

# Financial Freedom for Your Future

Proverbs 22:7

*“The rich rules over the poor, and the  
borrower is servant to the lender.”*



# The Problem

## My Student Loans









🟢 Vicki Thompson

Associate Director of  
Student Financial Services

# What is My **Grace** Period?

- Stafford loans have a 6 month grace period
- Perkins loans have a 9 month grace period.
- Repayment begins after you stop attending at least half time or graduate.
- Remember to complete your Exit Counseling.
- Circumstances that may change your grace period:
  - Active Military Duty
  - Returning to School
  - Loan Consolidation
- How long will I have to repay my loans?
  - 10-25 years depending on the type of repayment plan selected.



# Types of repayment plans

- Standard Repayment Plan – up to 10 years
- Graduated Repayment Plan – up to 10 years
- Extended or Fixed Repayment Plan – up to 25 years
- Income Contingent Repayment Plan – up to 25 years
- Income Based Repayment Plan – up to 25 years
- Pay As You Earn – up to 20 years



# HOW TO PREVENT DEFAULTED STUDENT LOANS

- ◆ Make sure you take advantage of deferments and forbearances when you need them.
  - ◆ Deferment – temporary suspension of your monthly payment (Up to 3 years)
- ◆ If you do not qualify for deferment but are temporarily unable to make loan payments for such reasons as illness or financial hardship, they may grant you a forbearance. (Up to 3 years)
- ◆ A forbearance also allows you to defer loan payments in certain situations, such as during illness.
- ◆ Interest is charged during deferment and forbearance.
- ◆ Also if you default on your student loan, they are able to garnish your IRS refund.
- ◆ It is important to always stay in contact with your loan servicer.



# LOAN CONSOLIDATION

- ◆ If you have multiple federal student loans, you can consolidate them into a single Direct Consolidation Loan
- ◆ This may simplify repayment if you're making separate loan payments to different loan holders or servicers, as you will have only one monthly payment to make.
- ◆ Possible tradeoffs, so be aware of the advantages and disadvantages of consolidation before you choose to consolidate your loan.
- ◆ If you want to consolidate a defaulted loan you must either make satisfactory repayment arrangements with your loan servicer or repay new consolidation loan under Income Contingent or Income Based Repayment Plan.



# PUBLIC LOAN FORGIVENESS

- ◆ If you are employed in certain public service jobs and have made 120 payments on your loan (after Oct 1, 2007), the remaining balance you owe will be forgiven.
- ◆ Must be full time employee or work multiple part time jobs to equal full time (annual average of 30 hours per week)
- ◆ Any Government organization
- ◆ 501 (c) (3) not – for-profit organization.
- ◆ For borrowers working for a non for profit with job duties that include religious instruction, worship services or proselytizing , the hours spent on those activities **cannot** be factored into meeting the full time requirement.

# KNOW WHAT YOU OWE

- 💧 Find out how much you owe
- 💧 [www.studentloans.gov](http://www.studentloans.gov)
- 💧 [www.nslds.gov](http://www.nslds.gov)
- 💧 Log onto [www.studentloans.gov](http://www.studentloans.gov) and click on Repayment Estimator.
- 💧 Compare Repayment Options
- 💧 If you are going to miss a payment contact your lender
- 💧 Keep your Credit in good standing

# ESTIMATE LOAN REPAYMENT

Initial Debt Upon Repayment	Standard		Extended		Graduated		Income Contingent Income = \$15000	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
\$5,500	67	8095	60	8682	39	9513	37	12,223
\$15,000	184	22,078	146	26,196	103	28,762	100	33,336
\$25,000	307	36,797	213	51,130	172	55,530	102	52,040
\$40,000	491	58,876	315	94,632	275	101,526	102	69,755
\$60,000	736	88,314	451	162,318	413	171,946	102	78,531
\$100,000	1,227	147,190	751	270,530	688	286,572	102	78,582

# LOAN SERVICES

<b>Nelnet</b> <a href="http://www.nelnet.com">www.nelnet.com</a>	1-888-486-4722
<b>Great Lakes Educational Loan Services, Inc.</b> <a href="http://www.mygreatlakes.org">www.mygreatlakes.org</a>	1-800-236-4300
<b>Sallie Mae</b> <a href="http://www.salliemae.com">www.salliemae.com</a>	1-800-722-1300
<b>FedLoan Servicing (PHEAA)</b> <a href="http://www.myfedloan.org">www.myfedloan.org</a>	1-800-699-2908
<b>MOHELA</b> <a href="http://www.mohela.com">www.mohela.com</a>	1-888-866-4352
<b>ESA/Edfinancial</b> <a href="http://www.edfinancial.com/DL">www.edfinancial.com/DL</a>	1-855-337-6884
<b>CornerStone</b> <a href="http://www.MyCornerStoneLoan.org">www.MyCornerStoneLoan.org</a>	1-800-663-1662
<b>Aspire Resources Inc</b> <a href="http://www.AspireResourcesInc.com">www.AspireResourcesInc.com</a>	1-855-475-3335
<b>Granite State – GSMR</b> <a href="http://www.gsmr.org">www.gsmr.org</a>	1-888-556-0022
<b>OSLA Servicing</b> <a href="http://www.osla.org">www.osla.org</a>	1-866-264-9762
<b>VSAC Federal Loans</b> <a href="http://www.vsacfederalloans.org">www.vsacfederalloans.org</a>	1-888-932-5626

# What does debt really cost?



# Example: Credit card

- Assume you routinely maintain an average combined balance of \$5,560 on your credit cards at 18% interest, your yearly interest paid would be \$1,000

- $(\$5,560 \times 18\% = \$1,000)$



Interest per year = \$1,000  
(\$5,560 X 18%)

- ◆ Interest Paid
- ◆ Yr. 5 = \$5,000
- ◆ Yr. 10 = \$10,000
- ◆ Yr. 20 = \$20,000
- ◆ Yr. 30 = \$30,000
- ◆ Yr. 40 = \$40,000

◆ **You** make the choice:

- ◆ Are **You** willing to pay \$40,000 for the use of \$5,560 for 40 years?



(Opportunity missed)

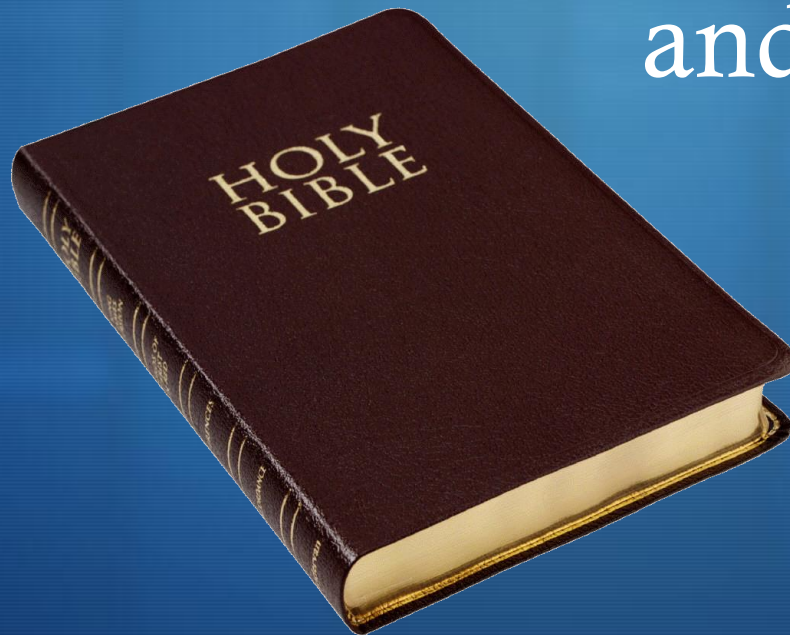
If instead of carrying that balance, I saved the \$1,000 per year (interest I would have paid) and invested that \$1,000 – the value could be:



# \$1,000 invested for 40 years

<u>Year</u>	<u>0%</u>	<u>5%</u>	<u>10%</u>
5	5000	5525	6106
10	10000	12577	15940
15	15000	21578	31776
20	20000	33065	57281
25	25000	47727	98357
30	30000	66438	164511
35	35000	90320	271052
40	40000	120799	442637

# What does the Bible say about possessions, money and debt?



# God is the owner of everything

- ◆ Psalms 24:1 “The earth is the Lord’s, and all its fullness.”
- ◆ Leviticus 25:23 “The land is Mine.”
- ◆ Haggai 2:8 “The silver is Mine and the gold is Mine says the Lord of hosts.”
- ◆ Psalms 50:10 “For every beast of the forest is Mine, and the cattle on a thousand hills.”

# We are His Stewards

- ◆ Matthew 25:14-46 Parable of the talents and Son of Man judging the nations – how did we use the talents God gave us on earth?
- ◆ 1 Cor. 4:1,2 “... consider us as servants of Christ and stewards of the mysteries of God... required in stewards that one be found faithful.”
- ◆ Luke 16:1-13 Parable of the unjust steward – there will be an accounting by God of what we did on earth.
- ◆ You are a steward (manager) of the assets God has given you while here on earth, manage God’s assets well (like He would)

# Biblical Warnings Against Debt

- ◆ Romans 13:8 “Owe no one anything except to love one another.”
- ◆ Proverbs 22:7 “The rich rules over the poor, and the borrower is servant to the lender.”
- ◆ Proverbs 22:26,27 “ Do not be one of those who shakes hands in a pledge, one of those who is surety for debts, if you have nothing with which to pay why should he take your bed from under you.”

# What if I already have debt?

- ◆ James 5:12 & Matt 5:33-37 “Let your yes be yes and your no, no.” or simply do what you say you are going to.
- ◆ Psalms 37:21 “The wicked borrows and does not repay, but the righteous shows mercy and gives.”
- ◆ This is called “**Integrity**” – following through with what you say you are going to do

# Key Words

## **CONTENTMENT**

– being satisfied with what you are managing for God (this does negate a desire and ambition to improve), but is an attitude of gratitude.

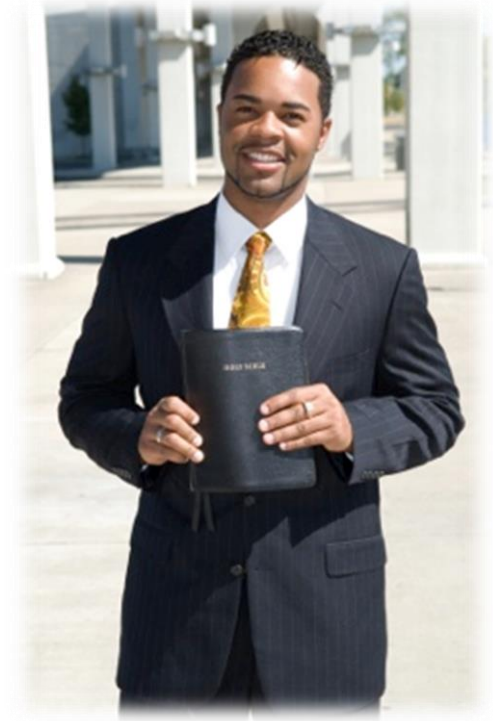
## **SELF-CONTROL**

– giving God control of your life and finances, saying no to some things in order to say yes to better things yet to come.



# Pastor's Budget (estimates)

- Starting wage = \$42,000
- Tithe and offerings = \$8,400
- Self employment taxes = \$6,426
- Federal and State taxes = \$4800
- Spendable wages = \$22,374 or:  
\$1865 per month



# Pastor's Monthly Spendable Wage

◆ Mthly spendable wage	100%	\$1865
◆ Housing (rent, utilities, ins, etc.)	32%	\$597
◆ Food	13%	\$242
◆ Auto (payment, repairs, gas, ins)	13%	\$242
◆ Family (vacation, clothes, recreation, cell, etc.)	26%	\$485
◆ Medical	6%	\$113
◆ Debt	5%	\$93
◆ Savings	5%	\$93

# Another problem

## Auto debt



# How to Avoid Auto Debt

- ◆ Decide to keep your car longer (6 years+)
- ◆ Pay off your auto loan as soon as possible
- ◆ When you have made your last payment, continue making payments to a separate savings account each month
- ◆ For the next auto purchase, use your saved up car money and the sale of your existing auto toward the purchase of a good used car

# How to Avoid Auto Debt

- ◆ If you do need to finance a portion of your next car, pay it off in 12-24 months and then start saving again, so the next car you buy, you can buy with cash

Auto debt is NOT a way of life!

# Next problem - Home purchase



# Home buying tips

- ◆ Don't buy unless you are sure you will live in the home for 5+ years, so hopefully the value of the home will raise enough to cover your selling expenses and net you \$ toward the next house
- ◆ Get familiar with the area first and look at many homes before making an offer
- ◆ Ideally save up a full 20% down payment so you borrow only 80% of purchase price
- ◆ Get a 15 year loan maximum term (and pay off sooner)

# Home Purchase

## ◆ Biggers

- ◆ Borrow \$200,000
- ◆ 7% interest
- ◆ 30 yrs payment
- ◆ \$1,331 mthly pay
- ◆ \$479,013 total paid
  
- ◆ Loan balance at 8 yrs = \$178,982
- ◆ Loan balance at 16 yrs = \$142,248

## ◆ Smaller

- ◆ Borrow \$100,000
- ◆ 7% interest
- ◆ 8 yrs payment
- ◆ \$1,331 mthly pay
- ◆ \$130,883 total paid
  
- ◆ Sell small home then buy bigger home with \$100,000 down payment – finance another \$100,000 and own the bigger house in 16 years, paying a total of \$261,766



# Home Purchase #2



- ◆ Loan balance at 8 yrs = \$178,982
- ◆ Loan balance at 16 yrs = \$142,248
- ◆ Loan balance at 24 yrs = \$78,042
- ◆ Loan balance at 30 yrs = \$0

- ◆ At 16 years The Smaller's own the bigger home
- ◆ If they keep making the \$1,331 per month payment into some type of account that earns 6% for the next 14 years (total of 30 years, the time the Biggers will take to pay for their house)
- ◆ \$223,000 in the account (plus they own the home) with the exact same payment

# Principles of borrowing:

1. Use debt only to purchase items which help produce an income or appreciate in value
2. Borrow as little as possible (always make a substantial down payment, so the loan balance never exceeds the value of the item)
3. Pay back as soon as possible (to save interest)
4. Payment must not cause undue strain on the family budget
5. Husband and wife must both agree to the purchase and loan
6. Under buy (only buy the quality item that is needed to get the job done) – 3 bedroom/4 bedroom – used auto/new auto - Honda/Hummer
7. Be content - don't try to keep up with your neighbors (they are probably over their heads in debt anyway)

# Conclusions

- ◆ Keep living like a student when you graduate, and pay your loans off quickly
- ◆ Always spend less than you earn, then you will only need to borrow for a home
- ◆ If you continue to have an overspending problem, admit that the problem is YOU not lack of knowledge
- ◆ Ask yourself, what will it take to motive ME to make a change
- ◆ If one person makes a change today, then we have accomplished the goal!
- ◆ Maybe that one person is YOU!

# Questions...





# STANDARD REPAYMENT PLAN

- 💧 Payments are a fixed amount of at least \$50.00 per month
- 💧 Up to 10 years
- 💧 You will pay less interest for your loan under this plan than other plans.

# GRADUATED REPAYMENT PLAN

- 💧 Payments are lower at first and then increase, usually every two years
- 💧 Up to 10 years
- 💧 You will pay more for your loan over time than under the standard plan

# EXTENDED OR FIXED REPAYMENT PLAN

- 💧 Payments may be fixed or graduated
- 💧 Up to 25 years
- 💧 Your monthly payments will be lower than the 10 year standard plan
- 💧 You must have at least \$30,000 in outstanding Direct Loans



# INCOME CONTINGENT REPAYMENT PLAN

- 💧 Payments are calculated each year and are based on your adjusted gross income, family size, and the total amount of your Direct Loans.
- 💧 Your payments change as your income changes.
- 💧 Up to 25 years
- 💧 If you do not repay your loans after making the equivalent of 25 years of qualifying monthly payments, the unpaid portion may be forgiven.
- 💧 You may have to pay income tax on the amount that is forgiven.

# INCOME BASED REPAYMENT PLAN (IBR)

- Your maximum monthly payments will be 15 percent of discretionary income.
- Your payments change as your income changes.
- Up to 25 years
- If you have not paid your loan in full, after making the equivalent for 25 years, any outstanding balance on your loan may be forgiven.
- You may have to pay income tax on any amount that is forgiven.

# PAY AS YOU EARN REPAYMENT PLAN

- 🔥 Your maximum monthly payments will be 10 percent of your discretionary income.
- 🔥 Your payments change as your income changes
- 🔥 Up to 20 years
- 🔥 If you have not repaid your loan in full after the equivalent of 20 years of qualifying monthly payments, your loan may be forgiven
- 🔥 You may have to pay income tax on any amount that is forgiven.