



Student Loan Exit Counseling and Repayment

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Presentation Overview

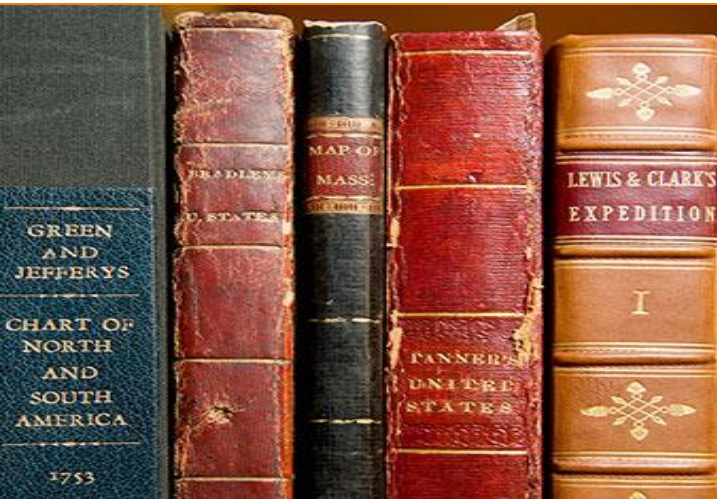


- **Loan Terminology**
- **Federal Loan Repayment Options and Examples**
- **Federal Loan Forgiveness and Discharge Programs**
- **Suspension of Payment**
- **Delinquency**
- **Helpful Information**



Loan Terminology

Loan Terminology

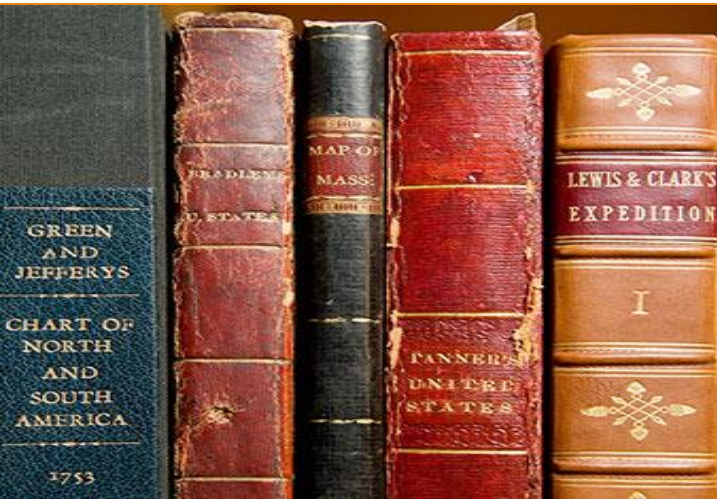


- **Master Promissory Note (MPN)**
 - » Must sign before receiving any loan funds
 - » A legal document
 - » Gives terms and conditions of loans

- **Direct Subsidized Loan**
 - » Available to Undergraduate Students with a Financial Need
 - » Must be enrolled at least half-time
 - » No interest accrues while in school

- **Direct Unsubsidized Loan**
 - » No requirement for Financial Need
 - » Must be enrolled at least half-time
 - » Responsible for paying interest during all periods

Loan Terminology



– Direct Plus Loans

- » Enrolled at least half-time
- » No adverse credit history
- » Fixed interest rates for life of loan (July 1, 2016-June 30, 2017; rate is 6.31%)
- » Enters repayment once fully disbursed
- » Parent Plus Loan cannot be transferred to the child

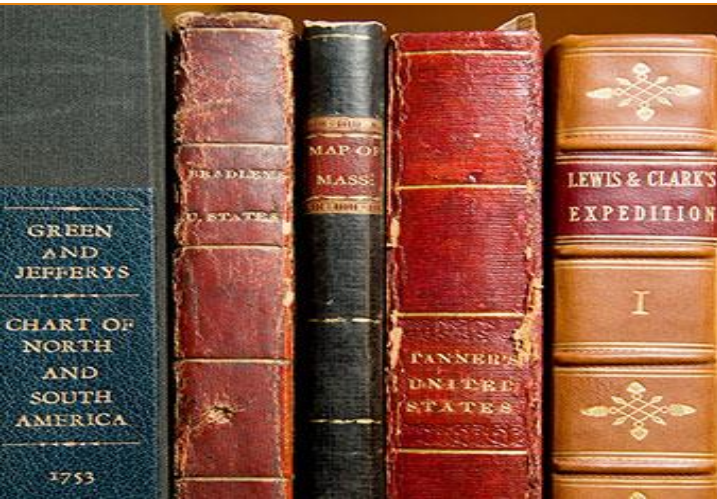
– Grace Period

- » 6 month period after graduation
- » Plus Loans do not have a grace period
- » No Interest will accumulate on Subsidized Loans
- » Can make payments

– Repayment Period

- » Time your loan payments are due to loan servicer

Loan Terminology



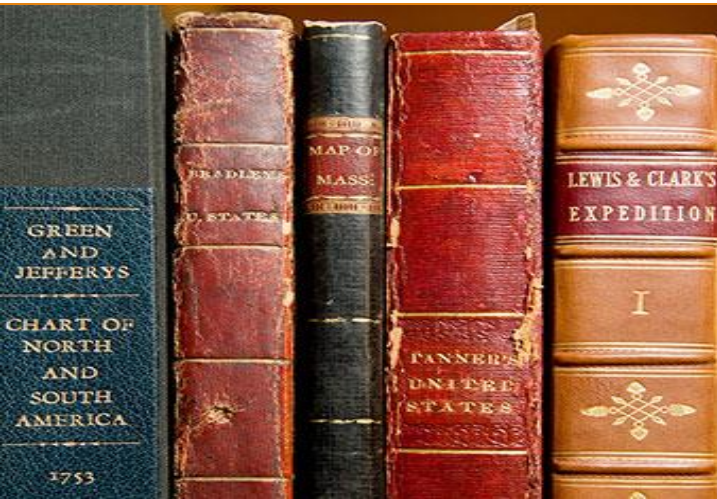
– **Discretionary Income**- the difference between your income and 150% of the poverty guidelines www.aspe.hhs.gov for your family size and state of residence

– **Loan Consolidation**

- » Allows borrowers to combine federal student loans into one loan
- » Consolidation is free
- » Consolidate loans through www.studentloans.gov or contact your Loan Servicer

<u>PROS</u>	<u>CONS</u>
ONE PAYMENT	PAY MORE
FIXED INTEREST RATE	INTEREST RATE MAY BE HIGHER
LOWER PAYMENT	ONLY CERTAIN LOANS INCLUDED
DEFERMENT/FORBERANCE RESTARTS	LOSE REMAINDER OF GRACE PERIOD
AVOID DEFAULT	LOSE CREDIT FOR PSLF PAYMENTS

Loan Terminology



- **Federal Family Education Loan Program (FFELP)**
 - » Private lenders provided loans to students guaranteed by government
 - » No new loans made as of July 1, 2010
- **Loan Servicer**
 - » Handles all services and options on your federal student loan
 - » Loans may be transferred amongst Servicers
 - » Find your student Loan Servicer(s) on www.nslds.ed.gov or www.studentloans.gov
 - » MAINTAIN CONTACT WITH YOUR SERVICER!!!



Repayment Options

- Standard
- Graduated
- Extended
- Income-Driven
- Examples

<u>Plan</u>	<u>Payment</u>	<u>Repayment Term</u>	<u>Eligible Loans</u>	<u>Eligibility Requirements</u>
Standard Repayment Plan	Fixed payment of at least \$50	10yrs ; 30yrs if consolidated	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Direct Plus • FFELP 	None
Graduated Repayment Plan	Payments start low but increase every 2yrs for 10yrs; will never be less than monthly interest	10yrs	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Direct Plus • FFELP 	Upon request
Extended Repayment Plan	Fixed or Graduated payments	up to 25yrs	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Direct Plus • FFELP 	\$30,000 of student loan debt; Obtain loans on or after Oct. 7, 1998

<u>Plan</u>	<u>Payment</u>	<u>Repayment</u>	<u>Eligible Loans</u>	<u>Information</u>
Revised Pay as You Earn (REPAYE)	10% of discretionary income	20yrs undergraduate loans only; 25yrs graduate loans; remaining balance <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Grad Plus 	Recertify Yearly; sub loans int paid for first 3yrs then half; half on unsub loans
Pay as You Earn (PAYE)	10% of discretionary income	20yrs, remaining balance <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Grad Plus 	Recertify Yearly; sub loans int paid for first 3yrs
Income-Based Repayment (IBR)	15% of discretionary income (10% of discretionary income as of 7/1/14)	25yrs, 20yrs if borrowed on or after 7/1/14; remaining balance <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Grad Plus • FFELP 	Recertify Yearly; sub loans int paid for first 3yrs
Income-Contingent Repayment (ICR)	20% of discretionary income	25yrs, remaining balance <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Grad Plus • Consolidated Parent Plus Loans made after 7/1/06 	Recertify Yearly; You are responsible for int

Repayment Example

<u>Loan amount</u>	<u>Payment for Standard</u>	<u>Payment for Graduated</u>	<u>Payment for Extended</u> *fixed
\$10,000	\$111/month \$13,322 total payment	\$63 - \$190/month \$14,212 total payment	Not Applicable
\$25,000	\$278/month \$33,360 total payment	\$159 - \$476/month \$35,530 total payment	Not Applicable
\$50,000	\$555/month \$66,612 total payment	\$317 - \$952/month \$71,060 total payment	\$322/month \$96,645 total payment
\$100,000	\$1,110/month \$133,225 total payment	\$635 - \$1,905/month \$142,120 total payment	\$644/month \$193,290 total payment

*6% interest rate

Repayment Example

Based on a family size of one with an adjusted gross income (AGI) of \$35,000. No additional federal loan debt. Assumes a 5% increase in income each year. \$50,000 in total loan debt (\$23,000 subsidized and \$27,000 unsubsidized). All loans have a 4.66% interest rate.

	<u>REPAYE</u>	<u>PAYE</u>	<u>IBR</u>	<u>ICR</u>
<u>Initial Payment</u>	\$143	\$143	\$217	\$370
<u>Final Payment</u>	\$606	\$507	\$523	\$439
<u>Time in Repayment</u>	22.9 years	20 years	16.8 years	14.5 years
<u>Total Paid</u>	\$90,779	\$71,171	\$77,191	\$69,676
<u>Forgiven Amount</u>	\$0	\$20,327 (may be taxable)	\$0	\$0

* \$62,763 total paid under 10-year Standard Repayment Plan

Forgiveness and Discharge

- Teacher Loan Forgiveness
- Public Service
- Discharges

Forgiveness



– Teacher Loan Forgiveness (TLF)

- » Must teach full-time for 5 complete and consecutive academic years
- » Must be a low-income school; visit www.tcli.ed.gov
- » All schools operated by the Bureau of Indian Education (BIE) qualify
- » Forgiveness of up to \$17,500
 - A highly qualified teacher in Science, Mathematics, or Special Education
- » Forgiveness of up to \$5,000
 - A highly qualified Elementary or Secondary education teacher
- » Direct Loans; FFELP; (Plus Loans not eligible)
- » Teaching at multiple schools acceptable
 - Each school will require an application

Forgiveness



– Public Service Loan Forgiveness (PSLF)

- » 120 non-consecutive qualifying payments
 - No later than 15 days after due date, Full-Months payment
- » Employed Full-Time by Qualifying Employer
- » On a qualifying repayment plan
 - REPAYE, PAYE, IBR, ICR, 10-Year Standard Repayment Plan
- » Remaining balance will be forgiven; Not considered income
- » Direct Loans, Grad Plus
- » Parent Plus Loans
 - Eligibility is based on parent employment , not students

Forgiveness



– Public Service Loan Forgiveness (cont)

- » May not use the 5 years that were accepted for the Teacher Loan Forgiveness (TLF)
- » Private-Loans are not eligible
- » Consolidated loans on standard repayment plan do not qualify
- » If you have been paying into PSLF, but consolidate, you will lose those prior qualifying payments made

Discharges

- **Closed School** - if your school closes while enrolled and unable to complete program
- **Total and Permanent Disability**- if you are no longer able to work due to physical or mental impairments
- **Due to Death**- if acceptable documentation of your death is received by your loan servicer
- **Borrower Defense to Repayment**- if a school misled or engaged in other misconduct in violation of certain state laws



Suspension of Payment

- Deferment
- Forbearance

Payment Suspension

– Deferment

- » Entitlements offered by the Department of Education
- » Interest will not accrue on Subsidized Loans
- » Account will remain current on option

– **Deferment Types**

- 1. Economic Hardship – may be granted during a period of financial difficulty (3 years available)**
 - On public assistance
 - Full-time monthly income and family size below poverty guidelines
- 2. In-School – may be granted if attending a qualifying school at least half-time (unlimited)**
 - Must have exhausted 6 month grace period
 - In repayment status
- 3. Unemployment – may be granted if unemployed or working less than 30 hours per week (3 years available)**
 - Must be eligible for unemployment benefits or
 - Must be registered with employment agency

Payment Suspension

– Deferment Types (cont)

4. **Graduate Fellowship** – may be granted if participating in Graduate Fellowship Program
 - Enrolled in program full-time
 - Must provide statement of objectives
5. **Post-Enrollment** – may be granted for parent plus borrower or graduate plus borrower following the date student ceases to be enrolled at least half-time
 - Only for 6 months
6. **Military** – must be active military duty during a war or other military operations
 - Must begin on or after 10/01/2007
 - Prior to 10/01/2007, Military deployment must be associated with attacks on or after 09/11/2001

Payment Suspension

– Forbearance

- » Interest still accrues on subsidized and unsubsidized loans
- » Account will remain current on option

– Forbearance Types

1. General – may be granted to borrowers if time available

- 12 months per request; check with servicer
- 36 months available

2. Internship/Residency – may be granted if in a medical or dental or other residency program

- Authorized official certifies the begin and end dates of participation in program
- 12 months per request
- 36 months available

3. Teacher Loan Forgiveness – may be granted if qualify for Teacher Loan Forgiveness Program

- Only if expected forgiveness amount will satisfy the anticipated outstanding balance at the end of the fifth year of qualifying service
- 12 months per request

Payment Suspension

– Forbearance Types (cont)

4. **Loan Debt Burden** – may be granted if total monthly loan payment exceeds 20% of gross monthly income

- Proof of income
- 12 months per request
- 36 months available

5. **Emergency/Disaster** – may be granted due to local or national disaster

- Verification of a state of emergency in area www.fema.gov
- 90 days per request



Delinquent

- Delinquency
- Default
- Rehabilitation

Delinquent

- **Delinquency**

- » Occurs first day after due date
- » Negative credit reporting at 90 days at end of month and every 30 days after

- **Default**

- » Happens between 270 - 360 days of delinquency
- » Lose options
- » Lose eligibility for future federal aid
- » Negative credit reporting
- » Wage garnishment
- » Tax offset
- » Bank accounts frozen

Delinquent

– Rehabilitation Loan

- » Loan that initially defaulted and turned over to Default Management and Collections Systems (DMCS)
- » Have to make 9 consecutive payments within 10 consecutive months
- » Payment based off income and individual circumstances
- » DMCS sends letter asking if you would like loans rehabilitated
- » Default status will be removed
- » Eligible to receive additional student aid
- » You can rehabilitate a defaulted loan only once



Helpful Information

- Tips

Helpful Information

- ❖ Get organized; Use NSLDS to determine loan servicer(s)
www.nslds.gov
- ❖ Compare different repayment plans. Use the repayment estimator at www.studentloans.gov
- ❖ Budget; Know how much you can afford
- ❖ Know eligibility for the loan forgiveness programs and discharges
- ❖ Know your loans
- ❖ Make payments during deferment and forbearance periods

Helpful Information

- ❖ Make payments on time
- ❖ Set up automatic debit payments and receive 0.25% interest rate reduction
- ❖ You can receive a federal tax deduction for interest paid on student loans; Form 1098E
- ❖ Able to change your due date and repayment plan
- ❖ Any difficulties, questions, or concerns with your student loan contact Loan Servicer(s)
- ❖ Any problems with Loan Servicer contact Ombudsman Group

Loan Portals

Studentloans.gov

Students can:

- ❖ Complete Federal Loan Counseling requirements (Entrance, Exit, TEACH Entrance)
- ❖ Complete the Federal MPN
- ❖ Apply for an income driven repayment plan
- ❖ View a repayment estimator
- ❖ Appeal a PLUS credit decision.
Note: Stanford does not allow a student (or parent) to apply for a PLUS loan through this site. They must apply through Stanford Financial Aid.
- ❖ Endorse a PLUS loan (co-sign)
- ❖ Apply for Loan consolidation

National Student Loan Data for Students (nslds.gov)

Students can:

- ❖ View their Federal Aid history
- ❖ View their enrollment history
- ❖ Complete Exit Counseling for TEACH grant (this is the only counseling done on this site)
- ❖ Update contact info

Database for all Federal Financial Aid including grants like Pell and SEOG

Lender website

Examples: Sallie Mae, SoFi

Students can:

- ❖ Make payments

Questions/Comments

