repayment options.
- Highlight loan forgiveness programs.
- Encourage communication with lender and servicer.
- Advise students to pay accrued interest on unsubsidized student loans before it is capitalized.
- Encourage students to use NSLDS and credit report to locate all outstanding student loans.

# ***UPON GRADUATION— BEST PRACTICES***

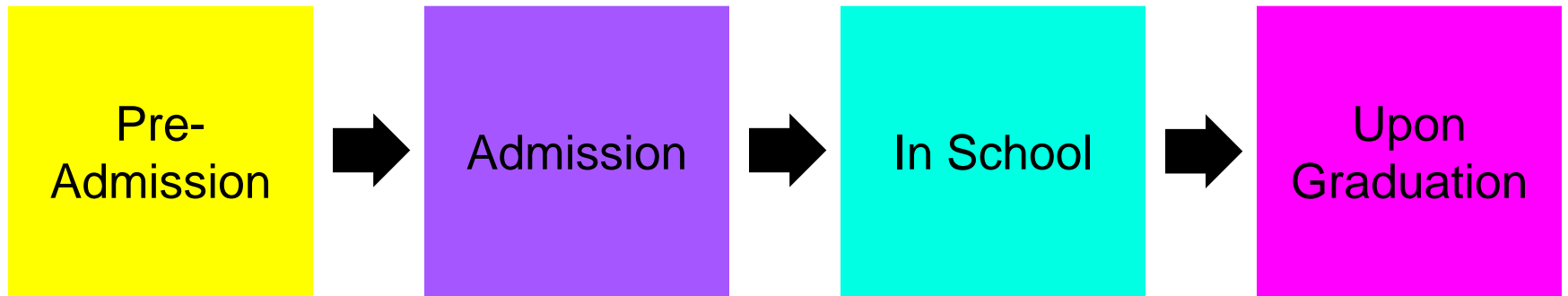
- Prepare a final loan summary letter for each student containing:
  - Contact information for lenders and servicers.
  - Calculation of accrued interest on unsubsidized loans.
  - Estimated monthly payments.

# ***UPON GRADUATION— BEST PRACTICES*** *(CONTINUED)*

- Dedicate a section of your website to loan repayment tools and resources.
- Create a separate email account committed to assisting students with loan repayment (ex: *loanrepayment@sampleuniversity.edu*).
- Conduct training with other campus offices to inform them about student indebtedness and loan repayment process and options.



# ***WHAT'S HAPPENING ON YOUR CAMPUS?***



# ***RESOURCES***

## **ASA Financial Aid Award Letter Evaluation Worksheet**

<http://www.asa.org/pdfs/borrower/award-letter-worksheet.pdf>

## **ASA Budget Worksheet and Calculator**

[http://www.asa.org/pdfs/borrower/asa.org\\_budget-worksheet.pdf](http://www.asa.org/pdfs/borrower/asa.org_budget-worksheet.pdf)

<http://www.asa.org/repay/tools/budget/default.aspx>

## **ASA Student Loan Portfolio Tracker**

[http://www.asa.org/pdfs/borrower/my\\_student\\_loan\\_portfolio.pdf](http://www.asa.org/pdfs/borrower/my_student_loan_portfolio.pdf)

## **SALT Resources**

[www.saltmoney.org](http://www.saltmoney.org)

# ***THANK YOU!***

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