The Road to Successful Student Loan Repayment

NYU- Stern School of Business

fedloan SERVICING — 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

- What You Need to Know
- Income-Driven Repayment Plans Overview
  - Income-Based Repayment Plan (IBR)
  - Income-Contingent Repayment Plan (ICR)
  - Pay As You Earn Plan (PAYE)
  - Revised Pay As You Earn Plan (REPAYE)
  - Applying for an Income-Driven Plan
- Other Repayment Plans
- Public Service Loan Forgiveness
- Direct Loan Consolidation
- Resources

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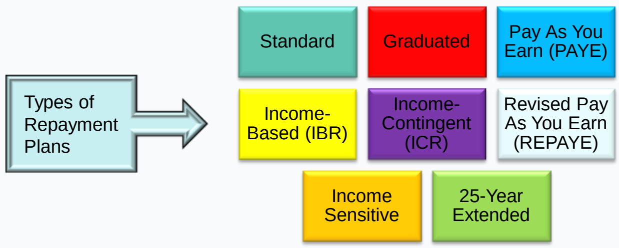
Successful repayment

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.



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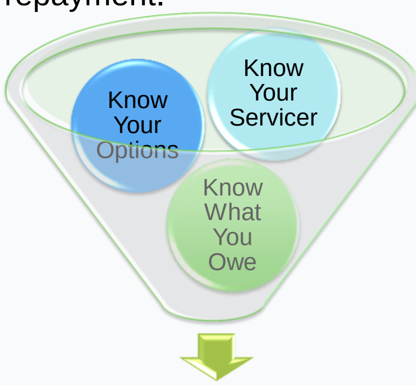
Knowledge is Power!

Knowing how to track and manage their loans is the first step in successful repayment.



Successful Loan Repayment

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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

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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
  • 6 months after graduation
• Private
  • Contact lender
	• Grad PLUS
	  • 6 months after graduation due to automatic 6-month post-enrollment deferment
	• Consolidation
	  • At graduation
	• Prior loans where grace period has been used
	  • At graduation

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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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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**

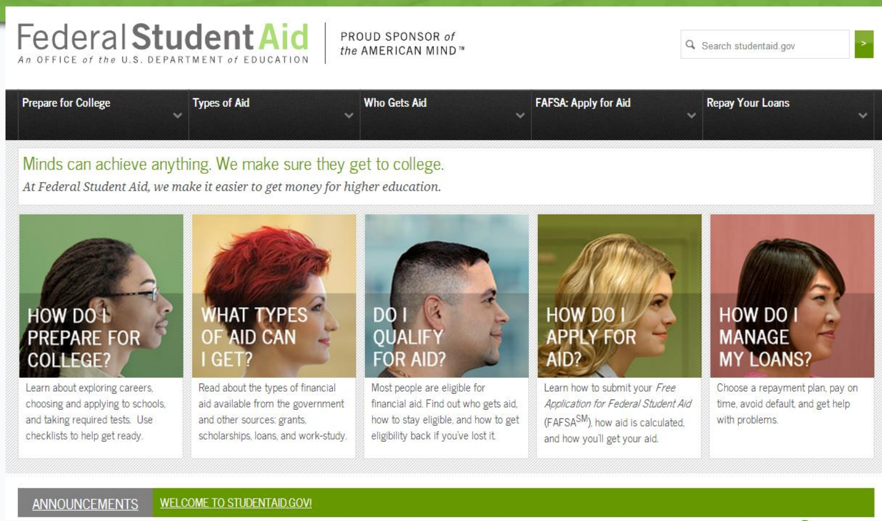
Know Who You Owe

National Student Loan Data Systems (NSLDS)

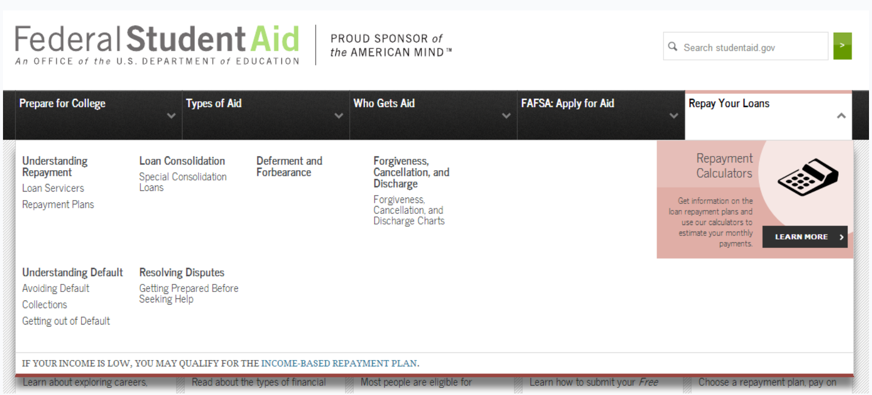
- NSLDS allows borrowers to obtain their personal information on all your federal student loans.
- The NSLDS website provides the borrowers' balances and past attendance status and identifies the lender(s)/loan servicer(s) of their federal student loan(s).

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

Additional Resources - StudentAid.gov



Additional Resources - StudentAid.gov (“Repay Your Loans” menu options)



Exit Counseling Repayment Plan Selection

	Initial Monthly Payment	Total Amount Paid	Repayment Period	
Standard	$1,001	$120,144	10 years	See Payment Guidelines
Graduated	$578	$129,282	10 years	See Payment Guidelines
Extended, Fixed	$604	$181,153	25 years	See Payment Guidelines
Extended, Graduated	$493	$196,220	25 years	See Payment Guidelines
Revised Pay As You Earn	To view IDR repayment estimates, add your loans using the "View or Add Your Loans" button.	To view IDR repayment estimates, add your loans using the "View or Add Your Loans" button.	20 years	See Payment Guidelines
Pay As You Earn	To view IDR repayment estimates, add your loans using the "View or Add Your Loans" button.	To view IDR repayment estimates, add your loans using the "View or Add Your Loans" button.	20 years	See Payment Guidelines
Income-Based Repayment	$562	$373,813	25 years	See Payment Guidelines
IBR for New Borrowers	To view IDR repayment estimates, add your loans using the "View or Add Your Loans" button.	To view IDR repayment estimates, add your loans using the "View or Add Your Loans" button.	20 years	See Payment Guidelines
Income-Contingent Repayment	$883	$551,823	25 years	See Payment Guidelines

- The Department shares borrower's repayment plan preference from Exit Counseling on studentloans.gov with federal loan servicers and Federal Family Education Loan (FFEL) Program lenders, lender servicers, and guaranty agencies.
- Repayment plan selection will be considered by the servicer, and – if possible, applied to the borrower's account.

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Repayment Schedule Estimators

Check out the Repayment Estimators available at Fedloan Repayment Schedule Estimator

and studentloans.gov

Plans Based on Your Yearly Salary

You are required to resubmit an application every year. Initial payment shown is for 12 months.

Pay As You Earn (12 Months)	Revised Pay As You Earn (12 Months)	Income-Based Repayment (12 Months)	Income-Contingent Repayment (12 Months)
MONTHLY PAYMENT $184.83	MONTHLY PAYMENT $184.83	MONTHLY PAYMENT $277.25	MONTHLY PAYMENT $320.52
With Consolidation MONTHLY PAYMENT $184.83	With Consolidation MONTHLY PAYMENT $184.83	With Consolidation NOT QUALIFIED	With Consolidation MONTHLY PAYMENT $320.52
VIEW DETAILS	VIEW DETAILS	VIEW DETAILS	VIEW DETAILS

Who Should Consider Income-Driven Repayment Plans?

Borrowers with high student loan payments relative to income, such as:

- Teachers with heavy debt loads against low salaries
- Individuals who are experiencing financial difficulties but who may not qualify for other options such as deferment or forbearance
- Recent graduates managing typical federal student loan debt in low-wage jobs or unpaid internships
- Individuals pursuing lower paid social-service careers
- Law graduates earning low salaries as public defenders
- Medical residents earning typical resident salaries

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Borrower Considerations

Pros	Cons
More manageable, lower monthly payment	Repayment period could be more than 10 years
Avoidance of delinquency and default	More interest could be paid over time
Remaining principal and interest is forgiven after 20 or 25 years of payments	Required annual submission of information on income and family size to prove continued eligibility for reduced payments
Possibility of Public Service Loan Forgiveness (after 10 years of qualifying payments)	Forgiven amount is taxable (except under PSLF)

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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 **(Not a new borrower on/after 7/1/2014)**
  - 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.
- 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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IBR Payment Amounts

EXAMPLE:

Borrower's AGI is $50,000 and they reside in 1 of the 48 contiguous states and a family size of 1.

- Poverty guideline for this example is

  $12,140 x 150% = $18,210
- Then we subtract **$18,210 from $50,000 = $31,790** which is the discretionary income
- **$31,790 x 15% = $4,768.50**
  and divide that figure by **12 = $397.37**

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Leaving IBR

- If borrowers leave IBR and have unpaid interest, it will capitalize to principal, increasing principle balance
- The borrower is placed into the Standard Plan based on the term remaining for their loan type
  - For example, Stafford/PLUS Loans will have 10 years minus the time in repayment. Consolidation Loans may have 10-30 years minus the time in repayment.
  - Borrowers may request a reduced payment forbearance if they cannot afford the payment amount on the standard repayment plan.
- Borrowers who leave IBR can come back if they demonstrate "partial financial hardship".

Pay As You Earn (PAYE)

- Who qualifies:
  - "New" borrowers who have a PFH
    - Has no outstanding balance on a Direct or FFELP loan as of 10/1/2007, or has no outstanding balance on a Direct or FFELP loan when he or she obtains a new loan on/after 10/1/2007

      AND
    - Receives a disbursement of a Direct Subsidized or Unsubsidized Stafford, or Grad PLUS loan on or after 10/1/2011; or receives a Direct Consolidation Loan based on an application received on/after 10/1/2011
- Eligible Loans:
  - Direct Loans except:
    - Defaulted loans
    - Parent PLUS loans
    - Consolidation loans that repaid Parent PLUS loans

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.
- For Pay As You Earn, the remaining balance is forgiven after 20 years of qualifying repayment

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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.
- Eligible Loans:
  - Direct Subsidized/Unsubsidized Loans
  - Direct PLUS Loans made to graduate or professional students
  - Direct Consolidation Loans that did not repay any PLUS loans made to parents
  - These loan types are eligible if consolidated into a Direct Consolidation Loan
    - Subsidized/Unsubsidized Federal Loans from the FFEL program
    - FFEL PLUS Loans made to graduate or professional students
    - FFEL Consolidation Loans that did not repay any PLUS Loans made to parents
    - Federal Perkins Loans

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Revised Pay As You Earn

- 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)

- Does not require borrower to show PFH for eligibility
- Each year the monthly payments are recalculated based on:
  - AGI (spouse's income will only be included if they file federal taxes jointly or are repaying under joint ICR
  - The Family size
  - Total amount of the borrower's Direct Loans
  - Lesser one of the following:
    - 12-year standard repayment schedule multiplied by income percentage factor, or
    - 20 percent of discretionary income
- Loan balance is discharged after 25 years

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Interest Subsidy Benefits

ICR	IBR	PAYE	REPAYE	REPAYE
No subsidy	Sub. Loans only	Sub. Loans only	For sub. loans	For unsub. loans
	Only during negative amortization	Only during negative amortization	Only during negative amortization	Only during negative amortization
	Only for first 3 years under plan	Only for first 3 years under plan	For first 3 years under plan	No time limit
	100% of negative amortization	100% of negative amortization	100% of negative amortization	50% of negative amortization
			After 3 years, 50% of negative amortization	

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Interest Capitalization

IBR
- While payment is income-based, normal rules are suspended
- While normal rules suspended, only trigger is conversion to standard plan amount
- Interest capitalizes when leaving the plan

ICR
- Normal rules apply (upon expiration of deferment/forbearance)
- Interest accruing due to negative amortization is capitalized annually
- Capitalization of negative amortization interest is limited to 10% of balance

PAYE
- While payment is income-based, normal rules are suspended
- While normal rules suspended, only trigger is conversion to standard plan amount
- Capitalization caused by conversion is limited to 10% of balance
- Interest capitalizes when leaving the plan

REPAYE
- Normal rules apply (upon expiration of deferment or forbearance)
- Interest capitalizes when leaving the plan

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Income-Driven Repayment Examples

Standard 120 months	$863 /month $103,572 total
Graduated 120 months	$498 - $1,494 /month $111,450 total
Extended Fixed 300 months	$521 /month $156,166 total
Extended Graduated 300 months	$425 - $744 /month $169,155 total
Revised Pay As You Earn (REPAYE) 292 months	$270 - $1,086 /month $170,190 total
Pay As You Earn (PAYE) 240 months	$270 - $824 /month $121,045 total
Income-Based Repayment (IBR) 210 months	$404 - $863 /month $139,743 total
IBR for New Borrowers 240 months	$270 - $824 /month $121,045 total
Income-Contingent Repayment (ICR) 153 months	$637 - $790 /month $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 $262,383 total
Graduated 120 months	$1,261 - $3,784 /month $282,340 total
Extended Fixed 300 months	$1,319 /month $395,621 total
Extended Graduated 300 months	$1,077 - $1,884 /month $428,527 total
Revised Pay As You Earn (REPAYE) 300 months	$270 - $1,086 /month $179,599 total
Pay As You Earn (PAYE) 240 months	$270 - $824 /month $121,045 total
Income-Based Repayment (IBR) 300 months	$404 - $1,629 /month $269,398 total
IBR for New Borrowers 240 months	$270 - $824 /month $121,045 total
Income-Contingent Repayment (ICR) 300 months	$637 - $2,344 /month $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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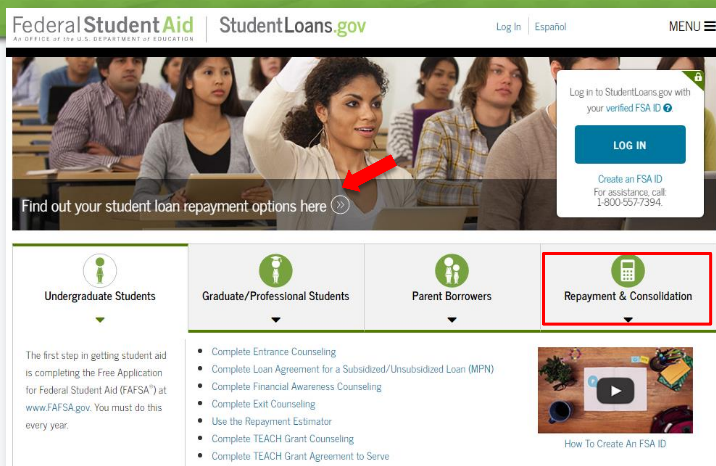
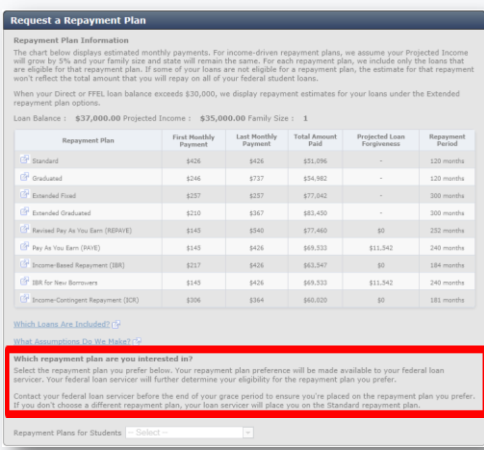
Applying for IDR

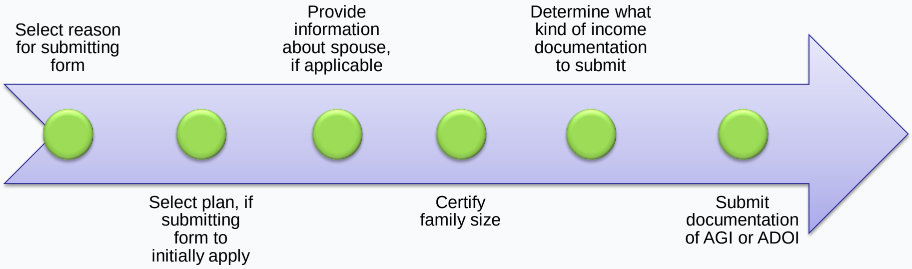


Income-Driven Repayment Application



- Borrowers may apply for an IDR on studentloans.gov or complete a paper application.
- Can be used by borrowers with Direct Loans or FFEL Loans
- Uses IRS Data Retrieval Tool that is used on the FAFSA
- Retrieves the most recent tax information from two most recently completed tax years
- If a borrower selects a specific repayment plan that they are not eligible for, the borrower will be placed on the lowest monthly payment amount IDR plan for which they are eligible.

Application Process: Electronic or Paper



ADOI = “alternative documentation of income;” not AGI.

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Application Process: Spouses

- Almost all married borrowers provide spouse’s income documentation
- Only used by servicer when relevant
- Exception for those who are
  - Separated; or
  - Cannot access spouse’s income

Repayment Plan	Married borrower filing jointly	Married borrower filing separately
ICR	Use joint AGI	Use borrower’s AGI
IBR	Use joint AGI	Use borrower’s AGI
PAYE	Use joint AGI	Use borrower’s AGI
REPAYE	Use joint AGI	Combine AGI of borrower and borrower’s spouse

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Applying – Avoid Application Mistakes

The easiest way to apply for an IDR plan is online at studentloans.gov

Common Application Mistakes on the Paper Application

- Quoting Incorrect Income
- Missing Pay Frequency
- Skipped Items & Inconsistent Information
- Incorrect Tax Documents
- Missing Pages

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Consequences of Failing to Recertify

IBR	ICR	PAYE	REPAYE
Interest capitalization	Stay in plan	Interest capitalization	Interest capitalization
Stay in plan		Stay in plan	Kicked out of plan
Payment no longer income-based; 10-year standard amount	Payment no longer income-based; 10-year standard amount	Payment no longer income-based; 10-year standard amount	Loan re-amortized over lesser of 10 years or time to forgiveness

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Standard & Graduated Repayment Plans

Standard Repayment

- Assigned to borrowers automatically unless otherwise specified
- Fixed (equal) payment 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 Repayment for Direct Consolidation loans is 10 to 30 years based on balance)

Graduated Repayment

- Payments start low and generally increase every two years
- 10-year repayment term (Direct Consol. 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

Extended Repayment Plan

Extended Repayment

- 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)

Examples from studentaid.ed.gov calculators

Public Service Loan Forgiveness

The Public Service Loan Forgiveness Program allows eligible borrowers to cancel the remaining balance of their Direct loans after serving full time at a public service organization for at least 10 years while making 120 qualifying monthly payments after October 1, 2007.

PSLF Basics

- 120 qualifying payments
- On Direct Loans
- On qualifying repayment plans
- While working fill-time at qualifying employer

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Eligible Loans

Only Federal Direct loans are eligible for PSLF, only those payments made on Federal Direct loans count toward the required 120 qualifying payments -- and only these Federal Direct loans will be forgiven.

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS Loans (for parents and graduate or professional students)
- Direct Consolidation Loans
  - Borrowers may choose to consolidate loans to establish eligibility for PSLF
- Special Direct Consolidation Loans
- TEACH Loans

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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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Direct Loan Consolidation

Direct Loan consolidation allows borrowers to combine one or more existing student loans into a single new loan. Consolidation may be the right option for your borrower if:

- If student loan debt is significant.
- If borrower has more than one type of student loan.
- Has trouble making the minimum monthly payments on multiple loans.

Pros	Cons
Lower monthly payments	Longer repayment schedule
Fixed interest rate	More interest to pay
One bill, one payment	Loss of loan incentives

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Servicing Resources

Servicer	Contact Information for Borrowers	
	Phone	Website
FedLoan Servicing	1-800-699-2908	MyFedLoan.org
Great Lakes	1-800-236-4300	MyGreatLakes.org
Nelnet	1-888-486-4722	Nelnet.com
Navient	1-800-722-1300	Navient.com
NSLDS	1-800-999-8219	NSLDS.gov
Additional servicer contact information	http://ifap.ed.gov/ifap/helpContactInformationDetailedList.jsp?lsc=1	

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Additional Resources

- **Income-Driven Repayment Plans: Frequently Asked Questions**
  https://studentaid.ed.gov/sa/sites/default/files/income-driven-repayment-q-and-a.pdf
- **Repayment Calculators**
  http://studentaid.ed.gov/repay-loans/understand/plans
  http://www.finaid.org/calculators/
  https://myfedloan.org/borrowers/additional-resources
- **Federal Student Aid (FSA) Repayment Information**
- **https://studentaid.ed.gov/sa/repay-loans/understand/plans**
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- **Department of Health and Human Services Poverty Guidelines - 2018**
  https://aspe.hhs.gov/poverty-guidelines
- **PSLF Fact Sheet and Q&As**
  studentaid.ed.gov/publicservice
- **CFPB Action Guide for Employees**
  files.consumerfinance.gov/f/201308_cfpb_pledge-action-guide-for-employees.pdf

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TRAINING
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.