Student Loan Debt script

Slide 1

Welcome, everyone! Thanks for attending this Educational Event.

For those of you who aren't currently members of Modern Woodmen, we're glad you're here. Educational programs are one of the many ways Modern Woodmen gives back to our members across the nation. If you'd like to learn more about other member benefits we offer, please see me after this program. I'd be happy to provide you with some information.

The topic of [today's/tonight's] presentation is student loan debt.

Slide 2

Today, higher education seems to be more important than ever. Here's why:

- College graduates earn more – an estimated *$1 million* more – over their lifetimes.
- College graduates are likely to have more job opportunities. Many of today's employers screen out applicants who don't have a bachelor's degree. For better or worse, a college degree is the new high school diploma.
- College graduates are more employable. The unemployment rate for high school graduates is more than twice as high as for college graduates.

Sources:

- "College Majors Figure Big in Earnings", *Wall Street Journal,* 5/7/2015.
- "The Surprising Jobs That Now Require a Bachelor's Degree", *Business News Daily,* 9/9/2014.
- Bureau of Labor Statistics, 7/2/2015.

Slide 3

Educational levels continue to rise in the U.S. This chart compares the percentage of 25- to 29-year-olds who attained a bachelor's degree or higher in 1990 and in 2014.

Over 25 years' time, the number of individuals with bachelor's or higher degrees grew 58 percent for whites, 69 percent for blacks, 88 percent for Hispanics and 42 percent for Asians and Pacific Islanders. This is really impressive growth!

Source: "Educational Attainment." *National Center for Education Statistics,* 5/2015.

Slide 4

While educational levels are rising, the cost of higher education is rising as well.

This chart shows average costs for tuition, fees and room and board for full-time undergraduate students at public and private institutions.

As you can see, the average cost of college has more than doubled since 1982. On average, college tuition is increasing almost six percent above the rate of inflation.

Source: U.S. Department of Education, National Center for Education Statistics. (2015). *Digest of Education Statistics, 2013.*

Slide 5

It can be overwhelming to consider the total cost of four years of college. With careful planning, however, this huge expense can be spread out over several decades.

- During a child's at-home years, money for higher education can be set aside through consistent saving. It's never too early – or late – to start! By the way, Modern Woodmen offers excellent college education savings plans for those who want to plan ahead. You can find out more on our website, modern-woodmen.org, under the Products and Services tab.
- Keep in mind a portion of living expenses paid during the college years – like room and board – take the place of food, housing and other costs parents had when the student was living at home.
- After graduation, the student loan repayment phase extends the cost of college over an additional ten years.

Slide 6

Most students pay less than a college's sticker price because they qualify for gifts, scholarships, grants and other types of financial assistance that don't need to be repaid. The actual, or *net,* cost of a college education is calculated by subtracting these "discounts" from tuition and fees. (The College Board offers a net price calculator on its website, collegeboard.org. Just type in "net price calculator" in the search bar.)

To accurately compare schools, focus on net costs. (And don't forget there are currently several educational tax credits available that help you offset the cost of college as well.)

Slide 7

Lots of free money is available for higher education – it's just a matter of finding and applying for these funds. Unfortunately, *70 percent* of students who take out private educational loans haven't explored alternate sources of funding.

Students should look first for scholarships and grants, such as Modern Woodmen's scholarships. Great resources include school counseling offices and FastWeb and other websites. Scholarships are not just for high achievers. There's free college money out there for twins and triplets, vegetarians, duck-callers, golf caddies and first-generation college students!

Question: Have you heard of a college scholarship that you consider unusual?

Work-study programs are part-time jobs with limited working hours for undergraduate and graduate students. Co-op programs are paid and unpaid internships that provide skills and work experience – and sometimes a full-time job after graduation!

Students should apply early for scholarships, grants, and work-study and co-op programs because many are first come, first served.

A student might also need to get a part-time job. Be aware, however, that job earnings can affect eligibility for financial aid or awards.

Source: "6 things to know about private student loans." Bankrate.com

Slide 8

No matter what type of financial aid a student is hoping to get, it's important to complete the Free Application for Student Federal Aid – better known as the FAFSA . The FAFSA determines the types of aid students qualify for and must be completed each year they apply for aid.

If a student is a dependent, the parents must provide financial information; if married, the spouse must provide this information.

Slide 9

Even after taking advantage of free sources of college funding, many young adults will need to take out student loans to achieve their goal of higher education.

Educational loans can help students avoid the stress of balancing college courses with one or more jobs.

Students who take out school loans have more time to study and can take advantage of opportunities like internships, study-abroad programs, intramural sports and community service programs.

Slide 10

Studies show today's students seem to rely more on loans to fund higher education and less on income and savings. Since the turn of the century, the number of educational loans has risen by more than 50 percent. The Brookings Institute says current levels of student loan debt can be traced to this increasing willingness to borrow.

Source:

- Kantrowitz, Mark. (Publisher of FastWeb.com and FinAid.org) *Debt at Graduation for Bachelor's Degree Recipients with Geometric Interpolation/Projection,* 8/17/2011.
- "Class of 2015 Carries Most Debt. So What's Tuition Fix?" *USA Today,* 5/29/2015.
- "Rising Student Debt Burdens: Factors Behind the Phenomenon." Brookings.edu, retrieved 3/18/2015.

Slide 11

While there are advantages to borrowing for higher education, there are disadvantages as well.

It's estimated that student loan debt now totals upwards of $1.2 *trillion.* You heard me right: the total student loan debt is now more than a *trillion dollars.*

Source: "Biggest Economic Threat? Student Loan Debt". *USA Today,* 10/25/2014.

Slide 12

Seventy percent of college students leave college owing money. In fact, the average young adult graduates with more than $30,000 worth of loan debt.

The lifestyles of young adults today look different than those a generation ago. Could it be because many live under a heavy load of debt?

Many adults 35 and under are holding off buying their first home.

Many young adults are waiting to have a family.

Entrepreneurship in people under age 30 has decreased by two-thirds over the past 15 years.

Young adults with student loan debt seem to be choosing higher-paying careers instead of lower-paying professions like teaching.

Sources:

- “Average Student Loan Debt Approaches $30,000.” U.S. News, 11/13/14.
- “Financially Squeezed Millennials Delay Buying Homes.” *New York Post,* 8/17/2015.
- “The Childless Millennial.” *The Atlantic,* 4/29/2015.
- “Endangered Species: Young U.S. Entrepreneurs.” *The Wall Street Journal,* 2/2/2015.
- “What’s Your Major? 4 Decades of College Degrees, In 1 Graph.” *NPR.com, 5/9/2014.*

Slide 13

If a student needs an educational loan to make higher education affordable, how much money should he or she borrow?

To answer this question, a student should:

1. Create a realistic college budget. An online budgeting worksheet is a great tool.
2. Discuss expenses with current college students and financial aid advisors.
3. Add all educational and living expenses, including tuition, room and board, books, clothing, etc.
4. Subtract all available college funds and work earnings from total expenses.

The balance is what the student may need to borrow.

Slide 14

A post-college budget can also help students determine how much to borrow.

Students can see how post-graduation income and expenses compare by:

1. Researching average starting salaries in their chosen profession.
2. Estimating housing and other living costs where the student hopes to live after graduation.
3. Entering these figures into an online cash flow calculator.

Students can use a cost of debt calculator to estimate how much they can afford to pay monthly toward student loans.

Slide 15

Experts say to live comfortably after graduation, no more than *eight percent* of monthly income should be paid toward student loan debt. The student must consider how projected loan payments will fit in with rent, transportation costs, groceries, insurance and other living expenses.

Experts recommend a student only borrow what he or she can earn annually in an entry-level position in his or her field. For example, if the average starting salary in the student's field is $25,000 a year, he or she shouldn't plan to borrow more than that for his or her *entire college education.*

Remember, every dollar borrowed now equals $2 when repaid. Students should explore other college funding before resorting to loans – and then borrow only what is really necessary!

Source: "11 strategies to avoid student loan debt." CNBC.com, 6/19/15.

Slide 16

Let's take a look at the differences between federal and private loans.

There are strict limits to what you can borrow from the federal government. Once you've reached the loan limit, you're not eligible for additional money.

Private loans have higher loan limits, which helps students who need lots of money for school. But private loans often have variable rates. This means rates can start out low but double or triple over the life of the loan. Another drawback is many students may not qualify for private loans because of their credit histories, so they must find someone willing to cosign.

Because federal loans usually have better terms and benefits, it's best to consider all federal loan options available before turning to private loans.

Borrowers should always read the fine print on loan documents, especially wording about interest rates and what happens during times of financial hardship. A financial aid counselor can be very helpful when reviewing a student loan.

Slide 17

Biological and adoptive parents, as well as students, can take out federal and private loans. Stepparents can also qualify.

To qualify for a federal PLUS loan (Parent Loan for Undergraduate Students), parents must have a dependent student under the age of 24 who's enrolled at least half-time in school. PLUS loans have higher fees and interest rates and may not be eligible for some federal loan options like income-based repayment plans.

Direct PLUS loans are also available to graduate and professional students.

Slide 18

There's no nice way to say this: student loan debt is *permanent debt.* Even declaring bankruptcy does not wipe out this debt, except under unusual circumstances. Any attempt to cancel student loan debt usually involves legal assistance.

If a student has a private loan and dies, a cosigner is still responsible for the debt in most cases. Some experts suggest the cosigner take out life insurance on the student for the loan amount, naming him or herself the beneficiary.

Did you know one in five student loans is delinquent by more than 90 days? In the past 10 years, the percentage of outstanding student loans has grown more than 330 percent. Damaged credit can prevent someone from renting a nice apartment, buying a new vehicle or landing the perfect job. Delinquent borrowers can have their wages garnished. And defaulting on a student loan can keep a borrower from obtaining additional money for school in the future.

Parents, I have some words of caution for you, too.

Sources:

- "E-announcements: Federal Student Aid." ifap.ed.gov, 8/20/15.
- "Student Loan Borrowing and Repayment Trends, 2015." newyorkfed.org, 4/16/15.

Slide 19

Many parents of college students are in their 50s and 60s, on the home stretch to retirement, likely at the peak of their incomes. At this life stage, they are wise to pay off outstanding debts and build savings for the time they begin living on fixed incomes. This is *not* the time to take on tens of thousands of dollars of student loan debt!

On the other hand, college students are just beginning their adult lives. Graduates may start out on the brink of poverty, but their earnings will likely increase quite a bit during four decades of full-time employment. They've got time on their side.

Parents, instead of getting into long-term student loan debt:

- Be upfront when discussing finances with your junior high and high school students so there are no surprises about who will pay for college and how much.
- Complete the FAFSA each year so your student can take advantage of available funding.
- Help your student find useful tools and resources for financing college.

Slide 20

Let’s talk about loan repayment options.

Loan consolidation combines multiple loans into a new loan with new terms, either through the federal government or a private lender. This can make the debt easier to keep track of, and the borrower has an opportunity to exchange variable-rate loans for one with a fixed rate that is locked in.

Loan consolidation can sometimes result in lower monthly payments, but more interest may be paid out over the life of the loan.

Refinancing is applying for a new loan from a private lender. If the borrower’s credit score has improved over time, refinancing can result in a lower interest rate and monthly payment, and a shorter repayment period.

Beware! Consolidating or refinancing student loans can forfeit interest rate discounts, certain repayment options like loan forgiveness and other special deals.

Slide 21

Student loan debt is permanent debt, but there may be options available to those who fall on hard times. Many lenders are willing to work with borrowers who are upfront from the get-go. Depending on the type of loan, the options can include:

Loan deferment. Student and parent loans can be deferred up to three years for reasons like financial hardship, Peace Corps service and active military duty.

Loan forbearance is a temporary postponement of monthly loan payments. Forbearance can be granted, one year at a time, to borrowers in poor health or financial hardship, up to three years.

Interest may or may not accumulate during deferment or forbearance – it depends on the student loan. Neither option is ideal – but these measures are better than defaulting on the loan.

Slide 22

About half of those who owe on student loans qualify for debt forgiveness:

- Peace Corps and Americorps volunteers.
- Military servicemen and women.
- Employees in educational, legal, medical and veterinary fields who work in certain areas of the country or serve certain populations.

Loan forgiveness doesn't count as taxable income. There *is* one catch, though: you have to apply for it. For more information, go to the FinAid website, finaid.org.

Question: Do you know a student whose loan was forgiven? How did he or she qualify?

Slide 23

Let's review some "best practices" for high schoolers to limit student loan debt.

First, plan early for college. An online college savings planner can help families figure out how much to save each month, given the time left before college and the funds needed.

Taking AP (Advanced Placement) courses in high school and general education requirements from a local community college can help save time and money in college.

Students should be realistic when selecting schools. In-state public schools are usually most economical, but out-of-state schools often offer tuition discounts to those who qualify. In fact, Stanford and other top schools now offer free tuition and room and board to low-income students who are high achievers. Many colleges provide financial assistance to musicians, athletes and other talented students.

Counselors, career self-assessments, job shadowing, career fairs and internships can help students pick a major that's interesting and suited to their abilities. This helps avoid floundering in college, which wastes time and money.

Slide 24

To limit borrowing, college students should make the most of their time in school by:

- Taking the maximum recommended number of college credit hours, keeping course workloads in mind.
- Meeting regularly with advisors to keep on track and graduate in four years.

Students shouldn't take out loans for living expenses. They can limit spending by:

- Living at home or finding roommates to share expenses.
- Walking or biking around campus, instead of bringing a car to school.
- Limiting eating out and costly entertainment. Students should take advantage of all-you-can-eat meal plans and free campus activities.
- Buying on sale, in bulk or secondhand.

Graduates need jobs that provide a livable wage to quickly pay off student loans. To increase marketability, students should:

- Regularly update resumes and portfolios.
- Seek leadership roles in student activities.
- Find summer employment and internships that fit well with their majors.
- Build a network of professionals who can provide future job leads and references.

Slide 25

Student loan interest begins accumulating the day money is borrowed, so it's best to take an aggressive approach when paying off student loans. Getting an extra part-time job, cutting unnecessary spending and putting more money toward loan payments can help students pay off loans faster, saving thousands of dollars in interest.

Paying *any amount* above the minimum will shave off interest and repay a loan quicker. If possible, students should pay down accumulated interest while in school and always return funds that aren't used. This will pay off in the long run!

Graduates should create an emergency fund equal to about six months' worth of living expenses. During hard times, the money can be used toward monthly payments to keep loans from going into default.

Slide 26

The four planning tools you see here – and many more – are available online. Using these free resources, students and family members can make more informed decisions about higher education and student loans.

Slide 27

If there's a student in your life that is looking for money for school – or needs more information – check out these websites. You may also want to look for state grants and scholarships on your state government website.

Question: Have you heard of other helpful websites? Please share with the group!

Slide 28

Did you know only a third of college students who take out student loans are aware of their level of debt? And only half know the full cost of their education.

Through fun stories, Modern Woodmen Bank's Dollars and Sense financial literacy program helps kindergartners through 12th graders understand money concepts so they're prepared to make sound financial decisions when they leave home.

Kids who have a Young Banker's Savings Account can earn cash rewards every year by taking an age-appropriate quiz.

You can find out more about the Dollars and Sense Program at Modern Woodmen Bank's website, mwabank.com.

Dollars and Sense is just one of the many fraternal benefits Modern Woodmen offers. You can learn about all our benefits by requesting a fraternal benefits guide, talking to your local Modern Woodmen representative or visiting Modern Woodmen's website, modern-woodmen.org.

Slide 29

Be sure to tell teachers and youth leaders you know about another great resource Modern Woodmen provides: the Financial Literacy youth educational program. Nearly 400,000 kids in Pre-K through eighth grade participate in this *free* program every year! It covers money basics, budgeting, responsible spending and much more.

Your local Modern Woodmen financial representative can donate this program to schools and youth organizations you care about.

Slide 30

Please keep in mind it's important to work with an organization that understands the unique needs of individuals. Modern Woodmen can help you and your loved ones as you make important decisions. We've been working with members since 1883, and you can depend on our financial strength.

If you do need assistance, I'd [your local Modern Woodmen representative would] be happy to sit down with you to discuss your unique situation and goals. Feel free to come see me [call or email him or her] after this meeting to set up a time that's convenient for you.

Thanks again for joining us for this presentation about student loan debt.

We look forward to seeing you at our next [Summit chapter/chapter] event! [Offer the time and place.]