



Default Appeal Counseling

Hagerstown
Community College
Financial Aid Office

Part 1: Financial Basics

How to become Financially Fit

- Financial fitness involves using an economic way of thinking to make purposeful decisions for:
 1. spending plan
 2. managing credit
 3. controlling debt
 4. financial future



Step 1: Spending Plan

Making a commitment to your future!

- Budgeting is the most important step. This is where you:
 - Set financial goals and attempt to follow them
 - Track your monthly spending to see where your money goes and on what you can improve
 - Attempt to save – Pay yourself first!
 - Figure out what “living in your means” is financially

For help with budgeting please go to the following website at:

youcandealwithit.com or Excel templates

Budgeting Help

Budget Calculator

Creating a budget just got easier! Use our online budget calculator and take control of your spending.

Directions: Enter estimated amounts in all of the fields that apply to you. Round up to the nearest dollar, and don't use commas.

Monthly Savings

Emergency Fund:	\$ 0
Investments:	\$ 0
Retirement:	\$ 0

Monthly Expenses

Food (groceries, dining out, etc.):	\$ 0
Clothing (jeans, shoes, jewelry, etc.):	\$ 0
Shelter (mortgage, rent, taxes, etc.):	\$ 0
Household (utilities, cell phone, cable, maintenance, etc.):	\$ 0
Transportation (public transportation, parking, gas, etc.):	\$ 0
Health (insurance, medications, doctor visits, etc.):	\$ 0
Student Loans (interest payments, principal payments, etc.):	\$ 0
Personal (gifts, charity, entertainment, hobbies, etc.):	\$ 0
Miscellaneous (magazines, child care, etc.):	\$ 0

Annual Expenses

Tuition:	\$ 0
Homeowner's/Renter's Insurance:	\$ 0
Car (registration, inspection, insurance, etc.):	\$ 0
Taxes:	\$ 0
Vacation:	\$ 0
Other:	\$ 0
Other:	\$ 0

Income

Monthly Pay:	\$ 0
Monthly Other (alimony, child support, etc.):	\$ 0
Annual Gifts:	\$ 0
Annual Tax Return:	\$ 0

Budget Review

Total Monthly Savings:	\$ 0	+
Total Monthly Expenses:	\$ 0	+
Total Annual Expenses:	\$ 0 / 12 = \$ 0	-
Total Monthly Income:	\$ 0	
Under/Over Budget:	\$ 0	

▶ RESET

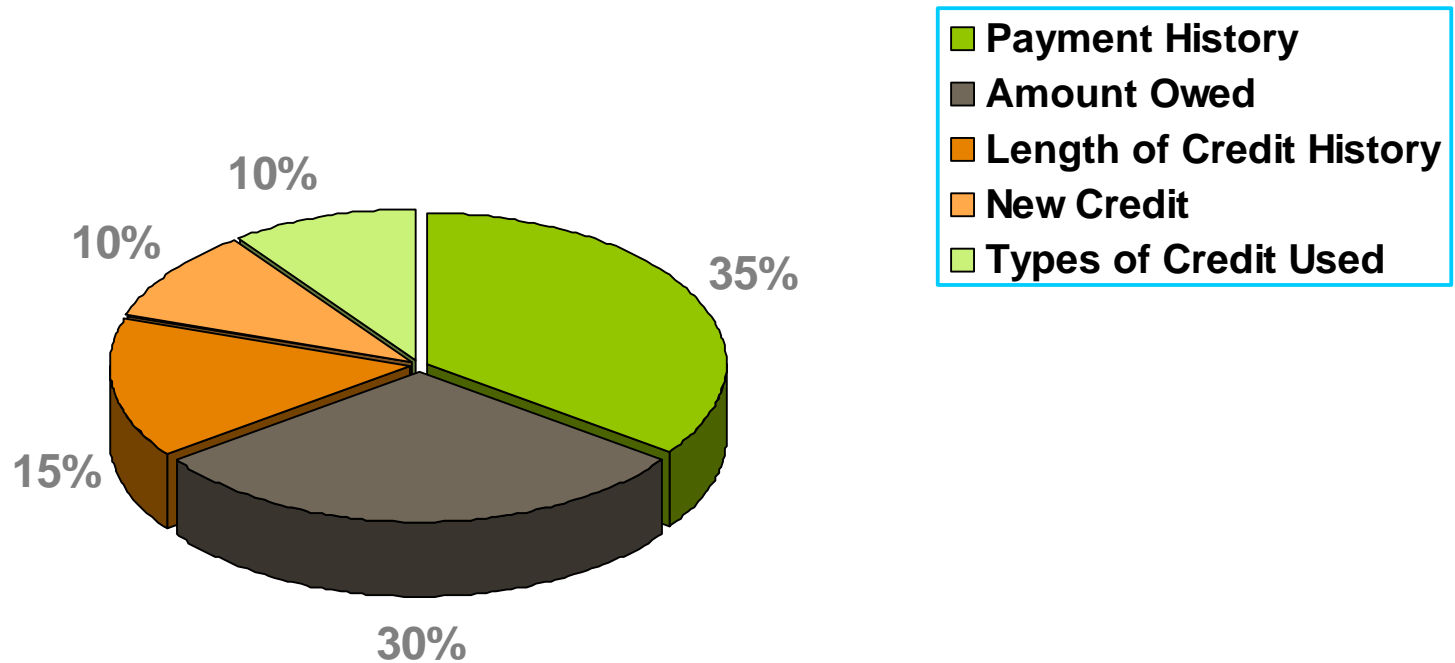


 **you can**
deal with it™

Step 2: Managing Credit

- Managing your credit is what determines if you pay 4% on a loan or 19%.
- A rule of thumb for good credit is:
 - Pay your bills on time, **all** the time.
 - Pay credit cards off **every** month (or only keep a low balance).
 - Don't overextend yourself with credit; you should have around 30% of your income free every month for emergencies and savings (the less bills, the less worries).

What makes up your Credit Score?



Credit: How to check it

- To check your credit **report** you can go to (free for each reporting agency):
<https://www.annualcreditreport.com/cra/index.jsp>
- To check your credit **score** go to one of the three sites below (will cost a fee):
 - www.equifax.com
 - www.experian.com
 - www.transunion.com

Step 3: Watch out for Debt

- Debt helps build your credit **IF** used the right way, but it also can ruin your credit by having too much debt that you can't handle anymore.
- Experts caution people to not spend more than **36%** of income on housing and consumer debt because you can handle the bills easier if you get a pay cut or lose your job.
- A good habit with debt is to try to pay a month or two ahead, so if something happens, you have a little bit on which to fall back.



Too much debt to handle?

- Thinking about bankruptcy?
 - Filing bankruptcy may help solve debt problems if you can't manage them.
 - Keep in mind that:
 - Bankruptcy will stay on your credit report for ten years and negatively affect your credit
 - It WILL affect your future ability to get credit and possibly a job.
 - Consider your other alternatives first, this is the last option.

Life Crisis and how to manage

- Case: I lost my job and do not qualify for Unemployment, how can I pay all my bills?
 - Think of ways to come up with income (borrowing from relatives, borrowing against insurance policies, cashing retirement accounts, etc.)
 - Review/Make a spending plan and make adjustments to where you can cut expenses.
 - Make a bare-bone budget that doesn't consist of extras and stick to it.
 - Negotiate with creditors to lower interest rates or temporary defer payments.
 - More ideas at 360financialliteracy.org

Step 4: Thinking about the future financially

- This step basically comes down to saving for your future and should minimally include:
 - Investing at least 5% in a retirement account.
 - Social Security is NOT retirement... It is supposed to supplement on top of your savings for retirement.
 - Saving at least 10% in a savings account every month.
 - Building an “emergency fund” of the cost for three months of living so that if something comes up, you have something to fall back on.

Part 2: Loan Repayment

When is payment due?

- You first payment will be due six months after you graduate or leave college. The six months is a grace period to give you time to get on your feet.

Loan Repayment Options

- There are several repayment plans available for federal student loans including:
 - Standard
 - Extended (> than 30,000 in student loan debt)
 - Graduated
 - Income Contingent
 - Income-based
 - Pay As You Earn

Standard

- Fixed amount each month
- Payment will be at least \$50.00
- Up to 10 years to repay the balance
- Paid off the quickest with the least interest

Extended

- Must have at or above \$30,000 in student loan debt
- Fixed amount each month
- Up to 25 years to repay the balance
- Smaller payments with more interest

Graduated

- Payments start out low and increase every two years
- Good for if you expect your income to increase over time
- Up to 10 years to repay the balance

ICR (Income Contingent)

- Each year, your monthly payment will be calculated on the basis of your tax information
- Monthly payments can be up to 20% of your monthly discretionary income
- Up to 25 years to repay the balance

IBR (Income-based)

- Each year, your monthly payment will be calculated on the basis of your tax information
- Must prove financial hardship every year
- Up to 10 years to repay the balance

PAYE (Pay As You Earn)

- Lowest monthly payment plan based on income and family size every year
- Must prove financial hardship once and then can remain on the plan
- Up to 25 years to repay the balance

National Student Loan Database System (NSLDS)

- www.nsls.ed.gov
- Provides snapshot of all your student loan information
- Can link you to your servicer



[Click here for Grant Information](#)

Loans

Please click on number in first column to see details

	Type of Loan	Loan Amount	Loan Date	Disbursed Amount	Canceled Amount	Outstanding Principal	Outstanding Interest
1	DIRECT STAFFORD UNSUBSIDIZED	\$3,000	09/30/2014	\$3,000	\$0	\$3,000	\$7
2	DIRECT STAFFORD SUBSIDIZED	\$2,250	09/30/2014	\$2,250	\$0	\$2,250	\$0
3	DIRECT STAFFORD UNSUBSIDIZED	\$3,000	02/11/2014	\$3,000	\$38	\$2,962	\$15
4	DIRECT STAFFORD SUBSIDIZED	\$2,250	02/11/2014	\$2,250	\$0	\$2,250	\$0
5	DIRECT STAFFORD SUBSIDIZED	\$4,500	08/10/2012	\$2,250	\$2,250	\$2,239	\$0
6	DIRECT STAFFORD SUBSIDIZED	\$5,500	07/26/2012	\$5,500	\$250	\$5,228	\$0
7	DIRECT STAFFORD SUBSIDIZED	\$4,500	09/30/2010	\$4,500	\$0	\$4,480	\$0
8	STAFFORD SUBSIDIZED	\$3,000	09/21/2009	\$3,000	\$0	\$0	\$0
9	STAFFORD UNSUBSIDIZED	\$3,000	08/17/2009	\$0	\$3,000	\$0	\$0
	Total DIRECT STAFFORD UNSUBSIDIZED					\$5,962	\$22
	Total DIRECT STAFFORD SUBSIDIZED					\$16,447	\$0
	Total STAFFORD SUBSIDIZED					\$0	\$0
	Total STAFFORD UNSUBSIDIZED					\$0	\$0
	Total All Loans					\$22,409	\$22

What is Delinquency?

- Being late
- Failure to make your payments on time
- Reported to the three major credit bureau agencies
- Affects your credit
- Can lead to default

You have options if you are struggling!

- Deferment and Forbearance – Temporarily suspends making loan payments for several reasons
- Income based repayments- to help you afford your payment
- Your Service – Contact them they will lay all the options out to you
- Your School – We are here to help if you need us down the road

What can happen when I default?

- The entire amount becomes due (no monthly payments)
- Could have to pay collection fees and associated costs
- The government can sue you
- The government can take your tax refund
- Your wages can be garnished (requires employer to send money to them)
- Can lose your professional license
- Can lose eligibility for other federal benefit programs

Your Responsibilities as a borrower

- Repay your loans(s)
- If you are struggling financial, you need to contact your servicer
- Know who your servicer is
- Communicate with your servicer when issues arrive and you change contact information
- Remember: If you need more help, Hagerstown Community College is here to help you through loan repayment

Part 3: Tips for Completing the Default Appeal

How to calculate your monthly repayment amount





- Step 1: Go to this website:
<https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action>
- Sign in
- View your loans
- Select your tax filing status
- Put in your estimated future income and family size
- Calculate the results

Once the results are calculated print this off (needed for default appeal)

4  Your Estimated Payments

You have a choice of repayment plans. The chart below provides details about repayment plans and your estimated repayment information under each of the different plans. Your loan servicer will determine your eligibility for the repayment plans.



Repayment Plan	Repayment Period	Monthly Payment Initial to Final Amounts	Projected Loan Forgiveness ⓘ	Total Interest Paid ⓘ	Total Amount Paid
Standard- ⓘ	120 months	\$227 to \$227 	\$0	\$4,850	\$27,281
Graduated- ⓘ	120 months	\$127 to \$382 	\$0	\$6,054	\$28,485
Pay As You Earn** ⓘ	135 months	\$167 to \$227 	\$0	\$5,804	\$28,235
Income-Based Repayment (IBR)** ⓘ	-	-	-	-	-
Income-Contingent Repayment (ICR)** ⓘ	157 months	\$167 to \$203 	\$0	\$6,703	\$29,134

Questions?

- Please contact the financial aid representative for further help