



COUNSELING FAMILIES ON EDUCATION FINANCING

Laura Steinbeck – Sallie Mae

MASFAP

NOVEMBER 2012

Agenda

- ▶ **Putting College Costs Into Perspective**
- ▶ **Cohort Default Rate: Why Is This Important?**
- ▶ **Recent Recommendations on Counseling**
- ▶ **Counseling Tips for Schools**

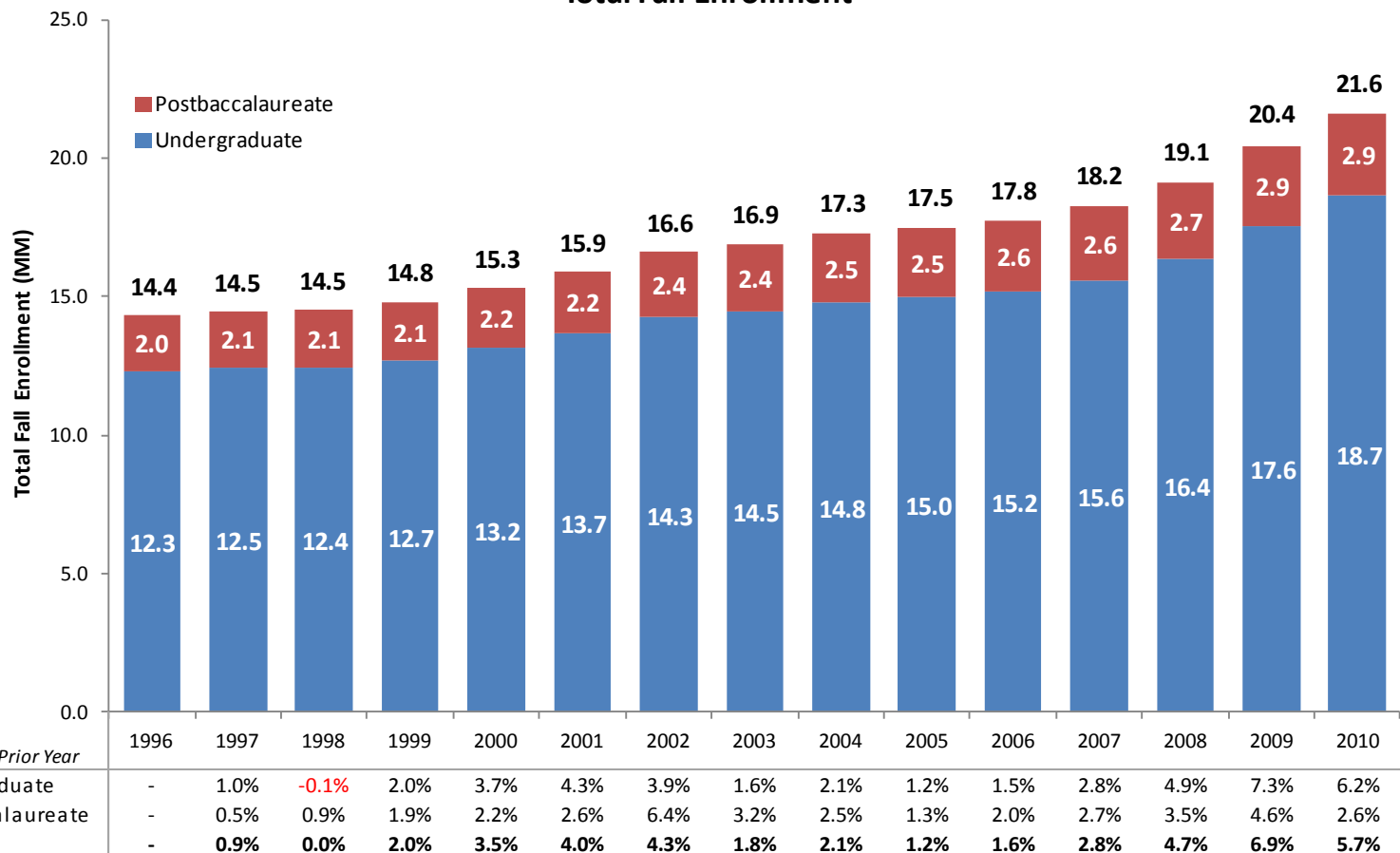


Putting College Costs Into Perspective



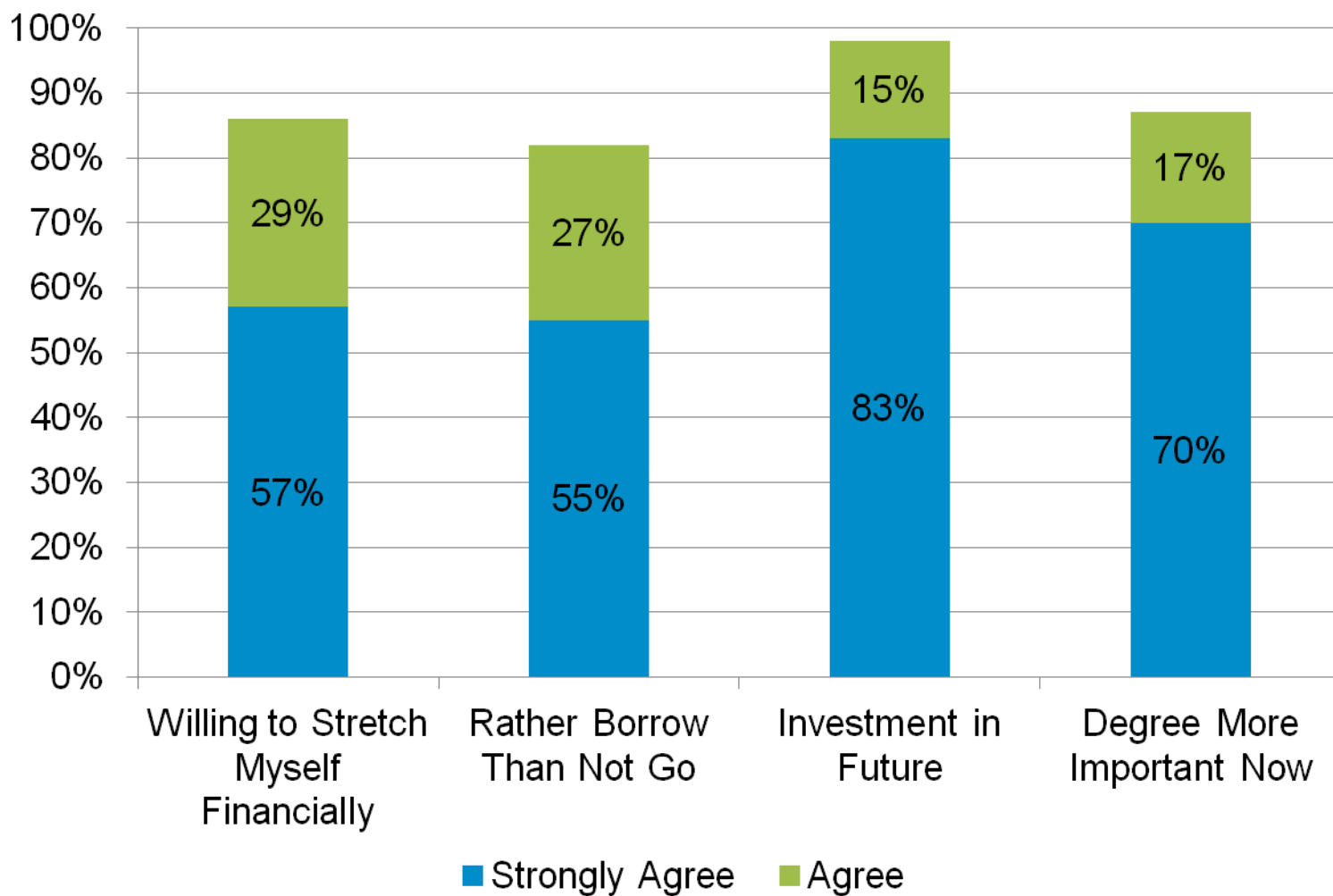
Rising Enrollment

Total Fall Enrollment

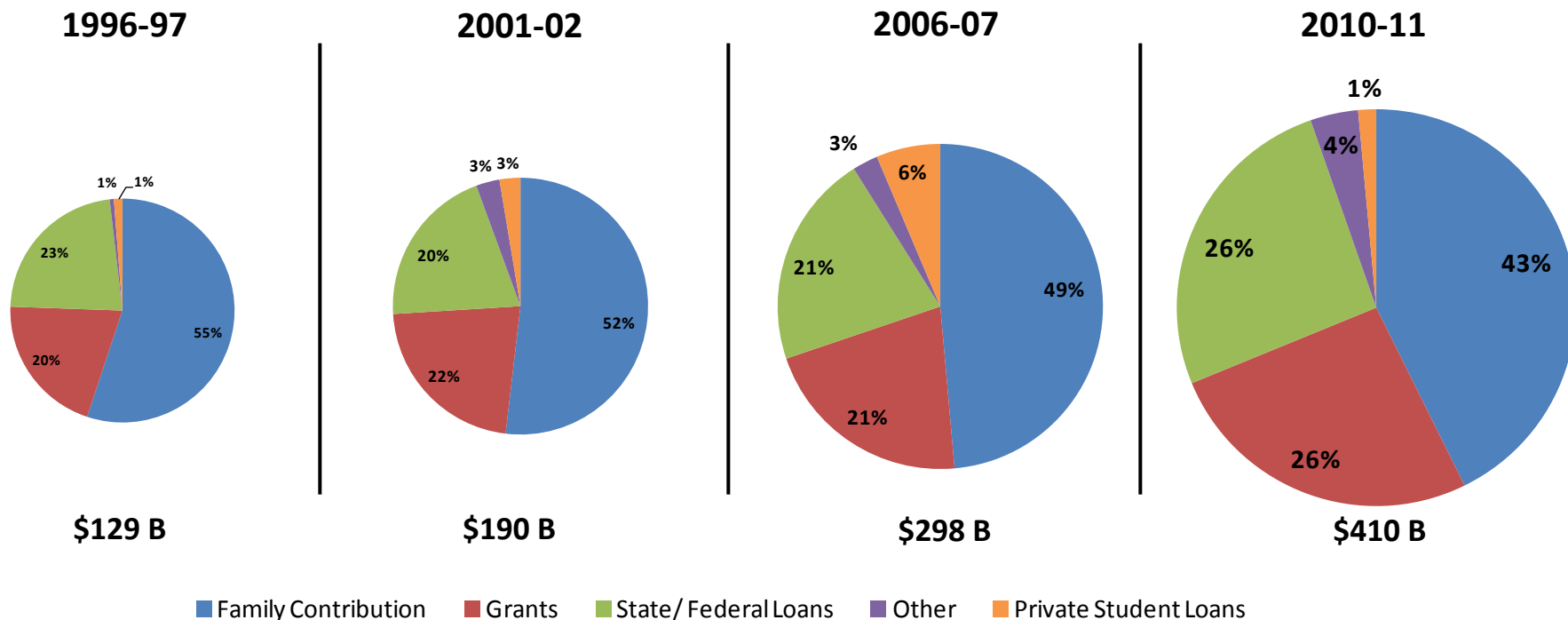


Source: U.S. Census Bureau, Current Population Survey, 2001-2011 Annual Social and Economic Supplement

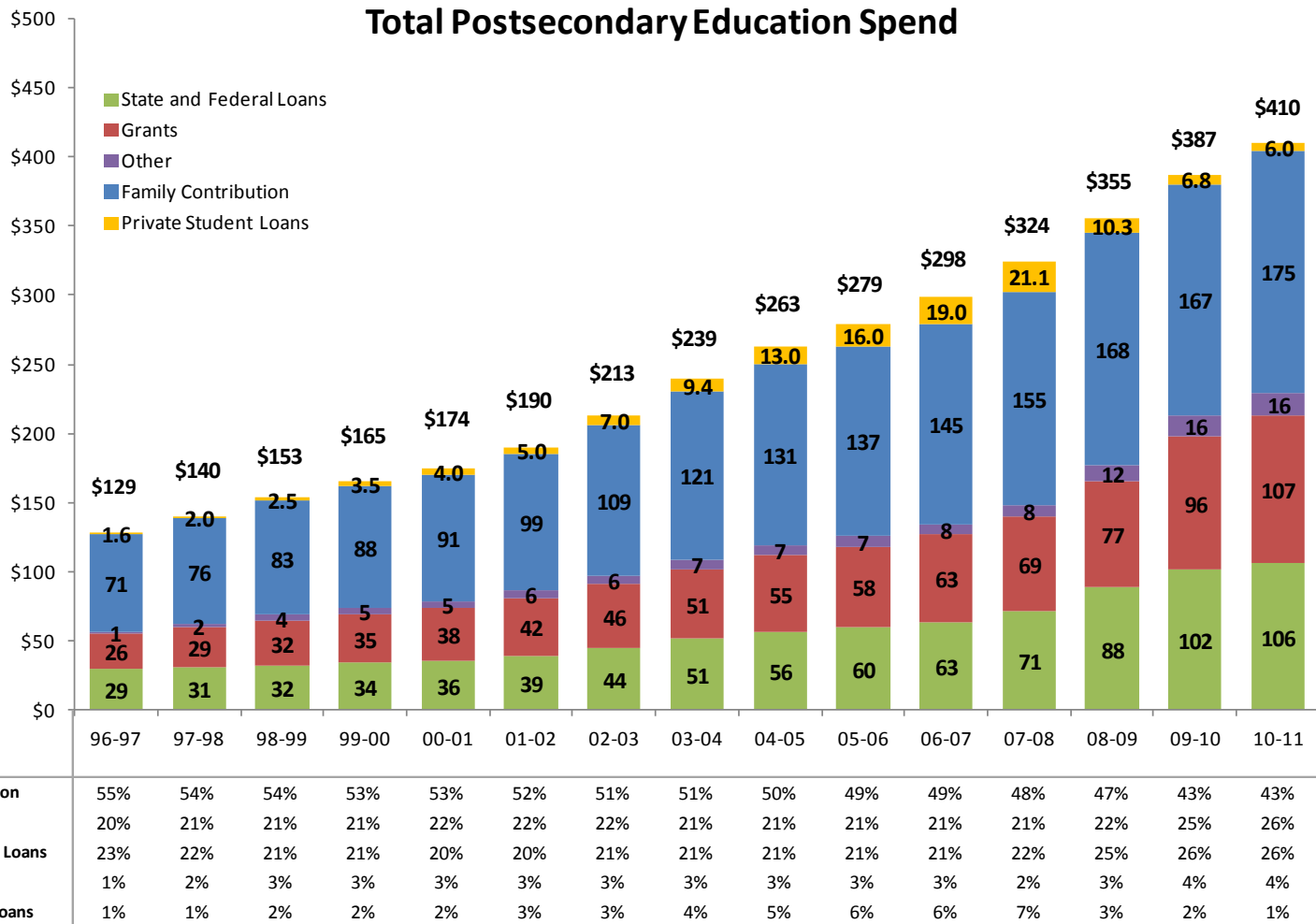
Families' Attitudes Toward College



What America Spends on Higher Education

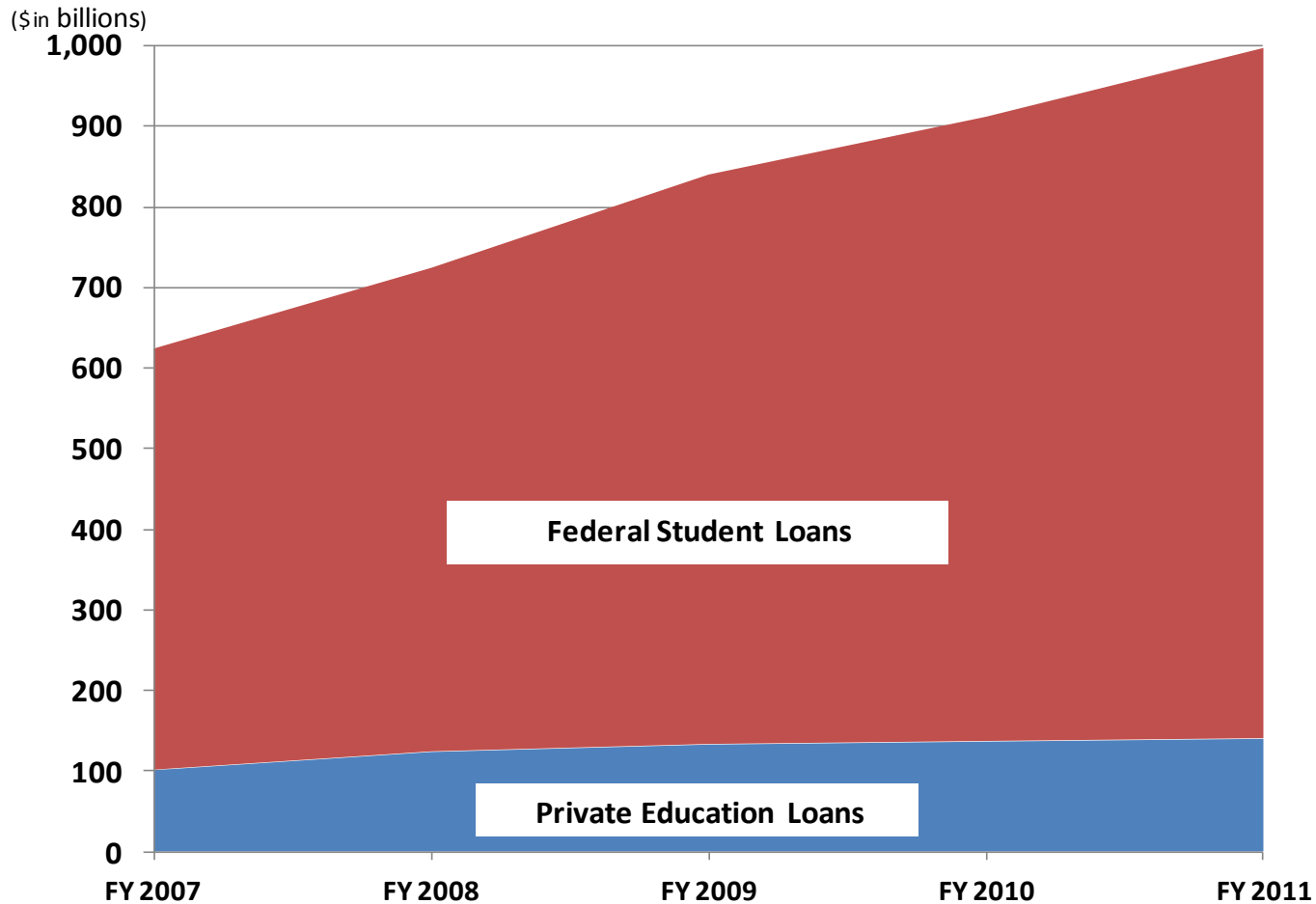


Americans Spent \$3.7 Trillion on Education in 15 Years



Sources: College Board, 2011 Trends in Student Aid, McKinsey & Company

More than 85% of All Loans Outstanding are Federal Student Loans



Source: Department of Education Annual Performance and Accountability Reports, FY 2006 to FY 2011, Notes to the Principal Financial Statements, Credit Programs note; Federally-owned FFELP is calculated based on receivables in purchase program and participated loans sold to the Department; private education loan volume from Consumer Finance Protection Bureau, "Private Student Loans," July 20, 2012

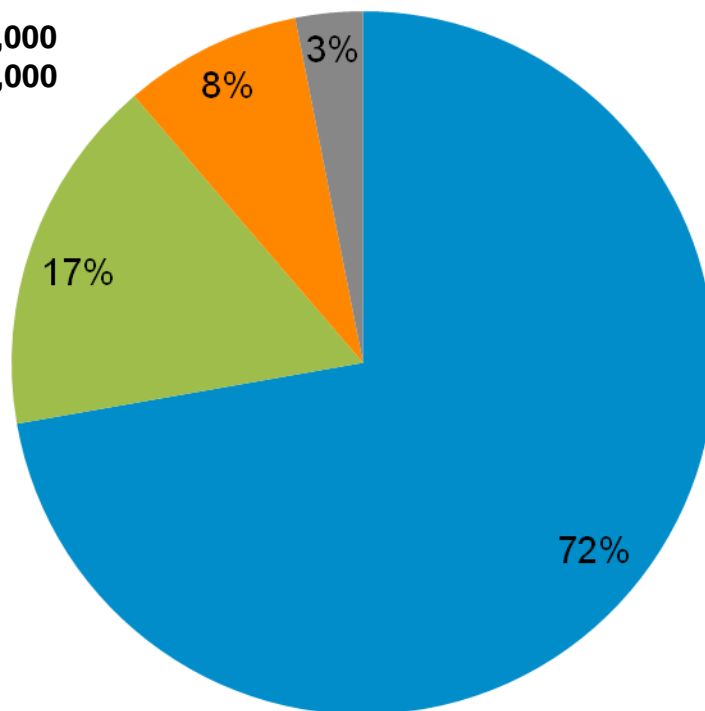
Average Individual Indebtedness

Average outstanding student loan balance per borrower = \$23,300.

Median balance = \$12,800

10% owe more than \$ 54,000

3% owe more than \$100,000



- Less Than \$25,000
- \$25,000 - \$50,000
- \$50,000 to \$100,000
- More Than \$100,000

Source: Federal Reserve Bank of New York



Recent Recommendations on Counseling



Consumer Financial Protection Bureau's Mission

- ▶ The central mission of the Consumer Financial Protection Bureau (CFPB) is to make markets for consumer financial products and services work for Americans — whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products.

Consumer Financial Protection Bureau's Purpose

- ▶ **Educate**
 - An informed consumer is the first line of defense against abusive practices.
- ▶ **Enforce**
 - Like a neighborhood cop on the beat, the CFPB supervises banks, credit unions, and other financial companies, and we will enforce Federal consumer financial laws
- ▶ **Study**
 - The consumer bureau gathers and analyzes available information to better understand consumers, financial services providers, and consumer financial markets.

Students > Consumer Financial Protection Bureau - Windows Internet Explorer

http://www.consumerfinance.gov/students/

File Edit View Favorites Tools Help

Students > Consumer Financial Protection Bureau

HOME INSIDE THE CFPB GET ASSISTANCE PARTICIPATE LAW & REGULATION **SUBMIT A COMPLAINT**

HOMESTUDENTS

Students

WHAT'S YOUR EXPERIENCE?

[Tell us your story](#), good or bad, about your experience with financial products tailored to students and young consumers. Your story will help inform how we work to protect consumers and create a fair marketplace.

STUDENT LOANS

Know Before You Owe

In partnership with the Department of Education, we've developed a financial aid shopping sheet to improve the way schools communicate financial aid offers.

[Financial Aid Shopping Sheet](#) - The new form

[What we heard](#) - We released a prototype and received feedback from the public

[About the project](#) - Read Director Cordray's remarks

Report on Private Student Loans

Congress asked the Director of the Consumer Financial Protection Bureau and the Secretary of Education to submit a report on private student loans.

[Your stories](#) - Summary of 2,000 consumer comments

[Read the report](#)

Student debt repayment assistant

We can help point you in the right direction to find the best repayment plan.

[GET STARTED](#)

Student loan debt collection assistant

Avoid thousands of dollars in penalties and fees with an alternative payment plan.

[KNOW YOUR OPTIONS](#)

Submit a student loan complaint

We'll forward your issue to the company, give you a tracking number, and keep you updated on the status of your complaint.

[SUBMIT NOW](#)

Done

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The Consumer Financial Protection Bureau

Report on Private Student Loans (updated 8/29/12):

- ▶ **School Certification of Private Student Loans**
 - Currently the vast majority of private loans are school certified
 - The CFPB recommends that schools play a greater role in counseling families

- ▶ **Private Student Loan Bankruptcy Treatment**
 - Some private loan lenders support the discharge of all student loans in bankruptcy after a good faith effort to pay

CFPB Report on Private Student Loans (cont.)

- ▶ Provide Mechanisms for Borrowers to Understand a Complete Picture of their Student Loans

- ▶ Determine if Additional Data is Needed to Enhance Consumer Decision Making and Lender Underwriting
 - Schools will be expected to play an important role in this counseling

Pending Legislation on Counseling & School Certification

- ▶ **Senator Richard Durbin (Illinois) and Senator Tom Harkin (Iowa) proposed bill:**
 - Would require colleges and lenders to thoroughly explain borrowing options to students
 - The bill would also prevent unnecessary borrowing by requiring lenders to check with colleges to determine how much money students are eligible to receive
 - Most lenders have already moved in this direction by requiring school certification for all of their private student loans

Financial Aid Shopping Sheet

University of the United States (UUS)

Estimated Cost of Attendance	<div style="background-color: #f0f8ff; padding: 5px; border: 1px solid #336699;"> <p>Costs in the 2013-14 year</p> <p>Estimated Cost of Attendance for full-time enrollment \$ XX,XXX /yr</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Tuition and fees</td><td style="text-align: right;">\$ XX,XXX</td></tr> <tr><td>Housing and meals (on-campus resident)</td><td style="text-align: right;">X,XXX</td></tr> <tr><td>Books and supplies</td><td style="text-align: right;">X,XXX</td></tr> <tr><td>Transportation</td><td style="text-align: right;">X,XXX</td></tr> <tr><td>Other educational costs</td><td style="text-align: right;">X,XXX</td></tr> </table> </div>	Tuition and fees	\$ XX,XXX	Housing and meals (on-campus resident)	X,XXX	Books and supplies	X,XXX	Transportation	X,XXX	Other educational costs	X,XXX	Graduation Rate <small>Percentage of full-time students who graduate within 6 years</small>	<div style="text-align: center;"> <p>71%</p> <p>LOW MEDIUM HIGH</p> </div>		
Tuition and fees	\$ XX,XXX														
Housing and meals (on-campus resident)	X,XXX														
Books and supplies	X,XXX														
Transportation	X,XXX														
Other educational costs	X,XXX														
Grants and Scholarships	<div style="background-color: #f0f8ff; padding: 5px; border: 1px solid #336699;"> <p>Grants and scholarships to pay for college</p> <p>Total Grants and Scholarships (Grant* Aid; no repayment needed) \$ XX,XXX /yr</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Grants from your school</td><td style="text-align: right;">\$ X,XXX</td></tr> <tr><td>Federal Pell Grant</td><td style="text-align: right;">X,XXX</td></tr> <tr><td>Grants from your state</td><td style="text-align: right;">X,XXX</td></tr> <tr><td>Other scholarships you can use</td><td style="text-align: right;">X,XXX</td></tr> </table> </div>	Grants from your school	\$ X,XXX	Federal Pell Grant	X,XXX	Grants from your state	X,XXX	Other scholarships you can use	X,XXX	Loan Default Rate <small>Percentage of borrowers entering repayment and defaulting on their loan</small>	<div style="text-align: center;"> <p>6% 12%</p> <p>UUS Average Comparable institutions</p> </div>				
Grants from your school	\$ X,XXX														
Federal Pell Grant	X,XXX														
Grants from your state	X,XXX														
Other scholarships you can use	X,XXX														
Net Costs	<div style="background-color: #f0f8ff; padding: 5px; border: 1px solid #336699;"> <p>What you will pay for the 2013-14 year</p> <p>Net Costs \$ XX,XXX /yr <small>(Cost of attendance minus total grants and scholarships)</small></p> </div>	Median Borrowing <small>Students at UUS typically borrow \$XX,XXX in Federal loans over X years. The Federal loan payment over 10 years for this amount is approximately \$X,XXX per month. Your borrowing may be different.</small>	<div style="text-align: center;"> </div>												
Work Options	<div style="background-color: #f0f8ff; padding: 5px; border: 1px solid #336699;"> <p>Options to pay net costs</p> <p>Work options</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Work-Study (Federal, state, or institutional)</td><td style="text-align: right;">\$ X,XXX /yr</td></tr> </table> </div>	Work-Study (Federal, state, or institutional)	\$ X,XXX /yr	Repaying your loans <small>To learn about loan repayment choices and work out your Federal Loan monthly payment, go to:</small> https://www.direct.ed.gov/calcs.html											
Work-Study (Federal, state, or institutional)	\$ X,XXX /yr														
Loan Options	<div style="background-color: #f0f8ff; padding: 5px; border: 1px solid #336699;"> <p>Loan options*</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td>Federal Perkins Loans</td><td style="text-align: right;">\$ X,XXX /yr</td></tr> <tr><td>Federal Direct Subsidized Loan</td><td style="text-align: right;">X,XXX /yr</td></tr> <tr><td>Federal Direct Unsubsidized Loan</td><td style="text-align: right;">X,XXX /yr</td></tr> </table> <p><small>*Recommended amounts shown here. You may be eligible for a different amount. Contact your financial aid office.</small></p> </div>	Federal Perkins Loans	\$ X,XXX /yr	Federal Direct Subsidized Loan	X,XXX /yr	Federal Direct Unsubsidized Loan	X,XXX /yr	Other Options	<div style="background-color: #f0f8ff; padding: 5px; border: 1px solid #336699;"> <p>Other options</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2">Family Contribution <small>(As calculated by the institution using information reported on the FAFSA or to your institution.)</small></td></tr> <tr><td style="width: 50%;">• Payment plan offered by the institution</td><td style="width: 50%;">• Military and/or National Service benefits</td></tr> <tr><td>• Parent PLUS Loan</td><td>• Non-Federal private education loan</td></tr> </table> </div>	Family Contribution <small>(As calculated by the institution using information reported on the FAFSA or to your institution.)</small>		• Payment plan offered by the institution	• Military and/or National Service benefits	• Parent PLUS Loan	• Non-Federal private education loan
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Federal Direct Subsidized Loan	X,XXX /yr														
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Family Contribution <small>(As calculated by the institution using information reported on the FAFSA or to your institution.)</small>															
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• Parent PLUS Loan	• Non-Federal private education loan														
	Customized information from UUS														

Annual Report of the CFPB Student Loan Ombudsman

- ▶ The CFPB received nearly 2,900 public private student loan complaints
 - This is a relatively small number given that there are more than \$150 billion in private student loans outstanding
 - The vast majority of the complaints were related to loan servicing and loan modification issues
 - Active-duty service members and their families reported that they sometimes experience difficulty exercising their rights under the Service Members Civil Relief Act

A large, semi-transparent photograph of a family of four—a mother, a father, a young girl, and a young boy—smiling and standing together on a beach. The image is faded to allow the text overlay to be clearly visible. The background shows the ocean and a sandy shore.

Counseling Tips For Schools

How You Can Help Your Students

Counseling Tips for Schools

- ▶ Work with families to understand the full cost of attaining the degree
 - Many families look at paying for college as an annual and not a multi-year exercise

- ▶ Counsel students to be aware of the likely future earning power associated with their degree and program-of-study (and to borrow accordingly)
 - To help students estimate future income potential, direct students to the US Department of Labor at www.bls.gov/oco/
 - Some job search websites also offer salary calculators
 - Tools such as Sallie Mae's Education Investment Planner (SallieMae.com/invest) estimates the needed starting salary to keep loan payments manageable

- ▶ Urge borrowers to exhibit responsible student loan borrowing using the 1-2-3 approach
 - Free money first
 - Explore federal student loans
 - Fill any remaining gap with private education loans, PLUS loans, tuition payment plans

- ▶ Provide relevant and meaningful tools to your families educating them on the loan products available to them
 - A preferred lender list can be an effective tool in communicating gap financing options to families
 - Provide a list of things for families to consider in making an educated decision

Additional Counseling Tips for Schools

- ▶ Counsel students on responsible borrowing:
 - Two approaches are commonly provided by financial professionals to help find the right balance:
 - 1) The monthly student loan payment should be no more than 10% of pre-tax monthly income. For example, if a student expects to make \$4,200 per month before taxes, the total monthly payment for all student loans should be no more than \$420 a month.
 - 2) The total amount borrowed (federal and private loans combined) should not be more than the expected annual starting salary. For example, if the expected starting salary after college is about \$60,000, the student should borrow no more than that in student loans.

- ▶ Encourage student borrowers to access NSLDS (www.nslds.ed.gov) to locate the whereabouts (and loan amounts) of their federal student loans.
 - Borrowers can find information about their private loans by pulling a credit report



Resources for You



Online Resources

- ▶ Consumer Finance and Protection Bureau
 - www.consumerfinance.gov
- ▶ CFPB Monitor
 - Subscribe to blog at www.cfpbmonitor.com
- ▶ Dear Colleague Letter
 - GEN-12-12: Financial Aid Shopping Sheet for 2013-14
- ▶ Private Student Loan Report Updated 8/29/2012:
<http://www.consumerfinance.gov/reports/private-student-loans-report/>
- ▶ Financial Aid Shopping Sheet:
[http://www.nasfaa.org/advocacy/award-letter/
CFPB, ED Issue Final Version of Financial Aid Shopping Sheet.aspx](http://www.nasfaa.org/advocacy/award-letter/CFPB,_ED_Issue_Final_Version_of_Financial_Aid_Shopping_Sheet.aspx)

QUESTIONS?