


# Student Loan Repayment Strategies

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The information contained in this presentation is not comprehensive, is subject to constant change, and therefore should serve only as general, background information for further investigation and study related to the subject matter and the specific factual circumstances being considered or evaluated. Nothing in this presentation constitutes or is designed to constitute legal advise.

# Today's discussion will help you to...

- Know important decision points
- Know ways to postpone payments
- Know repayment plan options



# Know Your Loan Portfolio

- **Know what types of loans you have**
  - Federal Student Loans
  - Direct Student Loans
  - Perkins Loans
  - Private/Alternative Loans
- **Identify your servicers**
  - Federal and/or private loans may not all be with one servicer
    - Great Lakes/Nelnet
    - Fed Loan Servicing
    - Navient
    - Others

# Finding Your Federal and Private Student Loans

## Federal and Direct Student Loans

National Student Loan Data System  
[www.nsls.ed.gov](http://www.nsls.ed.gov)

The screenshot shows the NSLDS Student Access website. At the top, there is a navigation bar with links for "Financial Aid Review", "Exit Counseling", "Glossary of Terms", "Browser Info/Setup", "FAQs", and "Contact Us". The main content area features a large image of a student working on a laptop. Below the image, the text reads "NSLDS STUDENT ACCESS National Student Loan Data System" and "Retrieve Your Loan Information". 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 also mentions that NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants. At the bottom, there are buttons for "Financial Aid Review" and "Exit Counseling".

## Private Student Loan

[www.annualcreditreport.com](http://www.annualcreditreport.com)

The screenshot shows the AnnualCreditReport.com website. The header includes the site name and the tagline "The only source for your free credit reports. Authorized by Federal law." Below the header is a navigation bar with links for "Home", "All about credit reports", "Request yours now!", "What to look for", "Protect your identity", "Frequently asked questions", and "Contact us". The main content area features a large image of a hand holding a credit report. The text reads "Spot identity theft early. Review your credit reports." and "Suspicious activity or accounts you don't recognize can be signs of identity theft. Review your credit reports to catch problems early." Below this is a button that says "Learn more about Identity Theft". At the bottom, there is a section titled "Your credit reports matter." with a list of bullet points. To the right, there is a section titled "FREE Credit Reports. Federal law allows you to:" with a list of bullet points. At the bottom right, there is a section titled "BROUGHT TO YOU BY" with logos for Experian, TransUnion, and Equifax.

## National Credit Bureau Agencies

\*Equifax: **Phone:** 800-685-1111

**Website:** [www.Equifax.com](http://www.Equifax.com)

Experian: **Phone:** 888-397-3742

**Website:** [www.Experian.com](http://www.Experian.com)

TransUnion: **Phone:** 800-916-8800

**Website:** [www.TransUnion.com](http://www.TransUnion.com)









# Loan Interest Rates

Loan Type	Undergraduate	Graduate Rates
<b>Direct Subsidized Loans*</b>		
2012-13	3.40%	N/A
2013-14	3.86%	N/A
2014-15	4.66%	N/A
2015-16	4.29%	N/A
2016-17	3.76%	N/A
2017-18	4.45%	N/A
<b>Direct Unsubsidized Loans*</b>	Pre-AY 13-14: 6.8% AY 13-14: 3.86% AY 14-15: 4.66% AY 15-16: 4.29% AY 16-17: 3.76% AY 17-18: 4.45%	Pre-AY 13-14: 6.8% AY 12-14: 5.41% AY 14-15: 6.21% AY 15-16: 5.84% AY 16-17: 5.31% AY 17-18: 6.00%
<b>Graduate PLUS Loans*</b>	---	Pre-AY 13-14: 7.9% AY 13-14: 6.41% AY 14-15: 7.21% AY 15-16: 6.84% AY 16-17: 6.31% AY 17-18: 7.00%
<b>Consolidation Loans*</b>	Fixed rate based on weighted-average interest rate of underlying loans rounded up to a nearest one-eighth of a percent (capped at 8.25%)	
<b>Private Loans*</b>	Many lenders offer both variable and fixed rate options. Interest rates range from 3.00% to 12.99%.	

\* Federal student loan information was gathered September 2017 from <https://studentaid.ed.gov>. Rates, fees and availability of federal loan products are subject to change by the Federal Government. Check this web site for the most up-to-date information about federal loan products.

\* Based on an September 13, 2017 review of competitors' loan programs and repayment features.

# Record Your Loan Amount

**Tip:**

List the amount of each loan

Loans			
Loan Amount	Interest Rate	Grace Period (Yes or No)	Action Date*

# Record Current Interest Rate

**Tip:**

List the interest rate associated with each loan

Loans			
Loan Amount	Interest Rate	Grace Period (Yes or No)	Action Date*

# Paying Loans Off Early

- Borrowers can always prepay federal and private student loans without penalty
- Be aware of the relative cost and make payments towards unsubsidized loans while in school/during deferments that have the highest rates and/or most frequent capitalization. This should save more money over time.
- Unless otherwise noted, loan payments typically are applied first toward late fees, then interest, and finally principal

# Understanding Grace Periods

## **Grace Period - period of time after a borrower graduates, leaves school or drops to less than half-time**

- Payments may not be required during this period
- No application required
- Loan specific, varies according to loan – once used completely, it's gone
  - Direct Subsidized and Unsubsidized loans have a six-month grace period
  - Private and Institutional loans: check your promissory note
- Unsubsidized federal loans continue to accrue interest during the grace period
- Taking advantage of a grace period does not adversely impact credit

# Record your Grace Period Status

e	Grace Period (Yes/No)	Action Date*

# Track Dates You Need to Take Action

**Tip:**

This is one of the most important items to document. List the date that you have to take action on your loan. This can either be the graduation date or the date your grace period expires. This can be confirmed by your servicer(s)


	Grace Period (Yes or No)	Action Date*



# Tracking Your Loans

Utilize this chart to help you track your loans

Important Advice for Students  
Student Loan and Financial Planning Checklist



You can track your loans by filling out the fields below. Note: if your version of Adobe does not support editable fields, we encourage you to print this worksheet and complete the appropriate fields by hand.

Tracking My Loans						
Type of Loan	Servicer	Servicer Contact Info	Loan Amount	Interest Rate	Grace Period (Yes or No)	Action Date*

# Understanding Federal Loan Deferments

**Deferment: period when a borrower who *meets certain criteria* may postpone loan payments**

- Application may be required depending on deferment type; recertification for subsequent deferment periods may also be required
- Federal student loan deferments are “borrower” specific, meaning eligibility is attached to the borrower and there is a max deferment time allotted for certain deferments
- The government pays interest on a borrower’s behalf for subsidized loans during authorized deferment periods

## **Common Types of Deferments:**

- ✓ In-School
- ✓ Economic Hardship
- ✓ Unemployment
- ✓ Military
- ✓ Graduate Fellowship

Note: Unsubsidized loans continue to accrue interest for which the borrower is responsible. Unless the interest is paid by the borrower, it may be capitalized (added to your principal balance) at the end of the deferment period. To keep your total loan cost lower, you may want to consider paying all or some of the interest that accrues during this time.

# Understanding Federal Loan Forbearance

**Discretionary Forbearance: allows a borrower who cannot make scheduled payments to temporarily delay or reduce the payments**

- Interest continues to accrue on subsidized and unsubsidized loans during a forbearance period.
- Interest that accrues during the forbearance remains the borrower's responsibility.
- Unpaid interest may be capitalized at the end of the forbearance depending on the loan type and when the loan was disbursed. Additionally, there is a max forbearance time allotted.
- Capitalization of interest increases the amount to pay back, and will result in a higher payment amount after the forbearance. To keep your total loan cost lower, you may want to consider paying all or some of the interest that accrues during this time.

## **TIPS:**

Be careful, the use of **forbearance adds expense!**

Forbearances can help you **stay out of delinquency and default!**

# Federal Loan Repayment Plans

- **Standard Repayment (Federal and Direct Loans)**
  - Level monthly payments that cover accruing interest and a portion of principal over a 10-year period
  - Higher monthly payments
  - **Lowest overall cost**
- **Graduated Repayment (Federal and Direct Loans)**
  - Payments start low, increase over time
  - Interest only payments followed by standard principal & interest
  - Finish in 10 years
  - Higher overall cost – but provides lower initial payment amounts

# Federal Loan Repayment Plans (Continued)

- **Income Sensitive Repayment (Federal Loans Only)**
  - Payments are based on percentage of your monthly income
  - Payments must be sufficient to cover accruing interest
  - Finish in 10 years (may be extended to 15 years)
  
- **Extended Repayment (Federal and Direct Loans)**
  - Available to borrowers who have accumulated more than \$30K in Direct or FFELP Federal Stafford, PLUS & Consolidation loans first disbursed on or after October 7, 1998
    - Direct and Federal Loans are accumulated separately in determining eligibility
  - Repayment can be extended up to 25 years
  - Permits you to manage monthly cash flow needs, but will increase your cost

# Federal Loan Repayment Comparison

Repayment Plan	First Monthly Payment	Last Monthly Payment	Total Amount Paid	Projected Loan Forgiveness ⓘ	Repayment Period
Standard ⓘ	\$1,657	\$1,657	\$198,844	\$0	120 months
Graduated ⓘ	\$946	\$2,839	\$211,868	\$0	120 months
Extended Fixed ⓘ	\$956	\$956	\$286,917	\$0	300 months
Extended Graduated ⓘ	\$736	\$1,451	\$312,316	\$0	300 months
Revised Pay As You Earn (REPAYE) ⓘ	\$185	\$816	\$131,502	\$194,003	300 months
Pay As You Earn (PAYE) ⓘ	\$185	\$612	\$87,704	\$238,996	240 months
Income-Based Repayment (IBR) ⓘ	\$277	\$1,224	\$197,254	\$173,621	300 months
IBR for New Borrowers ⓘ	\$185	\$612	\$87,704	\$238,996	240 months
Income-Contingent Repayment (ICR) ⓘ	\$469	\$1,718	\$301,349	\$66,043	300 months

Assumes \$150,000 in graduate loans over a 3 year period (\$61,500 unsubsidized and \$88,500 GradPLUS). Assumes current interest rate of 5.31% for all unsubsidized loans and 6.31% for all GradPLUS Loans, annual income of \$40,000 and household size of 1. Note: The DOE Calculator rounds the interest rates down to 5.3% and 6.3% respectively.

Source: Information verified 1/2017 from <https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action>

# Federal Loan Repayment Comparison

Repayment Plan		First Monthly Payment	Last Monthly Payment	Total Amount Paid	Projected Loan Forgiveness ⓘ	Repayment Period
Standard ⓘ		\$2,280	\$2,280	\$273,615	\$0	120 months
Graduated ⓘ		\$1,312	\$3,937	\$293,757	\$0	120 months
Extended Fixed ⓘ		\$1,362	\$1,362	\$408,505	\$0	300 months
Extended Graduated ⓘ		\$1,098	\$1,971	\$443,026	\$0	300 months
Revised Pay As You Earn (REPAYE) ⓘ		\$308	\$1,212	\$201,612	\$262,961	300 months
Pay As You Earn (PAYE) ⓘ		\$308	\$922	\$136,195	\$327,405	240 months
Income-Based Repayment (IBR) ⓘ		\$461	\$1,819	\$302,418	\$227,082	300 months
IBR for New Borrowers ⓘ		\$308	\$922	\$136,195	\$327,405	240 months
Income-Contingent Repayment (ICR) ⓘ		\$716	\$2,602	\$443,815	\$81,311	300 months

Assumes \$200,000 in graduate loans over a 4 year period (\$82,000 unsubsidized and \$118,000 GradPLUS). Assumes current interest rate of 6.00% for all unsubsidized loans and 7.00% for all GradPLUS Loans, annual income of \$55,000 and household size of 1. Note: The DOE Calculator rounds the interest rates down to 6% and 7% respectively.

Source: Information verified 9/2017 from <https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action>

# Federal Loan Repayment Plans (Continued)

- **Income-Contingent Repayment (Direct Loans Only)**
  - Payment is based on income
  - Student loan payments will not exceed **20% of “discretionary income”**
  - Negative amortization is allowed
  - Up to 25 years to repay
  - Balance remaining after 25 years’ worth of payments can be forgiven (reportable as income)
- **Income-Based Repayment (Federal and Direct Loans)**
  - Available to federal loan borrowers experiencing financial hardship
  - Student loan payments will not exceed **15% of “discretionary income”**
  - If eligible for IBR, borrower’s monthly payment will be determined by a formula that takes into account household size and adjusted gross income. Increases in income will impact the required monthly payment amount
  - Unpaid balance may be forgiven after 25 years of scheduled monthly payments (reportable as income)
- **Pay As You Earn – PAYE (Direct Loans)** Announced by ED December 21, 2012
  - Available to new Direct loan borrowers (except Parent PLUS) experiencing financial hardship
  - No loan balance as of October 1, 2007, and
  - Received a Direct loan on or after October 1, 2011
  - Student loan payments will not exceed **10% of “discretionary income”**
  - Similar to Income Based Repayment, borrower’s monthly payment will be determined by a formula that takes into account family size and adjusted gross income. Increases in income will impact the required monthly payment amount
  - Unpaid balance may be forgiven after 20 years of qualifying repayment (reportable as income)



# Federal Loan Repayment Plans

Repayment Plan	Eligible Loans	Monthly Payment & Timeframe	Quick Comparison
Revised Pay As You Earn Repayment Plan (REPAYE)  Effective December 2015	<ul style="list-style-type: none"> <li>• Direct Subsidized and Unsubsidized Loans</li> <li>• Direct PLUS loans made to students</li> <li>• Direct Consolidation Loans that do not include PLUS loans (Direct or FFEL) made to parents</li> </ul>	<ul style="list-style-type: none"> <li>• Your monthly payments will be 10 percent of <i>discretionary income</i>.</li> <li>• Payments are recalculated each year and are based on your updated income and family size.</li> <li>• If you're married, both your and your spouse's income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions).</li> <li>• Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 or 25 years.</li> </ul>	<ul style="list-style-type: none"> <li>• Any Direct Loan borrower with an eligible loan type may choose this plan.</li> <li>• Your monthly payment can be more than the 10-year Standard Plan amount.</li> <li>• You may have to pay income tax on any amount that is forgiven.</li> <li>• Good option for those seeking Public Service <i>Loan Forgiveness</i> (PSLF)</li> </ul>

Source: Information gathered 7/2016 from <https://studentaid.ed.gov/sa/repay-loans/understand/plans>

# Federal Loan Repayment Plans

Repayment Plan	Eligible Loans	Monthly Payment & Timeframe	Quick Comparison
Consolidation	<ul style="list-style-type: none"> <li>• Direct Subsidized Loans</li> <li>• Direct Unsubsidized Loans</li> <li>• Subsidized Federal Stafford Loans</li> <li>• Unsubsidized Federal Stafford Loans</li> <li>• Direct PLUS Loans</li> <li>• PLUS loans from FFELP</li> <li>• Supplemental Loans for Students (SLS)</li> <li>• Federal Perkins Loans</li> <li>• Federal Nursing Loans</li> <li>• Health Education Assistance Loans</li> <li>• A PLUS loan made to the parent of a dependent student cannot be transferred to the student through consolidation.</li> </ul>	<ul style="list-style-type: none"> <li>• A Direct Consolidation Loan has a fixed interest rate for the life of the loan. The fixed rate is based on the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of 1%. There is no cap on the interest rate of a Direct Consolidation Loan.</li> <li>• The repayment term ranges from 10 to 30 years, depending on the amount of your consolidation loan, your other education loan debt, and the repayment plan you select.</li> </ul>	<ul style="list-style-type: none"> <li>• You'll pay more for your loan over time than under the 10-year standard plan.</li> </ul>

Source: This information was gathered 3/8/2016 from: <https://studentaid.ed.gov/sa/>

# Consolidate or Refinance?

- **Consolidation**

- Consolidation lets you combine multiple federal student loans into one loan with a fixed interest rate that's a weighted average of your loans' various interest rates.<sup>1</sup> You won't necessarily get a lower interest rate with consolidation, but you'll have the convenience of making just one payment.

- **Refinancing**

- Refinancing occurs when a company or lender buys all your current student loans and issues you a new loan to pay them all off. You'll get a new rate but you may lose payment flexibility and special benefits that were available through the individual lenders or the government.

- **Considerations**

- Will you lose any current student loan benefits, such as repayment options or Public Service Loan Forgiveness?
- Is your credit score sufficient for a lender to approve you for a consolidation or refinancing?
- Will your new loan be considered a student loan or a personal loan? If it's not a student loan, will there be any tax consequences?
- Will you have to pay any service fees to refinance your student loans?
- Will you lose any discounts that you've had with your loan originator?

<sup>1</sup>This information was gathered on June 20, 2017, from <https://studentloans.gov/myDirectLoan/launchConsolidation.action>.

# Federal Loan Forgiveness Program for Public Service Employees

- Eligibility limited to Federal Direct Student Loan Program (FDLP) Loans
  - FFELP Stafford, PLUS and Consolidation are not eligible
- FFELP Borrowers may consolidate in the FDLP
- Additionally, borrowers must have:
  - Made 120 on-time monthly payments beginning after October 1, 2007 during eligible public service employment.
  - Payments must be made under one of the payment plans: Income Based, Pay As You Earn, Income Contingent or any payment equivalent to the 10-year standard payment amount.
  - Worked *full time* in eligible public service employment for ten years after October 1, 2007.
  - At the time the remaining loan balance is forgiven, must be employed in an eligible public service job.

**Other loan forgiveness programs may also be available – do your research!**

# PSLF Employment Certification Form

- It will take you at least 10 years to make the 120 qualifying payments necessary to receive PSLF
- During this time you'll want to track your periods of qualifying employment
- The Employment Certification Form will allow you to get your employer's certification of employment while you are still employed

	<b>Employment Certification for Public Service Loan Forgiveness (PSLF)</b> William D. Ford Federal Direct Loan Program	CMS No. 1945-0110 Form Approved Exp. Date 11/30/2014	
	<b>WARNING:</b> Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying documents is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code and 20 U.S.C. 1097.		
<b>INSTRUCTIONS FOR COMPLETING AND SUBMITTING THIS EMPLOYMENT CERTIFICATION</b> Read the accompanying instructions for completing this Employment Certification for Public Service Loan Forgiveness. Type or print using blue or black ink. You must sign and date this form in Section 2 and an authorized official from the public service organization which employs/employed you must completely fill out, sign, and date Section 3. If any information is crossed out or altered in Sections 1 or 2, you must initial beside the change; any changes in Section 3 must be initialed by your employer.			
<b>SECTION 1: BORROWER IDENTIFICATION</b>			
Please enter or correct the following information. <input type="checkbox"/> Check this box if any of your information has changed.			
1a. SSN	[ ][ ][ ] - [ ][ ][ ] - [ ][ ][ ][ ]	1b. Date of Birth (MM-DD-YYYY)	[ ][ ] - [ ][ ] - [ ][ ][ ][ ]
2a. Name	Last First MI	2b. Former Name (if applicable)	Last First MI
3. Permanent Address	Street Address City State Zip		
Mailing Address (if different)	Street Address City State Zip		
4. Area Code/Telephone – Home	( )	Area Code/Telephone – Other	( )
5. E-mail (optional)			

Learn More: <http://studentaid.ed.gov/publicservice>

# Student Loan Interest Deduction

- Borrowers may be eligible to deduct student loan interest
- Deduction may not exceed \$2,500 per year
- Voluntary payments of interest during school, deferment or forbearance may be eligible for deduction
- Interest paid on consolidation loans may be deducted
- There are eligibility rules, including income limits
  - The limits for Federal Tax Year 2017 are shown in the table below:

	Full Deduction	Partial Deduction	No Deduction
Single	Modified Adjusted Gross Income is $\leq$ \$65,000	\$60,001 to \$79,999	\$80,000 or more
Married Filing jointly	Modified Adjusted Gross Income is $\leq$ \$130,000	\$130,001 to \$159,999	\$160,000 or more

**Source** - <http://www.irs.gov/publications/p970/ch04.html>

NOTE: For information about your specific tax situation and any tax advice, please contact a tax professional



# Questions?