

# Paying for grad school

## UMBC Money Smart Week



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DATE: April 11<sup>th</sup> , 2024

## Making a plan to pay for Grad school

1

Start with money you don't have to pay back.

2

Apply for federal financial aid.

3

Consider a responsible private student loan to cover the rest.

# Scholarships – the what, when, and how

## What are scholarships?

- Free money that does not have to be paid back

## When to apply for scholarships?

- Based on deadline dates
- Typically, in your junior or senior year
- Every year in your program

## How to apply for scholarships?

- Requirements and deadline dates vary
- May require essays, creative entry, online application, etc.

# Scholarship resources

There are many resources for scholarships:

- Local or community-based scholarships
- Federal and state agencies
- College-specific scholarships offered by the colleges your students are interested in attending
- Religious organizations
- Employers
- Libraries
- Private organizations or major companies
- Online search engines that aggregate scholarship offerings and allow users to be matched to scholarships based on a personal profile

# Scholarship search engines

**Scholarship Search by Sallie Mae**<sup>®</sup> provides free access to scholarships for both undergraduate and graduate students

[SallieMae.com/GradScholarships](https://SallieMae.com/GradScholarships) - 950,000 + scholarships worth up to \$1 billion

Registrants are automatically entered to win \$1000 in a monthly sweepstakes\*

*\*No purchase necessary. Void where prohibited. Odds of winning depend on the number of entries received. See official rules at [salliemae.com/sweepstakesrules](https://salliemae.com/sweepstakesrules)*



# Information needed when completing the FASFA

- Social Security numbers or Alien Registration number (if you aren't a US Citizen)
- Federal income tax return, W-2s, and other records of money earned
  - You may be able to transfer your federal tax return information using the IRS Data Retrieval Tool
- Current bank statements and investment records (if applicable)
- Records of untaxed income (if applicable)
- Email addresses
- Student driver's license (optional)
- An FSA ID so you and your parent can sign the form electronically
- List of colleges to receive the FAFSA® information



# Key financial aid terms

**Student Aid Index (SAI) number** – An index number that college financial aid staff use to determine what types of, and how much, financial aid you would receive if you were to attend their school. The information you report on your FAFSA® form is used to calculate your SAI number.

*Note: The SAI number is not the amount that the student/family pays*

**Special circumstances** – Special circumstances are things that have negatively impacted a family's financial situation.

**Unusual circumstances** – Unusual circumstances are situations that impact a student's ability to obtain parental information needed to complete the FAFSA®.

**Verification** – Some FAFSA®s will be selected by the Department of Education for verification. Financial Aid Office will notify applicants of documents needed to complete the process

Source: <https://studentaid.gov/apply-for-aid/fafsa/review-and-correct> and <https://studentaid.gov/help/special-circumstance>

# Federal loan options for graduate students

Federal Direct Unsubsidized Loans and Graduate PLUS Loans for students enrolled in graduate programs at least half-time.

## Federal Direct Unsubsidized Loan

- Borrower is responsible for interest starting with first disbursement, but no payments are required during school, grace or deferment period.

## Graduate PLUS Loan

- Generally paid back over a 20-year term
- Maximum amount is the cost of attendance minus any other financial aid received

# Fellowships and assistantships

Graduate assistantships – typically funded by the college or university

- Teaching assistantships
- Research assistantships
- May provide tuition waivers and/or cash compensation. Some include other benefits such as insurance

Graduate fellowships – may be university-awarded, federally funded, or may be offered by independent organizations

- Typically provide a stipend

# Tuition reimbursement programs

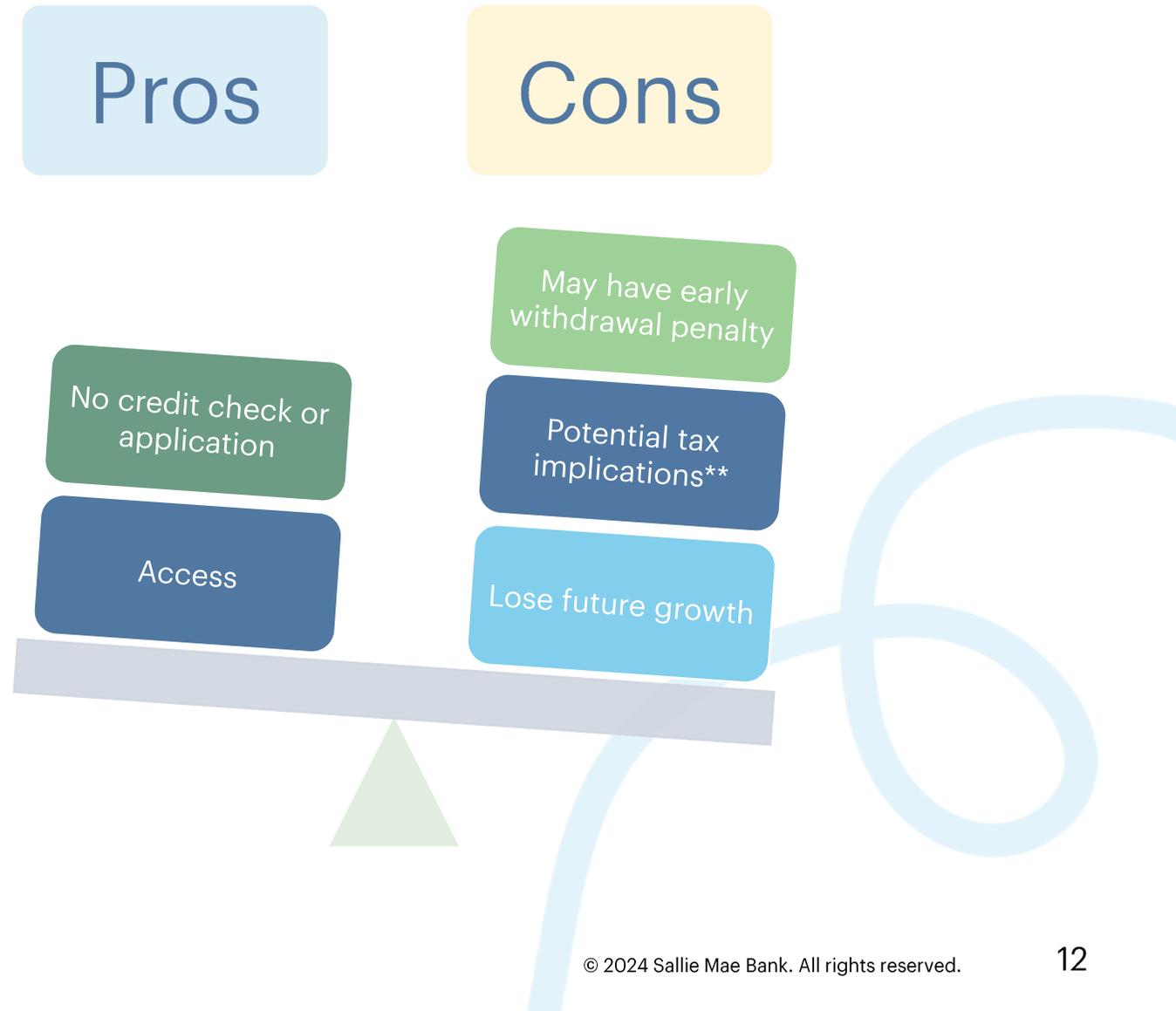
Some employers offer tuition benefits or tuition reimbursement programs so be sure to check to see if this benefit is available

## **Commonly used gap financing tools**

- 401(k) plans
- Long-term investments
- Home equity loans/lines of credit
- Credit cards
- Federal PLUS Loans
- Private student loans

# 401(k) plans

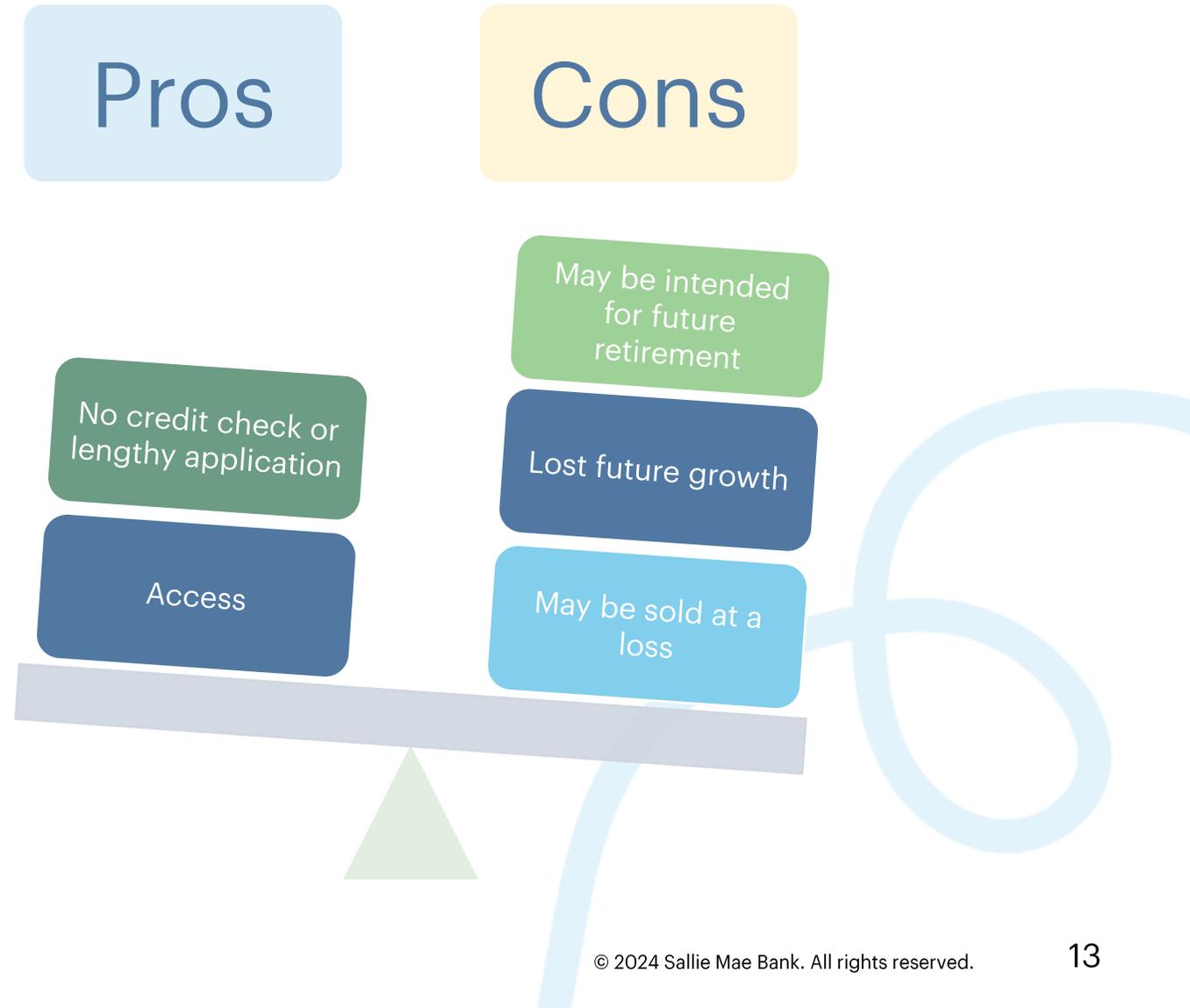
Risky BUT you can still dip into retirement funds to help pay for college



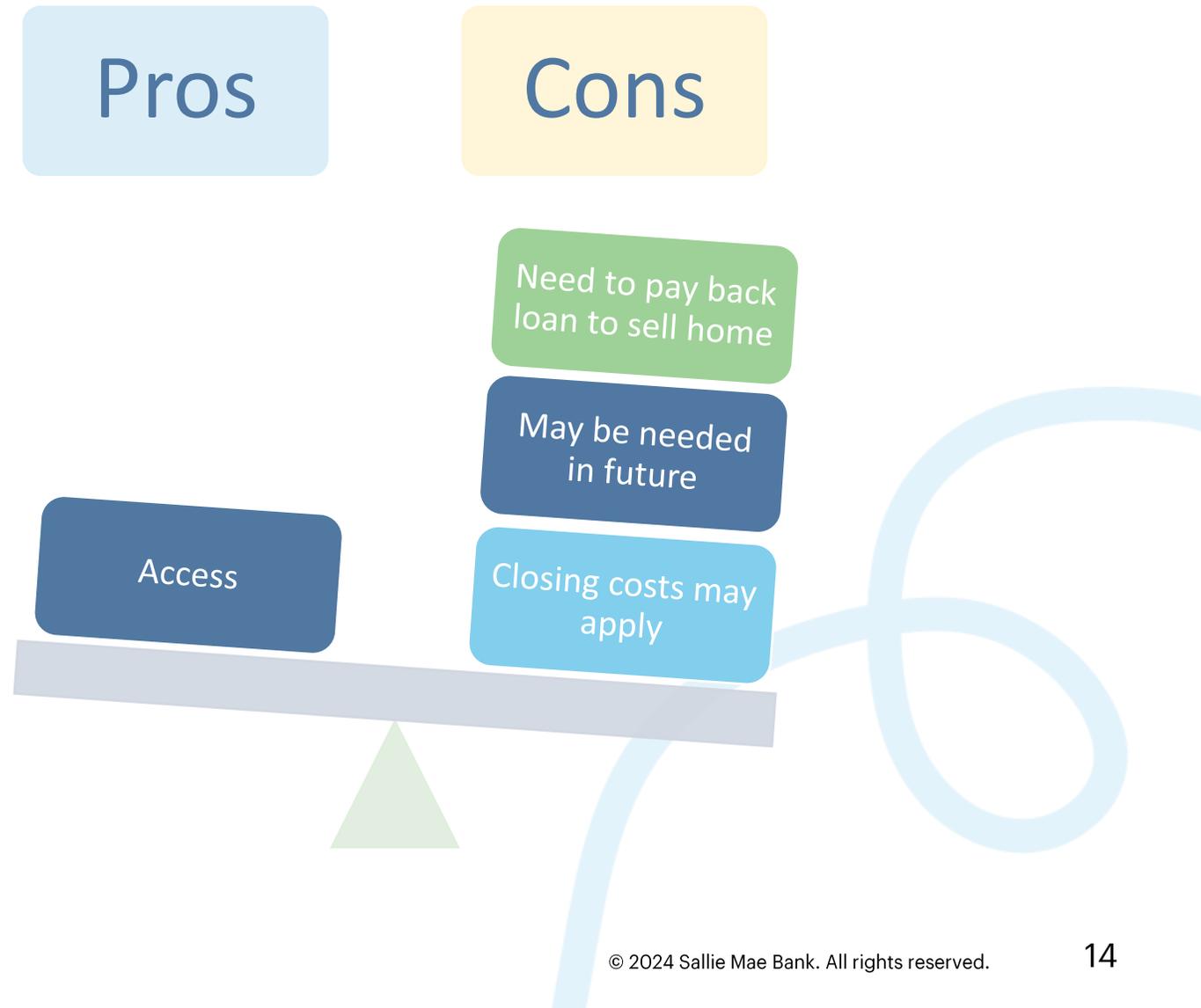
\*\*Consult a tax advisor

# Long term investments

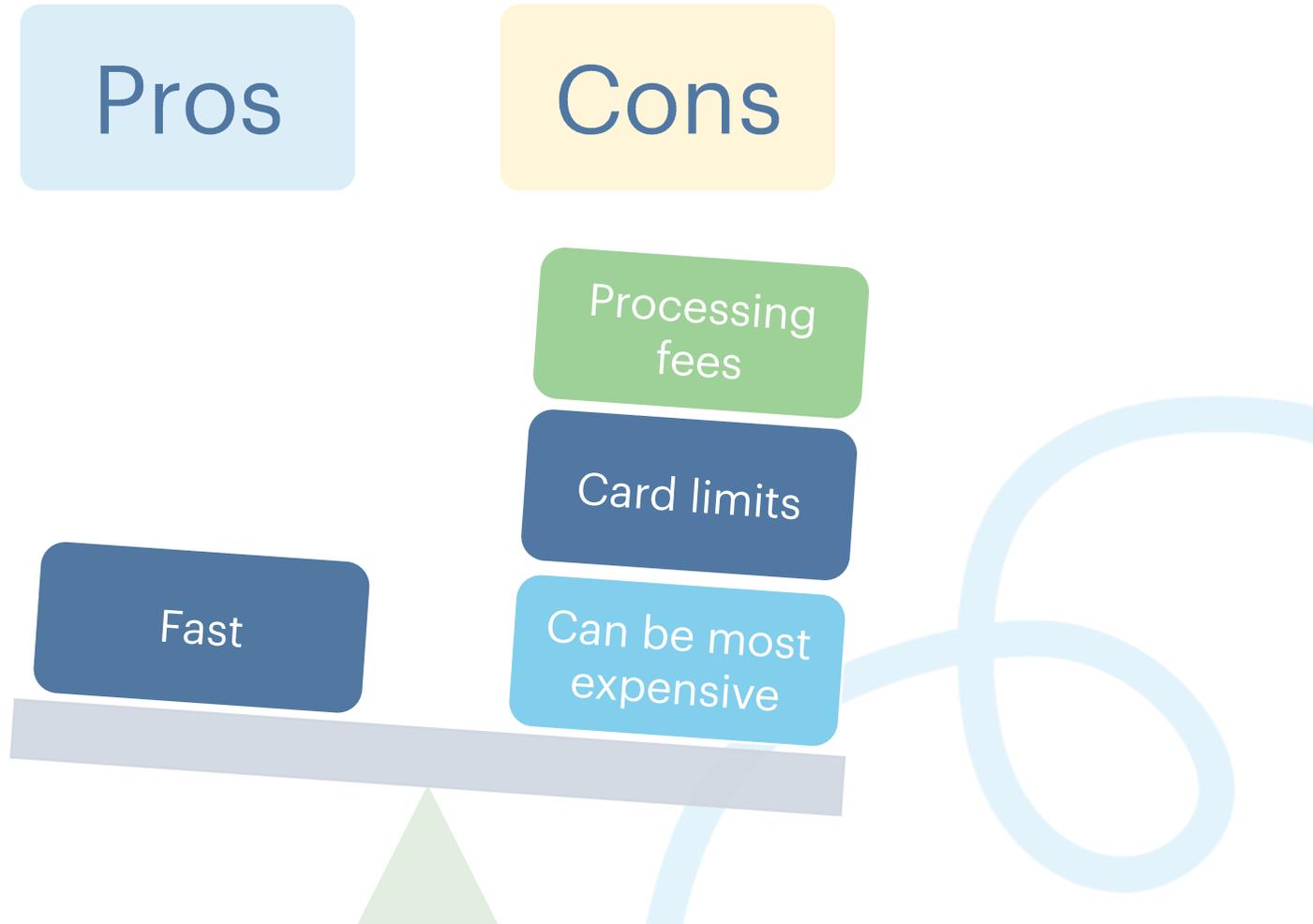
Funds can be pulled out of investments such as mutual funds, stocks, bonds to pay for college without borrowing



# Home equity loans or lines of credit



# Credit cards



# Private student loans

## Pros

Student and cosigner are equally responsible for the loan

Most lenders offer no origination or disbursement fee

May help build credit

## Cons

Deferred payments may result in interest capitalization

Terms and costs vary by lender

# Weighing repayment options on private graduate student loans

Repayment options will vary depending on the loan program and lender

## In school payments may:

- Help build credit if a borrower is making scheduled monthly payments on time
- Reduce capitalized interest (this is the unpaid interest added to a loan's principal amount)
- Lower the total loan cost

## Deferred payments may:

- Allow for more flexibility while in school
- Increase the total loan cost due to capitalized interest and as illustrated below, some lenders may offer a higher interest rate for deferred repayment

<u>In-School Repayment Option</u>	<u>APR</u>	<u>In-School Monthly Payment</u>	<u>Post-School Payment</u>	<u>Post School Payment Terms (months)</u>	<u>Total Amount Paid</u>
Example assumes a \$10,000 loan to a first-year graduate borrower					
Deferred Repayment Option	14.42%	\$0	\$184.54	179	\$32,960.50
Interest Repayment Option	14.48%	\$120.83	\$137.34	179	\$27,557.54

# Net disbursement example

- If the lender changes an origination fee, the percentage of that fee will be deducted from the loan proceeds prior to sending them to the college.
- The borrower is responsible for repaying the total amount borrowed

	Federal Parent/Graduate PLUS Loan	Private Loan
Loan Amount	\$10,000.00	\$10,000.00
Origination Fee	-\$422.80	-\$0.00
Net Disbursement	\$9,577.20	\$10,000.00

# Key things to consider when shopping for education loans

## How much should I borrow?

- Consider your financial situation
- Consider expected starting salary and debt load

## Type of interest rate?

- Fixed interest rates – stability but often more expensive
- Variable interest rates can be less expensive, especially in the short-term, but they could cost more in a rising rate environment

## Benefit programs offered?

- Rewards certain activities such as paying via ACH or paying on-time

## Other features

- Repayment term
- Fees (if any)
- Cosigner release
- Death and disability waivers

# **Managing your existing loans while in grad school**

# Finding your federal and private student loans



## Federal student loans

- Federal Student Aid website  
[Studentaid.gov](https://studentaid.gov)



## Private student loans

- Reported to the consumer reporting agencies  
[www.annualcreditreport.com](https://www.annualcreditreport.com)

# Understanding grace periods

Grace Period - is the period of time after a borrower graduates, leaves school or does not meet the necessary enrollment requirements before monthly payment of principal and interest begins

- Payments may not be required during this period
- No application required
- Loan specific, varies according to loan
  - Direct Subsidized and Unsubsidized loans have a six-month grace period
  - Private and Institutional loans: check your promissory note

Unsubsidized federal loans and Grad PLUS Loans continue to accrue interest during the grace period

- Taking advantage of a grace period does not adversely impact credit

# Understand your federal loan

## deferment and forbearance options

Federal loans offer several repayment options as well as deferment and forbearance options.

- Check out [studentaid.gov](https://studentaid.gov) for details
  - Take advantage of the Loan Simulator to review repayment strategies
- Contact [your loan servicer](#) to apply for deferment or forbearance
  - Remember to complete the necessary forms and return promptly to your servicer
  - Stay in the know
    - Sign up for electronic communications

# Private loan repayment

- Unsubsidized for the life of the loan
- Repayment term varies by lender
- Generally, have a grace period prior to the time the student borrower is required to make principal and interest payments
- Residency and internship deferments may be available
- Forbearance and/or deferment may be available
  - Contact your loan servicer for details



## *Tip*

Refer to your promissory note and/or servicer to determine your available options

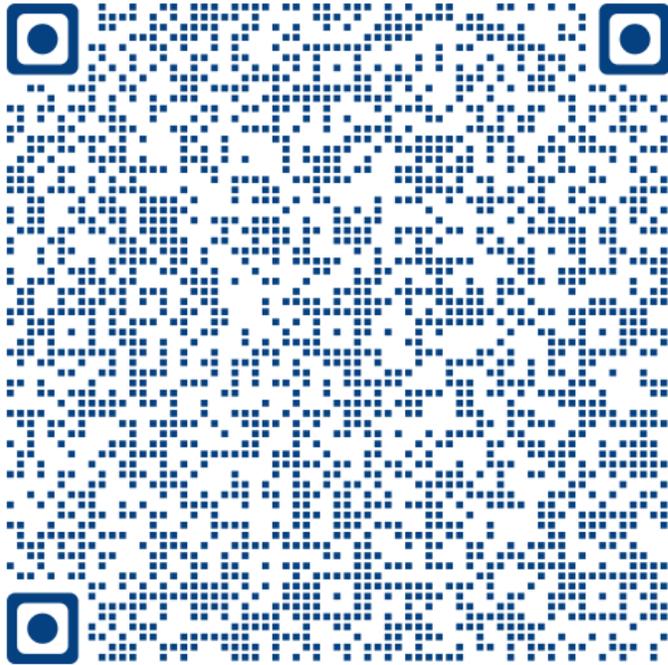
# Conclusion

While there is no “one-size-fits all” solution, make sure to:

- Find free money that doesn't have to be paid back
- Explore federal student loan options
- Fill any remaining gap with a private education loan

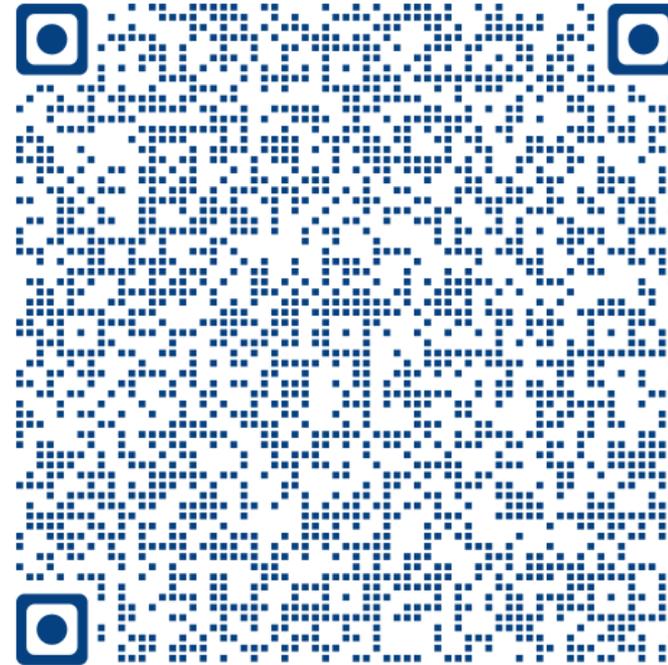
# To continue your journey

Graduate School Information



[salliemae.com/grad](https://salliemae.com/grad)

Scholarship Search



[Salliemae.com/scholarshipsearch](https://Salliemae.com/scholarshipsearch)

**Borrow responsibly**

We encourage students and families to start with savings, grants, scholarships, and federal student loans to pay for college. Students and families should evaluate all anticipated monthly loan payments, and how much the student expects to earn in the future, before considering a private student loan.

Sallie Mae does not provide, and these materials are not meant to convey, financial, tax, or legal advice. Consult your own attorney, tax advisor, or financial advisor about your specific circumstances.

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Interest rates, fees, terms, and borrower benefits based on a January 18, 2024 review of national private loan programs offered by Sallie Mae and its publicly-traded competitors. Variable rates may increase over the life of the loan.

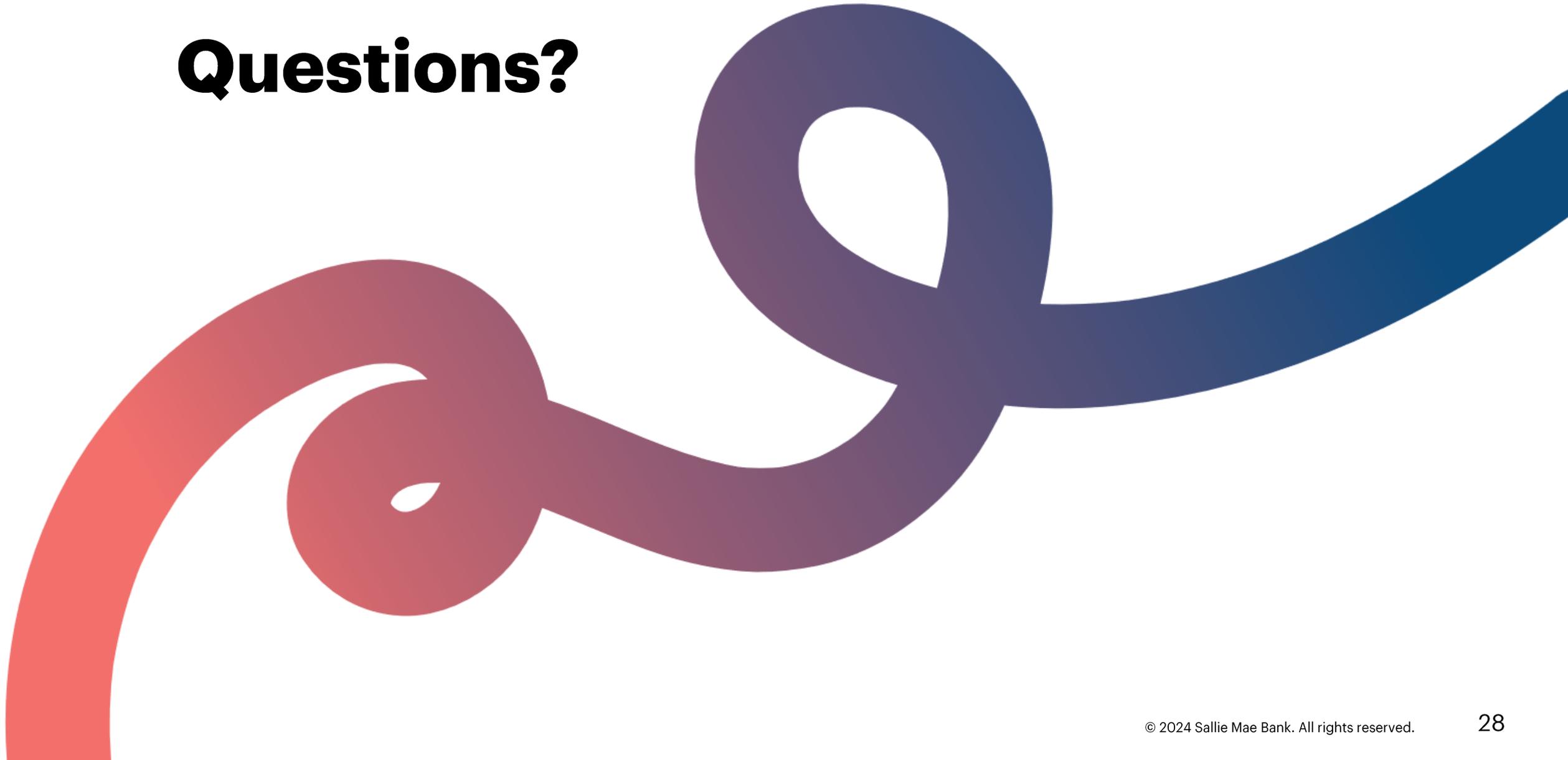
Federal loan rate and fee information is provided by Federal Student Aid, an Office of the U.S. Department of Education.

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# Questions?



## ***SESSION DESCRIPTION:***

This session highlights the differences between the Federal Grad PLUS Loan and private student loan programs. The focus of this presentation will be on encouraging responsible borrowing and helping students find the right solutions to help pay for their education.

OR

Applying for grad school? Wondering how you'll pay for your graduate school experience? Join us for a discussion on tools and resources to help you make your plan.