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
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

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Direct</td>
<td>4.29%</td>
<td>3.76%</td>
<td>4.45%</td>
<td>5.05%</td>
</tr>
<tr>
<td>Federal Perkins</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Wesleyan</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Private</td>
<td>Varies – contact lender</td>
<td>Varies – contact lender</td>
<td>Varies – contact lender</td>
<td>Varies – contact lender</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Grace Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Direct</td>
<td>6 months</td>
</tr>
<tr>
<td>Federal Perkins</td>
<td>9 months</td>
</tr>
<tr>
<td>Wesleyan</td>
<td>6 months</td>
</tr>
<tr>
<td>Private</td>
<td>Varies – contact lender</td>
</tr>
</tbody>
</table>
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
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 payments 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.
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
Wesleyan Loans – Heartland ECSI (888) 549-3274 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.nslds.ed.gov

Private Student Loans
(reported to the consumer reporting agencies)
www.annualcreditreport.com
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
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 $MART (in more ways than one)

- $pecific
- 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

- Must-Have Needs: 50%
- Wants: 30%
- Savings: 20%
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* \(\text{kred’-et kard}\) *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
There are a variety of online budgeting calculators available to you!

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
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

<table>
<thead>
<tr>
<th>Credit Score</th>
<th>APR</th>
<th>Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>720-850</td>
<td>3.35%</td>
<td>$731</td>
</tr>
<tr>
<td>690-719</td>
<td>4.77%</td>
<td>$747</td>
</tr>
<tr>
<td>660-689</td>
<td>6.82%</td>
<td>$770</td>
</tr>
<tr>
<td>620-659</td>
<td>10.41%</td>
<td>$812</td>
</tr>
<tr>
<td>590-619</td>
<td>15.63%</td>
<td>$874</td>
</tr>
<tr>
<td>500-589</td>
<td>17.02%</td>
<td>$892</td>
</tr>
<tr>
<td>&lt;500</td>
<td>Not eligible</td>
<td></td>
</tr>
</tbody>
</table>

Source: Myfico.com – 36 month car loan - $25,000
FICO CREDIT SCORE FACTORS

1. Payment History 35%
2. Outstanding Debt 30%
3. Credit History Length 15%
4. Pursuit of New Credit 10%
5. Credit Mix 10%
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

Experian: Phone: 888-397-3742
Website: www.Experian.com

TransUnion: Phone: 800-916-8800
Website: www.TransUnion.com
GETTING YOUR CREDIT REPORT

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
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; Customer Service Number: 1-888-549-3274

More helpful links:

Financial tips: www.bankrate.com/banking
Free credit reports: www.annualcreditreport.com/index.action
Credit scores: https: www.myfico.com & www.creditkarma.com
Loan consolidation: 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

Financial Aid Office:
Michelle Jarvis-Lettman, x3320, mjarvis@wesleyan.edu
Margaret Neale, x2862, mneale@wesleyan.edu