

# UNDERSTANDING YOUR RIGHTS AND RESPONSIBILITIES AS A STUDENT LOAN BORROWER

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Wesleyan University  
Class of 2023



# WHAT YOU NEED 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

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- Federal Direct Subsidized Loan
  - Federal Direct Unsubsidized Loan
  - Federal Direct Grad PLUS Loan
  - Perkins Loan
  - Wesleyan Loan
  - Private Loans
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- Federal Direct PLUS loans are *Parent* loans

# LOAN INTEREST RATES

| Loan Type                                | 2018-19                    | 2019-20                    | 2020-21                    | 2021-22                    | 2022-23                    |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Federal Direct (Sub/Unsub) Undergraduate | 5.05%                      | 4.53%                      | 2.75%                      | 3.73%                      | 4.99%                      |
| Federal Direct (Unsub) Graduate          | 6.6%                       | 6.08%                      | 4.30%                      | 5.28%                      | 6.54%                      |
| Federal Direct Grad PLUS                 | 7.6%                       | 7.08%                      | 5.30%                      | 6.28%                      | 7.54%                      |
| Federal Perkins                          | N/A<br><br>< 2017-18 5%    | N/A                        | N/A                        | N/A                        | N/A                        |
| Wesleyan                                 | 8%                         | 8%                         | 8%                         | 8%                         | 8%                         |
| Private                                  | Varies –<br>contact lender | Varies –<br>contact lender | Varies –<br>contact lender | Varies –<br>contact lender | Varies –<br>contact lender |

# LOAN INTEREST RATES\*

## BUT!

On March 20, 2020, the office of Federal Student Aid began providing the following temporary relief on ED-owned federal student loans: suspension of loan payments, stopped collections on defaulted loans, and a **0% interest rate**.

One week later, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. The CARES Act provided for the above relief measures through Sept. 30, 2020. The relief measures were extended additional times since the CARES Act was passed.

These measures do not apply to **private student loans**.

# LOAN INTEREST RATES\*

- More recently, with the legal challenges rising against the student loan repayment pause and student loan debt cancellation efforts, the repayment pause has been extended until the Department of Education is permitted to implement the debt relief program or until the litigation is resolved. **Payments will restart 60 days later.**
- **If the debt relief program has not been implemented and the litigation has not been resolved by June 30, 2023, payments will resume 60 days after that. ED will notify borrowers before payments restart.**
- Students graduating this year are still eligible for the 6-month grace period before repayment begins!
- Be on the lookout for more information from the Department of Education and your student loan servicer.

# GRACE PERIOD

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- **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

# LOAN GRACE PERIODS

| Loan Type  | Grace Period   |
|--|--|
| Federal Direct (Sub/Unsub)<br>Undergraduate and Graduate | 6 months   |
| Federal Direct Grad PLUS                                 | No grace period, but there is an automatic 6-month deferment period after you graduate |
| Federal Perkins  | 9 months   |
| Wesleyan   | 6 months   |
| Private  | Varies – contact lender  |





## FEDERAL STUDENT LOAN DEBT CANCELLATION

- **August 24, 2022:** The Biden Administration announced federal student loan debt cancellation of *up to \$20,000* for Pell Grant recipients and *up to \$10,000* for non-Pell Grant recipients.
  - Plan states that borrowers are eligible for relief if their individual income is less than \$125,000 (or \$250,000 for married couples).
  - Only applies to loans that disbursed before July 1, 2022.
- **September – October 2022:** Three individuals and six states sue the Dept. of Ed to stop Biden's loan forgiveness initiative.
- **October 17<sup>th</sup>, 2022:** The Dept. of Ed put its application for student loan forgiveness online and begins accepting applications.



## FEDERAL STUDENT LOAN DEBT CANCELLATION

- **November 10, 2022:** A Federal judge in Texas rules in favor of two graduate students who sued, striking down the loan forgiveness program.
  - The Biden Administration stops accepting new applications and appeals the case to the Supreme Court. More than 26 million students applied.
- February 28, 2023: The Supreme Court heard oral arguments in two separate cases.
- **\*JUNE 2023\*:** Likely timeline for the Supreme Court to release their decisions regarding the legality of the Biden-Harris Loan Debt Cancellation Plan.

# CAPITALIZATION OF INTEREST

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- *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

# FORBEARANCE & DEFERMENT

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- **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 (e.g. are you entering a graduate school program?)
    - Economic Hardship
    - Unemployment
    - Military
    - Graduate Fellowship

# SUBSIDIZED LOANS

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- *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

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- *Definition:* Interest begins to accrue at the time of disbursement
- **Types of unsubsidized loans at Wesleyan**
  - Federal Direct Unsubsidized Loan
  - Private/Alternative Loans
    - Examples: CHESLA, Sallie Mae, Citizens, etc.

# REPAYMENT OPTIONS

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## 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

# PUBLIC SERVICE LOAN FORGIVENESS

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- 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!!**



# LOAN SERVICERS

- **Direct Loans** will be managed by one of several servicers
  - Servicer information can be found on <https://studentaid.gov/> 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 by 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

<https://studentaid.gov/>

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

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

An official website of the United States government. Help Center Submit a Complaint English | Español

Federal Student Aid  
AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

FAFSA® Form ▾ Loans and Grants ▾ Loan Repayment ▾ Loan Forgiveness ▾ Log In | Create Account 🔍

### Apply for Aid Using the FAFSA Form

[Apply Now](#) [Learn About Applying for Aid](#)

POPULAR TOPICS

- [Learn About Public Service Loan Forgiveness >](#)
- [Learn About Student Loan Debt Relief >](#)
- [Prepare for Loan Payments to Restart >](#)
- [Compare School Aid Offers >](#)
- [Complete a Master Promissory Note \(MPN\) >](#)

Annual Credit Report.com  
The only source for your free credit reports. Authorized by Federal law.

Home All about credit reports Request yours now! What to look for Protect your identity Frequently asked questions Contact us

### Spot identity theft early. Review your credit reports.

Suspicious activity or accounts you don't recognize can be signs of identity theft. Review your credit reports to catch problems early.

[Learn more about Identity Theft](#)

PAUSE || SPOT IDENTITY THEFT GOOD CREDIT DON'T BE FOOLED MORE THAN A SCORE NOT LIKE THE OTHERS

Your credit reports matter.

- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.
- Reviewing credit reports helps you catch signs of identity theft early.

FREE Credit Reports. Federal law allows you to:

- Get a free copy of your credit report every 12 months from each credit reporting company.
- Ensure that the information on all of your credit reports is correct and up to date.

[Request your free credit reports](#)

BROUGHT TO YOU BY

- Experian
- TransUnion
- EQUIFAX

# REMINDER!

If you borrowed any Federal Direct Student Loans you need to complete the Loan Exit Counseling online:

<https://studentaid.gov/exit-counseling/>



## Who Should Complete This?

Student federal loan borrowers who are

- leaving school,
- graduating, or
- dropping below half-time enrollment.

Parent PLUS Loan borrowers are not required to complete exit counseling.



30 minutes

## How Long Will It Take?

Exit counseling takes about 30 minutes to complete. You must complete it in one session; you cannot save and return to an incomplete session.



## What Do I Need?

- Verified [StudentAid.gov](https://studentaid.gov) account
- School Name(s)
- [Updated Contact Information](#)

**Deadline = Friday, May 26, 2023**

## IMPORTANT FEATURES OF THE WESLEYAN LOAN

- 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)

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WESLEYAN  
LOAN  
CONTINUED...

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

# DELINQUENCY & 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

# 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

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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



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# 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

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## MONEY IN

- Determine your monthly income
- Identify other sources of money

## MONEY OUT

- Estimate monthly expenses by category

*Housing*

Food

Books/Supplies

Clothing

Phone

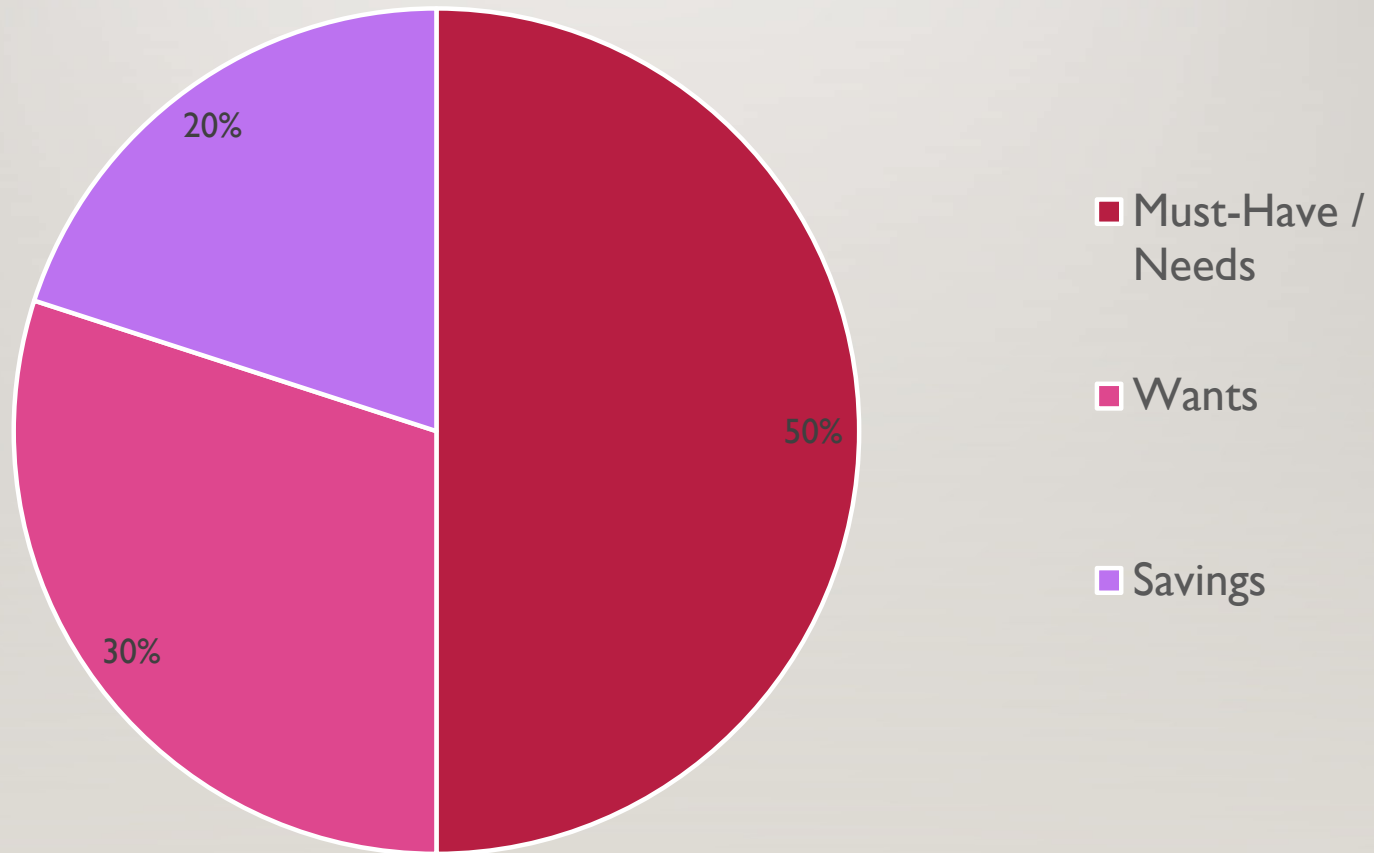
• Entertainment

• Transportation

• Healthcare

Miscellaneous

# BASIC 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.**

# PERSONAL BUDGET WORKSHEET

The screenshot shows the 'you can deal with it' website interface. The top navigation bar includes 'BORROWERS', 'PARENTS', and 'SCHOOLS'. The main content area is titled 'Budget Calculator' and includes a search bar. The left sidebar lists various resources, with 'Calculators & Resources' expanded to show 'Calculators', 'Repayment Estimator', 'Personal Stories', and 'Other Online Resources'. The main content area is divided into sections: 'Budget Calculator' (with a description and directions), 'Monthly Savings' (with input fields for Emergency Fund, Investments, and Retirement), 'Monthly Expenses' (with input fields for Food, Clothing, Shelter, Household, Transportation, Health, Student Loans, Personal, and Miscellaneous), and 'Annual Expenses' (with an input field for Tuition). The 'Other Calculators' section lists: College Cost Calculator, Debt Repayment Calculator, Loan Repayment Calculator, Grace Period Calculator, and Interest Savings Calculator.

- There are a variety of online budgeting calculators available to you!
- <http://www.youcandewithit.com/borrowers/calculators-and-resources/calculators/budget-calculator.shtml>

# Credit Card Caution

**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.**



# CREDIT BASICS

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- 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



# WHO REVIEWS YOUR CREDIT?

Employers

Landlords

Automotive  
dealers

Professional  
licensing  
boards

Insurance  
companies

Financial  
lenders

Others



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

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## 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

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# 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

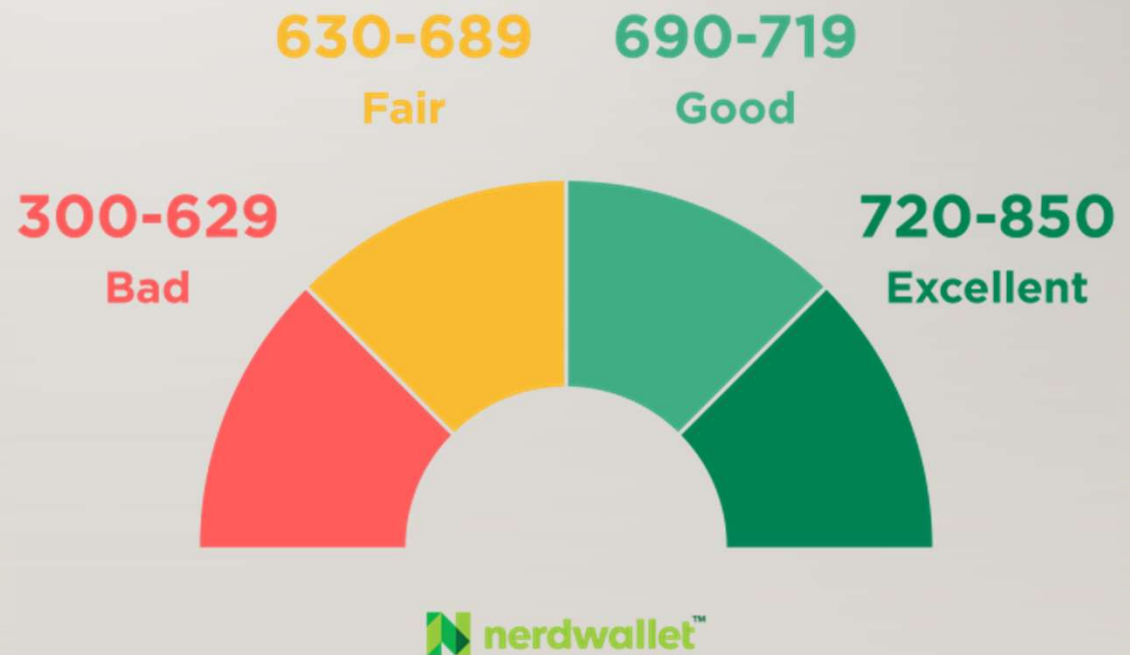
# WHAT IS YOUR CREDIT SCORE?

- 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

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- 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



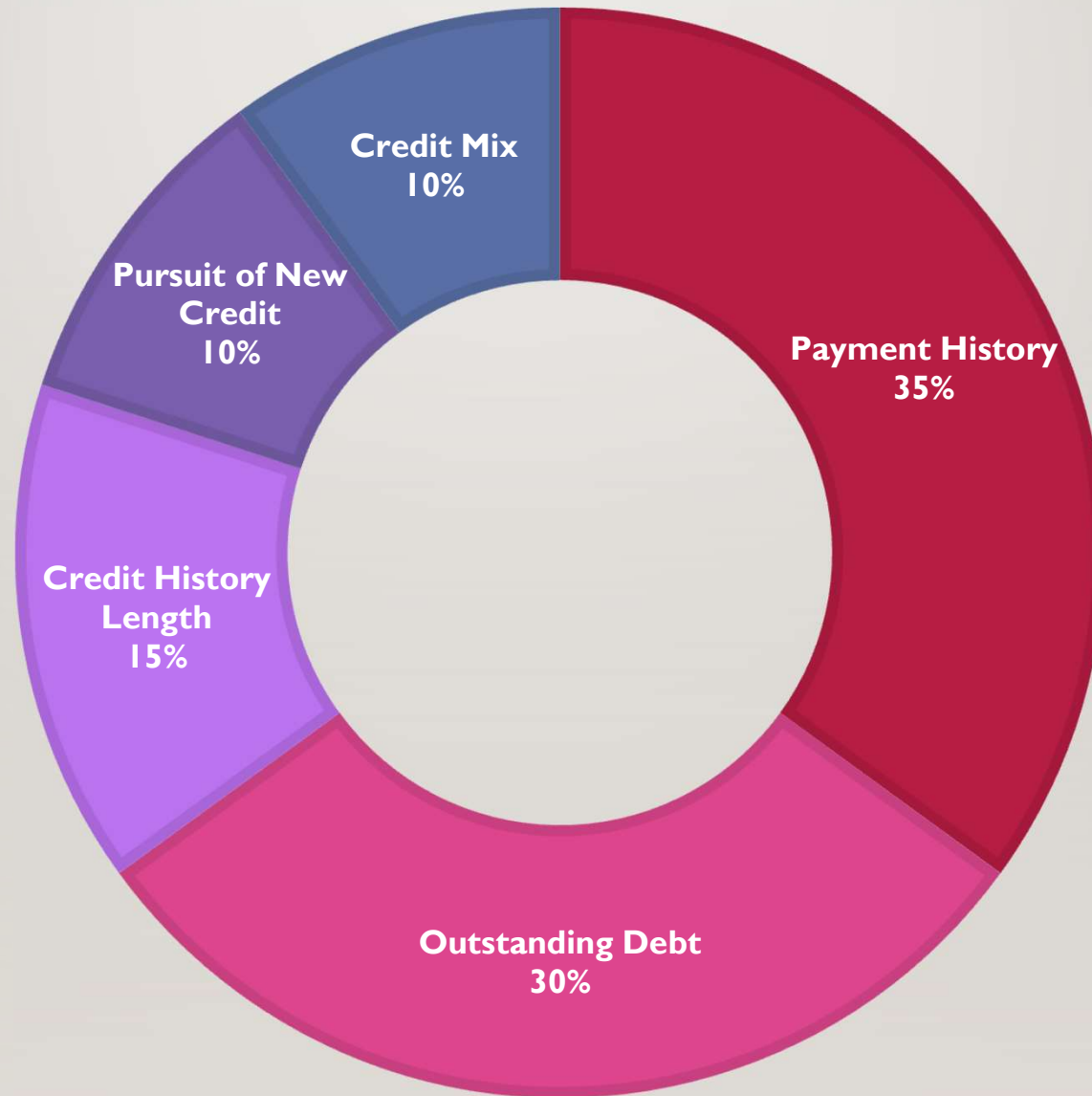
# CREDIT IMPACT: RATES & PAYMENTS

| <b>Credit Score</b> | <b>APR</b>   | <b>Monthly Payment</b> |
|---------------------|--------------|------------------------|
| 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



# NATIONAL CREDIT BUREAU AGENCIES

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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  
(Friday) May 26, 2023

2) Settle your Student Account bill

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

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# IMPORTANT LINKS:



[www.heartland.ecsi.net](http://www.heartland.ecsi.net)

Customer Service Number: 1-888-549-3274



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....

## Federal Direct Loans

| Last Name Begins with... | Director        | Email  |
|--------------------------|-----------------|--|
| A-D                      | Zully Rodriguez | <a href="mailto:zrodriguez@wesleyan.edu">zrodriguez@wesleyan.edu</a> |
| G-Mb                     | Robyn Ewig      | <a href="mailto:rewig@wesleyan.edu">rewig@wesleyan.edu</a>           |
| E, Mc-R                  | Olivia Bishop   | <a href="mailto:obishop@wesleyan.edu">obishop@wesleyan.edu</a>       |
| F,S-Z                    | Mily Muniz      | <a href="mailto:mmuniz@wesleyan.edu">mmuniz@wesleyan.edu</a>         |

## Private Loans

Olivia Bishop [obishop@wesleyan.edu](mailto:obishop@wesleyan.edu)

## Wesleyan Loans

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