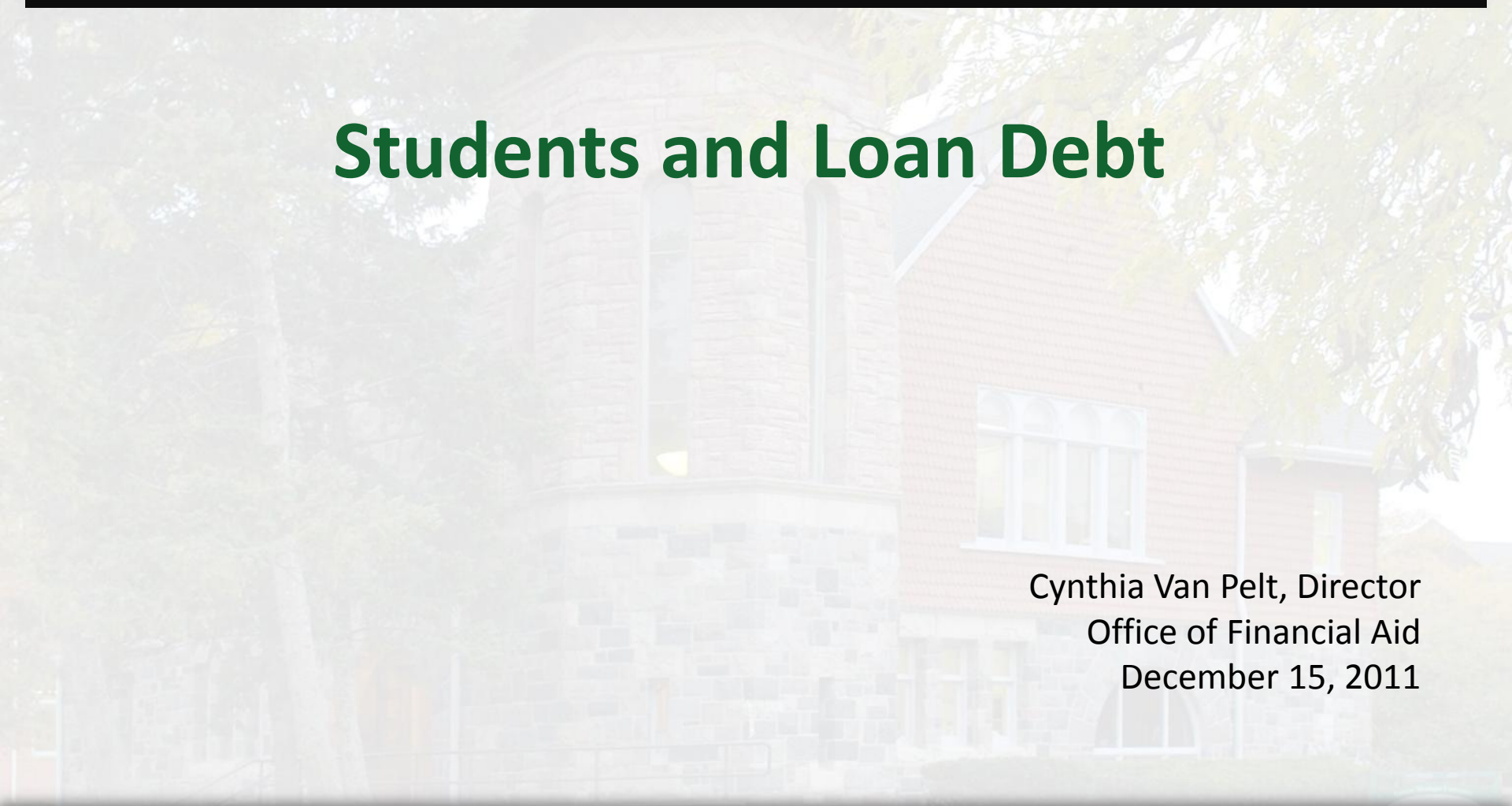


Student Affairs Committee

Students and Loan Debt



Cynthia Van Pelt, Director
Office of Financial Aid
December 15, 2011

Federal Stafford Loans

- **Federal Family Education Loan (FFEL) program – banks and credit unions were lenders**
- **Federal Direct Loan (DL) program – U.S. Department of Education is the lender**

Prior to July 2010, schools had the option of participating in FFEL or DL for their students. The FFEL program ceased operations (other than collection and servicing loans) June 30, 2010. All new Stafford Loans are now through the DL program.

Federal Direct Stafford Loans

- **Subsidized Loans**
 - Awarded based on demonstrated financial need.
 - Interest free while in school
 - The borrower is responsible for the interest once repayment begins
- **Unsubsidized Loans**
 - Not based on financial need; students are eligible regardless of income or assets
 - Interest is charged as soon as the loan is paid to the student; students have the option to pay the interest while in school or it will accrue

Stafford Loan Interest Rates

Type of Loan	Interest Rates for loans beginning 2011-12	Interest Rates for loans beginning 2012-13
Subsidized Stafford Undergraduate	3.4%	6.8%
Subsidized Stafford Graduate	6.8%	N/A
Unsubsidized Stafford Undergraduate	6.8%	6.8%
Unsubsidized Stafford Graduate	6.8%	6.8%

Stafford Loan Limits

Year in School	Dependent Undergraduate	Independent Undergraduate	Graduate and Professional
First	\$5,500 (no more than \$3,500 may be in Subsidized)	\$9,500 (no more than \$3,500 may be in Subsidized)	\$20,500 (no more than \$8,500 may be in Subsidized)
Second	\$6,500 (no more than \$4,500 may be in Subsidized)	\$10,500 (no more than \$4,500 may be in Subsidized)	\$20,500 (no more than \$8,500 may be in Subsidized)
Third and beyond (each year)	\$7,500 (no more than \$5,500 may be in Subsidized)	\$12,500 (no more than \$5,500 may be in Subsidized)	\$20,500 (no more than \$8,500 may be in Subsidized)
Max Total Debt (Aggregate Loan Limits)	\$31,000 (no more than \$23,000 may be in Subsidized)	\$57,500 (no more than \$23,000 may be in Subsidized)	\$138,500 (no more than \$65,500 may be in Subsidized)

National Student Loan Data System (NSLDS)

Loans

Please click on number in first column to see details

	Type of Loan	Loan Amount	Loan Date	Disbursed Amount	Canceled Amount	Outstanding Principal	Outstanding Interest
1	DIRECT STAFFORD UNSUBSIDIZED	\$3,150	08/22/2011	\$1,575	\$0	\$1,575	\$20
2	DIRECT STAFFORD SUBSIDIZED	\$5,500	08/22/2011	\$3,250	\$0	\$3,250	\$0
3	DIRECT STAFFORD UNSUBSIDIZED	\$921	04/26/2011	\$921	\$0	\$921	\$32
4	DIRECT STAFFORD SUBSIDIZED	\$1,224	04/26/2011	\$1,224	\$0	\$1,224	\$0
5	DIRECT STAFFORD UNSUBSIDIZED	\$756	12/27/2010	\$756	\$0	\$756	\$43
6	DIRECT STAFFORD SUBSIDIZED	\$3,276	12/27/2010	\$3,276	\$0	\$3,276	\$0
Total DIRECT STAFFORD UNSUBSIDIZED						\$3,252	\$95
Total DIRECT STAFFORD SUBSIDIZED						\$7,750	\$0
Total All Loans						\$11,002	\$95

Keep track of your loans: www.nslds.ed.gov

Repayment Calculator

Direct Loans—Standard, Extended, and Graduated Repayment Calculator - Windows Internet Explorer

http://www2.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlentry1.html

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Direct Loans—Standard, Extended, and Graduated R...

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Related Sites

[StudentLoans.gov](#)

[DL Servicing](#)

[DL Consolidation](#)

[Student Aid on the Web](#)

Calculator results

Interest Rate:	6.8 %
Loan Amount:	\$ 15000

Repayment Plan	Term (in Months)	Initial Monthly Payments	Total Payments (Interest+Principal)	Detail
Standard	120	\$ 172.62	\$ 20714.40	Detail
Extended				
Extended payment plans are only available for amounts greater than \$30,000.00				
Graduated (see Note 1 below)	120	\$ 118.53	\$ 21833.34	Detail

Note 1: This is an estimated monthly repayment amount for the first two years of the term and total loan payment. The monthly repayment amount will generally increase every two years, based on the graduation factor in the graduated repayment rules.

Estimate your loan payments:

www.studentloans.gov

Repayment Options

- **Standard Repayment:** Monthly payment amount determined by the amount owed but not less than \$50/month; Up to 10 years to repay.
- **Income Based Repayment (IBR):** Monthly payment for a borrower with financial hardship is based on Adjusted Gross Income & family size.
- **Graduated Repayment:** Monthly payments start low and increase over time.

Deferment and Forbearance

- **Deferment**: Temporary postponement of loan payments based on:
 - Enrollment
 - Economic Hardship
 - Military Service
- **Forbearance**: Reduction or postponement of payment for limited or specific period
 - Economic Hardship
 - Illness
 - Internships

Default

**Default occurs on a federal loan
when a borrower doesn't make a
payment for 270 days**

Cohort Default Rate (CDR)

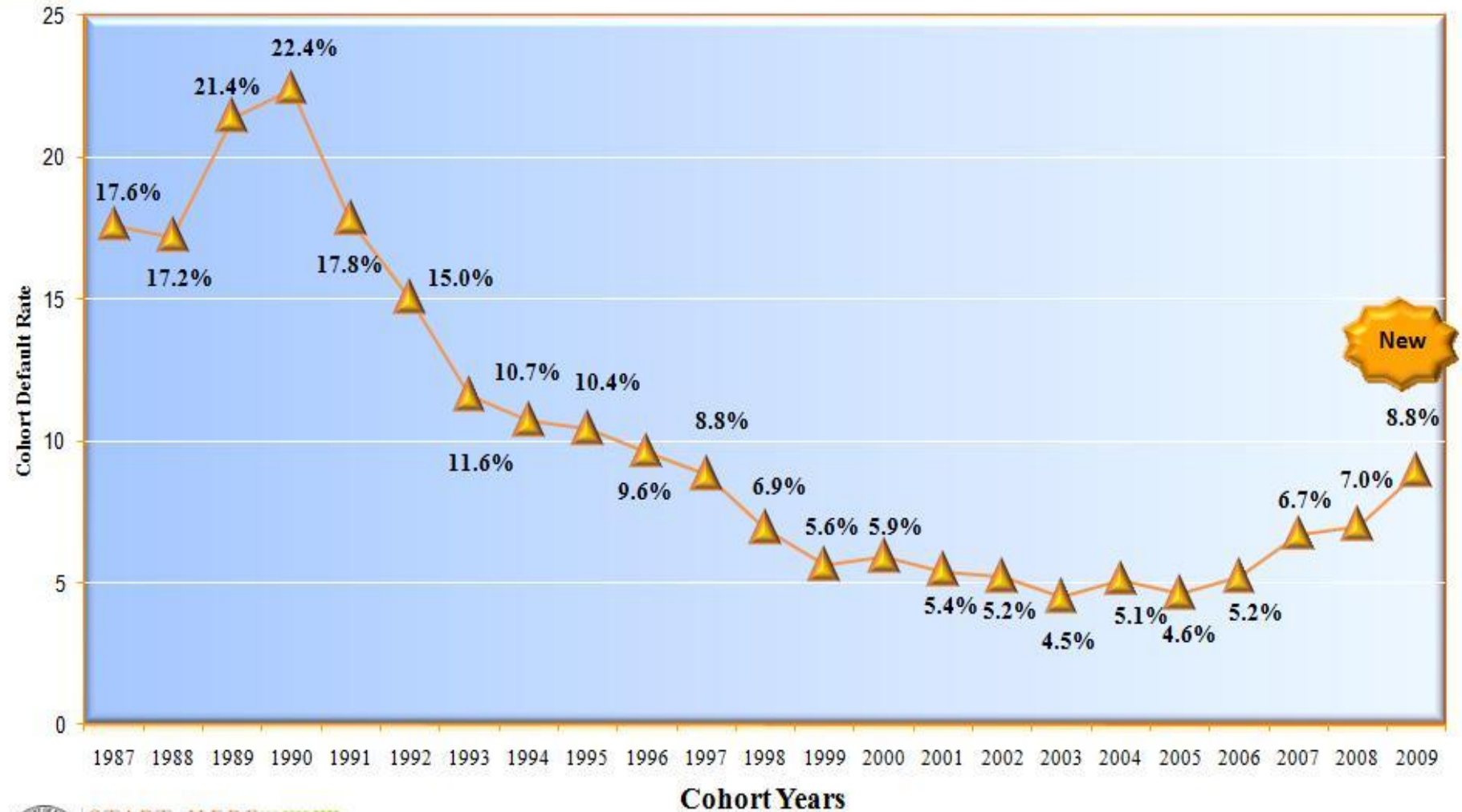
For schools with 30 or more borrowers entering repayment in a fiscal year, the school's CDR is the percentage of the borrowers who enter repayment during that fiscal year (such as 2008/ 2009) and default

Example:

A school had 90 borrowers who entered repayment in the cohort fiscal year (ie: 10/1/2008 – 9/30/2009). Of those 90, 8 borrowers defaulted. The CDR is calculated by dividing 8 by 90 ($8 \div 90 = 0.088$) or 8.8%

National Student Loan Default Rates

Issue Date



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MASFAA (Midwest) Default Rates

State	FY 2007	FY 2008	FY 2009
Illinois	6.9%	7.1%	9.1%
Indiana	6.3%	7.0%	8.4%
Iowa	8.2%	9.9%	11.5%
Michigan	5.7%	6.3%	8.2%
Minnesota	3.3%	3.7%	5.8%
Missouri	6.0%	5.8%	7.6%
Ohio	5.7%	6.1%	8.5%
West Virginia	9.3%	8.6%	9.7%
Wisconsin	2.7%	3.4%	5.4%

EMU Default Rates

Year	FY 2007	FY 2008	FY 2009
Default Rate	2.6%	3%	4.9%
# in Default	114	136	236
# in Repayment	4,280	4,501	4,726

How to Minimize Student Loan Debt

- Keep track of what you owe (nslds.ed.gov)
- Do not treat annual loan limits as a goal or target
- Rule of thumb: total educational loans should be less than your expected starting salary after you graduate (ideally less than half your starting salary)
- Before buying something with student loan money, ask yourself if you'd still buy it at twice the price

Source: Mark Kantrowitz, author of [FASTWEB.com](https://www.fastweb.com)

How to Minimize Student Loan Debt

- Pay the interest on Unsubsidized loans while in school to prevent the loan balance from growing larger
- Work part-time while in school and summers
- Graduate with a bachelor's degree in four years, not five or six (each year can add \$7,500 - \$12,500 in loan debt)

Source: Mark Kantrowitz, author of FASTWEB.com