

BUILDING BLOCKS STUDENT WORKSHEET

Using a student loan calculator

When you take out a student loan, you're responsible for paying back the principal plus the interest. The principal is the amount you borrowed. The interest is a fee charged for borrowing money.

If your budget allows, a good rule to live by is to pay more than the monthly payment because the quicker you pay off the loan, the less interest you'll have to pay.

Instructions

- 1 Review the student loan scenario about Jamilla.
- 2 Use the Loan Simulator at <https://studentaid.gov/loan-simulator/> to enter information about Jamilla's federal student loans and to see what happens when she pays more than the monthly payment.
- 3 Answer the "Digging deeper" questions.

The scenario: Jamilla graduates with federal student loan debt

Jamilla lives in your state. She recently graduated from a four-year public university and got a job making \$35,000 per year. To help pay for college, Jamilla took out the average amount of federal student loans. As she creates her first monthly budget, she needs to figure out how much her monthly loan payments will be. An online loan calculator can make this an easy task.

Calculating Jamilla's loan balance and interest rate

Use the U.S. Department of Education office of Federal Student Aid's Loan Simulator at <https://studentaid.gov/loan-simulator/> to choose the best student loan repayment strategy. Find out the average federal student loan balance and the average interest rate that applies to Jamilla.



1. Record the results.

| Average federal student loan balance | Average interest rate |
|--------------------------------------|-----------------------|
| | |



To learn more about student loan repayment options, visit:

www.consumerfinance.gov/askcfpb/621

Calculating the monthly payment and total to be paid on the loans

Jamilla wants to pay off her loans as fast as possible. (She isn't eligible for the Public Service Loan Forgiveness program.)

What do you think is most important for students and their families to know about their options for paying for higher education? Have your brochure highlight these things.

2. Starting on the "Repayment Goal" page, enter Jamilla's information and record the results.



Monthly
payment



Total to be paid
(Principal plus interest)



Paid off by
(Total number of years)

Reducing the total loan cost

Jamilla believes that the quicker she can get out of debt, the more money she'll have for other things in life. She wants to try to reduce her federal student loans' total cost (principal plus interest) by paying more than the minimum required payment each month. Jamilla is considering paying either \$30 or \$75 extra every month.

3. Enter each extra payment amount and record the results below. To find how much Jamilla will save by making extra payments, subtract the new "Total to be paid" from the original "Total to be paid." Enter that amount under "Amount saved."

| Extra payment: \$0 (Enter the answers from question 2.) | Extra payment: \$30 | Extra payment: \$75 |
|--|---|---|
| Monthly payment (basic payment; no prepayment): _____ | Monthly payment (basic payment plus prepayment): _____ | Monthly payment (basic payment plus prepayment): _____ |
| Total to be paid: _____ | Total to be paid: _____ | Total to be paid: _____ |
| | Amount saved: _____ | Amount saved: _____ |

Digging deeper

4. On a separate sheet of paper, show this comparison visually through a graph or chart.
5. What is one piece of advice you would give friends who are just beginning to pay off their student loans?

Finaid.org offers free calculators that cover a range of payment scenarios for federal and most private student loans at <https://finaid.org/calculators/loanpayments/>.