



SPRING CONFERENCE

Kansas City, Missouri

2003





Session 28

Default Aversion

**YOU'RE THE KEY TO
SUCCESS**

PRESENTERS

- Adele Marsh
- Erl Suni
- Larry B. Eadie

Mapping Your Future: Adele Marsh

Mapping Your Future

- mapping-your-future.org
- Sponsors and Friends
- Mission: Counsel students & families about college, career, & financial aid
- National collaborative public service project of the financial aid industry

OSLC

- Enables schools & students to meet federal loan counseling requirements conveniently
- Free service provided by the Sponsors and Friends that support Mapping Your Future
- Stafford & Perkins entrance & exit counseling

Financial Fitness Tools

- Educate students about personal finance
- Help in determining financial fitness
- Give advice on using credit wisely
- Tips on avoiding loan defaults

10 Steps

- Understand roles of student loan players
- Avoid consequences of default
- Be in control of your finances
- Balance your checkbook
- Establish a budget

10 Steps

- Pay yourself and invest
- Use credit wisely
- Know your credit report
- Cleaning up credit
- Surf the web for more info

Calculators

[Student Loan](#)[Loan Consolidation](#)[Budget](#)[Debt/Salary Wizard](#)

Student Loan Help

[Loan Locator](#)[Deferments/
Forbearances](#)[Loan Forgiveness](#)

Features

10 Steps to Financial Fitness

Welcome to the Ten Steps to Financial Fitness, a feature aimed at educating high school and college students about personal finance. You can determine if you are financially fit, get advice on the wise use of credit cards, learn how to avoid defaulting on your student loan and other debts, and access information on credit reports and investment options. It also provides interactive calculators to help you with budgeting, balancing a checkbook, savings, and loan consolidation. You can find out more about a subject by clicking on the highlighted text.

- ▶ 1. You have a student loan, but you may not totally understand it. Find out what [role](#) your school, lender, guarantor, and the Department of Education play, and how they can assist you. Come away with a better understanding of the student loan process.
- ▶ 2. Avoid the [consequences of default](#) by finding the appropriate [solution to any problem](#) you are having repaying your student loan. If your loan currently is in default, you have [options](#).
- ▶ 3. It's cool to be in control. Find out what you need to do to [establish yourself financially](#). Then take a simple [test](#) that will tell you if your financial situation is getting out of control.
- ▶ 4. Follow simple steps that will teach you how to [balance your check book](#) on line.
- ▶ 5. Keep your "wants" under control by [establishing a budget](#) and sticking to it.

Debt Management Decision Tree

Click on the problem you are experiencing for one or more solutions that will help you manage your student loan debt.

Problems:

- [TOO MANY MONTHLY BILLS](#)
- [MY MONTHLY PAYMENT IS TOO HIGH](#)
- [MULTIPLE MONTHLY STUDENT LOAN PAYMENTS](#)
- [MY SCHOOL CLOSED, I NEVER FINISHED](#)
- [UNEMPLOYED](#)
- [TEMPORARILY OR PERMANENTLY LAID OFF MY JOB](#)
- [I TRANSFERRED TO A NEW SCHOOL](#)
- [I RETURNED TO SCHOOL AFTER MY LOAN CAME INTO REPAYMENT](#)
- [TEMPORARILY DISABLED](#)
- [HAVING FINANCIAL HARDSHIP](#)
- [I FORGET TO MAKE MY PAYMENTS](#)
- [MY LOAN IS IN DEFAULT](#)

[[Back to 10 Steps](#)]

Student Loan Calculator

- Estimate student loan payments
- What-if analysis for interest rate and loan amount

Student Loan Calculator

Student Loan Calculator

Use the calculator below to get an estimate of what your future monthly payments would be for your student loan. The actual amounts figured by your lender may vary. Student loan repayment periods typically last 120 months and interest rates range from 5% to 9%. Many lenders require \$50 minimum monthly payments. The calculator is preset to 120 months and the current standard interest rate of 8.25%. If your loan package differs, you may wish to adjust these numbers. This calculator requires a javascript-capable browser.

Number of Monthly Payments	<input type="text" value="120"/>
Simple Interest Rate	<input type="text" value="8.25"/>
Principal Amount of Loan	\$ <input type="text"/>
Your Monthly Payment Will Be	\$ <input type="text"/>
Your Total Interest Cost Will Be	\$ <input type="text"/>
Minimum annual salary to handle these payments: \$ <input type="text"/>	
<input type="button" value="Compute Payment and Cost"/>	
<input type="button" value="Reset"/>	

Budget Calculator

- Methods to develop budget
- Control finances by calculating income and expenses

Budget Calculator

Budget Calculator

Enter dollar amounts in the calculator without inserting periods or commas. For example, do not use periods to indicate cents (round off to the nearest dollar), and do not use commas in values of 1000 or more.

Income	
<input type="text"/>	Monthly Gross Earnings <input type="button" value="Calculate"/>
<input type="text"/>	Subtract 28% for average withholdings
<input type="text"/>	Monthly net income
<input type="button" value="Reset"/>	

Expenses	
<input type="text"/>	Housing
<input type="text"/>	Grocery Items
<input type="text"/>	Utilities
<input type="text"/>	Medical Insurance
<input type="text"/>	Savings
<input type="text"/>	Student Loans
<input type="text"/>	Clothing
<input type="text"/>	Misc. Expenses
<input type="text"/>	Transportation Expenses
<input type="text"/>	

Debt/Salary Wizard

- Encourages responsible borrowing
- Provides borrowing limits based on expected future earnings
- Estimates future income needed to support debt
- Links to salary.com to explore starting salaries by geographic area

Debt/Salary Wizard

Debt/Salary Wizard

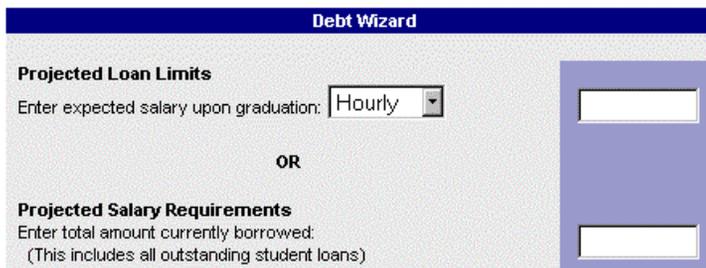
Welcome to the Debt/Salary wizard. The Wizard is an interactive calculator that will help students and parents determine:

1. How much salary is need to make the payments on current and future student loan debt?
2. How much can be borrowed if I know the salary I will earn when I graduate from college?

If you enter the salary you anticipate earning upon graduation, the calculator will calculate the Maximum you can borrow. Note: This calculation does not take into consideration a high amount of credit card or other debt.

If you enter the current amount borrowed in student loans and the amount you anticipate borrowing throughout your college career **the calculator will calculate the salary required to make payments on this debt.** Note: This calculation does not take into consideration a high amount of credit card or other debt.

If you are unsure about the salary you may be able to expect upon graduation, you may be able to find an estimated amount at www.salary.com. Note: This is only an estimated amount and may vary based upon the size and location of the company as well as the need for such a position and you qualifications upon graduation.



The screenshot shows a web interface titled "Debt Wizard". It has two main sections: "Projected Loan Limits" and "Projected Salary Requirements".

Projected Loan Limits
Enter expected salary upon graduation: Hourly

OR

Projected Salary Requirements
Enter total amount currently borrowed:
(This includes all outstanding student loans)

Loan Wizard

- Interactive decision tree
- Borrowers answer series of yes/no questions
- Appropriate page opens on site

Loan Wizard

Wizard Menu	Welcome to the Loan Wizard , your guide
Start Over	to keeping your student loans in good
Go Back	standing. To begin , select the appropriate
Go Forward	statement below, then follow through to
MYF Site	your answers. Use the Wizard Menu on
Wizard Window	the left for navigation.

- 1.) [It is time to repay your loans.](#)
- 2.) [You are having trouble making loan payments.](#)
- 3.) [You are trying to locate your loans.](#)
- 4.) [You would like to consolidate your loans.](#)
- 5.) [You changed schools.](#)
- 6.) [Your school is closed.](#)
- 7.) [You want your loan forgiven.](#)
- 8.) [Your loans are in default.](#)



Deferment Navigator

- Basic information regarding purpose of deferments and application
- Deferment eligibility charts based on oldest outstanding loan disbursement
 - Stafford
 - Perkins

Deferment Navigator

- Includes easy-to-understand definition of deferment types
- Links to the deferment application in Portable Document File (PDF) format for Stafford Loans

MYF Contacts

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Tech Slide

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Loan Consolidation: Erl Suni

Tech Slide

I appreciate your feedback and comments. I can be reached:

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Email: SunieA@umkc.edu



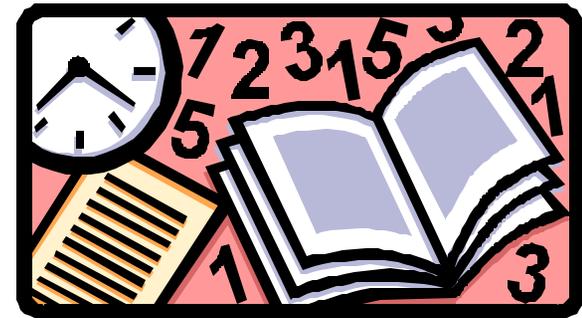
The Long Term Solution:

Larry B. Eadie



Creating a Default Prevention Plan

- What Should I do first ?
- What Steps do I take?
- What are my available resources?



What Should I do first ?

Establish a Default Prevention Team



Default Prevention Team Members

- Senior Management
- Business Office
- Admissions
- Registrar
- Financial Aid
- Alumni Affairs
- Student Representative
- Faculty

Define role/mission of the Default Prevention Team

- Analyze student populations,
- Identify common characteristics,
- Examine variables,
- Develop a Default Prevention Plan, and
- Implement the and assess the effectiveness of the Plan.

Formulate a Plan: Items for Consideration

- Use your data in your school's plan.
- Transform conclusions into action steps that are consistent with institutional:
 - philosophy
 - policy
 - resources
 - goals.

Items for Consideration

Set realistic and attainable Goals.

- Assign responsibility for action steps
- Establish time frames.
- Assess progress: How will you know when your goals are attained?
- Inform senior management and your institution of progress.



We appreciate your feedback and comments

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