



Debt Management

Wesley Theological Seminary strongly suggests to our student that they seek other means of financing their education to decrease their dependence upon loans.

Wesley recommends that students:

- seek support through their denomination;
- apply for external scholarships;
- and consider paying the interest on their unsubsidized loans through the year to avoid capitalization of interest.

Students, especially those who have unusually high debt are encouraged to pay interest on all loans which are in forbearance, deferment, etc. even if the student is able to pay only a portion of the amount due.

The Federal government requires schools to be diligent with debt management counseling to students to keep them from borrowing more than they can reasonably pay back. At Wesley Theological Seminary we take debt management and the overall welfare of our students very seriously. Please give careful thought before getting further into debt.

Please complete the [Debt Management Exercise](#) before deciding the amount your wish to borrow. This exercise calculates the student's education debt to income ratio. A signed copy of the Debt Management Exercise will be required by the Financial Aid Office before a Stafford loan will be processed for the student each academic year.

DEBT MANAGEMENT EXERCISE
Please complete the following exercise

Step 1. Calculate your monthly student loan payment: divide your total student loan debt by 1000, multiply the result by 12.27. This calculation assumes that the interest rate on all your student loans is 8.25% (the interest cap) and that you will pay back your loans using the standard ten-year repayment plan. The current interest for a loan entering repayment is 3.42%

Note: For this exercise, Perkins Loans are not considered in total loan debt. Interest rate for Perkins is 5%

Your Current Total Loan Debt	Your total loan (add new loan for tuition, fees and books less any scholarships)	Your total loan debt (add new loan including additional amount requested for living expenses)
Direct/FFEL Subsidized: \$	New Loan Amount \$	Loan Amount Requested: \$
Plus Unsubsidized:	Plus Current Debt	Plus Current Debt:
Plus Consolidated Direct:	Total Loan Debt \$	Total Loan Debt \$
Plus Consolidated FFEL:	Divide by 1000 =	Divide by 1000 =
Total Loan Debt: \$	Multiply by 12.27	Multiply by 12.27
Divide by 1000 =		
Multiply by 12.27		
Equals Monthly payment \$	Equals monthly payment \$	Equals Monthly payment \$

Step 2. To calculate your expected monthly income (do not include spouse's income in any of the calculations), divide your expected annual gross income by 12. For accuracy, subtract other debts to derive your true monthly income. Many of the students entering ministry have a starting of salary of \$25,000-\$28,000.

Your Current Annual Income \$	Expected Annual Income After Graduation \$	Expected Annual Income After Graduation \$
Divide by 12 =	Divide by 12 =	Divide by 12 =
Monthly income \$	Monthly income \$	Monthly income \$

Step 3. To determine the percent of your monthly income, which will be going to monthly loan payments, divide your monthly loan payment by your expected monthly net income, then multiply the result by 100.

Monthly Loan payment \$	Expected Monthly loan payment \$	Expected Monthly loan payment \$
Divide your monthly loan Payment by your monthly Income \$	Divide your monthly loan Payment by your expected Monthly income after graduation \$	Divide your monthly loan Payment by your expected Monthly income after graduation \$
Multiply the result by 100 =	Multiply the result by 100 =	Multiply the result by 100 =
Percent of your monthly Income going to monthly Loan payments %	Percent of your monthly Income going to monthly Loan payments %	Percent of your monthly Income going to monthly Loan payments %

I certify that I have read and understand the consequences of borrowing too much as explained on the next page

Print Name: _____ Signature _____

HOW MUCH SHOULD I BORROW?

A student loan is like any other type of loan and should be evaluated in light of financial goals and resources. Remember that eventually you will have to repay the loan. Please consider carefully how much you really need to borrow and be conservative when possible. Don't borrow more than you need for the academic year. The typical student borrows only enough to cover tuition, fees, and books, although you may borrow up to the cost of attendance. The cost of attendance is an estimate of a student's education expenses.

Only you can determine what amount you should borrow; this decision should be based on your annual salary and all other debts you have to pay. **The financial aid administrator, however, has a federal mandate to do debt management counseling and may refuse to certify a loan amount requested, if he/she notifies you in writing of the reason.** An example of what your repayment obligations will be is listed below:

Amount Owed (Entering Repayment)	Monthly payment	Annual Payment *	Estimated Total Repaid (With Interest)
2,500	50	600	3,074
5,000	61	732	7,359
7,500	92	1,104	11,039
10,000	123	1,476	14,718
15,000	184	2,208	22,017
20,000	245	2,940	29,437
25,000	307	3,684	36,796
30,000	368	4,416	44,155
40,000	491	5,892	58,873
50,000	613	7,356	73,592
75,000	920	11,040	110,387
100,000	1,227	14,724	147,183

Note: payments are calculated using the maximum interest rate for student borrowers, 8.25%. These estimates are based on the Standard Repayment Plan and assume that all payments will be made on time. If you choose another repayment option, your monthly payment maybe lower, but the total paid over the life of the loan will be great than these estimates. Aavoid payment interst on interest by paying off the interest accrued on any unsubsidized loan before the end of your grace period. Accrued but unpaid interest will be added to your principal balance. Also, you can substantially reduce your borrowing costs over time by prepaying some of the principal balance. You do not incur penalties by prepaying your student loans.

*Reduce your net salary annually by this amount until your loan is repaid.

HOW MUCH IS TOO MUCH?

To help you determine how much is too much, do the exercise on the previous page. It will help you determine the percentage of your expected monthly salary going to payment of your loans. Take your Percent of monthly income going to loan payments and compare it to the information below:

1-4%	You should have no problem paying off your student loans and are in good position to borrow more money for graduate school, if necessary.
5-8%	CAREFUL! You are still in good shape, but you need to be careful. If you borrow more, try to keep your percent of salary going to loans around 8%.
9-10%	WARNING! You have borrowed as much as you can manage to repay without significant sacrifices in other parts of your budget. Consider using an alternative payment plan, at least until your salary increases. These plans will lower your monthly payment but raise the total amount you will have to pay over the life of your loan. Think about paying down your undergraduate loans before incurring any additional debt for graduate school.
Over 10%	DANGER! It will be difficult for you to make your monthly payments. Contact your lender for more information on available payment plans.