

# **UNDERSTANDING YOUR RIGHTS AND RESPONSIBILITIES AS A STUDENT LOAN BORROWER**

**PRESENTED BY HRISSI HALDEZOS, ASSOCIATE DIRECTOR OF STUDENT ACCOUNTS & MICHELLE JARVIS-LETTMAN, ASSOCIATE DIRECTOR OF FINANCIAL AID**

WESLEYAN UNIVERSITY  
CLASS OF 2019



# IMPORTANT THINGS TO KNOW

## Understand your student loan portfolio

- Know what types of loans you have
- Know what your loan terms are: interest rate & grace period
- Know your lenders and servicers
- Know how much you owe
- Know what your total monthly payments will be
- Know what borrower benefits are available

## Understand interest capitalization and its impact

Know grace, deferment and forbearance options

Know federal loan repayment plan options

Avoid delinquency and default

Keep good records

Know your resources



# TYPES OF LOANS

Federal Direct Subsidized Loan

Federal Direct Unsubsidized Loan

Perkins Loan

Wesleyan Loan

Private Loans

Federal Direct PLUS loans are *Parent* loans

# LOAN INTEREST RATES AND GRACE PERIODS

Loan Type	2015-16	2016-17	2017-18	2018-19
Federal Direct	4.29%	3.76%	4.45%	5.05%
Federal Perkins	5%	5%	5%	5%
Wesleyan	8%	8%	8%	8%
Private	Varies- contact lender	Varies – contact lender	Varies – contact lender	Varies – contact lender

Loan Type	Grace Period
Federal Direct	6 months
Federal Perkins	9 months
Wesleyan	6 months
Private	Varies – contact lender

# CAPITALIZATION OF INTEREST

*Definition:* Unpaid accrued interest on unsubsidized loans is added to the original amount borrowed (i.e. principal balance), thereby increasing your total indebtedness.

## Unsubsidized Direct Loan:

- first capitalization typically occurs six months after borrower leaves school
- borrowers receive quarterly interest statements
- borrowers have the option to pay interest prior to capitalization

# GRACE PERIOD

**Definition:** Period of time after a borrower graduates, leaves school or fails to meet enrollment requirements

- Payments may not be required during this period
- No application required
- Once used completely, it's gone
  
- Unsubsidized federal loans continue to accrue interest during the grace period
- Taking advantage of a grace period does not adversely impact credit

# FORBEARANCE & DEFERMENT

**Forbearance:** An arrangement to postpone or reduce a borrower's monthly payment amount for a limited and specified period, or to extend the repayment period. The borrower is charged interest during forbearance.

- Unpaid interest may be capitalized at the end of the forbearance depending upon the loan type and when the loan was disbursed.

**Deferment:** the temporary postponement of loan payments. During deferment interest does not accrue on subsidized loans.

- Common types of deferments:
  - In-School
  - Economic Hardship
  - Unemployment
  - Military
  - Graduate Fellowship

# SUBSIDIZED LOANS

*Definition:* Interest does not accrue during in-school, grace, and periods of qualified deferment

Types of subsidized loans at Wesleyan

- Federal Direct Subsidized Loan
- Federal Perkins Loan
- Wesleyan Loan



# UNSUBSIDIZED LOANS

*Definition:* Interest begins to accrue at the time of disbursement

Types of unsubsidized loans at Wesleyan

- Federal Direct Unsubsidized Loan
- Private/Alternative Loans

# REPAYMENT OPTIONS

## FEDERAL DIRECT LOANS

Standard: fixed amount for 10 years

Extended: fixed amount extended over 12 to 25 years

Graduated: 10 years to repay, however, the payment amount increases gradually over the life of the loan

Income Contingent/Income Based/Pay As You Earn: monthly payment is based on the borrower's adjusted gross income. Maximum repayment period is 20 yrs (PAYE)/25 yrs (ICR/IBR)

- Public Service Loan Forgiveness

# PERKINS LOAN

9-month grace period (unless fully used while on leave; then you will have a six-month grace)

Repayment typically begins in March

10 year repayment period

No penalty for early repayment

In-School and Hardship Deferments available

ECSI is University's loan servicer and all correspondence will come from them; everything available online at [www.heartland.ecsi.net](http://www.heartland.ecsi.net)

# PERKINS CONTINUED....

If payment becomes a problem, handle it immediately; much easier to prevent problem than to fix one. Call the servicer, ECSI: 1-888-549-3274

If loan goes into default (miss three payment or more), it goes immediately to collections, which can add up to an additional 30% collection fees to the amount owed. Negative credit information goes to all 3 credit bureaus on defaulted loans.

Account management info, including E-Payments, address update, etc. and Misc Forms (deferment, hardship, cancellation) ALL available on ECSI website.

# PERKINS CONTINUED...

Think carefully about consolidation:

**Advantage** is that you will be paying back all loans to ONE lender,

**Disadvantage** is that you lose Perkins cancellation provisions. Perkins have loan cancellation provisions for certain career fields. Contact ECSI for more info.

# LOAN SERVICERS

**Direct Loans** will be managed by one of several servicers

- Servicer information can be found on your exit packet and when you complete your DL exit

**Perkins Loans** – Heartland ECSI: (888) 549-3274 [www.heartlandecsi.com](http://www.heartlandecsi.com)

**Wesleyan Loans** – Heartland ECSI (888) 549-3274 [www.heartlandecsi.com](http://www.heartlandecsi.com)

**Private Loans** – Contact the lender for information

Borrowers must be notified if the service provider of loan changes

The terms of a federal loan, as specified in the promissory note, will not change if sold or transferred to another servicer

# FINDING YOUR FEDERAL AND PRIVATE STUDENT LOANS

## Federal Student Loans

National Student Loan Data System

[www.nsls.ed.gov](http://www.nsls.ed.gov)

## Private Student Loans (reported to the consumer reporting agencies)

[www.annualcreditreport.com](http://www.annualcreditreport.com)



The screenshot shows the NSLDS Student Access website. At the top left is the logo "START HERE GO FURTHER FEDERAL STUDENT AID". To the right is the text "National Student Loan Data System (NSLDS) for Students". Below the logo is a navigation menu with links: "Financial Aid Review", "Exit Counseling", "Glossary of Terms", "Browser Info/Setup", "FAQs", and "Contact Us". The main content area features a large image of a student at a computer. Below the image is the heading "NSLDS STUDENT ACCESS National Student Loan Data System" and a sub-heading "Retrieve Your Loan Information". A text block explains that NSLDS is the U.S. Department of Education's central database for student aid. Below the text are two buttons: "Financial Aid Review" and "Exit Counseling". At the bottom of the page, there are links for "ENL", "Privacy", "Security", and "Help".



The screenshot shows the AnnualCreditReport.com website. At the top is the logo "AnnualCreditReport.com" and the text "The only source for your free credit reports. Authorized by Federal law." Below the logo is a navigation menu with links: "Home", "All about credit reports", "Request yours now!", "What to look for", "Protect your identity", "Frequently asked questions", and "Contact us". The main content area features a large image of a hand holding a credit report. Below the image is the heading "Spot identity theft early. Review your credit reports." and a text block explaining that suspicious activity or accounts you don't recognize can be signs of identity theft. Below the text is a button "Learn more about Identity Theft". Below the main content area is a navigation menu with links: "PAUSE", "SPOT IDENTITY THEFT", "GOOD CREDIT", "DON'T BE FOOLED", "MORE THAN A SCORE", and "NOT LIKE THE OTHERS". Below the navigation menu is a text block "Your credit reports matter." and a list of bullet points explaining why credit reports matter. Below the list is a button "Request your free credit reports". At the bottom right of the page are logos for "Experian", "TransUnion", and "EQUIFAX".

# **IMPORTANT FEATURES OF THE WESLEYAN LOANS**

6-month grace period (same as Direct Loans)

Repayment begins in December

10 year repayment period

No penalty for early repayment

ECSI is University's loan servicer and all correspondence will come from them; everything available online at [www.heartland.ecsi.net](http://www.heartland.ecsi.net)



# WESLEYAN LOAN CONT...

Not eligible for consolidation. (It is an institutional loan not a federal loan)

In-school and hardship deferments available at ECSI web site

Student Loan Office will send an email to Wesleyan Loan borrowers about setting up an in-person exit session before graduation

# DELIQUENCY & DEFAULT

**Delinquency:** Failure to make payment(s) on time.

- Missing even one payment can make a loan delinquent
- Reported to credit bureaus; affects borrowers history

**Default:** Failure to repay a loan

- Collection agencies may take over adding to the cost
- Lender can take legal action
- School can withhold records
- Federal defaults could include wage garnishment & withholding of federal tax refunds
- Student loans may not be discharged in bankruptcy

# PUBLIC SERVICE LOAN FORGIVENESS

Available for Federal Direct Loan borrowers

Must make 120 on-time monthly payments during eligible public service employment

Must make payments under Income-Based, PAYE, Income Contingent or any payment equivalent to the 10-year standard payment amount

Must work full-time in eligible public service employment for ten years

Parents who received a Direct PLUS Loan may qualify for forgiveness of the PLUS loan, if the parent borrower – not the student on whose behalf the loan was obtained – is employed by a public service organization

Look for other loan forgiveness programs available but.....**BEWARE OF SCAMS!!**

# IMPORTANT TO REMEMBER

## ADDRESS CHANGE

Keep all lenders advised of any address changes.

Changing your address with the university does not update it with lenders!

Not receiving a bill is NOT a valid reason to not pay. e.g., if your billing statements are going to an old address and you never see them, you are still responsible for paying your loan on time. One way to resolve the invalid address problem is to sign up for electronic (email) billing.



# **MANAGING PERSONAL FINANCES: BUDGETING**

**WHAT YOU DON'T KNOW CAN HURT YOU**

# WHY BUDGET?

Operating without a budget is like driving a car without a steering wheel...



A plan to meet your goals  
Minimize anxiety of how to  
pay bills/expenses

# THE PLANNING PROCESS

Set Savings Goals / Turn your NEEDS into GOALS

Long- term goals / Short- term goals

A realistic goal is \$SMART (*in more ways than one*)

- Specific
- Measurable
- Adjustable
- Relevant
- Time-related
- Flexible!

# BUILDING A BUDGET

## Money IN

Determine your income

Identify other sources of money

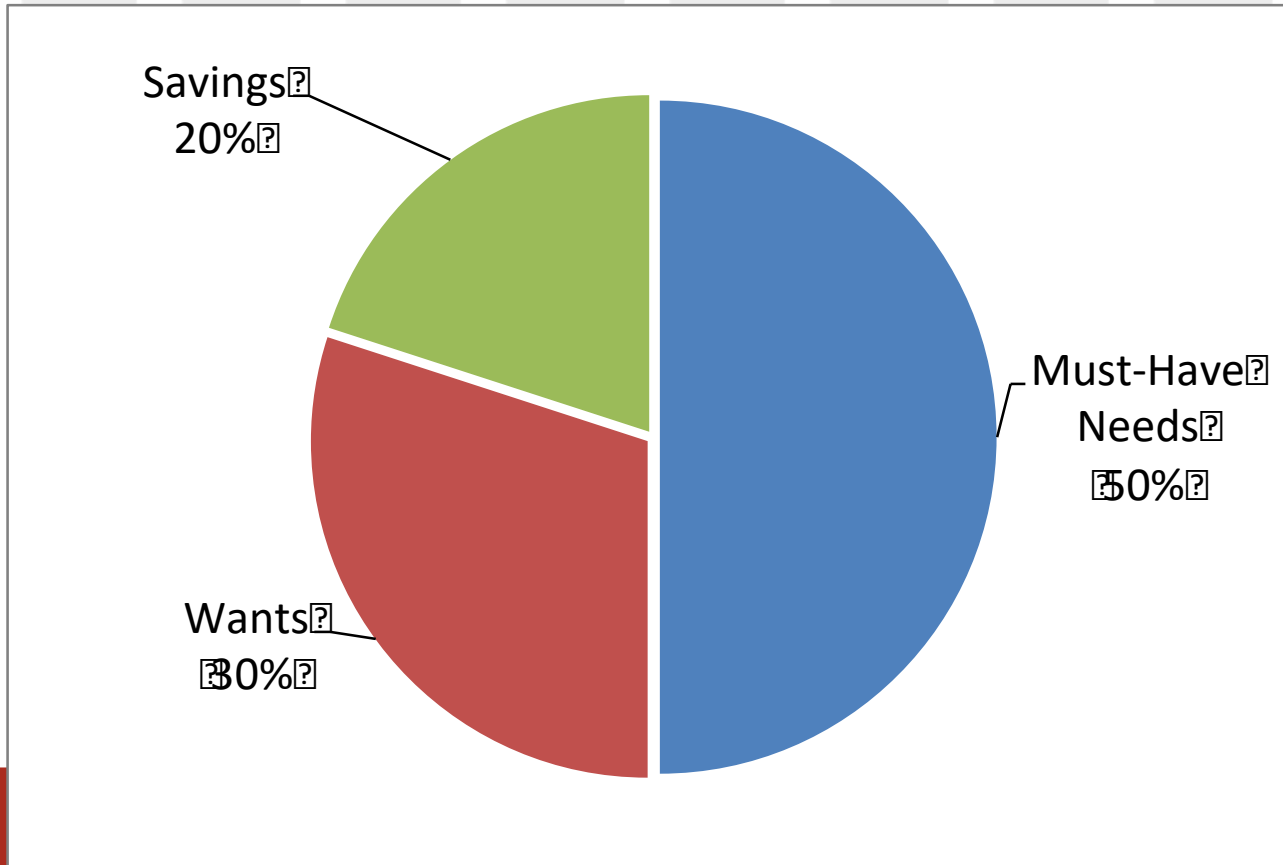
## ● Money OUT

### ● Estimate expenses by category

- *Savings*
- *Housing*
- Food
- Books/Supplies
- Clothing
- Phone
- Entertainment
- Transportation
- Healthcare
- Miscellaneous



# SPENDING PLAN BREAKDOWN



# MAKE A SPENDING PLAN

Where does my money go?

Create a spending plan

Set priorities

Practice good spending habits:

- Look for sales
- Use coupons
- Buy store brands
- Price compare
- Don't use credit cards for things you can't afford



**Consumer spending decisions are about 95% related to emotional needs.**

# Credit Card Caution

*Credit Card* *ˈkred-et kard\ n.:*

**A powerful but dangerous tool**

**A means for buying something you don't need, at a price you can't afford, with money you don't have.**



# MAGIC OF THE 4TH DEGREE

Needs vs. Wants / Ask yourself the following.

- 1) Do I really need it?
- 2) Do I have to have it today?
- 3) What will happen if I don't buy it now?  
(for better or worse)
- 4) Why have I gotten along without it until now

# PERSONAL BUDGET WORKSHEET



BORROWERS

PARENTS

SCHOOLS

Student Aid 101

Making Payments

Trouble Paying

Managing Money

Calculators & Resources

Calculators

Repayment Estimator

Personal Stories

Other Online Resources

Student Aid Timeline

Graduate Students

Nontraditional Students

## Budget Calculator

Creating a budget just got easier! Use our online budget calculator and take control of your spending.

**Directions:** Enter estimated amounts in all of the fields that apply to you. Round up to the nearest dollar and don't use commas.

### Monthly Savings

Emergency Fund: \$ 0

Investments: \$ 0

Retirement: \$ 0

### Monthly Expenses

Food (groceries, dining out, etc.): \$ 0

Clothing (jeans, shoes, jewelry, etc.): \$ 0

Shelter (mortgage, rent, taxes, etc.): \$ 0

Household (utilities, cell phone, cable, maintenance, etc.): \$ 0

Transportation (public transportation, parking, gas, etc.): \$ 0

Health (insurance, medications, doctor visits, etc.): \$ 0

Student Loans (interest/principal payments, etc.): \$ 0

Personal (gifts, charity, entertainment, hobbies, etc.): \$ 0

Miscellaneous (magazines, child care, etc.): \$ 0

### Annual Expenses


Tuition: \$ 0

#### Other Calculators

- College Cost Calculator
- Debt Repayment Calculator
- Loan Repayment Calculator
- Grace Period Calculator
- Interest Savings Calculator

There are a variety of online budgeting calculators available to you!

<http://www.youcanddealwithit.com/borrowers/calculators-and-resources/calculators/budget-calculator.shtml>



# **PERSONAL CREDIT AND CREDIT SCORING**

**WHAT YOU DON'T KNOW CAN HURT YOU**

# GOOD CREDIT VS. POOR CREDIT – WHAT CAN IT MEAN?



**GOOD  
CREDIT**

Lower interest rates  
Could save hundreds, if not thousands, of dollars in interest costs  
Allows you to be more selective when choosing a lender  
Can mean preferred rate on car insurance



**BAD  
CREDIT**

- Higher interest rates
- Can result in loan applications being rejected
- Can get denied for basic services
- Can mean high cost premium on car insurance

# CREDIT BASICS

**Credit – Utilizing something now (e.g. education, car or home) and paying for it over a period of time.**

## **3 C's of Credit**

- **Character – How well do you honor your financial obligations**
- **Capacity – How easy will it be for you to repay the debt**
- **Collateral – Will the loan be secured by something**



# WHAT'S ON THE CREDIT REPORT?

## Personal Information

- Names, current & previous addresses, employers, date of birth

## Credit Information

- Credit granted and history & timeliness of repayment, revolving, installment or open ended, payment patterns for past 7 years

## Public Record Information

- Records found on public documents: bankruptcies, collection accounts, overdue child support

## Inquiries

- List of creditors and agencies who have requested your credit report

# WHAT IS YOUR CREDIT SCORE?

Forecast of how well you will repay a loan as agreed during the next 24 months – the higher the score, the better the forecast that you will repay

Snapshot of your credit history at a particular point in time

Only includes factors related to an individual's credit

Always changing

# **CREDIT SCORE – FICO RANGES**

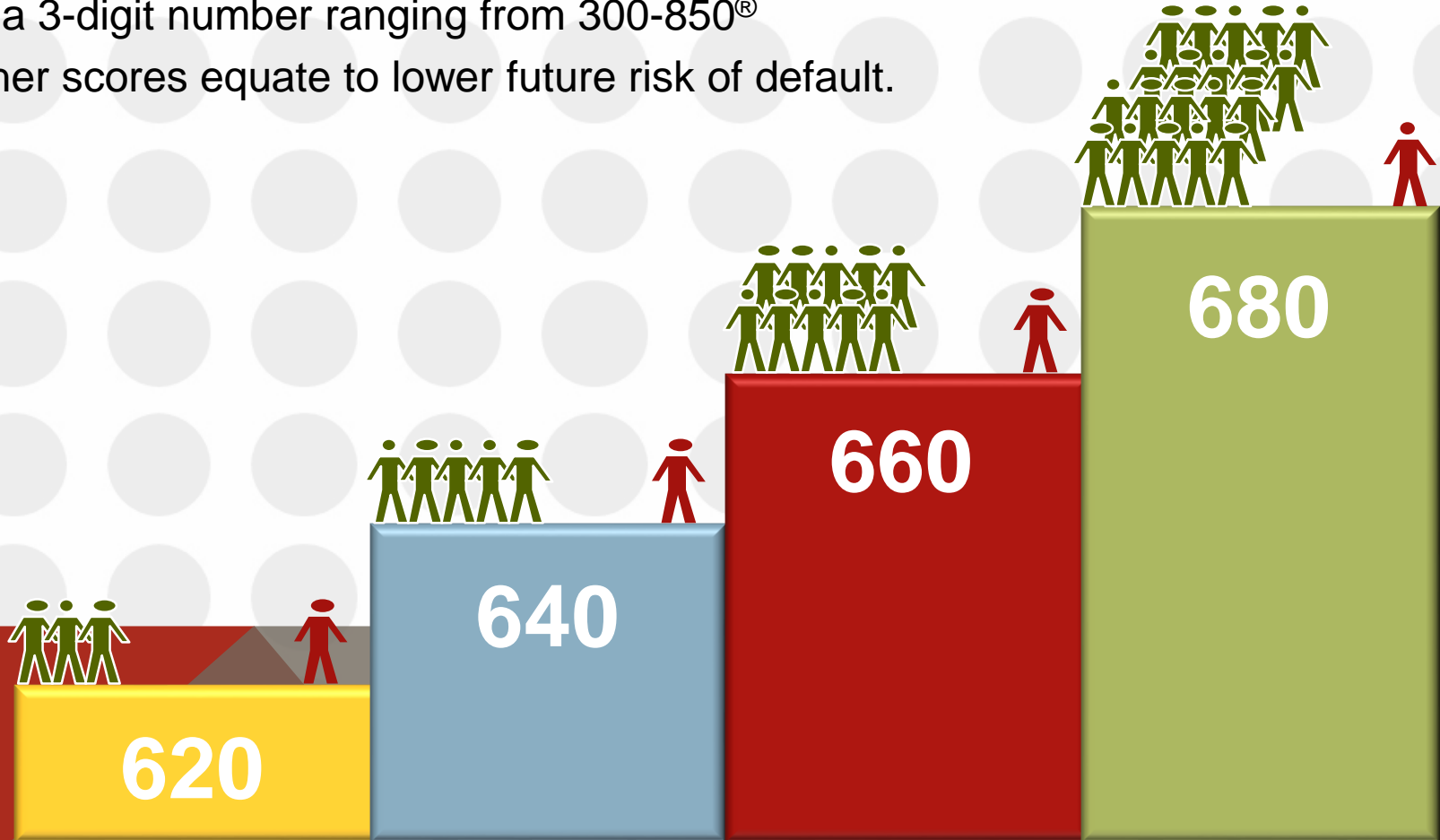
**FICO Scores range – 300 to 850**

**Only 18% of population have a FICO Score of  
800 or better**

**7% of population have scores below 500**

# FICO® SCORES - DESIGNED TO RANK ORDER RISK

- » The FICO® score is a summary of the information on a consumer's credit file.
- » It is a 3-digit number ranging from 300-850®
- » Higher scores equate to lower future risk of default.

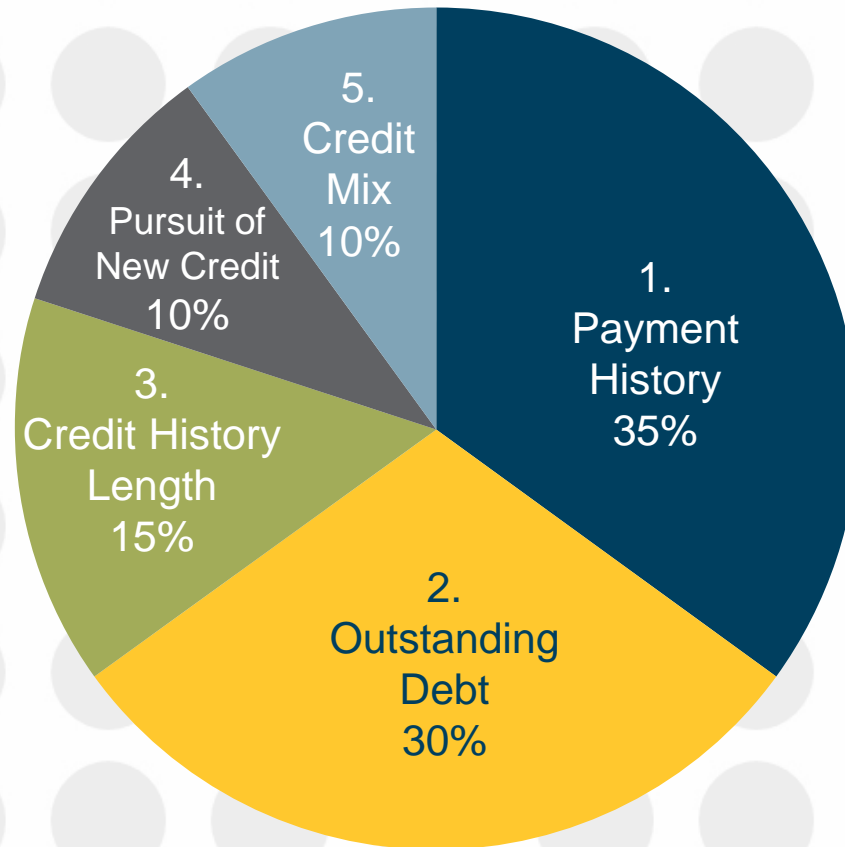


# CREDIT IMPACT: RATES & PAYMENTS

Credit Score	APR	Monthly Payment
720-850	3.35%	\$731
690-719	4.77%	\$747
660-689	6.82%	\$770
620-659	10.41%	\$812
590-619	15.63%	\$874
500-589	17.02%	\$892
<500	Not eligible	

Source: Myfico.com – 36 month car loan - \$25,000

# FICO CREDIT SCORE FACTORS



# CREDIT IMPACT: SLOW PAYMENTS

One 60 day delinquency can decrease a credit score by...

50

75

100 points

# **COSTS INCREASE FOR ALL FUTURE BORROWING**

- Auto loan - \$100 - \$200 extra per month
- Mortgage costs – extra \$200 to \$300 per month per \$100,000 borrowed
- Insurance costs, credit card costs, other borrowing - \$100's extra per month



# WHO REVIEWS YOUR CREDIT?

Employers

Landlords

Automotive dealers

Professional licensing boards

Insurance companies

Financial lenders

Others



# NATIONAL CREDIT BUREAU AGENCIES

**EQUIFAX:**      **Phone:** 800-685-1111

**Website:** [www.Equifax.com](http://www.Equifax.com)

**Experian:**      **Phone:** 888-397-3742

**Website:** [www.Experian.com](http://www.Experian.com)

**TransUnion:**      **Phone:** 800-916-8800

**Website:** [www.TransUnion.com](http://www.TransUnion.com)

# GETTING YOUR CREDIT REPORT

[www.Annualcreditreport.com](http://www.Annualcreditreport.com)

- Receive a free copy of report from each of 3 bureaus  
- order report every 4 months to monitor

**Must provide free if denied credit within 60 days**

**Review for accuracy annually**

**Dispute incorrect information**



**MYFICO.COM**

# FINAL FINANCIAL AID AND STUDENT ACCOUNTS “TO-DOS” ...

1) Complete Required Exit Counseling by (Monday) May 22, 2019

2) Settle your Student Account bill

Hold will be placed on Transcript if 1 & 2 are not done



# IMPORTANT LINKS:

[www.heartland.ecsi.net](http://www.heartland.ecsi.net); Customer Service Number: 1-888-549-3274

## More helpful links:

Financial tips: [www.bankrate.com/banking](http://www.bankrate.com/banking)

Free credit reports: [www.annualcreditreport.com/index.action](http://www.annualcreditreport.com/index.action)

Credit scores: <https://www.myfico.com> & [www.creditkarma.com](http://www.creditkarma.com)

Loan consolidation: [www.studentaid.ed.gov/sa/repay-loans/consolidation](http://www.studentaid.ed.gov/sa/repay-loans/consolidation)

# THANK YOU FOR YOUR ATTENTION & CONGRATULATIONS!!!!

Any questions, please contact....

Student Accounts Office:

Hrissi Haldezos, x2823 [hhaldezos@wesleyan.edu](mailto:hhaldezos@wesleyan.edu)

Financial Aid Office:

Michelle Jarvis-Lettman, x3320, [mjarvis@wesleyan.edu](mailto:mjarvis@wesleyan.edu)

Margaret Neale, x2862, [mneale@wesleyan.edu](mailto:mneale@wesleyan.edu)

