COUNSELING STUDENTS TO MINIMIZE BORROWING

Presented By:
AGENDA

- Recent research
- Opportunities to counsel
- Best practices
- Resources
RECENT RESEARCH
Attending college is valuable and important.

Little knowledge about college costs and financial aid programs.

Great reluctance to borrow money for college.

*Cracking the Student Aid Code, The College Board Advocacy and Policy Center, November 2010*
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 America Pays for College 2012, Sallie Mae, August 2012
How America Pays for College 2011, Sallie Mae, August 2012
“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

Before Researching (43%)
Before Applying (51%)
After Admission (61%)
After Financial Aid (69%)

How America Pays for College 2012, Sallie Mae, August 2012
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

How America Pays for College 2012, Sallie Mae, August 2012
Repayment by the Numbers

$1T
41%

$26,600
63%

$9.2 Billion
37%
OPPORTUNITIES TO COUNSEL
OPPORTUNITIES TO COUNSEL

- Pre-Admission
- Admission
- In School
- Upon Graduation
OPPORTUNITIES TO COUNSEL

Pre-Admission → Admission → In School → Upon Graduation
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

1. Pre-Admission
2. Admission
3. In School
4. Upon Graduation
• 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)

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fall</td>
<td>Spring</td>
</tr>
<tr>
<td>Tuition</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Fees</td>
<td>$250</td>
<td>$250</td>
</tr>
<tr>
<td>Room/Board</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Books/Supplies</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td>Semester Total</td>
<td>$7,750</td>
<td>$7,750</td>
</tr>
<tr>
<td>Year Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### ESTIMATING COSTS AND FINANCIAL AID: AN EXAMPLE

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fall</td>
<td>Spring</td>
</tr>
<tr>
<td>Federal Pell Grant</td>
<td>$1,000</td>
<td>$1,000</td>
</tr>
<tr>
<td>Federal Direct Stafford Subsidized</td>
<td>$1,750</td>
<td>$1,750</td>
</tr>
<tr>
<td>Federal Direct Stafford Unsubsidized</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Federal Perkins</td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td>Semester Total:</td>
<td>$5,250</td>
<td>$5,250</td>
</tr>
<tr>
<td>Year Total:</td>
<td><strong>$10,500</strong></td>
<td></td>
</tr>
</tbody>
</table>
### ESTIMATING THE GAP

**AN EXAMPLE**

<table>
<thead>
<tr>
<th>Estimated Gap</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fall</td>
<td>Spring</td>
</tr>
<tr>
<td>Cost</td>
<td>$7,750</td>
<td>$7,750</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>$5,250</td>
<td>$5,250</td>
</tr>
<tr>
<td>Gap</td>
<td>$2,500</td>
<td>$2,500</td>
</tr>
<tr>
<td>Year Total:</td>
<td></td>
<td>$5,000</td>
</tr>
</tbody>
</table>

**Decision Time!**
Will the gap be paid out of pocket or through additional borrowing?
## ESTIMATING DEBT AND MONTHLY PAYMENTS

### AN EXAMPLE

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

Pre-Admission → Admission → In School → Upon Graduation
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.
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.
• 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

- Pre-Admission
- Admission
- In School
- Upon Graduation
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?

Pre-Admission ➔ Admission ➔ In School ➔ Upon Graduation
RESOURCES

ASA Financial Aid Award Letter Evaluation Worksheet

ASA Budget Worksheet and Calculator

ASA Student Loan Portfolio Tracker

SALT Resources
www.saltmoney.org
THANK YOU!

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