Financial Wellness Curriculum

The Financial Wellness Curriculum provides students with information and financial tips for reducing personal debt and developing smart money management skills. The goal is to help students avoid defaulting on their student loan(s) and other obligations and, ultimately, plan for a lifetime of financial well-being.

The Financial Wellness Curriculum consists of several presentations that can be used individually or combined to cover a larger selection of topics. Ultimately, these presentations can be customized to meet the needs of your students, from freshmen to seniors.

Financial Wellness Curriculum Presentation Topics

1. Introduction to Financial Management
2. Understanding Financial Aid
3. The Budgeting Process
4. Time Management
5. Good Credit: Get It
6. Consolidation
Financial Wellness Curriculum: Consolidation  
Presenter’s Guide

This Financial Wellness Curriculum presentation called Consolidation is designed for soon-to-be graduates who will be entering their 6-month grace period. This presentation educates students about federal consolidation and clarifies common misconceptions students have about consolidating their student loans. Students are provided information so they can decide if consolidation is right for their financial situation.

Objectives

- Educate students on how federal consolidation can be used as a debt management tool.
- Clarify common consolidation misconceptions so that students make a well-informed decision as to whether or not consolidation is the right decision for their particular financial situation.

Using the Presenter’s Guide

In this Presenter’s Guide, you’ll find notes to accompany each topic, sample questions, activities to engage the audience, and information about online resources. Take advantage of the slide transitions as you move through the PowerPoint.

This presentation will take approximately 30 minutes.

Materials Needed

- Flip chart or white board
- Internet access
- An LCD projector
Title Page (Slide 1)
➢ Read the following aloud:
  o With the rising costs of education, students are coming out of college with a substantial amount of debt. Many students end up with student loan bills that they cannot afford to pay. Loan consolidation is an option to be considered.
  o This presentation will help shed light on the advantages and disadvantages of loan consolidation so students can determine if it is the right choice for them.

Objectives (Slide 2)
➢ Review the topics that will be covered in this presentation.

Slide Transition: Let’s begin by defining what consolidation is.

What Is Student Loan Consolidation? (Slide 3)
➢ Review slide.
➢ Explain:
  o Generally, you’ll receive a repayment schedule with a 10-year repayment term. The repayment term for a consolidation loan can be 15 or more years.
  o Extending the term of the loan will lower the monthly payment amount, although you will pay more over the life of the loan.
  o Consolidation allows you to lock-in all your loans at a fixed interest rate.

Slide Transition: Student loan consolidation can help make repayment more manageable.

Qualifying Loan Types (Slide 4)
➢ Review slide.

Slide Transition: As a student loan borrower, it is important that you are aware of changes that can affect your repayment.

Stay Informed (Slide 5)
➢ Review slide.
➢ Tell students that the William D. Ford Federal Direct Program allows borrowers to consolidate federal loans directly through the U.S. Department of Education.
➢ While all loans are originated with the Department of Education as the lender, borrowers now have the option to choose their loan servicer.
Federal Loan Consolidation Eligibility (Slide 6)

- Review slide.
- Explain:
  - If you have defaulted loans that you wish to consolidate please contact your loan holder.
  - If you have a consolidated loan, you can re-consolidate under certain circumstances. Contact your loan holder to discuss the option.

Slide Transition: Now that we’ve looked at the eligibility requirements, let’s look at some numbers.

Monthly Savings (Slide 7)

- Review slide.
- Explain that consolidating decreases the monthly payment by extending the repayment term of the loan. Extending the repayment term means you will pay more over the life of the loan.

Slide Transition: Although consolidation will lower your monthly payment, it will increase the amount of interest you repay over the life of the loan.

By the Numbers (Slide 8)

- Review slide.
- Explain:
  - You will pay more interest because you will be extending the repayment term.
  - Consolidating to get a lower installment amount is a good option if you cannot afford to send the monthly payment. It’s better to consolidate and pay more interest than to default on a student loan. Defaulting not only results in a 19% collection fee added to the balance of your loan, it also affects your creditworthiness for 7 years.

Slide Transition: The repayment term is based on your total education debt.

Extended Repayment Terms (Slide 9)

- Review slide.
- Explain:
These are the maximum repayment terms. You do not have to extend your repayment to the maximum term available.

If you cannot afford the monthly payment, consider extending the term of the loan only to reach the payment amount you can afford; don’t extend it to the maximum term. This will help reduce the amount of interest you will pay over the life of the loan.

**Slide Transition:** We have just seen how consolidation gives you more time and decreases your monthly payments. Now let’s look at some of the other incentives.

**Consolidation Features (Slide 10)**

**Repayment Options**

- Review slide.

- Explain that when calculating the fixed interest rate of the consolidation, the loans with a higher principal balance will carry more weight than the smaller balance loans.

- Talk about repayment options:
  - With **level repayment**, your installment amounts will be set high enough to satisfy the monthly interest accrual in addition to paying down the principal balance.
    - This option will ensure that you pay the least amount of interest over the life of the loan.
  - **Graduated repayment** offers a lower monthly payment but will result in more interest being paid over the life of the loan.
    - For example, in one option you would make interest-only payments for the first 24 months. Then the installment increases to level repayment for the remaining repayment term.
    - Your lender/servicer may also have a graduated repayment option with several different installment levels.
    - Once the installment increases to a level amount, the installment amount will be higher than if the loan had been on level repayment from the beginning.
  - With **income-sensitive repayment**, eligibility is based on comparing the monthly installment to a borrower’s gross monthly income (for FFELP loans only.)
  - **Income-based repayment** may be available to borrowers who demonstrate partial financial hardship. The repayment amount is determined by household income, family size, and applicable loan debt and may be adjusted annually.

- Tell students to contact their lender/servicer to discuss which repayment options that may be available to them.

**Consolidation Features (Slide 11)**
Repayment Options

➢ Review slide.

➢ Talk about the two types of loan forgiveness on consolidation loans:

  o With **income-contingent repayment**, your monthly payment amount is based on your adjusted gross income (and that of your spouse if you are married), your family size, and the total amount of your loans (for federal Direct Loans only).
    ▪ Until you provide the information needed to calculate your monthly payment amount, your payment will equal the amount of interest that has accrued on your loan unless you request a forbearance.
    ▪ As your income changes, your payments may change.
    ▪ If you do not repay your loan after 25 years under this plan, the unpaid portion will be forgiven. You may have to pay income tax on any amount forgiven.

  o **Pay As You Earn** is an income-driven repayment option that considers income and family size and offers lower monthly payments to those who are eligible (for federal Direct Loans only).
    ▪ Under this plan, your reduced monthly payments are calculated by using your adjusted gross income and family size.
    ▪ This plan differs from other income-driven repayment plans in that loan forgiveness is granted after 20 years of qualifying payments instead of 25 and is calculated based on 10% of your income.

**Consolidation Features [Slide 12]**

**Loan Forgiveness**

➢ Review slide.

➢ Talk about the two types of loan forgiveness on consolidation loans:

  o **25 year**---If you repay using an income-contingent repayment or income-based repayment plan for 25 years and meet other requirements, you may have any remaining balance of your loan(s) cancelled.

  o **10 year**---If you work in public service and have a remaining loan balance, the balance may be cancelled after 10 years in a public service job. To achieve this objective, you may want to select the income-based or income-contingent repayment plan.

**Slide Transition: Consolidation offers deferment and forbearance options if you have repayment difficulties.**

**Deferment Options [Slide 13]**

➢ Review slide.

➢ Explain that the U.S. Department of Education may provide deferments to borrowers who are:

  • Enrolled at least half-time at an eligible school
  • In a full-time course of study in a graduate fellowship program
  • In an approved full-time rehabilitation program for individuals with disabilities
• Unemployed (for a maximum of 3 years; you must be conscientiously seeking, but unable to find, full-time employment) OR experiencing an economic hardship (including Peace Corps service), as determined under the Act (for a maximum of 3 years)

• Serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency, and if you are serving on or after October 1, 2007, for the 180-day period following the demobilization date for your qualifying service.

• Effective October 1, 2007, if you are a member of the National Guard or other reserve component of the U.S. Armed Forces (current or retired) and you are called or ordered to active duty while enrolled at an eligible school, or within 6 months of having been enrolled, you are eligible for a deferment during the 13 months following the conclusion of the active duty service, or until the date you return to enrolled student status, whichever is earlier.

• You may be eligible to receive additional deferments if, at the time you received your first Direct Loan, you had an outstanding balance on a loan made under the Federal Family Education Loan Program (FFELP) before July 1, 1993.

**Slide Transition:** Deferments and forbearances help keep your account in good standing during times of financial difficulty.

### Forbearance Options (Slide 14)

- Review slide.

- Explain that the U.S. Department of Education may provide forbearances to borrowers who are serving in a medical or dental internship or residency program and meet specific requirements:
  
  - You are serving in a national service position for which you receive a national service education award under the National and Community Service Act of 1990 (AmeriCorps).
  
  - You qualify for partial repayment of your loans under the Student Loan Repayment Program, as administered by the Department of Defense.
  
  - You are performing service that would qualify you for loan forgiveness under the Teacher Loan Forgiveness Program that is available to certain federal loan borrowers.

  OR

  - The total amount you owe each month for all of your federal student loans is 20% or more of your total monthly gross income (for a maximum of 3 years).
  
  - In addition, you may get a forbearance if you are temporarily unable to make your scheduled loan payments for reasons including, but not limited to, financial hardship or illness.

**Slide Transition:** We have discussed how consolidation can work for you. Now we will show you how to access the tools to determine if it is the best option for you.
Consolidation Calculator (Slide 15)

- Review slide.

  - If you have internet access, walk the student through the online Repayment Estimator at studentloans.gov (select the “Repayments and Calculators” link on the Home page or go to https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action.
  - This tool allows you to see an estimated repayment schedules based on your household income, family size, and principal balance, among other factors.
  - See how the figures change by adding/subtracting loans.

  Slide Transition: Choosing to consolidate can help ease many of the financial difficulties that may arise. Let’s review the advantages of consolidating.

Advantages of Consolidation (Slide 16)

- Review slide.

- Explain that the interest rate is calculated by the weighted average of all the loans included in the consolidation, rounded up to the nearest 1/8 of 1%, not to exceed 8.25%.

  Slide Transition: Depending on your circumstances, consolidation may not be right for you. Make sure you consider the following.

Disadvantages of Consolidation (Slide 17)

- Review slide.

- Instruct students to:

  - Research any loan forgiveness programs for which you may be eligible (particularly if you have Perkins loans) to determine if consolidating will affect your eligibility.

  - Oftentimes, if you have made 24 of the required 36 payments toward receiving a reduced interest rate, those 24 payments do not apply to any reduced interest rate program offered on the consolidation loan.

Tools and Resources (Slide 18)

- Review slide.

Slide Transition: Recap
Objectives (Slide 19)

- Review slide.
- Ask for questions.