Student Loans: What You Need to Know About Successful Repayment

Spring 2016
Loan Repayment

Create a budget

Pay on-time with auto-debit

Do exit counseling for all loans

Access servicer account online

Select your repayment plan
First Steps

- Create a budget, track your spending, set limits
- Complete required exit counseling for each of your loans
  - For Direct Loans, go to [www.studentloans.gov](http://www.studentloans.gov) and use your FSA ID to complete
  - For Perkins Loan, Massachusetts No Interest Loan, WPI Ward and Institute Loans, servicer ECSI Heartland will email your WPI email address with exit counseling instructions
- Identify your servicer – check [www.nslds.gov](http://www.nslds.gov) or see your personal loan history sheet, mailed in June
- Explore which repayment plan is most suitable
- Update your contact information with your servicer
- Establish an online account
- Enroll in auto-debit payments
Direct Loan Exit Counseling

• It’s required by law if student drops below half-time status, ceases attendance, withdraws, or graduates

• Done online at www.studentloans.gov and provides important information you will need to repay your loans; takes about 30 minutes

• Review your rights and responsibilities as a borrower

• Information on hand to complete counseling
  – Your federal loan balances at www.nslds.ed.gov/nslds_SA/
  – Names, addresses, email addresses & phone numbers for
    ▪ Your next of kin
    ▪ Two references who live in the U.S.
    ▪ Your employer or future employer

• Ability to select repayment plan that can be changed later
### Fed Loan Servicers

- **Your Direct Loan has been assigned to a servicer by the Department of Education**
- **What do they do?**
  - Collect payments
  - Respond to customer service inquiries
  - Provide repayment options
  - Help to change repayment plan
  - Assist if difficulty paying
  - Want to see you repaying successfully

<table>
<thead>
<tr>
<th>Loan Servicer</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>CornerStone</td>
<td>1-800-663-1662</td>
</tr>
<tr>
<td>ESA/Edfinancial</td>
<td>1-855-337-6884</td>
</tr>
<tr>
<td>FedLoan Servicing (PHEAA)</td>
<td>1-800-699-2908</td>
</tr>
<tr>
<td>Granite State – GSMR</td>
<td>1-888-556-0022</td>
</tr>
<tr>
<td>Great Lakes Educational Loan Services, Inc.</td>
<td>1-800-236-4300</td>
</tr>
<tr>
<td>MOHELA</td>
<td>1-888-866-4352</td>
</tr>
<tr>
<td>Navient</td>
<td>1-800-722-1300</td>
</tr>
<tr>
<td>Nelnet</td>
<td>1-888-486-4722</td>
</tr>
<tr>
<td>OSLA Servicing</td>
<td>1-866-264-9762</td>
</tr>
<tr>
<td>VSAC Federal Loans</td>
<td>1-888-932-5626</td>
</tr>
</tbody>
</table>
When does repayment begin?

• At the end of your grace period - confirm with your servicer exact date
  – Direct Loans = 6 month grace period
  – Perkins and WPI Loans = 9 month grace period
  – Private loans = varies, so check with your servicer

• Prepare for repayment during your grace period
  – It’s okay and even recommended to make payments before grace period ends to save you money later!
## “Traditional” Direct Loan Repayment Plans

<table>
<thead>
<tr>
<th>Repayment Options</th>
<th>Monthly Payment and Time Frame</th>
<th>Quick Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>• STANDARD</td>
<td>Fixed payments paid up to 10 years</td>
<td>You’ll pay less <strong>interest</strong> for your loan over time.</td>
</tr>
<tr>
<td>• GRADUATED</td>
<td>Payments are lower at first and increase every 2 years, paid over 10 years</td>
<td>Assumes your income will increase over time.</td>
</tr>
<tr>
<td>• EXTENDED</td>
<td>Payments can be fixed or graduated and extend up to 25 years</td>
<td>Limited to those with over $30k in Direct Loans; pay more in aggregate for loans.</td>
</tr>
</tbody>
</table>
## “Income-Driven” Direct Loan Repayment Plans

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<tr>
<th>Repayment Options</th>
<th>Monthly Payment and Time Frame</th>
<th>Quick Comparison</th>
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<tr>
<td>Income-Based (IBR) Plan</td>
<td>Generally 15% of your discretionary income; paid up to 25 years</td>
<td>Must have financial hardship, provide income documents, possible forgiveness after 25 yrs.</td>
</tr>
<tr>
<td>Pay As Your Earn Plan (PAYE)</td>
<td>Generally 10% of your discretionary income; paid up to 20 years</td>
<td>Must have financial hardship, provide income documents, possible forgiveness after 20 yrs.</td>
</tr>
<tr>
<td>Income-Contingent Plan (ICR)</td>
<td>Lesser of 20% of your discretionary income or fixed 12 year repayment plan; paid up to 25 years</td>
<td>No hardship required, payment based on income and family size, possible forgiveness after 25 yrs.</td>
</tr>
</tbody>
</table>
New REPAYE Plan!

• Revised Pay As Your Earn
• Newly available starting December 16, 2015
• No financial hardship is required.*
• Payment is 10% of discretionary income.*
• * This means if you have higher income, your monthly payment may be higher on this plan compared to others.
• Repayment duration is 20 years for undergraduate borrowers, 25 years for graduate borrowers.
## Repayment Plan Example #1

Sam Sample has borrowed $35,000 in Direct Loans at an interest rate of 4.66%. He is single, earns $30,000 and lives in Indiana. His income rises 5% annually.

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Initial Payment</th>
<th>Final Payment</th>
<th>Total Paid</th>
<th>Total Paid in Interest</th>
<th>Total Time in Repayment</th>
<th>Forgiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-Year Standard</td>
<td>$366</td>
<td>$366</td>
<td>$43,934</td>
<td>$8,934</td>
<td>10 years</td>
<td>-</td>
</tr>
<tr>
<td>Graduated</td>
<td>$206</td>
<td>$619</td>
<td>$46,212</td>
<td>$11,212</td>
<td>10 years</td>
<td>-</td>
</tr>
<tr>
<td>Extended</td>
<td>$199</td>
<td>$199</td>
<td>$59,561</td>
<td>$24,561</td>
<td>25 years</td>
<td>-</td>
</tr>
<tr>
<td>Extended Graduated</td>
<td>$137</td>
<td>$332</td>
<td>$65,102</td>
<td>$30,102</td>
<td>25 years</td>
<td>-</td>
</tr>
<tr>
<td>Income-Based</td>
<td>$156</td>
<td>$366</td>
<td>$53,706</td>
<td>$18,706</td>
<td>15 yr., 5. mo.</td>
<td>$0</td>
</tr>
<tr>
<td>Pay As You Earn</td>
<td>$104</td>
<td>$361</td>
<td>$50,699</td>
<td>$28,620</td>
<td>20 years</td>
<td>$12,920</td>
</tr>
<tr>
<td>Income-Contingent</td>
<td>$240</td>
<td>$315</td>
<td>$49,347</td>
<td>$14,347</td>
<td>15 yr., 5. mo.</td>
<td>$0</td>
</tr>
</tbody>
</table>
Repayment Plan Example #2

Gompei Graduate has borrowed $31,000 in Direct Loans at an interest rate of 4.383%. He is single, earns $66,805 and lives in MA. His income rises 5% annually.

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>First Monthly Payment</th>
<th>Last Monthly Payment</th>
<th>Total Amount Paid</th>
<th>Projected Loan Forgiveness</th>
<th>Repayment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$278</td>
<td>$278</td>
<td>$33,397</td>
<td>$0</td>
<td>120 months</td>
</tr>
<tr>
<td>Graduated</td>
<td>$156</td>
<td>$469</td>
<td>$35,008</td>
<td>$0</td>
<td>120 months</td>
</tr>
<tr>
<td>Revised Pay As You Earn (REPAYE)</td>
<td>$408</td>
<td>$545</td>
<td>$30,594</td>
<td>$0</td>
<td>66 months</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income-Based Repayment (IBR)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>IBR for New Borrowers</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Income-Contingent Repayment (ICR)</td>
<td>$244</td>
<td>$280</td>
<td>$34,138</td>
<td>$0</td>
<td>130 months</td>
</tr>
</tbody>
</table>
Estimate your student loan payments

Visit studentloans.gov
Federal Direct Loan Consolidation

- Interest rate is weighted average of consolidated loans
- Interest rate is rounded up to nearest higher 1/8 of 1%
- No interest rate cap
Federal Student Loan Consolidation

+ BENEFITS

- Repayment period up to 30 years means lower *monthly* payments
- Any variable interest rate loans switch to a weighted-average fixed interest rate
- Simplification: one payment to one holder
- It’s **free** to consolidate your federal student loans

- DRAWBACKS

- If consolidation occurs during grace, you forfeit any remaining grace
- Extending repayment period means paying more interest, so *paying more in aggregate*
- Possible forfeit of benefits: rate discounts, principal rebates, cancellation benefits
- Cannot undo consolidation
Deferment and Forbearance Reasons

- Deferment/forbearance are periods during which repayment of interest and principal is temporarily delayed.
- You will need to submit a request to your servicer with documentation.
- There are time limits; neither counts toward repayment.

<table>
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<tr>
<th>Deferment</th>
<th>Forbearance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment</td>
<td>Medical/dental internship residency</td>
</tr>
<tr>
<td>Economic hardship</td>
<td>Student loan debt burden</td>
</tr>
<tr>
<td>Graduate fellowship</td>
<td>AmeriCorps</td>
</tr>
<tr>
<td>Rehabilitation training program</td>
<td>Teacher Loan Forgiveness</td>
</tr>
<tr>
<td>Military</td>
<td>DOD Student Loan Repayment Program</td>
</tr>
<tr>
<td>In-school</td>
<td>National Guard</td>
</tr>
<tr>
<td></td>
<td>Medical/other acceptable reasons</td>
</tr>
</tbody>
</table>
Delinquency and Default

- Your loan is considered **delinquent** the first day after you miss (or fail to make) a payment that is due.
- A loan that is delinquent for 270 days = **default**.

- Reported to credit bureaus
- No more eligibility for federal student aid
- Loan immediately due and payable in full
- Lose eligibility for repayment plans and deferment or forbearance options
- Collection agencies will contact borrower
- Administrative wage garnishment
- Garnishment of tax refunds
Do you have any Private Loans?

- Know your loan rates, terms, and details
  - Some variable interest rates up to 18%
- Private loans are unsubsidized, meaning you pay the interest
- Cannot be consolidated into a “Direct” Consolidation Loan
- May not offer forbearance or deferment options
- Any prepayment penalty fees?
- Loan forgiveness programs unlikely
- Consult your lender for repayment options
Strategies when facing hardship

• Contact your servicer first
  – Explore switching your repayment plan to “income driven” option
  – Lower your monthly payments, but realize that you may pay more over the life of the loan.

• Ask your servicer for deferment or forbearance
  – Temporary postponement or reduction in payments
  – Contact your servicer and follow through with forms

• Consider consolidation
  – Combines multiple federal loans into a single loan
  – Beware that payment may be lower, but by extending your repayment, you will pay more over the life of the loan
Strategies for the financially stable

• Start repayment during your grace period
  – Although not required, it will save you some interest

• Enroll in the standard repayment plan
  – With the shortest repayment of 10 years with fixed payments, it generally has the lowest aggregate payment

• Pay more than the minimum
  – Apply payments above the minimum to the “principal” amount on your loans with the highest interest rates
Next Steps

- Complete exit counseling for each type of loan borrowed
- Check your email for servicer outreach
- Create on-line account, some apps available
- Utilize auto-debit – track balance and payments
- Pay on time and pay more than minimum if possible
- Keep your loans in good repayment standing
- Stay in touch with your servicer ahead of trouble