Exit Counseling

Student Financial Assistance

sfa.mst.edu/finlit

Know What You Owe
nslds.ed.gov
Why do I need to do exit counseling?

- Federal regulations require all federal student loan borrowers to complete an exit loan counseling session shortly before graduating.
  - Failure to complete exit counseling can result in a hold on records.

- Exit counseling provides information on how to effectively manage student loan repayment.

- There are 5 parts to Federal Student Aid exit counseling:
  - **Understand Your Loans**: displays your loan balance.
  - **Plan to Repay**: tools to handle repayment.
  - **Avoid Default**: understand how to avoid delinquency and default.
  - **Finances: A Priority**: how to develop a sound financial plan.
  - **Repayment Information**: collects info about you, references, and preferred repayment plan.
Important Terms

- **Subsidized Direct Loan**
  - Available to undergraduate students with financial need
  - The U.S. Department of Education pays the interest while in school

- **Unsubsidized Direct Loan**
  - There is no requirement to demonstrate financial need
  - Borrower is responsible for the interest while in school

- **Principal**
  - The total sum of money borrowed plus any interest that has been capitalized

- **Accrued Interest**
  - Interest that has accumulated
  - Interest on Direct Loans accrues daily

- **Capitalized Interest**
  - The addition of unpaid interest to the principal balance of a loan

- **Grace Period**
  - Period of time after you graduate when you are not required to make payments
  - You can make payments during your grace period to reduce the amount of capitalized interest before you enter repayment
Know Who Your Servicer Is

- A loan servicer is a company that handles the billing and other services on your federal student loan
  - It’s possible your student loan could be sold to a different servicer (ex. Nelnet acquired Great Lakes in Oct. 2017)

- Contact your servicer when you:
  - Need to update your contact information
  - Have questions about your loan
  - Want to change repayment plans
  - Have trouble making your monthly federal student loan payment

- When you complete exit counseling online, your contact information will automatically be provided to your loan servicer
  - You are required to notify your loan servicer of any changes to your contact information (address, email, phone number) after you leave school

- For information on loan servicers, including their contact information, visit StudentAid.gov/servicer
National Student Loan Data System (NSLDS)

NSLDS is a federal website that utilizes your FSA ID to display all your federal student loan information.

- NSLDS does not display information about private student loans. For that information, you will need to contact your private loan lender.

- Parent PLUS loan information will appear in your parents’ NSLDS account, not yours.
NSLDS (continued)

- How to find loan information on NSLDS:
  - Visit [nslds.ed.gov](http://nslds.ed.gov) and click on the “Financial Aid Review” box. Click “Accept”
  - Log on using your FSA ID
  - Under your profile, you may click on the number to the left of each loan to view the details associated with each loan
  - You can view the “Current Servicer” of your loan by clicking on an individual loan
Student Loan Repayment Options

- When am I required to begin making payments?
  - 6 months after you graduate for most federal student loans

- One size does not fit all! Find a repayment plan that fits your needs by using the “Repayment Estimator” on StudentLoans.gov
  - Sign up for automatic payments - you might even receive an interest rate deduction on your loan!

- Know whether you are eligible for loan forgiveness based on your employer or your job

- Remember, you can change your repayment plan at any time by contacting your loan servicer
Federal Student Loans

Choose the best repayment option

Basic Repayment Plans
Traditional plans for paying off federal student loans

- **Standard repayment plan**
  - 10 years
  - By default, many grads are placed into this plan. You'll pay a fixed amount of at least $50 a month.
  - **Pro**: You'll pay less per month to start.
  - **Con**: Your monthly payment might be high.

- **Graduated repayment plan**
  - 10 years
  - Monthly payments are lower initially and increase every two years.
  - **Pro**: You'll pay off your loan faster.
  - **Con**: Your loan payments will increase, even if your income doesn't.

- **Extended repayment plan**
  - 25 years
  - Monthly payments are lower, over a longer period of time. They can be fixed or graduated.
  - **Pro**: You'll pay less per month.
  - **Con**: You'll pay more in interest. It will take longer to pay off your loans.

Income-Driven Plans
Plans that are sensitive to post-grad income

- **Income-Based**
  - 20-25 years
  - Depending on the selected plan, you'll pay between 10% and 20% of your discretionary income toward your loans each month.
  - **Pro**: Most grads with federal loans can consolidate. It simplifies your monthly payment.
  - **Con**: Can't be undone. If you extend your repayment term, you may pay more in interest over time.

Other Options
More ways to manage loan payments

- **Consolidation**
  - Combines multiple federal loans into one. Your new interest rate is an average of your prior loans' rates.
  - **Pro**: Most grads with federal loans can consolidate. It simplifies your monthly payment.
  - **Con**: Can't be undone. If you extend your repayment term, you may pay more in interest over time.

- **Refinancing**
  - Replaces your separate loans with a new loan and interest rate.
  - **Pro**: If you qualify, it could lower your monthly payment and interest rate.
  - **Con**: Not everyone is eligible. If you 're-ref' your loans with a private party, you'll lose the option to enroll in the plans at left.

Planning on working in public service? Enroll in Public Service Loan Forgiveness, using standard or income-driven repayment, and your remaining loan balance will be forgiven after 10 years.

nerdwallet
Have a Perkins or University loan?

- Federal Perkins and University Student Loans are handled by Heartland ECSI
  - heartlandecsi.com

- With ECSI, you are billed on the 15th of each month with your payment due on the 1st of the next month
Managing Your Money

Do you have a budget?
- Following a budget helps you weigh your income with your expenses
- Tips on how to stick with a budget:
  - Learn to say “no”
  - Avoid overspending on food
  - Be smart with credit cards

Are you responsible with credit cards?
- Avoid credit card debt at all costs
- Do not use all your available credit
  - You want to keep your “credit utilization” low
- Pay your balance in full every month
Simple steps to create a budget

- Know how much money you have coming in
- Track your expenses for one month
  - Figure out the necessities versus things you want
  - Prioritize your spending
    - Groceries versus Starbucks
    - Rent versus new shoes
- Adjust spending as needed
- Be realistic and give it time
- Don’t forget to include savings and retirement contributions

Budget Guidelines

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable Gifts</td>
<td>10-15%</td>
</tr>
<tr>
<td>Saving</td>
<td>5-10%</td>
</tr>
<tr>
<td>Housing</td>
<td>25-35%</td>
</tr>
<tr>
<td>Utilities</td>
<td>5-10%</td>
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<tr>
<td>Food</td>
<td>5-15%</td>
</tr>
<tr>
<td>Transportation</td>
<td>10-15%</td>
</tr>
<tr>
<td>Clothing</td>
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<tr>
<td>Medical/Health</td>
<td>5-10%</td>
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<tr>
<td>Personal</td>
<td>5-10%</td>
</tr>
<tr>
<td>Recreation</td>
<td>5-10%</td>
</tr>
<tr>
<td>Debts</td>
<td>5-10%</td>
</tr>
</tbody>
</table>
Budgeting in the palm of your hand

**Mvelopes**
- Sync to accounts
- Budget first
- Envelope second

**Pocket Expense**
- Visual spending report
- Add multiple accounts

**The Birdy**
- Reply to email
- Pie chart
Budgeting in the palm of your hand

BillGuard
- Track spending habits
- Fraud protection
- Swipe right

Mint.com
- Spending & saving
- Budget & earnings
- 401(k), IRA, savings
What is a credit score/report?

- Your credit score is what lenders use to determine whether or not to extend credit to you
  - Think of your credit score like your GPA

- Your credit report summarizes your existing and past lines of credit
  - Think of your credit report like your transcript

- Have you checked your credit report?
  - Everyone can check their credit report once every 12 months, free of charge at Annualcreditreport.com
  - Don’t request all 3 at the same time

- Tips for improving your credit score:
  - Pay your bills on time and pay off debt
  - Keep credit card balances low and don’t sign up for any more
Ways Student Loans Impact Credit

- Student loans are reported within 90 days of disbursement to the 3 major credit bureaus
  - Until the borrower goes into repayment, the status is reported as “open/in good standing” on your credit report
  - Once a borrower enters repayment, the monthly payment amount is reported

- Late payments can negatively impact credit

- A student loan is considered delinquent 30 days after the due date
  - Delinquent status will remain on your credit report for 7 years
  - Loan servicers do not wait around for the borrower to reach out to them

- Your credit report indicates your repayment period and should include all your education loans
Having a difficult time making payments?

- Avoid delinquency - contact your loan servicer BEFORE you miss a payment on your federal student loan
  - You will default if you have not made a payment in 270 days (which can result in serious legal consequences)

- 1. Consider switching repayment plans
  - Don’t forget to ask about plans based on your income or loan forgiveness options

- 2. Consolidation - the result is a single monthly payment instead of multiple payments to different servicers
  - This could lower your payments but increase the period of time you have to repay (costing more in the long run)

- 3. Request a deferment or forbearance to temporarily postpone your payments
  - Deferment = interest does not accrue
  - Forbearance = interest will continue to accrue

Deferments and forbearance do not negatively impact your credit report
Loan Forgiveness Options

- Public Service Loan Forgiveness (PSLF)
  - May qualify after making 120 qualifying monthly payments while working full time for a qualifying employer
    - Government organization
    - Peace Corps or AmeriCorps
    - A not-for-profit, tax exempt organization
    - A private, not-for-profit organization
  - It is crucial to submit the “Employment Certification” form as soon as possible

- Teacher Loan Forgiveness
  - Teach full-time for 5 complete, consecutive years in certain schools/agencies that serve low-income families

- Loan Supplements and Educational Awards
  - AmeriCorps
  - Peace Corps
  - TEACH for America
What do I need in order to complete exit counseling?

- Go to StudentLoans.gov to complete exit counseling
- It will take 20-30 minutes and must be completed in a single session

Know the following information in order to complete exit counseling:

- FSA ID and password (FAFSA login)
- Social Security Number
- Driver’s License number
- Contact information for next of kin (nearest relative)
- Contact information for at least two references
- Future employer address/phone

Note: You may not list the same person as both your Next of Kin and a Reference