



**The Benjamin L. Hooks
Institute for Social Change**

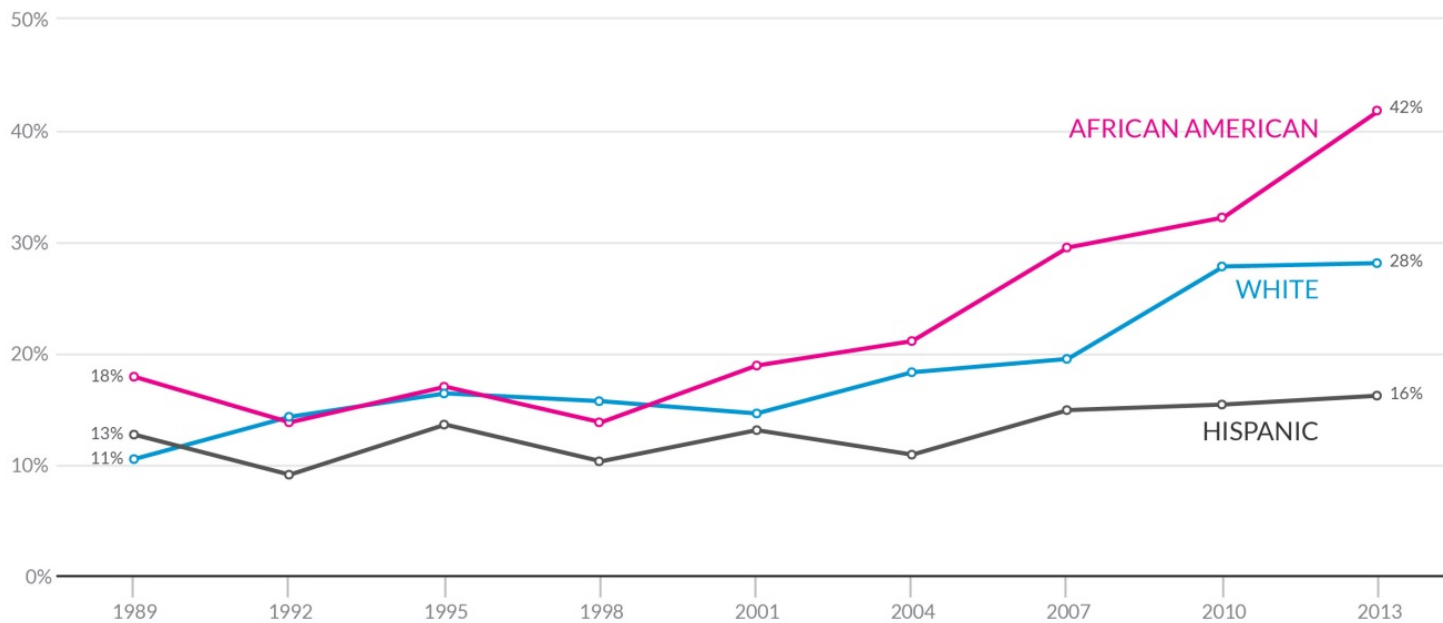
AFRICAN AMERICAN STUDENTS & STUDENT LOANS: THE ALBATROSS OF BORROWING

**Mr. Edward C-W Harper IV
Senior Associate Portfolio Manager
Diversified Trust Company
eharper@diversifiedtrust.com**

STUDENT LOAN STATISTICS

- \$1.3 Trillion Student Loans in the USA - *New York Branch of the Federal Reserve*
- African-American Families represent > 40% of student loan users, compared to 28% for White Families

Share of Families With Student Loan Debt for Those Ages 25–55, 1989–2013



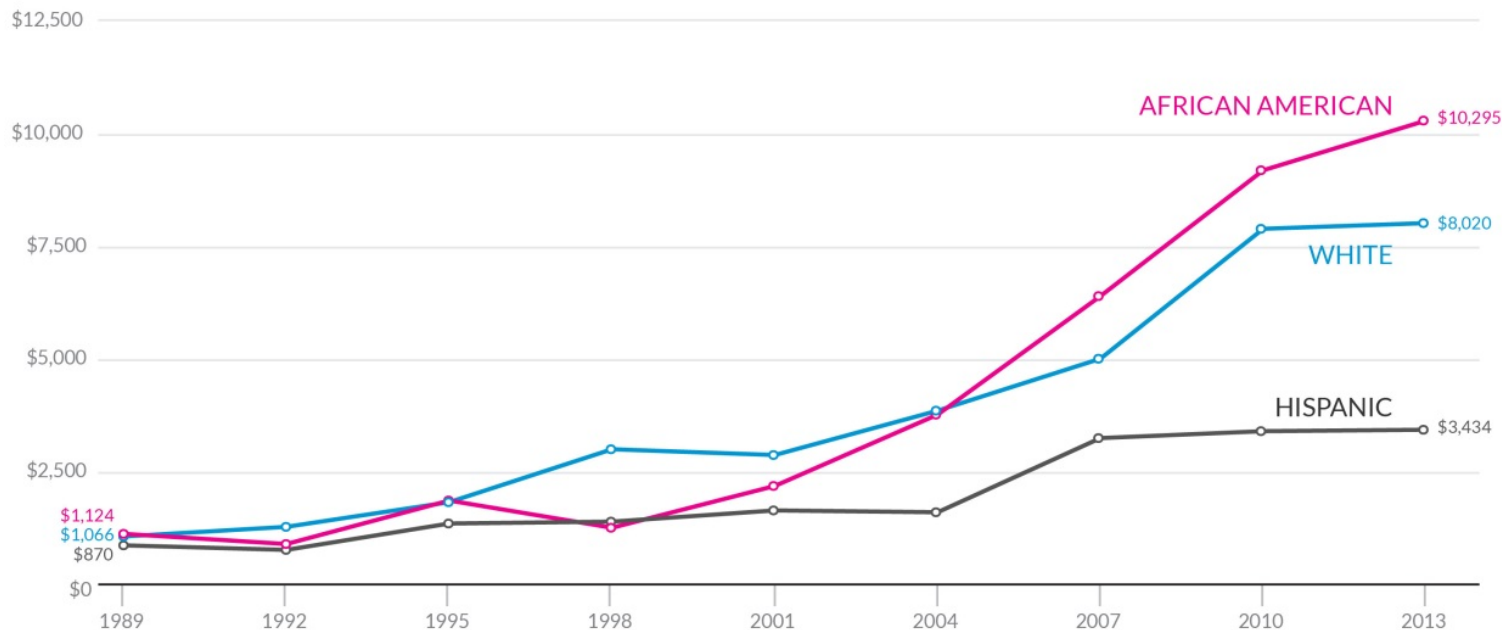
Source: Urban Institute calculations from Survey of Consumer Finances 1983–2013.

Note: Age is defined as the age of the household head.

STUDENT LOAN STATISTICS

- On average AA Families use more student loans (\$10,295), compared with White Families (\$8,020)

Average Family Student Loan Debt for Those Ages 25–55, 1989–2013



Source: Urban Institute calculations from Survey of Consumer Finances 1989–2013.

Note: 2013 dollars. Age is defined as the age of the household head.

URBAN INSTITUTE

- Black Graduates have higher loan balances, avg. \$35,477 Private College and \$29,344 Public Schools. White Grads tend to have ~\$4,000 less for each – *the Demos Organization*

WHY?!?!?!?

- AA Families are less likely have access to traditional sources of wealth that help finance education:
 - Less Wealth
 - Inheritances
 - Homeownership
 - Parent/Child Student Loan Cycle
- The avg. AA Household's Net Worth = \$11,000 vs. avg. White Household's Net Worth = \$141,900 - *the Pew Research Center*
- AA Net Worth Covers on avg.:
 - 1 year @ Public 4yr. In-State School (\$9,139)
 - 1 semester @ Public 4yr. Out-State School (\$22,958)
 - 1 Semester at Howard University
 - Almost a Semester at the U of Memphis



IS IT WORTH IT???

- AA Grads sometimes experience lower return on their investment in education due to:
 - Lack of Access to Wealthy Social Network
 - Hiring Discrimination
 - More Student-loan Debt

STEPS TO HELP FIGHT THE STUDENT LOAN ALBATROSS

1. **Seek Free Money:** Grants, Scholarships, Work Study Programs, Internships. Every little penny helps.
2. **Graduate ON Time:** AA students have low graduation rates. Students who delay graduation pay for extra semesters & absorb tuition increases. The best jobs tend to go college graduates. - *the National Center for Education Statistics*
3. **Know Your Options:** Exit counseling, talk to Financial Aid & Learn loan payment options - www.StudentLoans.gov.
4. **How Much Do I Owe?:** Total of Loans, How many Loans, Who to pay, How to pay?
5. **8% - 10% Rule:** Know how much you can afford to pay back a year. General rule of thumb is 8-10% of Annual Gross Income.

Your Annual Income	Range of Affordable Monthly Loan Payments
\$15,000	\$100 – \$125
\$20,000	\$133 – \$167
\$25,000	\$167 – \$208
\$30,000	\$200 – \$250
\$35,000	\$233 – \$292
\$40,000	\$267 – \$333
\$45,000	\$300 – \$375
\$50,000	\$333 – \$417
\$75,000	\$500 – \$625
\$100,000	\$667 – \$833

STEPS TO HELP FIGHT THE STUDENT LOAN ALBATROSS

6. **Budget:** Set a **REALISTIC** repayment goal timeline & plan. **STICK TO IT.**
7. **Emergency Fund:** Rule of Thumb is 3 - 5 mo. Salary. Helps maintain your ability to pay off interest.
8. **A Little Extra:** Pay extra to reduce the principal amount. Shortens repayment term. Lessens interest burden.
9. **College Savings:** Start saving early. Try not to spend all your non tuition, fee & expenses student loan funds. Possible work study or part time job. **ONLY** If it does not interfere with your studies!
10. **Don't Wait:** Repay **ASAP**, and avoid interest accruing. Waiting 1-2yrs post grad can increase your student loan total balance by as much as 10%.



EXTRAS

- Current Interest Rates on Student Loans

What are the interest rates for federal student loans?

The interest rate varies depending on the loan type and (for most types of federal student loans) the first **disbursement date** of the loan. The table below provides interest rates for Direct Loans first disbursed on or after July 1, 2015.

Perkins Loans (regardless of the first disbursement date) have a fixed interest rate of 5%.

Interest Rates for Direct Loans First Disbursed on or After July 1, 2015

Loan Type	Borrower Type	Loans first disbursed on or after 7/1/15 and before 7/1/16
Direct Subsidized Loans	Undergraduate	4.29%
Direct Unsubsidized Loans	Undergraduate	4.29%
Direct Unsubsidized Loans	Graduate or Professional	5.84%
Direct PLUS Loans	Parents and Graduate or Professional Students	6.84%

All interest rates shown in the chart above are fixed rates for the life of the loan.

Note: The interest rates for federal student loans are determined by federal law. If there are future changes to federal law that affect federal student loan interest rates, we will update this page to reflect those changes.

EXTRAS

■ Loan Options Available After Graduation:

Standard repayment. Typically this is the least expensive option in terms of total interest costs. Also known as the level repayment plan, this option provides a fixed monthly payment of at least \$50 over a period of up to 10 years. If your monthly payments under this option exceed 8 percent to 10 percent of your gross monthly income, however, consider one of the following flexible repayment options.

Graduated repayment. Monthly payments start low and increase over time. Graduated repayment may be a good choice if you currently have limited income but expect higher earnings in the future. The maximum repayment term under this option is 10 years. Total interest costs are higher under this option than with standard repayment.

Income-sensitive repayment. Available only for FFELP loans, your payments can be adjusted up or down annually to account for changes in your income. The minimum payment must be enough to cover accruing interest. The repayment period of 10 years can be extended to 15 years under a special forbearance provision. Total interest costs will be higher with this option than with standard repayment.

Extended repayment. This option is available only if you did not have a balance on a FFELP loan or Direct Loan as of Oct. 7, 1998, or at the time you received a FFELP loan or Direct Loan after Oct. 7, 1998. Extended repayment is available only if your outstanding FFELP loan or Direct Loan balance is more than \$30,000.

Under this plan, you may reduce the amount of your monthly payment by spreading payments over a period of up to 25 years under a standard or graduated repayment schedule. Because payments are stretched over a longer term, total interest costs will be significantly higher than under the other repayment plans.

Income-based repayment. You may qualify for this repayment option if your loan payments during the year exceed 15 percent of your “discretionary” income. Under this plan you may limit your payments to 15 percent of your “discretionary” income. In addition, your payments may be less than accruing interest; you may qualify to pay back your loans over a period of up to 25 years, and you may qualify for forgiveness of any remaining amount you owe after 25 years of payment. Beginning July 1, 2014, new borrowers may qualify for income-based payments of no more than 10 percent of their discretionary income and are eligible for loan forgiveness after 20 years of repayment.

Income-contingent repayment. This option is available for Direct Loans, except Direct PLUS loans to parents. Your payments are based on your income, family size and outstanding loan balance. Payments may be less than the accruing interest. If you haven’t fully repaid your loan after 25 years, you may qualify to have the unpaid amount forgiven.

Pay as You Earn. Payments are limited to 10 percent of your “discretionary” income, and you may qualify for loan forgiveness after 20 years of repayment. The option is available only to Direct Loan borrowers — except for those with Direct PLUS loans to parents or Direct Consolidation loans that repaid a parent PLUS loan — who were new borrowers as of Oct. 1, 2007, and received a Direct Loan disbursement since Oct. 1, 2011.

Loan consolidation. Consolidation permits you to bundle all of your federal education loans into a convenient single monthly loan payment at a fixed interest rate. Depending on your total outstanding loan balance, you also may be able to extend your repayment period and lower your monthly payments. You are likely to pay more total interest, however, by extending your payment period and making smaller payments over a longer term.

EXTRAS

▪ Deferment

Postponing your loan payments and no interest accrues on subsidized loans. Deferment is available under specific conditions:

- you are enrolled in a postsecondary school
- you are enrolled in an approved graduate fellowship program
- you are disabled and enrolled in an approved rehabilitation training program
- you are unemployed or unable to find full time employment (limited to 3yrs)
- you are experiencing economic hardship (limited to 3yrs), or
- you are active duty military, within the past 13 months.

▪ Forbearance

Postponing loan payments but interest accrues. Any unpaid interest is added to your loan balance.

For example: \$10,000 at a 5% interest, with a year forbearance turns to a \$10,500 balance. And Interest is added to the new balance. Forbearance is available if:

- your loan servicer deems you are eligible and has final say so.
 - More likely if you are experiencing financial hardship
 - Experiencing severe illness.
- Forbearance is mandatory if:
 - you are enrolled in a medical or dental internship or residency
 - your monthly student loan payment is 20% or more of your monthly gross income (and you meet other conditions)
 - you are serving in a national service position, such as Americorps,
 - you are eligible for teacher loan forgiveness,
 - You are in the Department of Defense's loan repayment program, or
 - you are in the National Guard.