Name: _____ Date: _____ Class: _____

✏️ **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.)

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): _____ Total to be paid: _____	Monthly payment (basic payment plus prepayment): Total to be paid: _____ Amount saved: _____	Monthly payment (basic payment plus prepayment): Total to be paid: _____ 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 http://finaid.org/calculators/loanpayments/.