Student Loan Debt

KaRon Scott

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The FICA has come to a conclusion of a recent study they have recently initiated. They have discovered that the negative impact of student loan debt that is having on credit scores and credit risk are now totaling more than $1 trillion in the U.S.FICO writes “Consumers opening student loans more recently are generally higher risk than those in older vintages. This coincides with the fact that student loan default rates are much greater today… Additionally, analysis of millions of credit profiles reveals a marked increase in student loan debt.

This greater debt and the challenging labor market for recent graduates will continue to cast a dark cloud over the industry.” This is one of the biggest economic problems in our economic decline, and we are not doing anything about it. In order to find the conclusion, the discovery of the source is needed. It starts with the loan agreements.

When college students need money for tuition loans are key ways to get the money. “Two-thirds of the class of 2011 held student loans upon graduation, and the average borrower owed $26,600, according to a report from the Institute for College Access & Success Project on Student Debt (Blake Ellis Oct. 18 2012). This statistic is the very reason why graduate college students go through so much stress, the fact that they go through 4 plus years of hard work just to go through even more stress because of bad credit scores and massive amounts of debt is unfair. Nevertheless, here is the statistic that all students should be aware of.

So how can students be more aware of the financial risks of taking on student loans? There are many ways college student can be more aware of taking on student loans. One main way is people can find loans that can benefit people situation.Taking advantage of their situations will allow them to qualify for different loans. Next, they can find different programs and people that can give advice on how college students can avoid their financial risks while in college. Lastly, college students can find the consequences of not paying off their student loan debt.

In order to answer how one can pay off their student loans, they must analyze the research that has already been submitted on this topic. Because of this important step, research will not repeat itself, and can be assembled upon for future reference. The topic of this enquiry finds out how student loan debt generates, and the ways college students can pay it off. Various articles, books, and websites have individualized their opinions of how debt is created and the ways it can be paid off.

May of 2012 Jeffery King published an editorial called “7 Ways to Jumpstart Paying off Their College Loans King describes how he went through college, and if he was able to go back what he would do to start paying off his loans. He elaborates on what happens to loan money, and small ways to pay it off that will accumulate in the future. King put the experienced appeal towards his article. This is very beneficial to his audience. It may seem like a cliché, but with good reasoning it works.

 In this blog on huffingtonpost.com, Jodi Okun asks the question “Will I be paying off college loans for the rest of my life?” Okun gave ten ways college students can try to get started paying off their college loan debt. The points are accurate due to the feedback. However, Okun gives specific steps that cannot benefit others. For example she parleys deferments, which delays a student’s loan. Nevertheless, this can only be done through unemployment or negotiation about economic hardships, which is very hard to do because many college students are already suffering from student loan debt.

 The website Simpletuition.com almost certainly gives the best information about paying off college loans. They give an overview about the benefits of getting loans, then a description about how debt raises and ways to pay it off. Furthermore, Simple Tuition allows students to find and compare different loans to give them the best decision possible.

There are many different types of loans and every loan has an advantage. For example, a PLUS loan deals with the parents being the borrower and is not subsidized, while a Perkins loan is subsidized, and can only be borrowed by the student. There is also a lot of talk about Need-Based aid. Need-Based aids can come from loans like Perkins and subsidized Stafford loans; they are to help low income families, who cannot afford to pay for college (Types of student loans, pg.2).

The government supports their education by subsidizing the loan. Subsidizing is the act of paying a part of something, in order to reduce the price for the buyer. These loans often provide the lowest interest rates, they allow people to defer repaying any money until they are out of school and, hopefully, earning an income, and they do not require a credit check. So if students are qualified for these types of loans, choose them first (Types of student loans, pg.1).

There are also Merit-Based aids. Merit-Based aid is regularly given to someone with academic accomplishments through high school, also for individual talents and distinctive traits. The common Merit-Based financial aids are college scholarships, awards, and tuition waivers.

Another big problem with loan debt is the increase of Subprime student-loan borrowers. This is a chart that explains the high increase of students having loans.

 However, a subprime population is just a select group. Therefore, these statistics can be very conflicted. Nevertheless, all sources were accurate to the one that is shown.

# “Some tips and ways people can do going through the financial aid process, are keeping a list of their achievements, special talents, awards they have received and any organizations they or their family belongs to. All of this information will help them as they seek out financial aid. The loans and or scholarships people will apply for, will want to include peoples achievements and special skills in their college applications, and these, along with their organizations, will help them seek out and become eligible for college scholarships.” Need-Based v. Merit-Based Financial Aid, pg. 1)

# “Therefore, people need to remember that they do not need to accept all the financial aid that they are offered. If people can complete their degree program without a specific loan by reducing their overall expenses in other ways or pursuing more free money like scholarships,there is absolutely no need to go through with it, so do not accept it” (Need-Based v. Merit-Based Financial Aid, pg. 1)

#  Although, there are other scholarships and loans that people can get. Websites like [www.studentloanservice.us](http://www.studentloanservice.us) and[www.estudentloans.com](http://www.estudentloans.com)allows college students to find loans that are in their city state, neighborhood, and etc., they are used to find the best quality loan that fits a person financial situation.

# However, just because loans are there, it does not meanthat it should be their first option. There are as many scholarships, as there are in loans in the U.S alone. Loans are last resorts - start applying for scholarships now and there should not be a huge problem in student loan debt in peoples near future.

#  One problem that college students encounter in college is the lack of money. Buying and shopping habits can be a college student’s worst enemy.Because there are so many ways that college students can avoid student loan debt, these are five of the most simple yet effective steps people can take into consideration:

# Start saving early; depending on what school they want to go to and what their income level is, they should be able to put away several thousand dollars hopefully before their first day of classes to get they off to a roaring start. (<http://www.studentloanconsolidation.pro>)

# Advanced planning; Advance planning can help college students and their families minimize or avoid college loan debt, said Mitchell Weiss, author of the book "College Happens: A Practical Handbook for Parents and Students" and an adjunct professor of finance at Connecticut’s University of Hartford. (Celia Baker, pg. 1)

# Know tour loans; Lauren Asher “Know what kinds of loans they have, how much they owe and where they are supposed to send their payment. It sounds simple yet it is not for many people if they have a federal loan or loans, stay on top of their loans with their online management sites. If they have a private loan or loans, make sure they are aware of all of their rules, which differ greatly from federal. “Federal loans have protections and forgiveness while private lenders aren’t required to carry any protections ([Kristin Kloberdanz,](http://www.takepart.com/author/kristin-kloberdanz) pg. 2)

* Control the situation; figure out how much debt they have, to whom they owe it and what repayment options they have. If they cannot afford their payments, they may be able to get a deferment or even take a job or do a volunteer program that would qualify they for loan forgiveness. (Allison Linn, NBC News, lifeinc.today.com)

# Prioritized their expenses; expenses that are tied directly to a college education include things like tuition, required fees, and books. Experience costs are the extras: living on campus, [studying abroad](http://www.usnews.com/education/blogs/twice-the-college-advice/2012/09/04/6-questions-to-ask-about-studying-abroad), and being a member of a sorority or fraternity, for instance (Julie Mayfield pg 2).

# Now comes to paying off the student loan. If a person has a loan, how should they approach the paying method? The best way is to start paying as early as possible. Student loan debt can stick with someone for as nearly as long as they are alive. Starting early will speed up the repayment process, and it will lower people’s debt to income ratio. “This means that they have more money available to they when it is time to buy a house or make other decisions. They will not have the commitment to make that additional payment every month. This will free up their money and they have the opportunity to invest it and really begin to make money” (Miriam Caldwell pg.1).

# Next are tax breaks, when tax returns comes in, it is one of the best times to save money to pay back loans. It is also important to not to anything rash. For example, there have been cases of a lot of people that have filed for bankruptcy, not just for loans however, bankruptcy will not help student loan debt. If someone declares bankruptcy, they still must pay their student loans back. Meaning that there is no way they can avoid their loan debt.

# The only way to avoid this is become permanently disabled or to die. If students hit a spell of bad luck, it is that much harder to get back on top of things with student loan payments. Once they pay their student loans off early, they will be much better equipped to deal with financial crises in their life. It is a little overwhelming nevertheless; it still is the absolute truth.

 Next, are the major consequences in unpaid loan debt and how they can affect a college student’s future? When paying off loan debt, there are many risks that can occur. For example, credit scores. Credit is “The ability to obtain goods or services before payment, based on the trust that payment will be made in the future: "unlimited credit" (Dictionary.com). Credit is based on credit scores. Credit scores trace all of their recent activity dealing with their credit to come up with an overall score in order for a company to analyze their eligibility.

 In context towards college loans, if they do not pay them off they will have horrible credit. Because college students credit scores will be so new, one little drop will bring their score down gradually. It is like a grading system, if a person has no assignment due; takes their first and does awful on it his grade will be very low and it will take time for them to build his credit back up. Therefore, if their credit is low they will not be able to buy a sufficient car that can be backed up by insurance.

Overall, loan debt is a major issue that needs to be aware in many students’ lives. It is the only way this crisis of loan debt can decrease. It is not just this generations fault, but it has been brought down for this generation to take on and honestly this generation is way too young to handle this major burden. However, “It’s not how you start its how you finish” (The Hours) and that is exactly what this generation have got to be attentive of.

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