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New Jersey's Science & Technology University

What Is Direct Loan Entrance Counseling?

Federal regulations require that you, as a first-time student loan borrower, complete an **Entrance Counseling** session. You can complete the entire session online in approximately 30 minutes at https://studentloans.gov/myDirectLoan/index.action . The Entrance Counseling session is designed to inform you of important information you should know before you borrow a loan. Although the information is very similar to what you'll read here, the online counseling session contains the most current information and should be referred to in addition to this document.

Am I eligible?

To be eligible for a Federal Direct Loan, you have to meet most of the basic eligibility requirements for the Student Federal Aid (SFA) programs. The most important of these requirements are the following:

- You must be a citizen or permanent resident of the United States.
- You must have a high-school diploma or equivalent, or pass a test showing that you have the ability to benefit from the education program.
- You must be enrolled at least half time at a school that participates in these loan programs.

How much can I borrow?

There are maximum amounts that dictate the most that you can borrow each year. Depending on your financial need and program of study, you may not be entitled to the full maximum amount. Even if you are eligible for the maximum loan amount, you should consider whether you need to borrow the full amount. The more you borrow, the more you must repay.

How much *should* I borrow?

You shouldn't borrow more than you can repay, so you need to think about how much you are likely to earn and what your expenses will be when you get out of school. (We'll provide a worksheet later in this document that helps you to organize this information.)

Once you have an idea of what your available income will be upon graduation, you'll need to look at the full cost of borrowing, including the interest that you will have to pay on your loans. Refer to the subsequent budgeting sections for more information.

What are my repayment options?

You can choose the **standard** repayment plan (typically 10 years), or **graduated (**or **income-sensitive**) repayment plan. If you have over $30,000 in Federal Direct Loans, you can request an **extended repayment** plan. An additional option is to consolidate your loans with one of your lenders into one loan. All options are described in full in the Loan Exit Counseling session. For each of these options, bear in mind that, while a longer repayment period reduces your monthly payments, it will increase the total amount interest that you pay on the loan.

What about the interest on my loan?

Your loan has a variable interest rate that could change as often as once a year but will never exceed 8.25%. The interest rate is recalculated each year on July 1, and the holder of your loan will notify you of the new rate for the coming year.

Federal Direct Loans (FDLS) are either **subsidized** or **unsubsidized**, and you can get both types of loans for the same enrollment period.

Subsidized - If your income is low enough when you apply for aid, you may be eligible for this kind of loan. The government pays the interest on subsidized loans so long as you remain enrolled in school at least half time, while you're in the 6-month grace period after you leave school, and during authorized periods of deferment.

A subsidized loan is based on your *financial need* as determined by your Cost of Attendance (COA), minus your EFC (Expected Family Contribution) as indicated on your Student Aid Report (SAR) and any other aid you'll be getting. If you qualify for a subsidized loan less than the FDL loan limit, you can borrow an additional amount in the form of an *unsubsidized* FDL.

Unsubsidized - This kind of loan is easier to get because it is not need based and, as such, does not depend on your EFC to determine the amount you can borrow. Interest on an unsubsidized loan accrues from the time the loan is disbursed until it is paid in full, including periods of deferment.

The interest on an unsubsidized loan accumulates while you're in school, in the grace period, or in a deferment period. You can reduce the amount of interest that you pay by paying the interest as it accrues each month while you're in school, in your grace period, or in deferment. If you do not pay the interest while you're in school, the interest will be *capitalized*—that is, it will be added to the *principal* loan amount (the actual amount you borrowed), resulting in a higher amount—and additional interest will be based upon that new (higher) amount.

What if I'm having trouble making payments on my loan(s)?

If you have trouble repaying your loans because you have returned to school, are unemployed, or have a very low income, you may be able to defer your loan payments. To view information on your federal student loans and loan servicers, please see Loan Servicer (https://studentaid.ed.gov/sa/repay-loans/understand/servicers#my-servicer).
Also, stay in touch with your lender—your lender may be able to offer you a *forbearance agreement* if you're having financial or other trouble.

What is deferment and forbearance?

Under certain circumstances, you can receive a *deferment* or a *forbearance* on a Federal Direct, PLUS, or a consolidation loan. To get a deferment or a forbearance agreement, you must request one from your lender (the U.S. Department of Education). Both deferments and forbearances allow you to postpone repaying the principal on your loan. (If you have a subsidized loan, the advantage of a deferment is that the interest on the loan is paid by the federal government during the period of deferment.)

The most common deferment is the "in-school deferment" for students enrolled at least half time at an eligible postsecondary school. Once you've graduated or left school, there might be times when you qualify for an unemployment or economic hardship deferment.

Additionally, the lender may grant you forbearance for a number of reasons—if you can't pay because of poor health or because your loan payments are too high relative to your income. Under forbearance, the lender can temporarily postpone your loan payments or reduce them altogether.

What happens to me if I default on a loan?

Unfortunately, some students don't repay their student loans, and the loans go into what is known as *default* status. **Defaulting on a loan has very serious consequences**. If you default on a loan, you will be reported to national credit bureaus, and your credit rating will probably be harmed. As such, you may not be approved for a car loan or even for a mortgage! Additionally, your wages can be garnished, your income tax refund can be withheld, and you won't be able to get student aid to go back to school until the default status is resolved. Avoid defaulting on your loans by budgeting and planning accordingly.

What is budgeting?

When your school determines your federal financial aid award package, it uses a standard *budget* to estimate the expenses you will incur while attending school, including living expenses. The school's standard budget is called the "Cost of Attendance," or COA, and it is likely to be a fairly good estimate or your expenses. Keep in mind that you could spend more (or less) than the school estimates on living expenses and *variable* school expenses, such as books and supplies, room and board, transportation. (Tuition and fees are fixed costs that are likely to remain the same for the entire school year. You can find NJIT's Cost of Attendance by reviewing our catalog or on our website at http://www.njit.edu.)

Personal budgeting is a way to ensure that you're not spending money this week that you may need for necessities later in the month.

How do I create a personal budget?

If college is your first experience living on your own, it may take you awhile to become familiar with budgeting for your expenses. Understanding how to live within a budget will help you while you are in school and will most likely also help you more successfully manage your money after you leave school.

To budget, start by listing your expected monthly expenses (such as rent, groceries, gas, electric, and phone bills) and the resources you expect to have available (such as earnings) to pay those expenses.

How much will you make after graduation?

A good source of information on jobs is the *Occupational Outlook Handbook* (http://www.bls.gov/oco/), published by the U.S. Department of Labor. It includes information about working conditions, educational requirements, and whether it's a growing career field or not.

How much will you spend?

Let's take a look at your expenses, starting out by assuming that you spend ¼ of your income on rent and another ¼ to state and federal taxes. Use the list below to estimate your Other Expenses for the month. Estimate on the high side because there will always be unexpected expenses. If you don't have a car or pay utilities, but expect to have those costs when you graduate, ask your parents or a friend for a good estimate.

Other Monthly Expenses

Utilities	
Gas	________
Electricity	________
Telephone	________
Water	________
Transportation	
Bus/subway/taxi	________
Parking	________
Gas/car maintenance	________
Car payments	________
Car insurance	________
Food and personal	
Groceries	________
Clothes	________
Dining out	________
Laundry/dry cleaning	________
Entertainment	________
Health insurance, etc.	
TOTAL:	

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To figure your Available Income, divide your monthly income in half (one half already allocated to rent and taxes), then subtract the total Other Monthly Expenses you just calculated.

Monthly Income
– Other Expenses
= Available Income

Your Available Income will give you an idea of how much you can afford to pay each month toward your student loan debt. You need to have some income left over, however, for things like emergencies, savings for retirement, or other reasons.

Using the budget worksheet

The worksheet below will help you plan ahead for school costs and living expenses. After establishing a budget, you may want to monitor your actual expenditures for a while to make sure your budget is accurate. To determine your Expenses, you will need to begin by compiling basic financial information. Your checkbook, credit card statements, school bills, and other monthly bills are a good place to start.

Estimated Expenses		**Estimated Resources**	
Tuition & Fees		Parents' contribution	
Books		Friends/Relatives	
Supplies		Summer job savings	
Dormitory/rent		AFDC	
Utilities		VA Benefits	
Telephone		Social Security	
		Other assistance	
Board plan			
Groceries		Scholarships	
Eating out		Grants (Pell, etc.)	
Clothes		Student loans	
Laundry		Co-op or work-study	
Household items			
Entertainment (movies, concerts, recordings, etc.)			
Commuting			
Car repair/insurance			
Trips home			
Health insurance			
Prescriptions			
Dependent care			
Emergencies, other			
TOTAL EXPENSES		**TOTAL RESOURCES**	

To estimate your total available income for the year, you will need to consider all of your resources. Include family assistance, grants and scholarships, savings, earning, loans, and any other income. If you work during summer vacation, you should include savings from those earnings as a part of your resources for the next year. Your financial aid award letter, pay stubs, and bank account statements will help you calculate your available resources.

Determine the balance

The difference between your available resources and your expenses is your balance. If your balance is a *negative* dollar amount—in other words, your resources are less than your expenses—then try to find additional financial resources and take another look at your expenses to see if you can reduce them. For instance, it might be less expensive to live at home with your parents than to move into campus housing. If you live off campus, it will be less expensive to share housing with roommates than live alone. Cooking in can be inexpensive to eating meals out.

If your total Resources turn out to be greater than your total Expenses—in other words, the balance is a *positive* dollar amount—then you should see your school's financial aid administrator about the possibility of reducing your loan amount, even if you have already received some of the money. Remember that if you lower the amount you borrow now, you will have less to repay later.

How can I reduce the amount I need to borrow?

You can reduce the amount that you need to borrow by identifying non-loan sources of financial assistance. For example, you may have relatives and friends who are willing and able to help you. An extra $10 or $15 a week from a family member or friend can add up over a period of months or years.

Scholarships

Many organizations award special scholarships. There are some websites where you can apply for scholarships free of charge. Find out if you qualify for one of these scholarships by visiting any of the following:

- Careers and Colleges - Careersandcolleges.com
- FastWeb - fastweb.com
- SuperCollege - supercollege.com
- Scholarships.com - scholarships.com

For detailed scholarship information, refer to http://www.njit.edu/info/merit.

Work-Study (Student Employment)

A sure way to help pay for college and to avoid excess borrowing is to work part time. Working while going to school is not for everyone, but studies show that students who work while going to school do better in their courses than students who don't work. Working can also provide you with valuable experience and skills needed for a career.

How will I receive my loan money?

Whether you're getting a Federal Direct Loan or your parents are getting a Federal PLUS loan, the loan funds will be paid to you through your school. Your school must notify you in writing—either on paper or electronically—within 30 days, before or after it credits your account with your loan funds.

You can cancel all or a portion of your loan if you tell your school within 14 days after the date that your school sends you the notification, or by the first day of the payment period, whichever is later. If you receive Federal Direct Loan funds directly by check, you can refuse the funds by returning the check to the Bursar's Office. If you cancel all or part of the loan, don't forget to ask for a revised tuition account statement. Keep this with your other loan records.

School charges are paid first

Your loan money will first be used to pay for your tuition, fees, and any room and board charges at your school. Typically, this payment will be credited directly to your student account. If any loan money remains, you'll receive the funds by check or in cash unless you give the school written permission to hold the funds until later in the enrollment period.

Loan fees

The loan funds that you receive will be slightly less than the amount that you are borrowing because of deducted loan fees. For instance, if you've been awarded a $2,000 loan to be paid in two installments at the beginning of your fall and spring terms, the actual amount credited to your account for fall semester may only be $960 and not $1,000.

That's because you will be charged a fee of up to 4% of the loan, deducted proportionately from each disbursement of your loan. Part of the fee is an insurance fee that is used to pay off loan defaults, and the rest of the fee reduces the cost of the loan to the government.

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Repay Your Loan—Don't Default!

Defaulting on your loan is a serious matter and can have severe consequences for your future credit standing. Follow these simple steps to prevent defaulting on your loans:

- **Keep all your loan paperwork.** Keep your promissory note, repayment schedule, cancelled checks, just the same as if you were borrowing to buy a car or a house. If you sign your promissory note electronically, print a copy of the confirmation.
- **Stay in touch with your lender.** Be sure your lender always has your current address and phone number on file. When you graduate, or whenever you drop below half-time enrollment status, you will be notified to complete the online Direct Loan Exit Counseling session. Completion of the session ensures that your lender has your current information and provides you with important information about repayment of your loan(s).
- **Contact your lender if you're having trouble making payments.** If you find yourself in a financial bind and are having difficulty making your loan payments, the lender may be able to offer forbearance on the loan or make other arrangements to keep you from defaulting. Always, always contact your Direct Loan Servicer if you find it difficult or impossible to make your monthly payments:
- To view information on your federal student loans and loan servicers, please see Loan Servicer (https://studentaid.ed.gov/sa/repay-loans/understand/servicers#my-servicer)