# Repayment Plans

## NYU – Stern School of Business

A Department of Education Servicer

FedLoan Servicing was established by the Pennsylvania Higher Education Assistance Agency (PHEAA) to support the U.S. Department of Education's ability to service student loans owned by the federal government.

## Agenda

- Understanding Financial Aid
- Successful Repayment
- Traditional Repayment Plans
  - Standard
  - Graduated
  - Extended (fixed or graduated)
- Income-Driven Repayment Plans Overview
  - Pay As You Earn Plan
  - Income-Based Repayment Plan
  - Revised Pay As You Earn
  - Income-Contingent Repayment Plan
  - Income Sensitive Repayment Plan
- Resources

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## Successful repayment

**Repayment Plans**

Sometimes the right repayment plan makes all the difference in your ability to pay your student loan. The options are flexible, and there's sure to be one that will work for you.

Be aware that these repayment plans are not available on all loans, so check with your lender/loan servicer to find out which repayment options are available to you.

- Examine your financial situation carefully when you start repayment to make sure you use the plan that best meets your ability to pay.
- Changing your repayment plan is easy to do but usually requires that you submit your request in writing, since it is an official change to your existing agreement.

Types of Repayment Plans

Standard | Graduated | Pay As You Earn (PAYE)

Income-Based (IBR) | Income-Contingent (ICR) | Revised Pay As You Earn (REPAYE)

Income Sensitive | 25-Year Extended

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## Types of Financial Aid: Federal Student Loans

### Federal Student Loans

- Long-term, fixed-interest rate loans
- Can be either **subsidized** or **unsubsidized**
- Graduate PLUS loans
- Must complete the **FAFSA** to apply

| William D. Ford Federal Direct Loan | Federal Family Education Loan (FFEL) |
| --- | --- |
| Loans made to students directly through the U.S. Department of Education. | Loans made to students by a bank or commercial lender. |

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## Types of Financial Aid: Alternative (Private) Loans

These loans are not borrowed from the government, but rather directly from a lender and without certain benefits offered through federal student loan programs.

### Alternative student loans are like common types of debt.

- Larger up-front fees
- Higher interest rates
- More stringent repayment terms
- Must be creditworthy

Do your homework to determine if an alternative loan is the most beneficial option for you.

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## Grace Period

### What is a Grace Period?

- Begins when you graduate, withdraw, or drop to less than half-time status
- You only get one, and it lasts 6 months
- You will receive your repayment obligation, which includes:
  - Date payments are to begin
  - Monthly payment amount
  - Repayment terms
  - Current principal balance
  - Interest rate

In School → Grace Period → Repayment

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## Does Every Loan have a Grace Period?

| Loans **with** a GRACE PERIOD | Loans **without** a GRACE PERIOD |
|---|---|
| • Stafford/Direct Subsidized and Unsubsidized<br>  • 6 months after graduation<br>• Private<br>  • Contact lender | • Grad PLUS<br>  • 6 months after graduation due to automatic 6-month post-enrollment deferment<br>• Consolidation<br>  • At graduation<br>• Prior loans where grace period has been used<br>  • At graduation |

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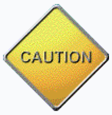
## Interest Capitalization

- **Accrued interest added to principal balance**
  - Accruing interest on interest
- **Frequency of Capitalization**
  - Less frequent capitalization is better
  - When does capitalization occur?
- **If possible, pay down interest prior to entering repayment**

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## Understand Your Options – Postponing Payments

**Postpone Payments**

Everyone experiences financial difficulty at one time or another. Fortunately, you can usually postpone loan payments under certain circumstances using a deferment or forbearance.

A deferment or forbearance may be the right choice to keep your loan from entering default.

Loan programs come with limited amounts of deferment and forbearance time, so use these opportunities wisely.

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## Student Loan Repayment

**Deferments and Forbearance**

- If you are unable to send payments during your repayment period, call your lender/loan servicer immediately.
- You may qualify for a temporary suspension of payments.

**Common Types of Deferment**

- In-School
- Unemployment
- Economic Hardship

**Ignoring the problem is not a solution---call for help.**

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## Know Who You Owe

**National Student Loan Data Systems (NSLDS)**

- NSLDS allows borrowers to obtain their personal information on all your federal student loans.
- The NSLDS website provides the borrowers' balances and past attendance status and identifies the lender(s)/loan servicer(s) of their federal student loan(s).

www.nslds.ed.gov
1-877-557-2575

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## Consolidation

**Pros**

- One monthly payment with flexible repayment options
- Reduced monthly payments
- May qualify for renewed deferment benefits
- Potential loan forgiveness eligibility
- Defaulted loans can be consolidated to regain Title IV eligibility

**Cons**

- Consolidation generally does not save money
- Slightly higher interest rate
- Loss of the remainder of the grace period
- Loss of favorable benefits on Perkins loans such as subsidized interest and loan forgiveness
- Some alternate repayment plans are available without consolidation

The Federal Direct Consolidation Program is **free**.

While it is not illegal for companies to offer student loan consolidation services for a fee, you can submit the application in **20 minutes** for no charge at www.StudentLoans.gov

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## Standard Repayment Examples

| Eligible Loan Debt - **$75,000** (6.8% interest rate) | **Standard Repayment** |
|---|---|
| Months in Repayment | 120 |
| Monthly Payment | $863.10 |
| Total Interest Payment | $28,572.30 |
| **Total Loan Payment** | **$103,572.30** |

| Eligible Loan Debt - **$150,000** (6.8% interest rate) | **Standard Repayment** |
|---|---|
| Months in Repayment | 120 |
| Monthly Payment | $1,726.20 |
| Total Interest Payment | $57,144.59 |
| **Total Loan Payment** | **$207,144.59** |

Examples from studentaid.ed.gov calculators

- This is the plan the borrower will have when entering repayment, unless the borrower requests otherwise
- The payment will be a fixed (equal) amount each month, although it could vary due to interest rate changes on a variable rate loan
- Monthly payments will be at least $50
- 10 year repayment term (Standard plan for Consolidation Loans is 10 to 30 years based on balance)

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## Graduated Repayment Examples

| Eligible Loan Debt - **$75,000** (6.8% interest rate) | **Graduated** | |
|---|---|---|
| Months in Repayment | 120 | |
| Monthly Payment | Years | Monthly Payment |
| | 1-2<br>3-4<br>5-6<br>7-9<br>9-10 | $592.63<br>$720.49<br>$875.93<br>$1064.91<br>$1,294.65 |
| Total Interest Payment | | $34,166.68 |
| **Total Loan Payment** | | **$109,166.68** |

| Eligible Loan Debt - **$150,000** (6.8% interest rate) | **Graduated** | |
|---|---|---|
| Months in Repayment | 120 | |
| Monthly Payment | Years | Monthly Payment |
| | 1-2<br>3-4<br>5-6<br>7-9<br>9-10 | $1,185.26<br>$1,440.98<br>$1,751.86<br>$2,129.81<br>$2,589.31 |
| Total Interest Payment | | $68,333.36 |
| **Total Loan Payment** | | **$218,333.36** |

- Payments start low and generally increase every two years
- 10-year repayment term (Consolidation Loans may have a term of 10 to 30 years based on balance)
- Monthly payment is never less than the amount of interest that accrues each month
- No single payment will be more than three times greater than any other payment

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Examples from studentaid.ed.gov calculators

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## Extended Repayment Examples

| Eligible Loan Debt - **$150,000** (6.8% interest rate) | Extended Fixed | Extended Graduated | |
|---|---|---|---|
| Months in Repayment | 300 | 300 | |
| Monthly Payment | $1,041.11 | Years | Monthly Payment |
| | | 1-2<br>3-4<br>5-6<br>7-8<br>9-10<br>11-12<br>13-14<br>15-16<br>17-18<br>19-20<br>21-22<br>23-24<br>25 | $863.10<br>$901.30<br>$941.18<br>$982.83<br>$1,026.32<br>$1,071.74<br>$1,119.17<br>$1,168.69<br>$1,220.41<br>$1,247.42<br>$1,330.81<br>$1,389.70<br>$1,451.20 |
| Total Interest Payment | $162,332.45 | | $186,366.76 |
| **Total Loan Payment** | **$312,332.45** | | **$336,366.76** |

- Will pay a fixed or graduated payment amount
- Repayment term not to exceed 25 years
- FFEL borrowers must have more than $30,000 in outstanding FFEL Program loans (for new borrowers as of 10/07/1998)
- Direct borrower must have more than $30,000 in outstanding Direct Loans (for new borrowers as of 10/07/1998)

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Examples from studentaid.ed.gov calculators

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## Who Should Consider Income-Driven Repayment Plans?

Borrowers with high student loan payments relative to income

- Individuals who are experiencing financial difficulties
- Individuals pursuing lower paid social-service careers
- Recent graduates managing typical federal student loan debt in low-wage jobs or unpaid internships
- Individuals who may be underemployed or unemployed

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## Income-Driven Plans Overview

For more details on eligibility, go to www.studentloans.gov

| | Pay As You Earn (PAYE) | Revised Pay As You Earn (REPAYE) | Income-Based Repayment (IBR) | Income-Contingent Repayment (ICR) |
|---|---|---|---|---|
| **Payment Calculation** | 10% of discretionary income Discretionary income = The difference between the borrower's AGI and 150% of the poverty guideline for their family size and state. | Generally 10% of discretionary income.<br>There is no cap on the payment amount (may be higher than the 10-year Standard Repayment amount) | 15% of discretionary income Discretionary income = The difference between the borrower's AGI and 150% of the poverty guideline for their family size and state. | 20% of discretionary income Discretionary income = The difference between the borrower's AGI and 100% of the poverty guideline for their family size and state. |
| **Who Qualifies** | • New Borrowers as of 10/1/07; and,<br>• Obtains a new Direct Loan disbursement on/after 10/1/11.<br>• Partial Financial Hardship (PFH) | • Any borrower with eligible federal student loans may make payments under this plan. | • Partial Financial Hardship (PFH) | • Direct Loan borrowers |
| **Eligible Loans** | • Direct Subsidized and Unsubsidized Loans<br>• Direct PLUS Loans made to graduate or professional students, and<br>• Direct Consolidation Loans that did not repay a FFELP or Direct Parent PLUS Loan | • Direct Sub/Unsub Loans<br>• Direct PLUS Loans made to grad. or prof. students<br>• Direct Consol. Loans that did not repay any PLUS loans made to parents<br>• These loan types are eligible if consolidated into a Direct Consol. Loan<br>  • Sub/Unsub Federal Loans from the FFEL program<br>  • FFEL PLUS Loans made to grad. or prof. students<br>  • FFEL Consol. Loans that did not repay any PLUS Loans made to parents<br>  • Federal Perkins Loans | • Direct and FFELP Subsidized and Unsubsidized Loans<br>• Direct and FFELP PLUS Loans made to graduate or professional students, and<br>• Direct and FFELP Consolidation Loans that did not repay a FFELP or Direct Parent PLUS Loan | • Direct Subsidized and Unsubsidized Loans<br>• Direct PLUS Loans made to graduate or professional students, and<br>• Direct Consolidation Loans that repaid a FFELP or Direct Parent PLUS Loan (disbursed on/after 7/1/06 ) |
| **Forgiveness** | 20 Years | 20 years if all loans were for undergraduate study 25 years if any loans were for grad. or prof. study | 25 Years | 25 Years |

## Pay As You Earn

- Under Pay As You Earn, borrowers pay the lesser of:
  - 10% of discretionary income or what they would have paid under the 10-year Standard repayment plan.
  - Discretionary income for this plan is the difference between the borrower's AGI and 150 percent of the poverty guideline amount for his/her state of residence and family size.
- Interest subsidy benefit
  - If the monthly Pay As You Earn payment amount does not cover the interest that accrues on the loans each month, the government will pay the unpaid accrued interest on the borrower's Direct Subsidized Stafford Loans for up to three consecutive years from the date they began repaying under Pay As You Earn or IBR.
    - The three years does not include periods of Economic Hardship Deferment
    - Borrower must pay all interest on *unsubsidized* loans
- For Pay As You Earn, the remaining balance is forgiven after 20 years of qualifying repayment

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## Income-Based Repayment (IBR)

- Under IBR, borrowers pay the lesser of:
  - 15% of discretionary income or what they would have paid under the 10-year Standard repayment plan
  - Discretionary income for this plan is the difference between the borrower's Adjusted Gross Income (AGI) and 150 percent of the poverty guideline amount for his/her state of residence and family size.
- Interest subsidy benefit
  - If the monthly IBR payment amount does not cover the interest that accrues on the loans each month, the government will pay the unpaid accrued interest on the borrower's Subsidized Stafford Loans (either Direct Loan or FFEL Loans) for up to three consecutive years from the date they began repaying under IBR or Pay As You Earn.
    - The three years does not include periods of Economic Hardship Deferment
    - Borrower must pay all interest on *unsubsidized* loans
- 25 year loan forgiveness
  - If the borrower makes 25 years of qualifying payments and meets certain other requirements, any remaining balance will be cancelled

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## Revised Pay As You Earn (REPAYE)

- Who Qualifies:
  - **Any** borrower with eligible federal student loans may make payments under this plan.
- Payment Amounts
  - Generally **10%** of discretionary income
  - There is no cap on the payment amount (may be higher than the 10-year Standard Repayment amount)
- Repayment Period
  - **20 years** if all loans you are repaying under the plan were for undergraduate study
  - **25 years** if any loans you are repaying under the plan were for graduate or professional study

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## Income-Contingent Repayment (ICR)

- Each year the monthly payments are recalculated based on:
  - AGI (includes spouse's income if married)
    - The spouse's income will only be included if they file federal taxes jointly or are repaying under joint ICR
  - Family size
  - Total amount of the borrower's Direct Loans
- If payments are not large enough to cover the interest that accrues monthly, the unpaid interest is capitalized once each year
  - The amount capitalized will not exceed 10% of original amount owed when the borrower entered repayment
  - If the borrower's payments are not enough to cover the accruing interest, it will continue to accrue but will not be capitalized if the borrower has reached the 10% limit
- After 25 years, the remaining balance will be discharged

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## Income-Driven Repayment Examples

| | | |
|---|---|---|
| Standard | 120 months | $863 /month<br>$103,572 total |
| Graduated | 120 months | $498 - $1,494 /month<br>$111,450 total |
| Extended Fixed | 300 months | $521 /month<br>$156,166 total |
| Extended Graduated | 300 months | $425 - $744 /month<br>$169,155 total |
| Revised Pay As You Earn (REPAYE) | 292 months | $270 - $1,086 /month<br>$170,190 total |
| Pay As You Earn (PAYE) | 240 months | $270 - $824 /month<br>$121,045 total |
| Income-Based Repayment (IBR) | 210 months | $404 - $863 /month<br>$139,743 total |
| IBR for New Borrowers | 240 months | $270 - $824 /month<br>$121,045 total |
| Income-Contingent Repayment (ICR) | 153 months | $637 - $790 /month<br>$113,553 total |

- Eligible Loan Debt $**75,000**
  (6.8% interest rate/unsubsidized)
- Starting AGI **$50,000**
  (AGI increasing 5% annually, Poverty Level Change Rate 3%)
- Family Size = 1

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## Income-Driven Repayment Examples

| | | |
|---|---|---|
| Standard | 120 months | $2,187 /month<br>$262,383 total |
| Graduated | 120 months | $1,261 - $3,784 /month<br>$282,340 total |
| Extended Fixed | 300 months | $1,319 /month<br>$395,621 total |
| Extended Graduated | 300 months | $1,077 - $1,884 /month<br>$428,527 total |
| Revised Pay As You Earn (REPAYE) | 300 months | $270 - $1,086 /month<br>$179,599 total |
| Pay As You Earn (PAYE) | 240 months | $270 - $824 /month<br>$121,045 total |
| Income-Based Repayment (IBR) | 300 months | $404 - $1,629 /month<br>$269,398 total |
| IBR for New Borrowers | 240 months | $270 - $824 /month<br>$121,045 total |
| Income-Contingent Repayment (ICR) | 300 months | $637 - $2,344 /month<br>$398,555 total |

- Eligible Loan Debt $**190,000**
  (6.8% interest rate/unsubsidized)
- Starting AGI **$50,000**
  (AGI increasing 5% annually, Poverty Level Change Rate 3%)
- Family Size = 1

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## Public Service Loan Forgiveness (PSLF) 10 years

The borrower may qualify for loan forgiveness earlier than 25 years (20 years if under Pay As You Earn) if they work full-time for a qualifying public service organization and make on-time full monthly payments under the repayment plans listed below. Payments made under these plans will count toward the 120 monthly payments that are required to receive loan forgiveness through PSLF.

- 10-year Standard Repayment Plan
- Income Based Repayment (IBR) Plan
- Income-Contingent Repayment (ICR) Plan
- Pay As You Earn Plan
- Any other repayment plan if the monthly payment amount is paid is not less than what would have been paid under the 10-year Standard repayment plan

For more information on PSLF, please refer to the PSLF Fact Sheet and Q&As: www.studentaid.ed.gov/publicservice

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## Public Service Loan Forgiveness (PSLF) Payment Examples

| Eligible Loan Debt - **$75,000** (6.8% interest rate/unsubsidized) Starting AGI - **$50,000** (AGI increasing 4% annually, Poverty Level Change Rate 3%) Family Size = 1 | **Pay As You Earn Repayment Plan** | **Income Based Repayment Plan (IBR)** | **Income Contingent Repayment Plan (ICR)** | **Standard Repayment Plan** |
|---|---|---|---|---|
| First Monthly Payment | $277.04 | $415.56 | $652.83 | $863.10 |
| Maximum Monthly Payment | $410.87 | $616.30 | $766.30 | $863.10 |
| Total Interest Paid | $40,822.81 | $48,525.50 | $36,769.87 | $28,572.43 |
| Total Principal Paid | $0.00 | $12,708.71 | $51,806.45 | $75,000.00 |
| **Total Amount Paid** | **$40,822.81** | **$61,234.21** | **$88,576.31** | **$103,572.43** |
| Remaining Principal Balance and Unpaid Interest | $85,177.19 | $62,404.54 | $23,193.55 | $0.00 |
| **PSLF Total Loan Forgiveness** | **$85,177.19** | **$62,404.54** | **$23,193.55** | **$0.00** |

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## Borrower Resources

- National Student Loan Data System (identify your loans and servicers) – www.nslds.ed.gov
- Federal Student Aid (FSA) Repayment Information http://studentaid.ed.gov/PORTALSWebApp/students/english/repaying.jsp
- PSLF Fact Sheet and Q&As: www.studentaid.ed.gov/publicservice
- Borrower Information and Employment Certification Form from FedLoan Servicing: www.MyFedLoan.org/PSLF
- Repayment Calculator and Estimator: https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action
- Federal Student Aid Ombudsman: http://studentaid.ed.gov/repay-loans/disputes/prepare

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## Who is Your Servicer?

Direct Loans initially are assigned to one of the following four ED servicers:

| Servicer | Website | Phone Number |
|---|---|---|
| FedLoan Servicing | myfedloan.org | (800) 699-2908 |
| Great Lakes | mygreatlakes.org | (800) 236-4300 |
| Nelnet | nelnet.com | (888) 486-4722 |
| Navient | navient.com | (800) 722-1300 |

Find more Servicer Contact Information on IFAP or call 1-800-433-7327.

Loan Servicing Centers for Students

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