

# Smart Borrower Presentation

## Money \$ense



# SMART TOPICS

WHAT WE WILL DISCUSS IN THIS PRESENTATION:

Requesting a Federal Direct Student Loan

What Types of Loans you can Request.

Loan Repayments

How to Avoid Your Loan from Defaulting

How to Budget and Plan for Success

## Introduction to Student Loans

A student loan is you borrow and must pay back with interest.

It is **NOT FREE**.

- Can come from the federal government, from private sources such as a bank or financial institution, or from other organizations.
- When you apply for FAFSA, you might be offered loans as part of your school's financial aid offer or you may have to submit a loan request.
- It is an investment in your future to help you fund your education.

# How to Request a Direct Student Loan:

## One:

Make sure you submit FAFSA application for the Aid Year you plan to attend college.

## Two:

Complete the Smart Borrower Presentation AND Smart Borrower Workshop Quick (Quiz Confirmation).

## Three:

Complete Master Promissory Note with the Department of Education: <https://studentaid.gov/mpn/>  
You will use your FSA User ID and password to sign in to complete.

## Four:

Complete the Direct Stafford Loan Counseling:  
<https://studentaid.gov/app/counselingInstructions.action?counselingType=entrance>

## Five:

If you are attending Solano Community college Complete the Direct Loan Request form:  
<https://proone.proed.org/esign/proDocDocumentRequest/?formId=9220>

Make sure you attach a VALID Driver's License or State Issued PHOTO ID to the request form.

# KEEP YOUR PROMISE!

On Slide 4 step 3,  
You are completing the **Mastery Promissory Note (MPN)**.

This note is s **BINDING LEGAL** document!

You are agreeing to the Terms and Condition to REPAY the loan.  
Its is important that you read the note thoroughly and that you save the MPN for  
your own documentation.

Slide 4 provides a link to the MPN.



# Direct Loan Eligibility

**To  
Maintain  
Your  
Eligibility  
for the  
Loan you  
MUST:**



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Have a completed **FAFSA** on file for the applicable year

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Complete all of your **FA Requirements** (“red flags”) located under the Financial Aid Tab when you login to your MySolano student portal.

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Complete all **Direct Student Loan requirements** (look to Slide 4 of this presentation)

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Be **ENROLLED** in at least half-time (**6+ units**)

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Complete **at least 24 units** (Case-by-case approval) between each loan request if you are a previous borrower.

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**Must not** be in student loan default

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**Must not** owe a federal grant overpayment

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**Must be meeting** Satisfactory Academic Progress (SAP) rules

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Outlined here: <https://welcome.solano.edu/fa-sap/>

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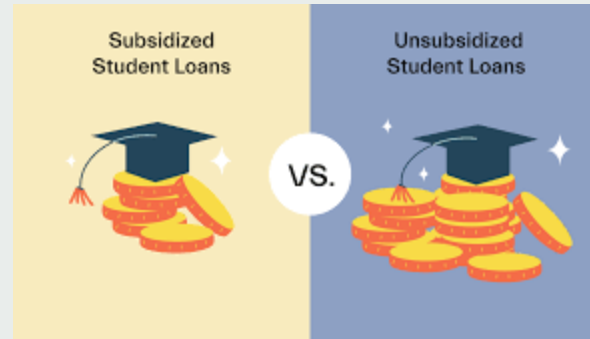
# TYPES OF LOANS

You have two types of loans that you can request:

**Subsidized and Unsubsidized.**

## Subsidized Loans

- Are based on undergraduate student who demonstrated a financial need.
- They can be awarded up to \$5,500 depending on what grade level (academic level) that they are on.



## Unsubsidized loans

- Are not based on financial need.
- They are for undergraduate, graduate and professional students.
- They can be awarded up to \$20,500 (minus any subsidized amounts received for the same period) depending on grade level (academic level).

Please view the **Annual Federal a Direct Student loan limits** on your colleges loan application to determine how much you can request.

Loan amount are **subject to change** depending on if you are a previous loan borrower.

# BORROW ONLY WHAT YOU NEED

- Here are the Annual Loan limits based on \*dependency status and grade level (academic level):

Academic Level	Dependency Status	Subsidized Loan Limit	Unsubsidized Loan Limit	Max Loan Limit
1 <sup>st</sup> Year <b>0-29.5 units</b>	Dependent	\$3,500	\$2,000	\$5,500
2 <sup>nd</sup> Year <b>30+ units</b>	Dependent	\$4,500	\$2,000	\$6,500
1 <sup>st</sup> Year <b>0-29.5 units</b>	Independent	\$3,500	\$6,000	\$9,500
2 <sup>nd</sup> Year <b>30+ units</b>	Independent	\$4,500	\$6,000	\$10,500

**\*Dependency:**

Dependents who are under 24-years-old must add parents to FAFSA.

Independent 24 or older are not required to add parents to FAFSA.



# PAYING INTEREST %

When a student takes out a loan, interest are charges to borrow the loan.

- Interest is calculated as a **Percentage** of the unpaid principal amount (loan amount) borrowed.
- When a student request Subsidized loan the Federal Government will pay for the charges while a student is in school and enrolled in at least half time. Interest is paid during the grace period (can be up to 6 months period)
- When a student request Unsubsidized the interest immediately and during all loan periods that a student is responsible for paying the Interest Capitalizes.

Here are the interest rated during the **2024-2025\*** academic year:

Loan Types	Borrower	Interest Rates
Direct Subsidized Loans	Undergraduate	6.53% fixed
Direct Unsubsidized Loans	Undergraduate	6.53% fixed

\*ON or AFTER July 1, 2024, and BEOFRE July 1, 2025.

To learn more about interest:

<https://studentaid.gov/understand-aid/types/loans/interest-rates#capitalization>

# PAYING FEES \$

A part of requesting a loan there are origination fees that will be charges.

Origination fee is a percentage of your loan amount charged by the lender for processing the loan.

The percentage for **all Direct Subsidized and Unsubsidized loans** first disbursed on or after Oct. 1, 2020, is 1.057%.

Show the breakdown:

Loan type	Borrower	Origination Fee
Direct Subsidized	Undergraduate	1.057%
Direct Unsubsidized	Undergraduate	1.057%

**Example:** Loan Amount approved \$1,000.00, Origination 1.057%

$\$1,000.00 \times 1.057\% = \$10.57$  origination fee.

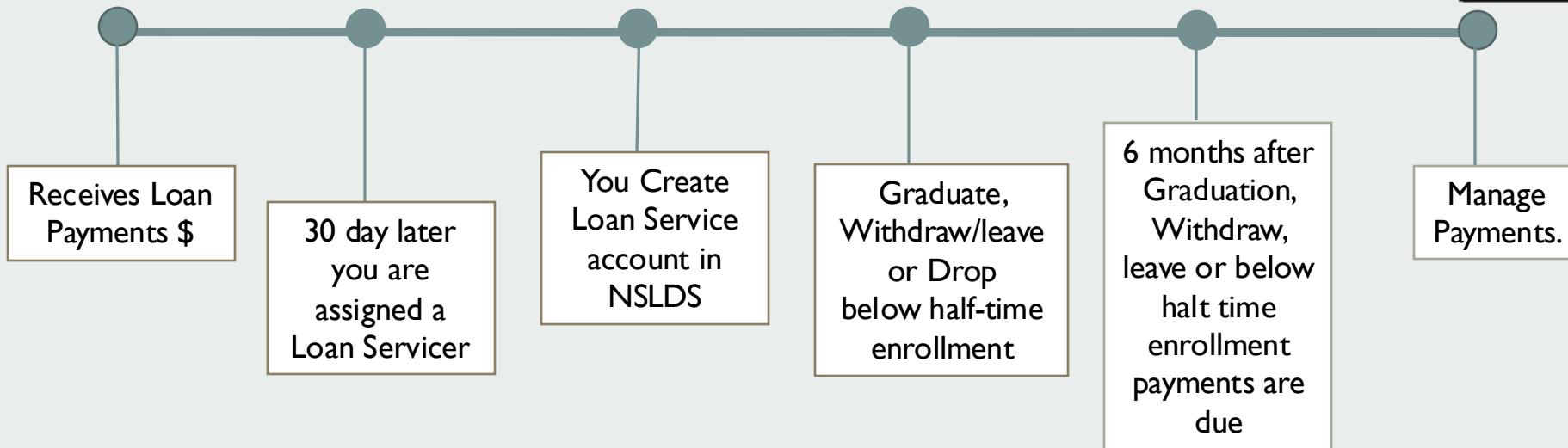
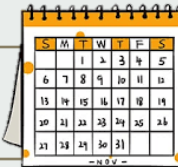
$\$1,000.00 - \$10.57 = \$989.43$  loan amount disbursed to the student

The loan amount you may receive as a disbursement may be slightly lower than the amount you accept.  
As a borrower you are responsible for repaying the ENTIRE amount borrowed not just the amount receive.

# SIX MONTH GRACE PERIOD REPAYMENT

- Grace Period Begins when you Graduate, Withdrawal from classes or leave school, or Drop below half-time enrollment (less than 6 units).
- During this period Borrowers are given a break to re-adjust, find employment, and get financially prepared to make student loan payments.

## DIRECT LOAN AND GRACE PERIOD TIMELINE



# WORKING WITH YOUR LOAN SERVICER

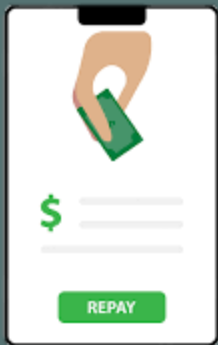


Loan Servicer is a company that we assign on our behalf, to handle the billing and other services on your loan.

- Your loan servicer will work with you on repayment options and will assist with other tasks related to your loan.
- To Find your loan servicer, you can access through your Student Aid account: <https://studentaid.gov>
- Through Student Aid Create an Account with your servicer AFTER you get disbursed. This is **MANDATORY FOR ALL STUDENTS**.

They provide many Repayment options. They are here to help!

# REPAYMENT PLANS



# YOUR OPTIONS TO CHOOSE FROM

Repayment types	Descriptions
Standard	Payments are a fixed amount that ensures your loans are paid off within 10 years (within 10 to 30 years for Consolidation Loans).
Extended	Payments can be fixed or graduated and will ensure that your loans are paid off within 25 years.
Graduate	Payments are lower at first and then increase, usually every two years. Payment amounts are designed to ensure your loans are paid off within 10 years (within 10 to 30 years for Consolidation Loans).
Income Based	Your monthly payments are limited to 10% of your discretionary income, depending on when you received your first loans.
Pay As You Earn	Your monthly payments are limited to 10% of your discretionary income.
Income Contingent	Your monthly payments are generally limited to 20% of your discretionary income.
Income Sensitive	Your monthly payments increase or decrease based on your annual income and are made for a maximum period of 10 years.

## VIDEO:

### YOUR GUIDE TO STUDENT LOAN REPAYMENT PLANS



Please Click on the video:



Or copy this link to view:  
<https://youtu.be/cWcwcV4ck>

# DEFERMENT

It is a temporary postponement of payment on a loan

**To request contact your LOAN SERVICER if you are:**



- Attending classes and enrolled in school in at least half time
- Unemployed and Unable to find full-time employment.
- Going through Economic Hardship.
- Going through Active Cancer Treatment (covering treatment period and 6 months after)
- Currently on Post-Active Duty/Military Service
- Rehabilitation Training
- If you are totally and permanently disabled.

# FORBEARANCE

Forbearance is when your loan payments are temporarily suspended or reduced for up to 12 months.

- Cumulative limit on general forbearances of three years.
- Your LOAN SERVICER decides whether to grant a request for a general forbearance.
- You can request, if you are temporarily unable to make your scheduled monthly loan payments for the following reasons:
  - Financial difficulties
  - Medical expenses
  - Change in employment
  - Other reasons acceptable to your loan servicer



# UNDERSTANDING DEFAULT



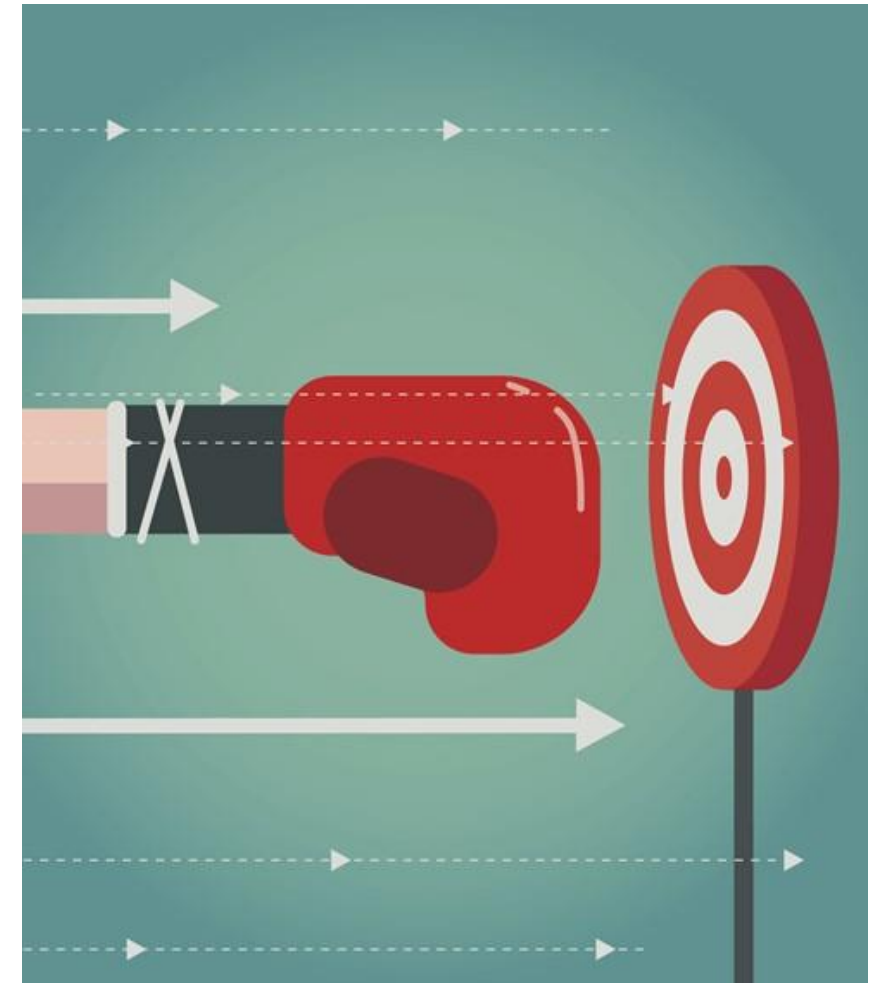
**Default is the Failure to Repay a loan according to the terms agreed to in the promissory note.**

- For most federal student loans, you will default if you have not made a payment in more than 270 days.
- If you default on a federal student loan, you lose eligibility to receive federal student aid and you may experience serious legal consequences.

**Please view the next slide on the IMPACTS of Default**

# IMPACT OF DEFAULT

Ineligible for deferment, forbearance, and other repayment options.	Ineligible for federal student aid.	Wage garnishment.
Federal and state tax refunds withheld.	Late fees, additional interest, collection fees, etc.	May end up going to Court.
May have difficulty obtaining mortgage or car loans.	May be unable to rent an apartment.	May be unable to sell or purchase assets such as real estate.
May be denied or lose state occupational license.	May be turned down for jobs.	May be unable to get homeowner insurance
May be unable to get a cell phone plan	Credit report damage (7-year minimum). Delinquent on loan payment 90 days or more, loan servicer reports delinquency to three major national credit bureaus.	





# HOW TO AVOID DEFAULT



1. Take the time to fully understand your loan agreement.

2. Not borrow more than you need or more than you are expecting to pay back.



3. Keep good records of your loan payments and agreements.

4. Develop a financial plan, (career options, employment and potential income.)



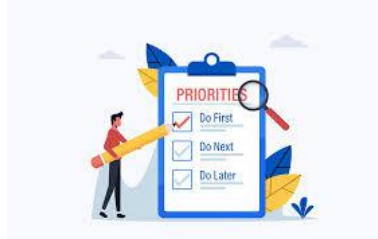
5. Graduate.

6. Make sure you pay ON TIME.



7. Reach out to your loan servicers if you need assistance (look to slide 12 about Working With Your Loan Servicer)





# MAKE YOUR FINANCES A PRIORITY

Calculate your expected payments **BEFORE** you borrow.

Check out Federal Student Loan Simulator to estimate monthly repayments and see what repayment options there are: <https://studentaid.gov/loan-simulator/>

Start a Request for the Student loan.

Check the National Student Loan Data System (NSLDS) to identify your

Federal Loan Servicer: <https://studentaid.gov/>

Keep track of how much you have borrowed

To do this you login at <https://studentaid.gov/>

On your Dashboard under My aid click on “View Detail” blue button, click on LOANS.

# BUDGET AND PLAN FOR SUCCESS



Budgeting will help you to decide how you will spend your money each month so that you will have enough money to cover your expenses and not run out.

It can help you if you have limited means, help to reduce stress in your personal, school and work life.

It can help to eliminate wasteful spending.

With it you can stretch out every dollar earn from work or receiving financial aid from school.

(Look to the next slide for Budgeting strategies)

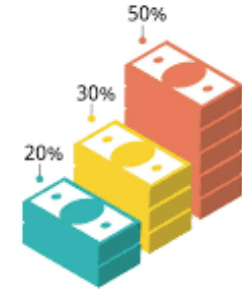
# BUDGETING STRATEGIES

One way you can budget is to use the  
**50/30/20 rule to divide your monthly (after-tax) income.**

50% income for Fixed Cost (rent, utilities, etc.)

30% income for Flexible Spending (groceries, gas, etc.)

20% income for Savings and Debt payment.



Second way is to use **Microsoft Excel Spreadsheet**

Here is a link on How to Make a budget in Excel:

<https://create.microsoft.com/en-us/learn/articles/how-to-make-excel-budget>



Third way is to use **Budgeting Apps and Tools:**

Cash Course for Budget Wizard: [www.cashcourse.org](http://www.cashcourse.org)

Mint: <https://mint.intuit.com/>

Ramsey Solutions: <https://www.ramseysolutions.com/>



# AVOID BUDGET BUSTERS



**Budget busters** are expenses that have a way of sneaking up on us, often because they're not regularly occurring or because we underestimate their impact.

## Examples of budget busters:

Fast Food/Restaurants, Subscriptions, Bank Fees (overdrawn),  
Impulse Buying, Unnecessary Credit Card Purchases, etc.

“BEWARE OF LITTLE EXPENSES; A SMALL LEAK WILL SINK A GREAT  
SHIP.”  
-BENJAMIN FRANKLIN



# BUDGET BUSTING REALITY CHECK



Fast Food Meals = \$12.00 each

$\$12 \times 7 \text{ meals (1 meal a day) per week} = \$84.00$

$\$84 \times 4 \text{ weeks} = \$336.00$

$\$84 \times 52 \text{ weeks} = \text{\textcolor{red}{\$4,368.00 per year}}$



Subscriptions (Netflix no ads premium member)

= \$22.00 per month

$\$22 \times 12 \text{ months} = \text{\textcolor{red}{\$264 per year.}}$



Bank Fees (overdraft) \$34 every time you overdraw \$50 or more.

$\$34 \times 12 \text{ months} = \text{\textcolor{red}{\$408 per year.}}$



# SAVE \$\$\$ WHILE IN SCHOOL!

## HERE IS HOW:

- Buy/Rent/Re-sell textbooks (visit college's library, amazon.com, chegg.com, Poshmark, FB Marketplace, etc. )
- Walk, bike, carpool, or use public transportation.
- Research Store/ Services who are willing to give a Student Discount.
- You can use your Student ID card to get discount to stores.
- Eliminate any non-essential expenses (TV cable, food delivery apps, etc.)
  - Pay off credit cards or debt ASAP
- Share a living space- Split rent/mortgage & utilities
- Negotiate your rates (credit cards, insurance, etc. )
  - Investing in stock.



# STUDENT DISCOUNTS



Here is a Sample List of Companies who provide Students Discounts:



# COMMUNICATION IS KEY!

If you have questions about your loan, please CONTACT YOUR LOAN SERVICER.  
You can also contact your college's financial aid office.

Financial Aid Staff and Loan Servicers  
Are Here to HELP!



For more loan and financial aid information at Solano Community College:

<https://welcome.solano.edu/fa-home/>

- Our email: [FinancialAid@solano.edu](mailto:FinancialAid@solano.edu)
- Our phone number: (707) 864-7000 ext. 7103

