

Lesson 3: Student Loans: What am I Responsible for?

Student Guide Pages: 138-139

Lesson Objectives: By the end of this lesson, your students should be able to:

- name three things a person with student loans is responsible for
- explain the median income trap

Lesson Summary:

In the last lesson, we talked about student loans being borrowed money you must pay back with interest. They are not scholarships or grants, which are awards that require no payback. We also discussed that this simple concept has become a national disaster.

If you have student loans, you are responsible for three things:

1. finishing what you started, as quickly and affordably as possible
2. understanding how much you borrowed and what the

monthly payments are

3. making sure you can make those monthly payments (the big one!)

Median income is the average salary in your career field, the number you see in career guides and job postings. If you are in school and about to enter a new field, you will probably not enter that field with the average income; most people start out below average, not recognizing this is the median income trap.

So if you are a chemical engineer, don't ask, "What does the *average* chemical engineer make in this industry?" because you probably won't make that fresh out of engineering school. Instead, find out what an entry-level engineer makes right out of school.

Review Questions:

- If you ask, "Can I afford to borrow this?" and the answer is no, does that mean you cannot go to school or that you should drop out?

Answer: No. It simply means you need to rearrange some things. Maybe you should take a second job, get a roommate, or move back home. After you ask if you can afford it, ask, "*How* can I afford this?"

Class Activity:

Invite your director of Financial Aid to come to class to answer any questions the students might have.

Additional Information:

www.finaid.org: This is a very comprehensive website on financial aid, with everything from FAQs to calculators to the ability to ask questions and receive personalized answers!

Fun Facts:

Currently, the rate of student loan default is just under 9 percent.
(New York Times)

Notes: _____

