

STOCKTON CENTER FOR  
ECONOMIC & FINANCIAL LITERACY  
THE RICHARD STOCKTON COLLEGE OF NEW JERSEY



**Stockton Peer Financial Education Program  
Student Loan Debt**



It's payback time! Keep reading to learn the most efficient way to payback your student loans today.

Receiving an education is practically essential in order to obtain a high-paying successful job and build a career. Having an Associate's Degree is becoming obsolete these days. To get a well-paying job, a graduate must have at least a Bachelor's Degree if not a Master's or Doctorate Degree. The higher the degree that a graduate has, the more valuable they are to a company and the more money they make. Simply having a high school diploma has become completely obsolete. In order to get a quality job a student must have some sort of college degree.

Due to substantial increases in tuition and fees over the past decade, most college students are compelled to acquire one or more student loans to help pay their college finances. The average student loan debt for Stockton students who graduated from in 2011 was \$32,255. Roughly 78% of the Stockton graduates owe student loan debt.

**Subsidized, Unsubsidized, PLUS Loans, Private Loans ... Do you know the difference?**

There are several different types of student loans available to college students. A student loan can either be subsidized or unsubsidized. The distinction between a subsidized loan and an unsubsidized loan correlates to whether the loan accumulates interest or not.

A **subsidized loan** means the U.S. government pays the interest while the student is in school and during the grace period. Then the graduate begins paying back the principal and interest. The grace period after graduation is between 6 to 9 months.

An **unsubsidized loan** is not based on financial need and begins accumulating interest from the time you are first issued the loan. The more interest one accumulates the higher one's debt! One of the most important aspects to student loan debt is the knowledge of understanding how to pay off your debt.

Subsidized and unsubsidized loans have the lowest interest rates because they are direct lending from the U.S. federal government under the William D. Ford Direct Loan program (see <http://www.direct.ed.gov/>).

**PLUS Loans** are loans for undergraduate students that their parents or guardians can apply for to help pay for their education. The repayment period of these loans are roughly 10 years after graduation.

**Private Loans** are bank loans that students apply for in addition to the federal loans. These loans have their own terms and conditions that are discussed and agreed upon by the student and the bank. But interest rates are much higher for these loans!

## Managing Your Student Loan Debt

In order successfully manage your student loan debt payments; the general “rule of thumb” is to select a job whose first year income (starting income) is greater than or equal to your total student loan debt. If this doesn't happen, it will take much longer to pay off your debt and interest will continue to compound.

To pay off student loans now, it takes anywhere from 10 to 25 years depending on how much debt you are in and how many loans a student has taken out.

### Did You Know ...?

STUDENT LOAN DEBT IS THE ONLY DEBT THAT IS COMPLETELY UNFORGIVABLE! Even if you file for personal bankruptcy you are still required to pay off student loan debt.

Meeting student loan payments on time and to the most of one's ability is crucial. College students should not be paying the bare minimum for their student debts or it will take years to ultimately pay off all of your liability. Even with one late loan payment, you could risk the potential of accruing poor credit ratings; if you want to borrow money in the future, this will end up costing you more (a higher interest rate).

It is imperative that potential college students seek every available scholarship and/or grant before applying for student loans. Student loan debt is a very worrisome and controversial issue in our society today that should be explicated and examined as much as possible when seeking a higher education.

It is absolutely necessary to have a payment plan and be well educated on the terms and conditions of one's student loans, scholarships, and grants. Payment plans for student loans can be very confusing and tricky. However, on websites such as <http://www.hesaa.org/Pages/StudentsParents.aspx>, the New Jersey Higher Education Student Assistance Authority (HESAA) will help organize a plan for success, payment plans, and help one manage their account. In addition, HESAA allows for students to apply for student loans, scholarships, and grants. Also, they offer financial aid resources and financial literacy information to help students and parents learn about how to manage their money.

Don't let this be you.



### Suggested Further Resources:

U.S. Direct Student Loans information is located at

<http://www.direct.ed.gov/student.html>

The College Board on paying for college information is located at

<http://www.collegeboard.com/student/pay/index.html>

New Jersey Higher Education Student Assistance Authority on paying for college information is located at

<http://www.hesaa.org/index.php?page=paying-for-school>

Project on Student Debt information is located at

<http://www.projectonstudentdebt.org/>

Practical Money Skills for Life information is located at

<http://www.practicalmoneyskills.com/personalfinance/>

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