

# STUDENT LOAN EXIT COUNSELING AND REPAYMENT



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# Presentation Overview

- **Loan Repayment Terminology**
- **Federal Loan Repayment Plans**
- **Federal Loan Repayment Examples**
- **Federal Loan Forgiveness Programs**
- **Helpful Repayment Information**



# Loan Repayment Terminology

## - Master Promissory Note (MPN)

- You signed this form when you took out your loan
- Legally binding document: your promise to repay your loan
- Specifies your rights and responsibilities

## - Subsidized Stafford/Direct Loans

- Government pays the interest while student is in school
- Interest rate depends on first disbursement date for each loan
- Interest starts at time of repayment for subsidized loans disbursed before 7/1/12, but at start of grace period for loans disbursed between 7/1/12 and 7/1/14

## - Unsubsidized Stafford/Direct Loans

- Interest begins accumulating at time of disbursement
- Interest rate depends on first disbursement date for each loan

# Loan Repayment Terminology (cont)

## - FFEL Loans

- Stafford Loans made prior to 6/30/2010
- Funded by private lenders

## - Direct PLUS Loans

- Loan for graduate students or the parents of undergraduate students
- Current interest rate is 7.21%. Interest begins when loan disburses.

## - Grace Period

- Period after graduation before repayment period begins
- Six month grace period for Stafford/Direct Loans
- Interest will accumulate except for subsidized loans disbursed prior to 7/1/2012 or after 7/1/14
- First loan payment due about 30 days after grace period ends.
- No penalty for early repayment

# Loan Repayment Terminology (cont)

## - Repayment Period

- When your first loan payments are due to your Loan Servicer

## - Delinquency: Making late payments

- Late charges and fines may be assessed
- Negative mark on your credit record

## - Default: No loan payments for 270 days or more

- Lose eligibility for future federal aid
- Lose flexible loan repayment options
- Bad credit
- Legal action, income tax refunds withheld and wages garnished
- Interest continues to accumulate

# Loan Repayment Terminology (cont)

- **Loan Servicer:** A loan servicer is a company that handles the billing of your federal student loans on behalf of the U.S. Department of Education
  - You can find your loan servicer(s) on [www.nslds.ed.gov](http://www.nslds.ed.gov) or [www.studentloans.gov](http://www.studentloans.gov)
  - You will make loan payments to your loan servicer. The loan servicer can also help you to choose your repayment plan and to learn about loan consolidation

**Keep in contact with your Loan Servicer!**



# Postponing Loan Repayment

## - Deferment

- Payments and interest postponed under certain conditions.
- Length of time and subsidy varies by type of deferment
- Application usually required (not automatic)
- Possible Reasons for Deferment: enrolled at least half-time, unemployed, economic hardship, graduate fellowship program, rehabilitation services, serving on active duty

## - Forbearance

- Payments are postponed under certain conditions. Interest continues.
- Application usually required (not automatic)
- Possible Reasons for Forbearance: financial hardship, illness, you qualify for teacher loan forgiveness, a member of National Guard, or U.S. Dept. of Defense

# Loan Repayment Terminology (cont)

## - Loan Consolidation

- Federal student loan consolidation allows borrowers to combine many federal student loans into one student loan.
- Application required ([www.studentloans.gov](http://www.studentloans.gov))

Pros	Con's
Combines several loans into one new loan	Only certain loans can be included
One lower monthly payment	Lose remainder of any grace period
Interest rate may be lower	Interest rate may be higher
Interest subsidy still applies, but only to Stafford	Increases interest charges due to longer repayment period
No fees or pre-payment penalties	Reduced options for loan forgiveness



# Traditional Loan Repayment Plans

Repayment Plan	Eligible Loan Program	Borrower Eligibility Restrictions	Monthly Payment	Repayment Term
Standard Repayment	Direct and FFEL loans	None	Payments are fixed, \$50 minimum	10 years
Graduated Repayment	Direct and FFEL loans	None	Payments are lower at first then increase	10 years
Extended Repayment	Direct and FFEL loans	Loans disbursed after 10/6/1998 and debt exceeds \$30,000	Payments are fixed or graduated	25 years

# Federal Loan Repayment Plans (Income Driven)

Repayment Plan	Eligible Loan Program	Borrower Eligibility	Payment Calculation	Repayment Term
Pay As You Earn	Direct loans	Financial Hardship plus new borrower as of 10/1/07 and loan disb. after 9/30/11	10% of discretionary income	20 years
Income-Based Repayment: IBR	Direct or FFEL Loans	Financial Hardship	15% of discretionary income	25 years
Income-Contingent Repayment: ICR	Direct loans	Financial Hardship	20% of discretionary income	25 years

# Federal Loan Repayment Examples

Loan amount at time of repayment	Standard Month/total	Extended Month/total	Graduated Month/total
\$10,000	\$111 \$13,322	N/A	\$63-\$190 \$14,212
\$25,000	\$278 \$33,306	N/A	\$159-\$476 \$35,530
\$50,000	\$555 \$66,612	\$322 \$96,645	\$317-\$952 \$71,060
\$100,000	\$1,110 \$133,225	\$644 \$193,290	\$635-\$1,905 \$142,120

\*payment calculated using 6% interest rate on loan

# Federal Loan Repayment Examples

- Based on a single person with an AGI of \$35,000. Assumes a 5% increase in income each year. \$50,000 in total federal loans (\$23,000 of which is subsidized). All loans have 4.66% interest rate.
- \$62,763 paid under 10-year Standard Repayment Plan

	Pay As You Earn	IBR	ICR
Initial Payment	\$145	\$217	\$370
Final Payment	\$508	\$523	\$439
Time in Repayment	20 years	16.8 years	14.5 years
Total Paid	\$71,446	\$77,191	\$69,676
Forgiven Amount	\$19,931 (taxable)	\$0	\$0

# Loan Forgiveness Programs

Forgiveness Program	Eligible Loan Programs	Required Term	Amount Forgiven
Public Service Loan Forgiveness	Direct Loans (Sub/Unsub and Grad PLUS)	10 years repayment	Remaining principle and interest
Teacher Loan Forgiveness*	FFELP & Direct Loans ( <u>Not</u> Grad PLUS)	5 consecutive years	\$5,000 or \$17,500
Federal Employee Student Loan	FFELP, Direct & Perkins Loans	Minimum 3 years required service	Up to \$10,000 annually; Up to \$60,000 maximum

\* Teacher Loan Forgiveness info: <https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/teacher>

# Qualifying Public Service Jobs

- A federal, state, local, or tribal government organization, agency, or entity
- A public child or family service agency
- A nonprofit organization under section 501(c)(3) taxation under section 501(a) of the IRC
- Peace Corps and AmeriCorps
- A private organization that provides public services: Emergency management, military service, public safety, law enforcement, public interest law services, public child care, public service for individuals with disabilities and the elderly, public health, public library services

# To-Do Items to Prepare for Repayment

- Get organized: Use NSLDS ([www.nslds.ed.gov](http://www.nslds.ed.gov)) to determine your loans services and how much you owe
- Compare different repayment plans. Use the repayment estimator at [www.studentloans.gov](http://www.studentloans.gov)
- Determine how much you can afford
- Know the amount of accumulated interest for each repayment plan
- Know eligibility for the repayment plans and the loan forgiveness programs

# Loan Repayment Reminders

- Know the details about your loans – amount, interest, servicers, repayment plan options, etc.
- Pay off during deferment to avoid interest on subsidized loans
- Make payments on time
- Set up automatic monthly payments from checking/savings account
- You can receive a federal tax deduction for interest paid on your student loans




# Loan Repayment Reminders

- You will be placed in the standard plan if you do not chose a different one during their grace period
- You can change your repayment plan
- You can change your due date
- You can postpone with a deferment/forbearance if you have difficulty making a payment
- You will pay more in interest with longer repayment periods

Any Questions?



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