

TAKE CHARGE OF LOAN REPAYMENT!

Strategies for Managing
Your Debt Successfully

Spring 2013

Your Action Plan

4 Steps

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1. Take stock of your loan portfolio
2. Determine when repayment begins
3. Pick your repayment plan
4. Prepare for contingencies

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Step 1

Take stock of your
loan portfolio

What do you need to know?

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For each loan in your portfolio:

- Type of loan
- Interest rate
- Amount owed
- Who to repay

NSLDS.ed.gov

A Useful Resource

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To access,
enter:

- ❑ SSN
- ❑ First two letters
of last name
- ❑ Birthdate
- ❑ Dept. of Ed PIN



The screenshot shows the NSLDS Student Access website. At the top, there is a header with the Department of Education seal and the text "START HERE GO FURTHER FEDERAL STUDENT AID™". To the right of the header is the text "National Student Loan Data System (NSLDS) for Students". Below the header is a navigation bar with links: "Financial Aid Review", "Glossary of Terms", "Browser Information/Setup", "FAQs", and "Contact Us". On the right side of the page, there is a red link for "Hurricane Assistance". The main content area features a large image of a young woman in a red jacket and a cap, smiling while sitting at a desk with a laptop. To the right of the image, the text "NSLDS STUDENT ACCESS National Student Loan Data System" is displayed. Below this, a blue banner reads "Retrieve Your Loan Information". Underneath the banner, a paragraph explains that the NSLDS is the U.S. Department of Education's central database for student aid, receiving data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. It states that NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants, allowing recipients to access and inquire about their Title IV loans and/or grant data. At the bottom right, there is a blue button labeled "FINANCIAL AID REVIEW".

START HERE
GO FURTHER
FEDERAL STUDENT AID™

National Student Loan Data System (NSLDS) for Students

Financial Aid Review Glossary of Terms Browser Information/Setup FAQs Contact Us

[Hurricane Assistance](#)

NSLDS STUDENT ACCESS
National Student Loan Data System

Retrieve Your Loan Information

The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED's) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

FINANCIAL AID REVIEW

Who do you repay?

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You should know:

- Roles of lender/holder and servicer
 - ▣ You will be working with the SERVICER
- How to contact them
- Value of NSLDS

How much do you owe?

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Sample Case

Amount borrowed in law school	\$145,500
Estimated capitalized interest	\$20,500
Estimated total debt at repayment	\$166,000
<u>Assumptions:</u> DSL/UDSL interest rate = 6.8% PLUS interest rate = 7.9%	

Loan Portfolio Chart

Sample Worksheet

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Loan Type	Interest Rate	Lender	Servicer	Amount Owed
Direct Stafford	6.8%	U.S. Dept. of Education	()	\$
Direct Grad PLUS	7.9%	U.S. Dept. of Education	()	\$

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Step 2

Determine when
repayment begins

Timing is complicated!

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Loans with GRACE PERIOD

- ❑ Automatic benefit
- ❑ Grace period begins when you drop below $\frac{1}{2}$ -time enrollment
- ❑ Repayment begins after grace period
- ❑ Interest is subsidized on subsidized loans in grace

Loans without GRACE PERIOD

- ❑ Enter repayment when funds are disbursed
- ❑ Eligible for in-school deferment while enrolled
- ❑ Repayment resumes after deferment

What loans have a grace period?

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Loans with GRACE PERIOD

- Stafford = 6 months
- Perkins = 9 months
- Private = depends

Loans without GRACE PERIOD

- Consolidation
- Grad PLUS
 - Grad PLUS Loans first disbursed on/after 7/1/2008 have an automatic 6-month post-enrollment deferment

When repayment begins ...

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You must:

- ☐ Start making payments,
OR
- ☐ Postpone repayment.

Action is required!

Postponing Repayment

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❑ Deferment

- ❑ Interest is subsidized on subsidized loans; accrues on unsubsidized loans

❑ Forbearance

- ❑ Interest accrues on ALL loans

Should contact servicer and explain why payment relief is needed

Repayment Timetable

Year 1 (Class of 2013)

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Loan	Degree	Grace Period	Payment Start Date	Action Needed
Direct Stafford	Law	6 months	≈ 12/1/2013	Select payment plan near end of grace period
Direct Grad PLUS	Law	none	≈ 12/1/2013	Verify post-enrollment deferment will be applied automatically after graduation

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Step 3

Pick your repayment plan

Picking Your Plan

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Suggested steps:

1. Understand your options
2. Define your goals
3. Estimate your budget
4. Evaluate possible tradeoffs
5. Leverage loan repayment flexibility
6. Pick your plan

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Picking Your Plan

Understanding your options

Federal Student Loan Repayment Options

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Stafford, Grad PLUS, Consolidation:

- ❑ Standard (Fixed) Repayment
- ❑ Graduated Repayment
- ❑ Extended Repayment
- ❑ Income-Sensitive Repayment (FFEL)/
Income-Contingent Repayment (Direct) – (ICR)
- ❑ Income-Based Repayment (IBR)
- ❑ “Pay As You Earn” Repayment (Direct) – (PAYE)

Loan Repayment Options

Stafford, PLUS and Consolidation Loans

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Options	Payment Structure	Maximum Payment Period
Standard	Fixed	10 years
Graduated	Tiered	10 years
Extended	Fixed or tiered	25 years
Income Sensitive (<i>FFEL only</i>)	Adjusted annually based on: - Total gross income	15 years
Income-Contingent (ICR) (<i>Direct only</i>)	Adjusted annually based on: - Household AGI - Household size - Total amount of Direct Loans	25 years
Income Based (IBR)	15% of annual "Discretionary Income" Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	25 years
Pay As You Earn (PAYE) (<i>Direct only</i>)	10% of annual "Discretionary Income" Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	20 years

Payment Comparisons

\$166,000 Federal Student Loan Debt

\$75,000 Household AGI (Household Size = 1)

(Estimates calculated at: StudentAid.gov)

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Options	Payment Structure	Maximum Payment Period	Sample Monthly Payment	Payment #	Est. Total Amount Paid
Standard	Fixed	10 years	\$1,966	All (1-120)	\$235,934
Graduated	Graduated	10 years	\$1,364 \$2,949	1-24 99-120	\$249,738
Extended	Fixed	25 years	\$1,221	All (1-300)	\$366,399
	Graduated	25 years	\$1,031 \$1,681	1-24 289-300	\$395,270
ICR	Adjusted annually	25 years	\$1,064 tbd	1-12 13+	tbd
IBR	Adjusted annually	25 years	\$728 tbd	1-12 13+	tbd
PAYE	Adjusted annually	20 years	\$485 tbd	1-12 13+	tbd

Initial Monthly Payments

Standard vs. Extended Plans

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Total Debt	Standard Plan (10 yrs)		Extended Plan-Fixed (25 yrs)	
	Rate = 6.8%	Rate = 7.9%	Rate = 6.8%	Rate = 7.9%
\$10,000	\$115	\$121	Not Eligible	Not Eligible
\$25,000	\$288	\$302	Not Eligible	Not Eligible
\$50,000	\$575	\$604	\$347	\$383
\$75,000	\$863	\$906	\$521	\$574
\$100,000	\$1,151	\$1,208	\$694	\$765
\$125,000	\$1,438	\$1,510	\$868	\$957
\$150,000	\$1,726	\$1,812	\$1,041	\$1,148
\$175,000	\$2,014	\$2,114	\$1,215	\$1,339
\$200,000	\$2,302	\$2,416	\$1,388	\$1,530
\$225,000	\$2,589	\$2,718	\$1,562	\$1,722

IBR and PAYE

Who can benefit?

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Borrowers:

- Needing more affordable payments
- With high loan debt relative to income
- Pursuing a public service career

Pay As You Earn (PAYE)

What is it?

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- ❑ Enhanced version of current Income-Based Repayment (IBR) plan
- ❑ Created by Executive Order on October 26, 2011
- ❑ Available to eligible borrowers beginning December 21, 2012
- ❑ PAYE is a qualifying payment plan for Public Service Loan Forgiveness (PSLF)

IBR vs. PAYE

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IBR

- Direct and FFEL loans
- Annual amount paid based on 15% of “Discretionary Income”
- Loan cancellation after 25 years

PAYE

- Direct loans only
- Annual amount paid based on 10% of “Discretionary Income”
- Loan cancellation after 20 years
- Must meet two additional eligibility requirements

PAYE

Additional Eligibility Requirements

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- Must be a “new borrower” on or after October 1, 2007 (10/1/2007)
 - ▣ No federal loans before 10/1/2007, OR
 - ▣ No outstanding balance on an existing federal student loan when you borrowed your first federal student loan on or after 10/1/2007
- Must have had a disbursement of a federal student loan on or after 10/1/2011

IBR and PAYE

How do you qualify?

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To enter IBR/PAYE, you must have:

**PARTIAL FINANCIAL HARDSHIP
(PFH)**

What is PFH?

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Partial financial hardship exists when:

Standard
10-year
payment
\$\$\$\$\$

>

IBR/PAYE
payment
\$\$

IBR and PAYE

How is monthly payment calculated?

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When PFH exists, payment is based on:

- Household AGI
- Household size
- Federal Poverty Guidelines

“Household AGI”

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- Your AGI
- Spouse's AGI, only if joint federal tax return was filed

NOTE: Household's eligible debt in PFH determination will include spouse's eligible debt, if spouse's AGI is included

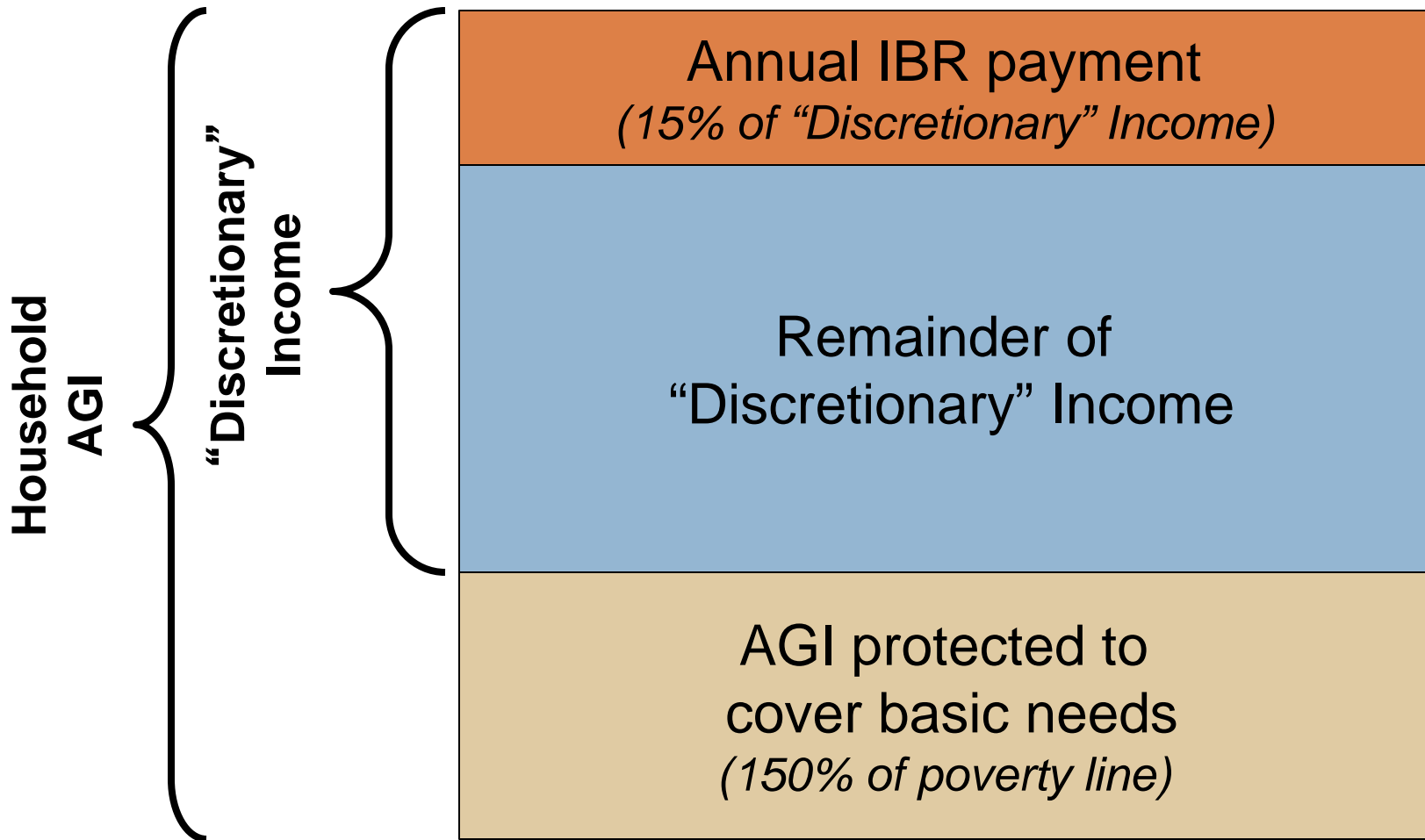
“Household Size”

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- You
- Spouse
- Dependent children
- Other dependents in household who receive $> 50\%$ support from you

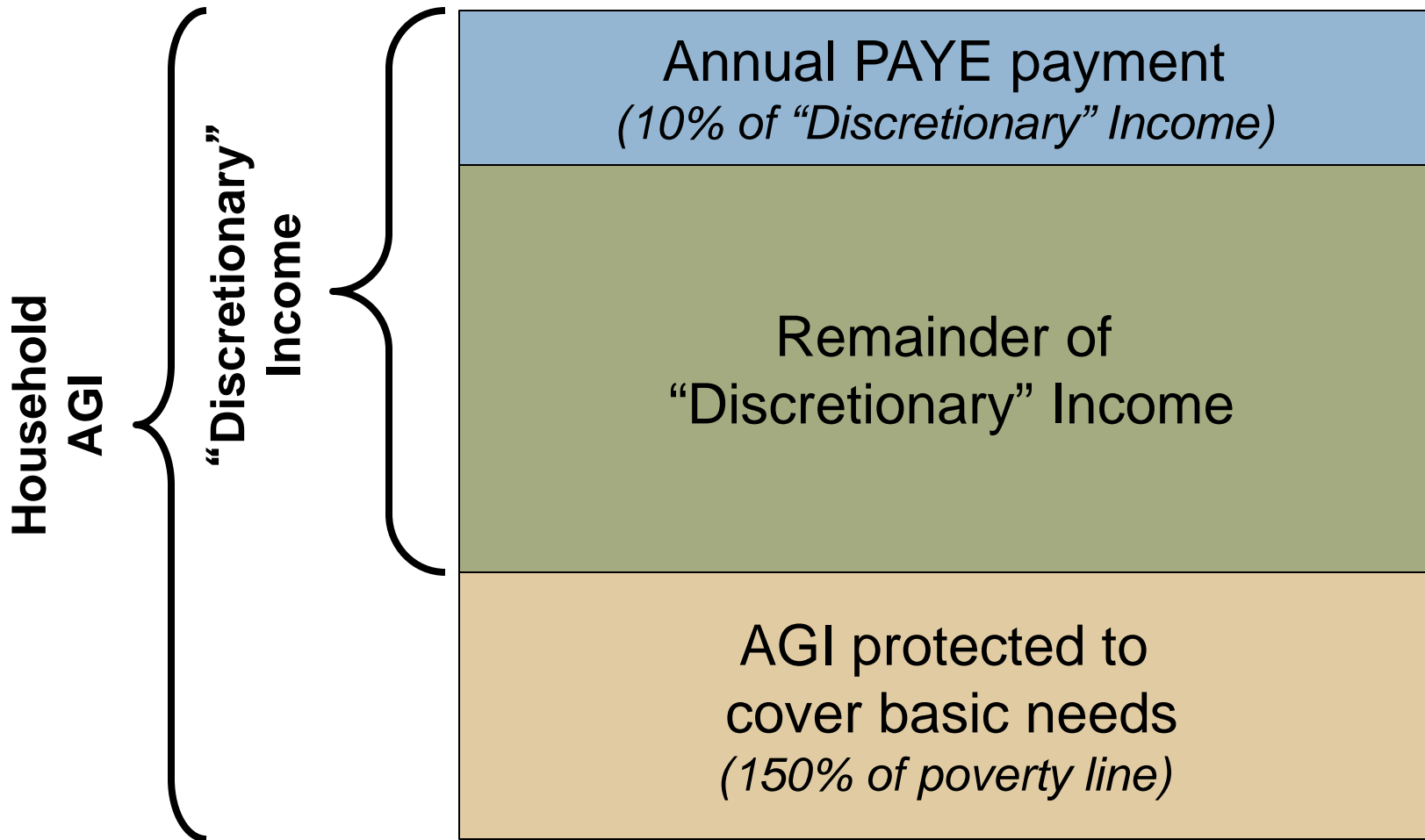
Annual amount paid in IBR is 15% of “Discretionary” Income

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Annual amount paid in PAYE is 10% of “Discretionary” Income

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Sample IBR Payments

15% Formula

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Household AGI	2012 Monthly PFH Payment in 48 states		
	HH Size = 1	HH Size = 2	HH Size = 3
\$0	\$0	\$0	\$0
\$10,000	\$0	\$0	\$0
\$20,000	\$41	\$0	\$0
\$30,000	\$166	\$91	\$17
\$40,000	\$291	\$216	\$142
\$50,000	\$416	\$341	\$267
\$60,000	\$541	\$466	\$392
\$70,000	\$666	\$591	\$517
\$80,000	\$791	\$716	\$642
\$90,000	\$916	\$841	\$767
\$100,000	\$1,041	\$966	\$892

Sample PAYE Payments

10% Formula

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Household AGI	2012 Monthly PFH Payment in 48 states		
	HH Size = 1	HH Size = 2	HH Size = 3
\$0	\$0	\$0	\$0
\$10,000	\$0	\$0	\$0
\$20,000	\$27	\$0	\$0
\$30,000	\$110	\$61	\$11
\$40,000	\$194	\$144	\$95
\$50,000	\$277	\$228	\$178
\$60,000	\$360	\$311	\$261
\$70,000	\$444	\$394	\$345
\$80,000	\$527	\$478	\$428
\$90,000	\$610	\$561	\$511
\$100,000	\$694	\$644	\$595

IBR and PAYE

Negative Amortization

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- IBR/PAYE payment can be less than accrued interest
- Unpaid interest accrues
 - ▣ Unpaid interest accruing on subsidized Direct/Stafford Loan debt is waived by government for up to first 3 consecutive years in IBR or PAYE plan
- Debt increases

IBR and PAYE

What happens if PFH ends?

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- Remain in IBR/PAYE
 - ▣ Pay initial original 10-year amortization amount
- Exit IBR/PAYE

Applying for IBR or PAYE

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- Contact current loan servicer to apply for IBR/PAYE
- Complete online application, as directed (every 12 months)
 - ▣ Application collects basic demographic information as well as information about household adjusted gross income (AGI) and household size

You must **CONSOLIDATE** any non-DIRECT federal student loans (e.g., FFEL, Perkins) before you can repay that debt using PAYE

Apply at: *loanconsolidation.ed.gov*

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Prepaying Loans

Loan Prepayment

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- You can make prepayments on your federal student loan(s) without penalty
- Will reduce total interest paid on loan
- Target prepayment at loan(s) with highest cost
- **Best to make prepayments online at loan servicer's website**

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Step 4

Prepare for contingencies

What if you can't afford to make your loan payments?

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Contact your loan servicer immediately!

Payment relief may be available, including:

- ❑ Deferment
- ❑ Forbearance
- ❑ Changing payment plans to lower your monthly payment, e.g., IBR or PAYE

Traditional Consolidation

A Refinancing Option

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- ❑ You can refinance one or more eligible federal student loans by borrowing a Federal Direct Consolidation Loan
- ❑ All federal student loans except the Primary Care Loan (PCL) are eligible for federal loan consolidation
- ❑ Only available from Federal Direct Loan Program at: *LoanConsolidation.ed.gov*

Reasons to Consolidate

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- ❑ To simplify repayment by reducing number of loans/lenders/servicers
- ❑ To refinance Stafford Loans with variable interest rate(s) into Federal Direct Consolidation Loan with fixed interest rate
- ❑ To refinance FFEL loan(s) into Direct Program to make debt eligible for Public Service Loan Forgiveness Program and PAYE
- ❑ To refinance Perkins loan(s) into Direct Program to make debt eligible for Public Service Loan Forgiveness Program, IBR and PAYE
- ❑ To refinance FFEL Grad PLUS Loan(s) with fixed rate of 8.5% into Federal Direct Consolidation Loan with 8.25% fixed interest rate
- ❑ To reduce monthly payment on federal student loan debt
- ❑ To rehabilitate defaulted federal student loans

Benefit for Public Service

Public Service Loan
Forgiveness Program
(PSLF)

PSLF

Key Points

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- ❑ DIRECT Loans only
- ❑ Work full-time as a paid employee for an eligible public service organization for 10 years (120 months)
- ❑ Repay loans using IBR or PAYE
- ❑ For more information, go to:
[StudentAid.ed.gov/publicservice](https://studentaid.ed.gov/publicservice)

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Taking Charge

Final words ...

An “Action Plan”

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1. Check your loan history at:
NSLDS.ed.gov
2. Develop your loan timeline
3. Select payment plan that's best for you
4. Request payment relief when needed

And remember, notify loan servicer(s) of address changes whenever you move

For more information ...

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- ❑ Federal student loan repayment: *StudentAid.gov*
- ❑ Federal Direct Consolidation Loans: *LoanConsolidation.ed.gov*
- ❑ Public service: *StudentAid.ed.gov/publicservice*
- ❑ National Student Loan Data System: *NSLDS.ed.gov*
- ❑ Federal Student Aid PIN: *PIN.ed.gov*
- ❑ Federal loan repayment calculator: *StudentAid.gov*
- ❑ PSLF benefits estimation: *FinAid.org/calculators*
- ❑ Free annual credit report: *AnnualCreditReport.com*

YOU CAN TAKE CHARGE!