

# HEA 1042 – Debt Literacy

## Background

- Student loan debt in the U.S. has swelled to \$1.2 trillion
- Federal default rate (for the first three years students are required to make payments) is 14.7 percent – compared to 5.4 percent a decade ago (when the rate was measured over two years)
- After sending student borrowers an informational debt letter, IU reduced its federal loan disbursements by 11 percent, or \$31 million
- HEA 1042 mandates that all IN colleges – public and private – that receive state aid money send their students such a letter annually

## Required Disclosures

- Estimate of total loans taken out
- Estimate of potential total payoff amount and monthly repayment amounts (including principal and interest)
- Percentage of borrowing limit reached

## CHE Responsibilities

- Although not required by statute, the Commission will send an informational memo to all colleges and universities describing the requirements of the legislation

## Sample Letter

John Doe  
222 Rose St  
Elkhart, IN, 46517-9999

Dear John:

This is a personalized summary of your estimated current student loan indebtedness. This information is being provided to you *before* you take on additional debt for the upcoming academic year. We encourage you to make use of the academic and financial planning resources suggested here (see other side) to minimize future borrowing while you complete your degree at Indiana University.

**Estimate of Your Total Education Loans: \$25,000**

\*See the "Important Information" section on the other side of this letter regarding all loan estimates.

### Interest Rates

Student loan interest rates vary based on when you borrowed and the loan type. Calculations in this letter are estimated at **6.8** percent.

### Estimated Monthly Payment – All Loans

Total Education Loans: **\$25,000.00**  
Standard Repayment Term: 10 years  
Assumed Interest Rate: **6.8**

Monthly Payment: **\$287.7**

Cumulative Payments: **\$34,524.1**  
Projected Interest Paid: **\$9,524.1**

Image: Bloomberg Business