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The University of Texas at Austin
Office of Scholarships
and Financial Aid

MANAGING DEBT AFTER COLLEGE

Financial Literacy Series: Understanding your Loans and Repayment Options

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Objectives

- Understanding the importance of setting financial goals (for how you'll save and spend money)
- Learning how to create a budget
- Comprehending your loans using NSLDS
- Working out loan repayment
- Addressing loan delinquency and default

Setting Financial Goals

- **Short Term Goals**
 < 1 year
- **Intermediate Term**
 within 1 to 5 years
- **Long Term**
 > 5 years



Income

Gross vs. Net Income

- Gross income – amount of money you earn ***before*** taxes and other deductions are taken out
- Net income – amount of money you earn ***after*** taxes and other deductions are taken out

Create a Budget: Budget Components

- Income
- Taxes
- Fixed expenses
(same amount each month, e.g., rent or mortgage)
- Variable expenses
(amount varies each month, e.g., food, utilities)
- Periodic expenses
(occurs regularly, but not each month, e.g., home or car maintenance)
- Personal expenses
(wants, e.g., travel, gifts, clothing, etc.)

Create a Budget

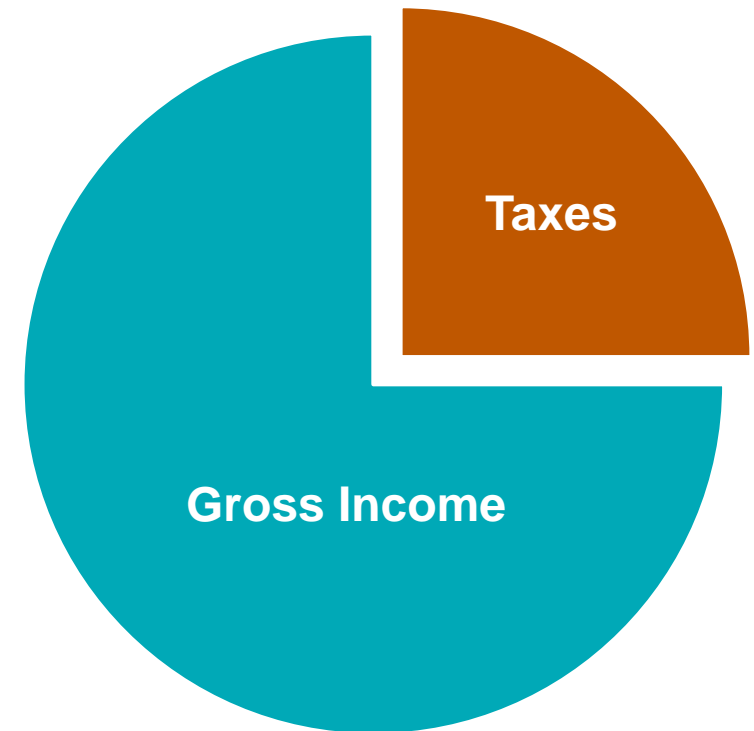
1. Identify Your Monthly Gross Income

- Wages \$ _____
 - Financial Aid \$ _____
 - Scholarships \$ _____
 - Family Support \$ _____
 - Savings \$ _____
 - Disability \$ _____
 - Other \$ _____
- TOTAL MONTHLY GROSS INCOME** \$ _____

Create a Budget

2. Identify Your Monthly Net Income

| | |
|------------------------------|--------------|
| TOTAL MONTHLY GROSS INCOME | \$ _____ |
| | minus |
| • Federal Taxes | \$ _____ |
| • State Taxes | \$ _____ |
| • Social Security | \$ _____ |
| • Medicare | \$ _____ |
| TOTAL MONTHLY NET INCOME | \$ _____ |



Create a Budget

3. List Your Expenses

Fixed

Rent/Mortgage
Savings
Fixed Debt Payments

Variable

Food & Household
Utilities
Gas/Transportation
Phone
Variable Debt

Periodic

Auto Maintenance
Medical Expenses
Memberships
Insurance

Personal/ Discretionary

Gifts
Clothing
Entertainment
Personal Care

Create a Budget

Income vs. Expenses

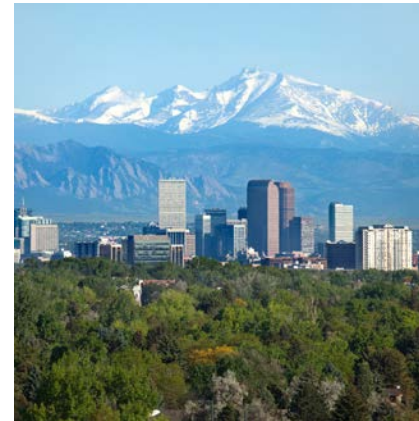
- Total Monthly Net Income \$_____
- Total Monthly Expenses \$_____

CASH FLOW \$_____

Activity: Scenarios



Computer Science
in Austin, TX



Educator
in Denver, CO



Marketing in
Los Angeles, CA



Non-Profit in
Washington, DC

Loans



Federal Student Loans

- U.S. Department of Education lends loans for college expenses

Loans

Federal Student Loans

- Direct Subsidized Loans –
need-based undergraduate loans
- Direct Unsubsidized Loans –
non-need-based loans for undergraduate,
graduate and professional students

Loans

Federal Student Loans

- Direct PLUS Loans – loans made to graduate or professional students and to parents of dependent undergraduate students to help with educational expenses
- Direct Consolidated Loans – all eligible federal student loans combined into a single loan with a single loan servicer

Loans

Private Student Loans

- Non-federal loans
- Made by bank, credit union, state agency or school

Loans

National Student Loan Data System

<https://nslds.ed.gov/npas/index.htm>

Repayment Options

Standard Plan

- Assigned automatically
- 10 years of fixed payments

Graduated Plan

- Payments increase over time
- Ensures payoff in 10 years

Extended Repayment

- > 30,000 direct loan borrower
- Ensures payoff within 25 years

Pay as you Earn

- Dependent on financial hardship
- Payments = 10% of discretionary income

Revised Pay as you Earn

- Not dependent on financial hardship
- Payments = 10% of discretionary income

Income Based Repayment

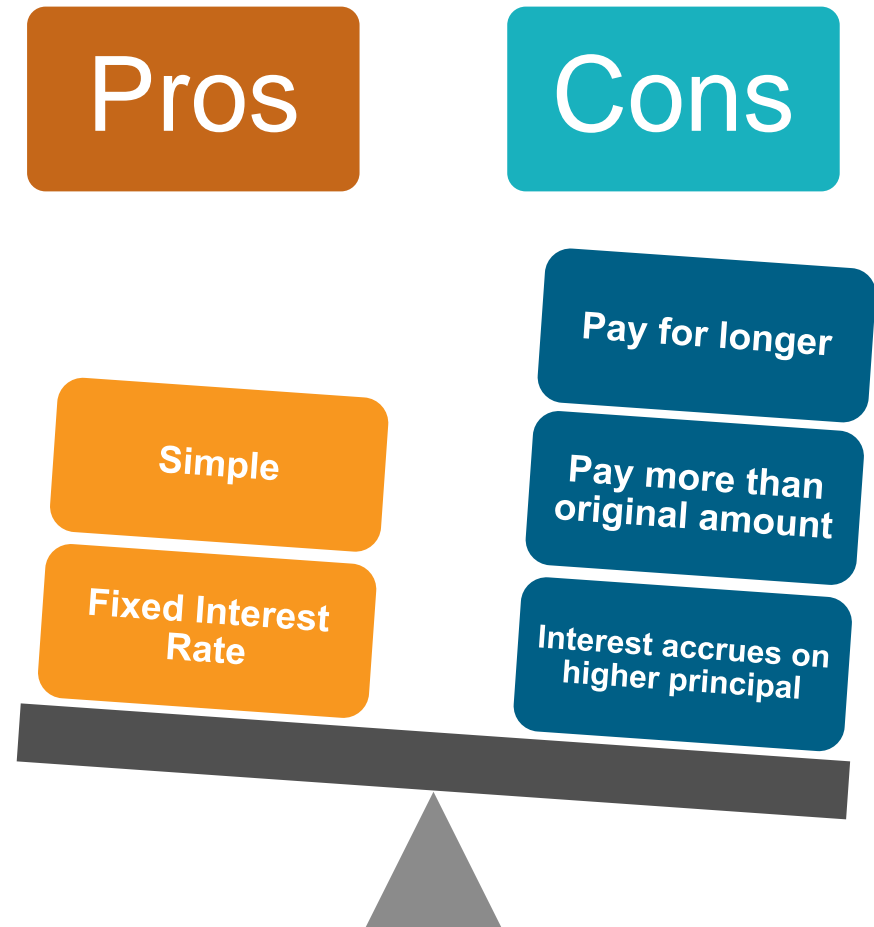
- Based on income
- Payments = 10–15% of discretionary income

Income Contingent

- Payments = lesser of either 20% of discretionary income or fixed payment over 12 years

Loan Consolidation

- Combining multiple Federal Loans into one single Direct Loan



Failure to Pay

- **Delinquency:** a borrower becomes delinquent on the 1st day after a missed payment.
- **Default:** a borrower goes into default when they fail to make scheduled payment for at least 270 days (9 months).

Failure to Pay

- **Consequences**
 - Total unpaid balance and interest becomes immediately due
 - Lose future federal student aid
 - Negatively affects credit

Other Options

- **Forgiveness/Cancellation**
 - Public Service Loan Forgiveness
 - Teacher Loan Forgiveness
- **Discharge**
 - Special circumstances in which individual is totally and permanently disabled

Resources

Budgeting Tool

<https://www.consumer.ftc.gov/articles/pdf-1020-make-budget-worksheet.pdf>

Contact Information

Texas Financial Wellness

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