



# Pre-Loan (Entrance) Counseling Supplement: 5 Important Things to Know

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## Why this Presentation?

The federal online, required student loan entrance counseling program covers topics such as loan limits, interest rates, disbursement, the promissory note, repayment, and consequences of default. This is a good start.

Stockton's Office of Financial Aid and the Center for Economic & Financial Literacy are committed to helping students become financially literate, as part of our commitment to lifelong learning.

This presentation serves as a supplement to pre-loan counseling.

# 1. Research Costs of Attendance

- All colleges and universities that accept federal financial aid must publish a “good faith estimate” of their costs of attendance
- Costs typically assume tuition and fees for a student level (e.g. undergraduate), room and board on campus (e.g. with a certain meal plan), and perhaps other costs; don’t forget the other costs of living and studying!
- Stockton’s costs are on the [Financial Aid website](#)
- Students who are considering living off campus are encouraged to complete a separate budget worksheet to get a reliable estimate of costs
  - Stockton has an example of an interactive budget worksheet at the bottom of the Costs of Attendance web page
  - If you like to do things in Excel, check out this Costs of Attendance template that allows you to compare multiple schools side by side, from [College Money Insider](#)

## 2. Research Average Student Loan Indebtedness for Schools You Are Considering

- Consult a reliable, independent source for data on student loans averages
- The best source is [Project on Student Debt](http://www.projectonstudentdebt.org/state_by_state-data.php) at [http://www.projectonstudentdebt.org/state\\_by\\_state-data.php](http://www.projectonstudentdebt.org/state_by_state-data.php)
- Project on Student Debt publishes data for college seniors (undergraduates) who have graduated from schools each year, e.g. Class of 2011
- Unfortunately, there is no national dataset on debt for graduate students

## 3. Research Alternatives to Loans (Debt)

- The FAFSA process will calculate your “Expected Family Contribution” (EFC) toward your education; this means money from you and/or your adult guardian(s) if you are a dependent student.
- Consider applying for all scholarships you may be eligible for— from your selected college, from local and civic organizations, from your high school, and from national groups.
- If you plan for work for pay while in college, speak with your guardian(s) and college faculty/staff about how many hours of class work and studying are expected based on your credit load.
- An excellent source for information on scholarships and all sources of financial aid is [FinAid.org](http://www.finaid.org) at <http://www.finaid.org>

## 4. Research How Much Debt You Can Afford

- If you have not graduated and do not have the first job of your new career, how can you know the maximum debt to safely borrow?
- Based on a wealth of experience and case histories, financial professionals have published some basic guidelines for student loan indebtedness.
- These estimates are based on considerations for monthly rent and the possibility that graduates may have some credit card debt to set up a new apartment or home.
- A chart is provided next for your convenience.

## Chart: Common Sense Guide to Budgeting for a new College Graduate

Expense	How much should it be?	Notes
Rent	No more than 28 – 32% of new monthly income	Net income = (Gross – all payroll deductions)
All Debt (car loan, student loan debt, & credit cards)	No more than 20% of net monthly income	
➤ Of all debt, that portion for student loans only	No more than 10% of net monthly income; Or no more than 7-8% of your gross income	So this means half of your debt should be student loans and half should be everything else
➤ Alternate rule of thumb for aggregate student loan debt	Do not borrow more than you expect to earn for your 1 <sup>st</sup> year's salary after graduation	

## 5. Research Jobs and Salaries

- Since you need to gauge how much to borrow based on prospective careers, where can you learn about careers?
- [O\\*NET](#) is the best website that aggregates information from multiple Bureau of Labor Statistics publications and surveys
  - Search for jobs “in demand” over the next 10-20 years
  - Search for jobs by keyword
  - Search for jobs based on your interest and/or skills
  - Learn what tasks and duties are associated with various jobs
  - Find out median salary for jobs in the U.S. and also in your state



## Putting It All Together

- Prepare your own Paying for College Worksheet that includes dollar amounts for:
  - Costs of Attendance
  - Your Grants and Scholarships
  - Your Loan and Work Study options
  - An estimate of how much it will cost for 4 years (or time to graduation)
  - An estimate of how much you will owe in debt
  - A sample template is provided by the federal [Consumer Finance Protection Bureau](#)
- To estimate how much you could be paying per month for your aggregate student loan debt, an excellent, independent college payment calculator is provided by [NerdWallet](#).

## Extra Online Help with Financial Literacy

- The Stockton Center for Economic & Financial Literacy provides free access to an online, non-profit program called CashCourse.
- CashCourse has self-paced lessons for college students on topics such as: budgeting, credit cards, identity theft, and saving. There is also a separate module called “Paying for College.”
- To access CashCourse, go to [www.cashcourse.org/stockton](http://www.cashcourse.org/stockton)