

DEBT SLAPPED ©

Planning for Post-Secondary Education Activity

Student Name: _____

Date: _____

INSTRUCTIONS: Go through questions 1-32 in this document and type in your answers.

1. What post-secondary school do you plan on attending?

2. Choose a job, trade, or career you are interested in (examples below):

BACHELOR'S DEGREE MAJOR	2016 AVERAGE STARTING SALARY
Electrical Engineer	\$61,420
Software Test Quality Assurance Engineer	\$67,000
Sales	\$40,000
High School teacher	\$36,141

ASSOCIATE'S DEGREE	2016 AVERAGE STARTING SALARY
Dental Hygienist	\$55,000
Construction Management	\$43,900
Nurse	\$49,920
Physical therapist assistant	\$30,000

PROFESSIONAL TRADE	2016 AVERAGE STARTING SALARY
Plumber	\$35,750
Apprentice Electrician	\$32,000
Carpenter	\$33,000
Welder	\$36,000

If you would like to explore salaries and careers on your own, Google the career for starting salary and use these helpful websites:

<http://www.payscale.com/college-salary-report/majors-that-pay-you-back/bachelors>

<http://www.mynextmove.org/>

<http://www.bls.gov/ooh/>

- 3. Take the estimated starting Salary from the charts above (or your own research) and multiply by .75 for your estimated yearly take-home pay (meaning it doesn't include the taxes and other payroll deductions you will likely pay from your gross pay).**

- 4. Take the Annual Take Home Pay from #3 above and divide by 12 for your estimated monthly take-home pay. This is the estimated amount you will have to pay your monthly expenses.**

Researching your school

Check out your school on the following website:

<http://nces.ed.gov/collegenavigator/>

- a. **Type** in the name of the school you are considering in the "Name of School" field.
 - i. Note that entering part of the school name may be easier – for instance type in "Seattle" to find Seattle University or Seattle College.
- b. Hit **Enter**
 - i. This may lead to a list of schools with similar names. If so, select the school you want.

This will lead to an information page for the school you selected with several categories, such as General Information; Tuition, fees, and estimated student expenses, etc. You will be asked to select some of those categories below.

5. Will the school you've chosen give you the education/degree you need to do the job you have chosen?

Yes

No

Accreditation is a type of quality assurance process under which educational institutions are evaluated by an external body to determine if the school meets an acceptable level of quality. You want to make sure that your school meets the accreditation standards as determined by a reputable rating agency.

6. Is the institution accredited? (Select the "Accreditation" category.)

Yes

No

7. What agency accredited your school?

A school's retention rate indicates how many students stay enrolled year over year. A low retention rate means that many students leave before finishing their degree. Similarly, a school's Overall Graduation Rate indicates how many first-time students who enroll in degree seeking programs (such as an AA or BA) finish their degrees. *For instance, the Overall Retention Rate for Community College is roughly 54% vs 70% for a Public University. The average Graduation Rate of 4-year Universities is 60%.*

8. Is the retention rate at your school of full time students high, medium, or low? (Select the "Retention and Graduation Rates" category.) High (the best) is 80% and above, Average is 60% to 79% and Low is 59% and below.

High

Medium

Low

9. Is the Overall Graduation Rate at your school high, medium, or low? (This is also in the "Retention and Graduation Rates" category.) High (the best) is 80% and above, Average is 50% to 79% and Low 50% or below.

High

Medium

Low

A cohort default rate is the percentage of a school’s borrowers in the U.S. who enter repayment on certain student loans during a federal fiscal year and default prior to the end of the next one to two fiscal years. (A federal fiscal year goes for one year, but unlike a calendar year, it starts on October 1.) A loan is put into default by a lender after 270 days of non-payment by the borrower. Defaulting on a loan will show on your credit report and will make it difficult to take out any loans in the future. A school with a high cohort default rate may not be adequately preparing its graduates for future employment – or, it may have a significant number of students who drop out before graduation.

Select the “Cohort Default Rates” category to answer the question below.

10. At the school you have selected, is the Cohort Default Rate of the most recent academic year Low (6% or less, the best), Medium (between 7%-12%) or High (over 12%)?

High

Medium

Low

Researching the Cost of attending School

Select the “Tuition, fees, and estimated student expenses” category. Once there, look under the Tuition and fees” heading and choose what fits: the in-state or out-of-state number.

11. What is the Tuition of the most recent academic year?

Look under the “TOTAL EXPENSES” heading. Notice the differences between:

- On Campus
- Off Campus
- Off Campus with Family

Select one of those choices that best fits with your plans and budget.

12. What are your Total Expenses for (1) year of your schooling?

13. Take the number you selected in #12 above and multiply it by 2 for a 2-year program or by 4 for a 4-year program for your Total Expenses to Graduate.

Paying for School

Many students use student loans to pay for all or part of their post-secondary schooling. There are different types of loans available to students and it is important to understand the differences.

Federal student loans are backed by the government and typically:

- have several repayment plans
- allow you to change your repayment plan
- come with an interest rate that is fixed or stays the same
- provide public service loan forgiveness if you get a qualified job and choose a qualified repayment plan
- offer more consumer protections than private student loans
- are very difficult to wipe away in bankruptcy

Private student loans are backed by banks or other financial institutions and typically:

- do NOT have a fixed interest rate. It can go up.
- do NOT offer the same kind of flexible repayment plans as federal student loans
- do NOT offer loan forgiveness programs
- provide less consumer protections than federal student loans
- are very difficult to wipe away in bankruptcy

Additionally, there are both Subsidized and Unsubsidized Federal Student Loans:

Subsidized loans do not charge you interest while you are enrolled in school or during an authorized period of deferment. Instead, interest starts to run only after you leave school or end a period of deferment.

Unsubsidized loans do charge you interest while you are enrolled in school so the interest grows during that time and it starts as soon as you receive the student loan.

You can learn more about the different kinds of student loans offered by the federal government on the following website:

<https://studentaid.ed.gov/sa/repay-loans/understand/plans#estimator>

You can see current rates of interest for different student loans here:

<https://studentaid.ed.gov/sa/types/loans/interest-rates>

Determine your student loan payments under two Federal Student Aid plans by using the following calculator:

Use this link: <http://www.finaid.org/calculators/loanpayments.phtml> and follow these steps:

- A. Enter loan balance (the total amount borrowed)
- B. Enter 3.76% in interest rate
- C. Enter 0.0 in loan fees
- D. Choose 10 year Loan Term for Standard Plan and then 25 for Extended Plan
- E. Type \$50 Minimum Payment
- F. Select “Graduating Soon” from Enrollment Status dropdown menu.
- G. Select degree that fits from Degree Program dropdown menu.
- H. Type 2 or 4 (or whatever fits) in Total Years in College.
- I. Select “No” for Print payment schedule.
- J. Select the CALCULATE button.)

What are your estimated loan payments?

14. Standard Plan- Monthly Payment:

15. Standard Plan- Total to pay off loan:

16. Extended Fixed Plan- Monthly Payment:

17. Extended Fixed Plan- Total to pay off loan:

18. What are some differences between the Standard Plan and Extended Plan?

What if you could cut the amount you are borrowing? We will discuss ways to do this later, but for now, let's see what would happen if you reduce the amount you are borrowing by 25%.

- A. Take your Balance ("**Total Expenses to Graduate**" estimate **from #13 above**) and multiply by .75
 - a. Example: \$100,000 Balance x .75= \$75,000
- B. Take your new balance and run it through the Standard repayment plan (10-year) calculator process above

19. What are your new Total Expenses to Graduate?

20. What is your new Standard Plan-Monthly Payment

21. What is your new Standard Plan- Total to pay off the loan?

Compare this with your **original Standard Plan Monthly Payment** and **total to pay off the loan.**

22. How much less would you pay a month?

23. How much less would it cost you to pay off the loan?

The money you save you can put toward other things in your life. We will have you list other ways you can further reduce the amount you are borrowing later in this worksheet.

Let's look further into interest rates.

24. What if we increased the interest rate to 10%? Using the same Loan Amount used in #19, adjust the rate to 10%. What is the Standard Payment now?

25. Do you want a higher or lower interest rate when you borrow?

Remember private student loans often do not have a fixed interest rate so it can go up. Federal student loans are fixed. They stay the same.

Budgeting

Now, let's calculate the percentage of your take home pay that will be taken up by student loan payments after you finish your post-high school education.

- A. Use your original Standard Plan- Monthly Payment (**from #14**) divided by your Monthly Take Home Pay (**from #4**), X 100 to get the percentage of your Take Home Pay per Month taken up by your student loan monthly payment.

Example

Student loan mo. payment divided by Monthly Take Home Pay

\$1,092 / \$4,062 x100= 26 %

26. What % of your income are your student loan payments?

Budgeting Exercise

Monthly take home earnings (from #4): \$

Estimate your monthly expenses:

Food	\$350
Housing	\$1,000
Transportation:	\$300
Insurance	\$100
Health care	\$100
Phone	\$150
Cable/Internet	\$115
Entertainment	\$300
Savings	\$200
Personal care/products	\$120

Monthly expense total: \$2,735 (not including student loan)

27. Add your original Standard Plan-Monthly payment (from #14) to the monthly expense total of \$2,735. What is the total?

The above is an estimate of your total monthly expenses (including your student loan payment).

28. Take your estimated monthly take home pay (from #4) and subtract your total expenses (from #27). What is the result?

29. Will you have enough money to pay back your student loans? Are you in the black (a positive #) or in the red (a negative #)?

If you are in the red (negative number), so to speak, what budget categories are you going to reduce or eliminate so your monthly grand total is equal to or smaller than your monthly take home earnings?

**30. Write one expense category you will cut down on and by how much.
(Example: Reduce Entertainment by \$150/month.)**

The more you can save on your student loan, the more you'll have for your other budget categories.

Consider ways to reduce your borrowing:

- Don't borrow more than you need to
- Choose a less expensive school
- Apply for grants and scholarships
- Take a year or two off to save up money for college
- Work during college
- Live with family
- If living with family isn't feasible, live with roommates
- Complete your degree. The odds of defaulting on your loan increase for those who don't graduate.

31. Write some ways you are going to reduce your borrowing.

32. What is the difference between student loan debt and other debts? For one thing, it's nearly impossible to get out of it, even in bankruptcy. What are some other differences?

16. My Extended Plan Monthly Payment:

17. My Extended Plan-Total to pay off the loan:

18. What are some differences between the Standard Plan and Extended Plan:

19. My new Total Expenses to Graduate (25% reduction):

20. My new Standard Plan Monthly Payment:

21. My new Standard Plan Total to Pay off the loan:

22. How much less you pay a month:

23. How much less it costs you to pay off the loan:

24. What happens if the interest rate on the amount in #19 is increased to 10%?

25. Do you want a higher or lower interest rate?

26. What is the % of your income taken up by your student loan payment:

27. What is the total of your original Standard plan- Monthly payment plus your Monthly expense total:

28. Subtract total expenses from your monthly take home pay and write the answer:

29. Do you have a negative or positive number?

30. Reduce (budget category and how much)

31. List some ways you will reduce borrowing:

32. What are some differences between student loan debt and other debts:



Presented by Judge Karen A. Overstreet (Ret.), United States Bankruptcy Court, CENTS Judicial Liaison, CARE Board Member; Tony Leahy, Executive Director, CENTS (Consumer Education and Training Services); and Josh Feinstein, attorney and business owner, Ducky's Office Furniture.

For more information, go to www.centsprogram.org, www.debtslapped.org, and www.care4yourfuture.org