

Helping Students Transition from Undergraduate to Graduate Programs – What they need to know about Financial Aid

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Rules of Thumb

- All graduate/professional school students are considered “independent” for federal aid purposes.
- Graduate/professional school students may not be considered “independent” for institutional aid
- Cost of Attendance (COA) can not include preexisting debt.
- Availability of federal and state aid substantially less than for undergraduate education

No Financial Aid For Getting into Grad School

- Graduate Admissions Exams (LSAT, GRE,MCAT): \$130-210
- Admission Service Application: \$120-390
- Travel Costs (\$250 per school): \$2,500
- Misc: (Prep Course, move,2nd Look) \$750
- School Application Fee ~\$750



Graduate & Professional Student Need Analysis



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Need Analysis – EFC Components – Independent Formula

- Contribution from student (and spouse) income
- Contribution from student (and spouse) assets

Independent Student (no dependents)

- EFC = Sum of student's (and spouse's) contribution from available income _ contribution from assets divided by # in college.
- Available Income =
 - Total Income – Allowances (multiplied by 50%)
- Contribution from Assets =
 - Net worth – Asset Protection Allowance (multiplied by asset conversion rate of 35%)

Independent Student With Dependents Other Than a Spouse: Regular Formula

- Similar to the formula used to calculate the parents' contribution for the dependent student



All Independent Students: Simplified EFC Formula

- To qualify:
 - Student/spouse's income must be less than \$50,000
 - Student/spouse are either not required to file a tax return or eligible to file 1040A or 1040EZ
 - Receipt of means-tested federal benefit program in previous 12 months (expanded eligibility criteria with HERA)



Independent Student Model With Dependents Other Than a Spouse: Automatic Zero EFC

- To Qualify:
 - Student's/spouse's combined AGIs or earned incomes are \$30,000 or less
 - Student/spouse are either not required to file a tax return or eligible to file 1040A or 1040EZ
 - Not applicable for independent student without dependents other than a spouse

Federal Loans



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FFEL & Direct Loans

- \$8,500 Annual Loan Limit for Graduate/Professional degree programs (base amount)
- Additional unsubsidized annual loan limit - \$12,000 (total = \$20,500)
- Graduate/Professional Aggregate limit (including undergraduate loans) –
 - \$65,500 subsidized
 - \$138,500 unsubsidized, *minus* subsidized loans

FFEL & Direct Loans

- While undergraduate subsidized loan Stafford interest rates have been decreasing – Stafford interest rates for Graduate/Professional students remain at 6.8% fixed rate.

Health Professions Loan Limits

- Stafford Loan for Health Professional Students still \$8,500
- Unsubsidized for a 12 month POE can be \$38,600
- Graduate/Professional Aggregate limit (including undergraduate loans) for Health Professionals –
 - \$65,500 subsidized
 - \$224,000 unsubsidized, *minus* subsidized loans



Graduate PLUS

- Maximum = up to COA minus other estimated financial assistance
- No adverse credit history
- Repayment begins on day of last disbursement – deferral available
- Fixed 8.5% interest rate (DL = 7.9%)
- 3% Origination Fee
- Must complete FAFSA and utilize maximum Subsidized & Unsubsidized eligibility



Perkins Loans

- \$8,000 Annual maximum
- \$60,000 Graduate/Professional Program Aggregate Loan Limit (including undergraduate loans)
- Perkins Cancellation Provisions
- 5% Fixed loan (Not eligible for IBR as is)
- What is the future of the Perkins Loan Program?

Income Based Repayment



The New Recruitment Tool



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Income Based Repayment Program (IBR)

- Effective for FFELP and DL borrowers 7/1/2009
- 25 Year Forgiveness
- Experiencing “partial economic hardship”
 - Loan payments exceed 15% of income above 150% of poverty level



Poverty Levels 2009

| Family Size | Amount | 150% |
|-------------|----------|----------|
| 1 | \$10,380 | \$16,245 |
| 2 | \$14,570 | \$21,855 |
| 3 | \$18,310 | \$27,465 |
| 4 | \$22,050 | \$33,075 |
| 5 | \$25,790 | \$38,685 |
| 6 | \$29,530 | \$44,295 |



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Monthly Maximum Payments

- AGI – (assumes family size of 1)
 - \$30,000 \$172
 - \$40,000 \$297
 - \$50,000 \$422
 - \$60,000 \$547
 - \$70,000 \$672
 - \$80,000 \$797
 - \$90,000 \$922
 - \$100,000 \$1,005

Federal Loan Forgiveness Program

- Employed Full-time in qualifying public service job
- Making qualifying loan payments on Federal Direct Loan(s)
- FFELP Borrowers must consolidate into DL
- 120 payments while in eligible employment (need not be consecutive) on or after 10/1/07
- 10 Year Forgiveness
- Broad definition of “public service”



What Qualifies As Public Service?

A full-time job in:

- **Government**, military service, public safety, or law enforcement,
- **Public health**, public education (including early childhood education),
- **Social work in a public child or family service agency**,
- **Public interest law services** (including prosecution or public defense or legal advocacy in low income communities at a non-profit organization),
- **Public childcare, public service for individuals with disabilities**, public service for the elderly, **public library sciences**, school based library sciences and other school based services, or at
- an organization that is described in **section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such code**

***note: this is a partial listing.*



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Other Considerations for Graduate/Professional Students



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Outside Scholarships

- There is money to be found
 - State
 - Foundations
 - Employers
 - Service Clubs

TEACH Grants

- Undergraduate AND graduate students and students enrolled in a post-baccalaureate teacher credential program, or current or prospective teachers.



Student Employment

- Federal Work Study
- Institutionally-funded employment
- Research Assistantships
- Fellowships
- Maximum working hours



College Opportunity and Affordability Act

- PL 110-315 (August 14, 2008)
- Loan Forgiveness – 3 new (unfunded) programs
 - Loan Forgiveness for Service in Areas of National Need Program
 - Loan Repayment for Civil Legal Assistance Attorneys Program
 - Loan Repayment Assistance for Prosecutors and Public Defenders



Debt Management

- Plan Carefully
- Borrow Minimally
- Use credit cards Sparingly
- Monitor indebtedness Totally



Private Loans

- Private loans should be considered only after exhausting all federal student loan eligibility
- Evaluate:
 - Cost – interest rate, fees, payment incentives
 - Credit criteria and approval rates
 - Repayment terms and payment options
 - Grace period, deferment, and forbearance
 - Reputation of lender
 - Quality of customer service
- Always borrow the minimum amount possible



Legal Employment Market

- Employment Rate 9 Months after Graduation (data from NALP – The Association for Legal Professionals)

| | |
|-----------------|-------|
| • Class of 2008 | 89.5% |
| • Class of 2007 | 91.9% |
| • Class of 2006 | 90.7% |
| • Class of 2005 | 89.6% |
| • Class of 2004 | 88.9% |
| • Class of 2003 | 88.9% |
| • Class of 2002 | 89.0% |
| • Class of 2001 | 90.0% |
| • Class of 2000 | 91.5% |
| • Class of 1999 | 90.3% |
| • Class of 1998 | 89.9% |



Legal Education Costs Continue to Rise

- Average Amount Borrowed for Law School
(*NOT including undergraduate debt*)

| <u>Academic Year</u> | <u>Public</u> | <u>Private</u> |
|----------------------|---------------|----------------|
| 2006-07 | \$57,170 | \$87,906 |
| 2005-06 | \$54,509 | \$83,181 |
| 2004-05 | \$51,056 | \$78,763 |
| 2003-04 | \$48,910 | \$76,563 |
| 2002-03 | \$45,763 | \$72,893 |



Medical Education Costs Continue to Rise

- Average Amount Borrowed for Medical School
(NOT including undergraduate debt)

| <u>Academic Year</u> | <u>Public</u> | <u>Private</u> |
|----------------------|---------------|----------------|
| 2007-08 | \$126,609 | \$149,496 |
| 2006-07 | \$124,672 | \$149,114 |
| 2005-06 | \$119,121 | \$145,494 |
| 2004-05 | \$114,948 | \$142,945 |
| 2003-04 | \$109,540 | \$140,659 |
| 2002-03 | \$104,387 | \$138,750 |



Questions?



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