2014 Exit Counseling / Student Loan Repayment Information
May 7, 2014
University of Maryland, Baltimore County
First

- If you are graduating: Congratulations!
Know your loans

- Know the type(s) of loan (Stafford DL, FFEL, PLUS, Private) you have borrowed
- Know your lender(s) and servicer(s)
- Know how much you owe
- Know your rights and responsibilities
- Know your repayment
- Know your options
Types of Loans

- **Direct Subsidized & Unsubsidized Loans** have a 6 month grace period that starts when no longer enrolled at least half time or at separation from the school. Interest rates vary from 3.4 to 6.8%. (2013-14 rates = 3.86%)

- **Graduate/professional student PLUS Borrowers**, repayment deferred while enrolled in school at least half time. For Direct PLUS Loans first disbursed on or after July 1, 2008, for additional 6 months after you graduate or drop below half-time enrollment. Interest rate 7.9%. (2013-14 rates = 6.41%)

- **Parent PLUS Loan borrowers** may defer repayment of PLUS loans first disbursed on or after July 1, 2008 while the student for whom the loan was borrowed is enrolled at least half-time and for an additional 6 months after that student is no longer enrolled. Parent PLUS borrowers must apply for this deferment. Interest rate 7.9%. (2013-14 rates = 6.41%)
Additional types of loans

- **Perkins loans** (not available at all schools) have a 9 month grace period and may qualify for forgiveness for certain professions. Interest rate 5%.

- **Private loans** (also known as supplemental or alternative loans). Grace period may vary (usually a minimum of 6 months), deferments/forbearances may vary, interest rates vary.
Lenders/Servicers

- **Lenders** provide the funds borrowed by the student.
- **Servicers** collect and keep track of payments on behalf of the lender. They also provide customer service to the borrower when questions arise. Most offer online services for payment, review of accounts, etc.
- Sometimes the lender and servicer are the same, but even if not, they work closely together.
- It is not unusual for loans to be sold to other lenders/servicers. So it is VERY important that you open all correspondence about your loans.
Where do I find my loans?

- Federal loans are all found on the National Student Loan Database System, and may be accessed 24/7 at [www.nslds.ed.gov](http://www.nslds.ed.gov).
Private loans

- If you have private loans, you will **not** find them on NSLDS. Private loans will be listed in one or more of the three major credit reporting agencies.

- You may check your credit reports (for free) by going to [www.annualcreditreport.com](http://www.annualcreditreport.com).

- You have the right to free copies of your credit report once per year. This website is FREE and accesses the three major credit reporting bureaus.
Under the federal loan programs, you have certain rights:

- To a grace period (usually 6 months but can vary) before you enter repayment
- To change your payment plan
- To repay your loans in full at any time without penalty
- To be notified in writing if your loan is sold
- To receive a copy of your MPN
- To receive a disclosure statement
- To defer payment under certain circumstances
- To receive documentation when the loan has been paid in full
Under the federal loan programs, you also have responsibilities:

- You must repay your loan, even if you did not complete your education or were not satisfied with your school.
- You must make payment on time, even if you do not receive a bill.
- You must notify your lender/servicer if you change your name, your address, or your phone number.
- You must contact your lender/servicer if you cannot make a payment, or cannot make a payment on time.
- Refer to your promissory note (MPN) if questions, or contact your lender/servicer if you need answers.

So I have these loans, what do I do???

- Get organized; know who you owe, what types of loans you have, when your payments are due, where you send your payments, how to contact all of your lenders/servicers

- Have a plan – the best thing you can do for yourself is set a budget (what is your income vs. what bills you have) and stick to it.
  - You can find budget calculators online, there are also many apps for smartphones

- Be careful with your credit!
Repayment

- Standard Repayment
  - Equal monthly payments made over the course of 10 years, minimum payment of $50 per month.
- Enrollment in standard repayment is automatic, but borrowers may choose another payment that better suits his/her needs.

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Monthly Payment</th>
<th>Total Interest Paid</th>
<th>Total Paid(^1) (LOAN + INTEREST)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>$287.70</td>
<td>$9,524.00</td>
<td>$34,524.00</td>
</tr>
</tbody>
</table>

Assumes Unsubsidized Stafford with 6.8% interest, 10-year amortization repayment plan.
Repayment

- Graduated Repayment
  - Monthly payments start at a lower amount but gradually increase over 10 years.

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Monthly Payment</th>
<th>Total Interest Paid</th>
<th>Total Paid¹ (LOAN + INTEREST)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$25,000</td>
<td>$141.67</td>
<td>$10,882.64</td>
<td>$35,882.64</td>
</tr>
<tr>
<td></td>
<td>$338.36</td>
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</tbody>
</table>

Assumes Unsubsidized Stafford with 6.8% interest, 10-year amortization repayment plan
Repayment

- Income-Based Repayment
  - Monthly payments are reduced based on demonstrating a partial financial hardship (amount of debt, income, family size taken into account). Eligibility re-evaluated each year. After 25 years/300 payments, remaining balance may be forgiven.
  - Forgiven portion may be subject to taxation

- Income-Contingent Repayment – for DL loans only. Based on income and family size. Must reapply every year. Repayment up to
Repayment

- PAYE - Pay As You Earn
  - Eligible Loans – ALL Direct Loans
  - You must be a new borrower (you had no outstanding balance on a Direct Loan or FFEL Program loan as of Oct. 1, 2007, or had no outstanding balance on a Direct Loan or FFEL Program loan when you received a new loan on or after Oct. 1, 2007) as of Oct. 1, 2007, and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011.
PAYE

20 year repayment

- Under this plan, your monthly payments are
  - based on your income and family size;
  - adjusted each year, based on changes to your annual income and family size;
  - usually lower than they are under other plans;
  - never more than the 10-year standard repayment amount,
  - And made over a 20-year repayment period
PAYE

• Advantages
  ◦ Monthly payment is 10% of discretionary income (income – poverty guidelines for your family size)
  ◦ Interest payment benefit
  ◦ Limit on capitalization of interest
  ◦ 20-year forgiveness
  ◦ 10-year Public Service Forgiveness

• Disadvantages
  ◦ You may pay more interest
  ◦ You must submit annual documentation
  ◦ FFEL loans are NOT part of this program; you will need to select another repayment program (e.g. IBR) for FFEL loans
  ◦ You may have to pay taxes on amount forgiven after 20 years
## Repayment

- **Extended Repayment** – Payments that are fixed or gradually increased over 25 years. Debt must be over $30,000.

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Monthly Payment</th>
<th>Total Interest Paid</th>
<th>Total Paid (LOAN + INTEREST)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30,000</td>
<td>$208.22</td>
<td>$32,466.00</td>
<td>$62,466.00</td>
</tr>
</tbody>
</table>

Assumes Unsubsidized Stafford with 6.8% interest, 10-year amortization repayment plan
Repayment options

- Choose what works best for you; talk to your lender/servicer, ask about switching plans if needed.
- Use a calculator to “run the numbers”, such as on http://www.direct.ed.gov/calc.html
- Remember that the longer you take to repay your loans, you will pay more in interest; paying more quickly saves you money!
- You may prepay (repay before 10 years, or make larger payments) without penalty on federal loans. Most private loans also permit penalty-free prepayment, but always check your promissory note or check with the servicer for details.
- Know when each loan is due; talk to lender/servicer about changing the date to match your other loans.
- Create a budget you can manage and stick to it.
Consolidation

- Combines some/all federal loans into one loan for easier payment.
- May reduce amount of payment by increasing length of time for repayment.
- Remember, the longer the repayment period, the greater the amount of interest paid over that time.
- Consider the benefits and deficits before consolidating.
- Generally, you should not consolidate Stafford loans with any other loans (e.g. Perkins, private loans, or your spouse’s or anyone else’s loans).
Public Service Loan Forgiveness

- Forgives any remaining student loan debt after 10 years for people who work in qualifying public service positions
  - Qualifying positions may include public education, social work, public safety, public defenders, public and school librarians, military service….and more.
- Other public service forgiveness is available for teachers, nurses, Americorps and Peace Corps volunteers.
- Check studentaid.ed.gov for more information
- Forgiven amount is not taxed (as of now); other forgiveness programs currently may carry federal (and in some cases, state) tax requirements on forgiven amount.
Options

• Your loans won’t just go away
  ◦ Forgiven for total and permanent disability (you are not expected to be able to work again) or death ONLY
  ◦ Loans are rarely (if ever) included in bankruptcy

• If you find yourself in trouble with payments, ALWAYS reach out to your servicer!

• You may qualify for a deferment (postponement of payment) if you:
  ◦ Are enrolled in school
  ◦ Unemployed
  ◦ In the military
  ◦ Employed in a public service position
  ◦ Unable to make payments
Deferments

- Temporarily postpone payment of a student loan
- Subsidized loans do not accrue interest while in deferment
- Unsubsidized and GradPLUS loans accrue interest whether in repayment or deferment

Remember that accruing interest during deferment increases the amount repaid in the end; you may want to pay the interest during deferments.
Forbearance

- If you don’t qualify for a deferment, you may be able to request forbearance.
  - Usually is at a lender’s/servicer’s discretion, but they want to work with borrowers
  - Payment is temporarily suspended or lowered
  - Interest accrues during forbearance, even on Subsidized loan

- Late payments are reported to the credit bureaus; delinquent loans harm your credit score.
- Communicate with your lender/servicer. **You have options!**
Default

- If you make no payments for 270 days, your loan will be placed into default, with serious consequences.
  - You will be sued by the federal government
  - Interest and fees will be applied (increasing the total loan)
  - Your credit will be damaged (it’s reported to the credit bureaus)
  - Your wages may be garnished and tax refunds intercepted
  - You will be ineligible for deferments, forbearances, and any federal financial aid
  - You may not be hired by the federal (or possibly state) government
  - If you have a professional license, it may be suspended or revoked
Office of the Ombudsman

If you have issues that, despite repeated attempts, you cannot resolve with your lender/servicer, there is an ombudsman to help get things resolved.

Contact the Office of the Ombudsman

Phone number: 1-877-557-2575
Fax number: 202-275-0549
Postal mail

U.S. Department of Education
FSA Ombudsman
830 First Street, NE
Fourth Floor
Washington, DC 20202-5144
To Review

- Rely on your lender/servicer for assistance
- Know your options and use them to stay in good standing with your loans and your good credit
- Use the tools and resources given to you, and always ask for help

***Remember that your school is a useful resource if you need to ask questions, too***
Resources

- [www.nslds.ed.gov](http://www.nslds.ed.gov)
- [studentaid.ed.gov](http://www.studentaid.ed.gov)
- [www.annualcreditreport.com](http://www.annualcreditreport.com)
- Direct Loan Servicing Center
  - P.O. Box 5609
  - Greenville, TX 75403-5609
  - 1-800-848-0979
  - (TTY) 1-800-848-0983
Taxes

- Some forgiveness programs are taxable, so know what you may be liable for if you have any forgiveness at the end
- Interest paid on some student loans may be tax-deductible (if the program is continued), so check with your tax professional
Major Servicers of Federal Loans:

Great Lakes
Borrower Contact Information:
Phone: (800) 236-4300 or (608) 246-1700
Email: borrowerservice@glhec.org

FedLoan Servicing (PHEAA)
Borrower Contact Information:
Phone: (800) 699-2908
Email: accountinfo@myfedloan.org

ACS
Borrower Contact Information:
Phone: (800) 508-137

National Education Loan Network (Nelnet)
Borrower Contact Information:
Phone: (888) 486-4722

Student Loan Marketing Association (SLMA or Sallie Mae)
Borrower Contact Information:
Phone: (800) 722-1300
## OPTIONS FOR PAYING BACK $40,000 IN DEBT, $36,000 SALARY

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Repayment Period</th>
<th>Unsubsidized Stafford 6.8% Interest Rate</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Monthly Payment</td>
</tr>
<tr>
<td>Standard</td>
<td>10 years</td>
<td>$460.32</td>
</tr>
<tr>
<td>Graduated</td>
<td>10 years</td>
<td>$226.67 (Years 1–2) $541.38 (Years 3–10)</td>
</tr>
<tr>
<td>Income-Based</td>
<td>25 years</td>
<td>$246.94 (First Year) $375.54 (Tenth Year) $460.32 (Maximum)</td>
</tr>
<tr>
<td>Income-Sensitive</td>
<td>10 years</td>
<td>$120.00 (Year 1) $512.59 (Years 2–10)</td>
</tr>
<tr>
<td>Income-Contingent</td>
<td>25 years</td>
<td>$350.81 (Initial) $402.19 (Final)</td>
</tr>
<tr>
<td>Extended</td>
<td>25 years</td>
<td>$277.63</td>
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## CONSOLIDATION LOANS

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Loan Amount</th>
<th>Interest Rate</th>
<th>Loan Term</th>
<th>Total Interest Paid</th>
<th>Monthly Payment</th>
<th>Total Paid</th>
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<tr>
<td>Stafford Loans</td>
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<tr>
<td>Subsidized</td>
<td>$3,500</td>
<td>Fixed 6.0%</td>
<td>10 years</td>
<td>$818.59</td>
<td>$50.00</td>
<td>$4,318.59</td>
</tr>
<tr>
<td>Subsidized</td>
<td>$6,000</td>
<td>Fixed 6.8%</td>
<td>10 years</td>
<td>$2,286.00</td>
<td>$69.05</td>
<td>$8,286.00</td>
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<tr>
<td>Unsubsidized</td>
<td>$5,500</td>
<td>Variable 4.41%</td>
<td>10 years</td>
<td>$1,311.20</td>
<td>$56.76</td>
<td>$6,811.20</td>
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<tr>
<td>Perkins Loan</td>
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<tr>
<td></td>
<td>$9,000</td>
<td>Fixed 5.0%</td>
<td>10 years</td>
<td>$2,455.20</td>
<td>$95.46</td>
<td>$11,455.20</td>
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<td>Totals</td>
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<tr>
<td></td>
<td>$24,000</td>
<td></td>
<td></td>
<td>$6,870.99</td>
<td>$271.27</td>
<td>$30,870.99</td>
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<td>Consolidation Loans</td>
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<tr>
<td>Standard Plan</td>
<td>$24,000</td>
<td>5.5%</td>
<td>20 years</td>
<td>$15,621.60</td>
<td>$165.09</td>
<td>$39,621.60</td>
</tr>
</tbody>
</table>
A Word on Budgeting

- Keep organized records
  - Receipts in an envelope
  - Track purchases and expenses in a journal
  - Use of calendars for tracking bill due dates
  - Keep expenditures simple until you have a handle on what your monthly finances are going to look like after several months
A Word on Budgeting

- Use of apps
  - (Not an endorsement of any particular app!)
- There are many for iPhones, etc.
  - “Mint.com”, “Virtual Budget”, “Personal Capital Banking and Investing” are just three; use what works for you
- Whatever you choose, use to set good financial habits
Be Careful with Credit

- Pay bills on time
- Limit use (and number) of credit cards
- Check your credit once per year
  - [www.annualcreditreport.com](http://www.annualcreditreport.com)
Questions?