# BE \$MART! BE \$TRATEGIC!

# Borrow the Minimum You Need in Law School

Fall 2013

Jeffrey Hanson Education Services

University of Georgia School of Law



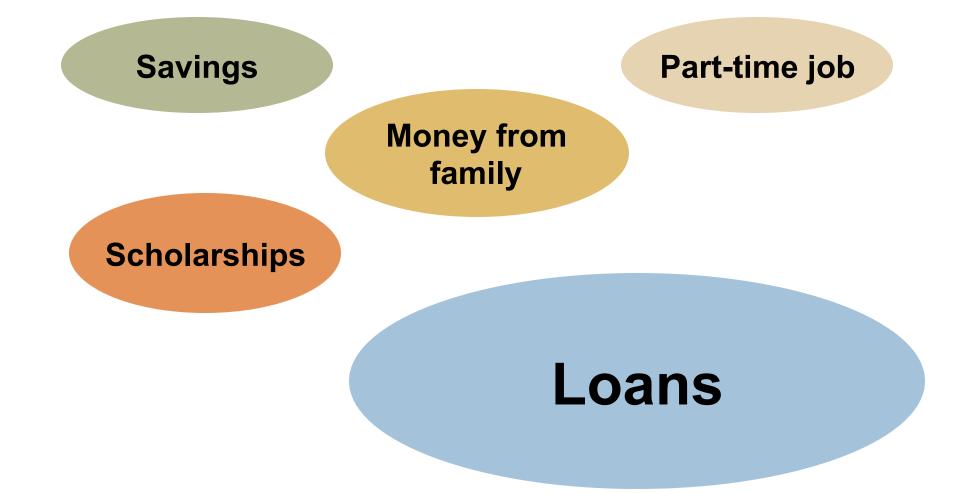
# To succeed in achieving your goals ...

Study hard

- Borrow the minimum
- Manage your finances carefully
- Repay all that you borrow



# How are you paying for this investment in yourself?



# Federal student loans are unique ...

#### Low risk form of credit

- Flexible repayment options including incomedriven payment plans
- Payment relief options
  - Deferment
  - Forbearance
  - Adjustments to monthly payment

**IMPORTANT NOTE**: You should never have to miss a payment or default on your federal student loans if you take charge of repayment!

# How did you decide how much to borrow?

#### Did you?:

- Borrow amount indicated on your Financial Aid Award notice?
- Borrow maximum amount possible?
- Estimate your budget and borrow only what you needed?
- Borrow less than you think you need in hopes of living more cheaply?

#### ... because when you borrow loans you are spending your **FUTURE INCOME!**



# Why borrow the minimum?

### To borrow the minimum ...

"BYOB"
"SOS"
Think "FREE"

Evaluate "opportunity costs"

# What is your budget?

#### ls it:

- Cost of Attendance (COA)?
- □ Your resources vs. your expenses?
- A spending plan?

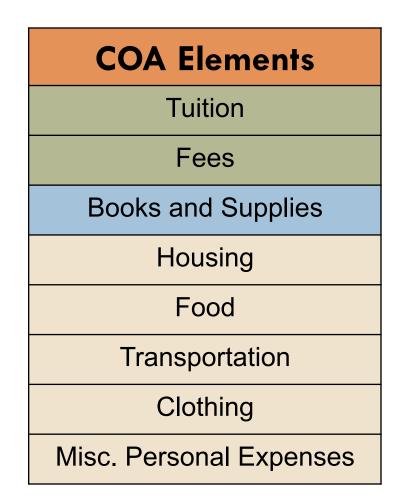


**IMPORTANT NOTE**: Does your budget include all your anticipated costs during summer vacation periods and for getting licensed in your chosen profession? – *It should*!

# **Cost of Attendance (COA)**

"Student Expense Budget"

- 10
- Calculated by Financial Aid Staff
- Includes <u>both</u> fixed educational costs and living expenses for academic year
- Total financial aid cannot exceed COA
- Not prescriptive and NOT your budget



# "Building Your Own Budget"

<b>2013-2014</b> <b>Expense</b> (9 months)	COA In-State	COA Out-of-State	Your Expenses
Tuition and fees	\$18,740	\$36,410	\$
Books and supplies	\$1,768	\$1,768	\$
Housing			\$
Utilities	\$12,028 \$12,028	\$12,028	\$
Food	(\$1,336/month)	(\$1,336/month)	\$
Transportation	\$1,128 (\$125/month)	\$1,128 (\$125/month)	\$
Miscellaneous personal	\$2,610 (\$290/month)	\$2,610 (\$290/month)	\$
TOTAL	\$36,274 (L/E= \$1,751/mo.)	\$53,944 (L/E= \$1,751/mo.	\$

# Sticking with your budget ...

- Track your spending
- Buy with cash
- Pay yourself monthly
- Test yourself; try the "Big Chill"
- Use online tools, e.g., *mint.com*

#### **Don't run out of funds!** Take charge of your spending ...

- Managing the financial transition to law school can be challenging—particularly if you previously worked full-time
- Financial aid funds are disbursed once each term—it's like getting paid once every 4 months
- Consider opening a savings account to hold your financial aid refund and "pay yourself" weekly, bi-weekly or monthly
- Contact the financial aid staff immediately if you are having financial challenges



14

#### How can you "Save On Spending?"

# **Reality Check**

#### How are you spending your money?

- 15
- Do you share the cost of housing with a roommate?
  - Living with a roommate could reduce your housing costs by at least \$300/ month—think about it for next year and beyond!
- Do you buy food/beverages at school?
  - **Could save at least \$5/day (\$1,250/year) by bringing them from home.**
- Do you subscribe to cable/premium channels and other bundled services?
  - If so, do you really have time to enjoy all the services you're buying?
- Do you have a gym/health club membership?
  - Does UGA offer free recreation facilities to students?
- Do you have multiple computing/telecommunication devices?
  - How much are you paying for the extra services?
- Do you shop for new clothes, eat out in restaurants, take vacations or make weekend trips to get away, go to sporting events, etc.?
  - Chances are you do, just be mindful that what you spend on these things could be saved for future expenses such as bar exam costs.

Remember to evaluate the "opportunity cost" of your spending choices it will impact what you can afford once you graduate and beyond!

# **Opportunity Cost**

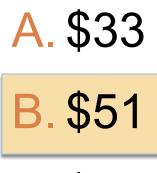
- It's about trade-offs
- You have scarce resources
  - Time
  - Money
- Ask yourself:
  - If I did not "spend" my time/ money on this now, what else could I use it for—and would that be better for me?"

# **Do the little things count?**



### Can you spend \$5 less per day?

# How much will you save?



**C**.\$71



# **19 Managing Your Loans**

# **Managing Your Loans**

- Understand loan terms
- Know how to contact your loan servicer (s)
- Don't ignore mail from loan servicer(s)
- Promptly report changes in address, etc.,
- Establish online access to your account with your loan servicer(s)
- Meet all other borrower responsibilities
- Request deferments/forbearance if needed to postpone repayment
- Repay all you borrow

# What do you need to know?

#### For each loan in your portfolio:

- Type of loan
- Interest rate
- Amount owed
- Who to repay
- When repayment begins

### NSLDS.ed.gov

#### "Financial Aid Review"—A Useful Resource

#### 22

#### To access, enter:

- SSN
- First two letters of your last name
- Birthdate
- Dept. of Ed PIN

# Duplicate PIN available at:

PIN.ed.gov



#### **"NEW" Interest Rate** Federal Direct Unsubsidized Loans

<b>Rate Structure</b> (effective for loans first disbursed 7/1/2013)			
Variable rate that becomes FIXED	Rate equals: "High yield on 10-year Treasury note" + <b>3.60%</b>		
	Rate is capped at <b>9.50%</b>		
Calculated Rates			
Date of 1 <sup>st</sup> Disbursement		Rate	
July 1, 2013-June 30, 2014		5.41%	
July 1, 2014-June 30, 2015		TBD	
July 1, 2015-June 30, 2016		TBD	

#### **"NEW" Interest Rate** Federal Grad PLUS Loans

Rate Structure (effective for loans first disbursed 7/1/2013)			
Variable rate that becomes FIXED	Rate equals: "High yield on 10-year Treasury note" + <b>4.60%</b>		
	Rate is capped at <b>10.50%</b>		
Calculated Rates			
Date of 1 <sup>st</sup> Disbursement		Rate	
July 1, 2013-June 30, 2014		6.41%	
July 1, 2014-June 30, 2015		TBD	
July 1, 2015-June 30, 2016		TBD	

### What is a loan servicer?

- Servicer is company managing your loans for your lender
- Servicer is assigned by your lender—you do not get to choose your loan servicer
- Know how to contact your loan servicer(s) by phone and on their website—you should signup to get access to your account online

- All your Direct Loans ultimately will be servicer by a SINGLE servicer so that you have:
  - SINGLE point of contact
  - SINGLE monthly bill
  - SINGLE monthly payment
- Contact servicer to:
  - Ask questions
  - Update contact information
  - Request payment relief
  - Make payments

# Who is your servicer?

Direct Loans initially are assigned to one of the following four ED servicers:

Servicer	Website	Phone Number
FedLoan Servicing	myfedloan.org	(800) 699-2908
Great Lakes	mygreatlakes.org	(800) 236-4300
Nelnet	nelnet.com	(888) 486-4722
Sallie Mae	salliemae.com	(800) 722-1300

- ED may transfer your Direct Loans to another servicer in the future—you will be notified!
- Check "loan detail" screen on NSLDS.ed.gov to verify contact information for your loan servicer(s)

# **Loan Repayment Options**

#### **Direct Unsub, Grad PLUS & Consolidation Loans**

27

Options	Payment Structure	Payment Period
Standard	Fixed	10 years
Graduated	Tiered	10 years
Extended	Fixed or tiered	25 years
Pay As You Earn (PAYE) (Direct only)	Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence 10% of annual "Discretionary Income"	20 years
Income Based (IBR)	Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence 15% of annual "Discretionary Income"	25 years
Income-Contingent (ICR) (Direct only)	Adjusted annually based on: - Household AGI - Household size - Total amount of Direct Loans Approx. 20% of discretionary income	25 years

#### **Estimate Your Monthly Payment** "Repayment Estimator" at: StudentLoans.gov

#### 28

#### To "SIGN IN" enter:

- SSN
- First two letters of your last name
- Birthdate
- Dept. of Ed PIN

Duplicate PIN available at:

PIN.ed.gov



#### **Did you know?** You can return unused loan funds!

If you return loan funds within 120 days of disbursement:

- Total amount owed is reduced
- Interest and fees charged on loan amount returned are reversed

Contact the financial aid staff for more information

### For more information ...

- Financial aid staff
- Loan servicer
- StudentAid.ed.gov
- StudentLoans.gov
- StudentAid.ed.gov/publicservice
- NSLDS.ed.gov
- AnnualCreditReport.com

# YOU CAN BE \$MART AND \$TRATEGIC!

Remember to consider the "opportunity cost" of borrowing

Jeffrey Hanson Education Services

**University of Georgia School of Law**