



STUDENT LOAN REPAYMENT STRATEGIES FOR GRADUATE STUDENTS

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November 4, 2015



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Key Tips for Managing Your Student Loans



Important Things to Know

- ▶ **Know your loan options**
- ▶ **Know your loan portfolio**
- ▶ **Know organizational techniques in advance of loan repayment**
- ▶ **Know ways to postpone repayment through grace, deferment, and forbearance options**
- ▶ **Know your repayment options and costs before choosing a plan**



Education Financing Options

Loan Options for Students:

- ▶ Federal Loans:
 - Direct Subsidized and Unsubsidized
 - PLUS Loan for Graduate Students
- ▶ Private/Alternative Loans



Know Your Loan Portfolio

▶ **Know what types of loans you have**

- Perkins Loans
- Federal Loans
- Direct 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 (formerly PHEAA)
 - Navient



Gap Financing Options: Direct PLUS Loans and Private Student Loans

	PLUS Loan for Parents	PLUS Loan for Graduate Students	Private Student Loans
Issuer	Federal government	Federal government	Financial institutions, such as banks or credit unions
Name on the loan	Parent	Student	Student and cosigner (if applicable)
Approval requirements	Parent or endorser must not have an adverse credit history	Student or endorser must not have an adverse credit history	Generally based on the creditworthiness of the borrower and/or cosigner
Require FAFSA	Yes	Yes	No
Choice of interest rates	Fixed rate only	Fixed rate only	In many cases, both variable and fixed rates are available
Fees	4.292% for loans first disbursed on or after October 1, 2014 and before October 1, 2015. 4.272% for loans first disbursed on or after October 1, 2015 and before October 1, 2016.	4.292% for loans first disbursed on or after October 1, 2014 and before October 1, 2015. 4.272% for loans first disbursed on or after October 1, 2015 and before October 1, 2016.	Generally no origination/disbursement fees
Cosigner Release	No, the parent, and any endorser, has a commitment to repay the loan for the life of the loan	No, the student, and any endorser, has a commitment to repay the loan for the life of the loan	Many lenders provide a cosigner release option where a student can apply to release the cosigner after he or she graduates, makes a specified number of on-time payments, and meets underwriting requirements

Source: <http://studentaid.ed.gov> and 8/30/2014 review of national school-certified private loan programs.



Finding Your Federal and Private Student Loans

Federal Student Loans

National Student Loan Data System

www.nslds.ed.gov

Private Student Loan

www.annualcreditreport.com

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National Student Loan Data System (NSLDS) for Students

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NSLDS STUDENT ACCESS
National Student Loan Data System

Retrieve Your Loan Information

The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED's) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

[Financial Aid Review](#)

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How you play changes your score. Details such as, how much credit you have, how much you owe, and how often you pay affect your credit scores. Do you know what else does?

[What affects your credit score?](#)

PAUSE || SPOT IDENTITY THEFT GOOD CREDIT DON'T BE FOOLED MORE THAN A SCORE NOT LIKE THE OTHERS

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- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.
- Reviewing credit reports helps you catch signs of identity theft early.

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- Ensure that the information on all of your credit reports is correct and up to date.

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Loan Interest Rates

Loan type	Undergraduates	Graduate Students
Subsidized Stafford Loans		
2014-15	4.66%	N/A
2013-14	3.86%	N/A
2012-13	3.40%	N/A
2011-12	3.40%	6.80%
2010-11	4.50%	6.80%
2009-10	5.60%	6.80%
2008-09	6.00%	6.80%
2007-08 and 2006-07	6.80%	6.80%
Unsubsidized Stafford Loans*	Pre AY 13-14: 6.8% AY 13-14: 3.86% AY 14-15: 4.66%	Pre AY 13-14: 6.8% AY 13-14: 5.41% AY 14-15: 6.21%
Graduate PLUS Loans*	---	Pre AY 13-14: 7.9% AY 13-14: 6.41% AY 14-15: 7.21%
Consolidation Loan	Fixed rate based on weighted-average interest rate of underlying loans rounded up to nearest one-eighth of a percent (capped at 8.25%)	
Perkins Loans and Loan for Disadvantaged Students (LDS)	5% Fixed	
Private Loans, Institutional Loans	Many lenders offer both variable and fixed rate options. Interest rates range from 2.25% – 12.99%.	
*Rates in effect for loans issued on or after July 1, 2006.		

- ✓ Stafford loans disbursed from 7/1/1998 to 6/30/2006 carry variable rates, which are adjusted annually, each July 1.
- ✓ The variable rate for Stafford loans during the 2014-15 academic year is **1.73%** for loans in an in-school, grace or deferment period, **2.33%** for loans in repayment or forbearance.
- ✓ These rates apply to both undergraduate and graduate students.

Note: Rate for Grad PLUS loans issued under the Federal Family Education Loan Program is 8.50%



Track Your Servicer Contact Info

Tip:

List the amount of each loan

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



Track Your Servicer Contact Info

Tip:

List the interest rate associated with each loan

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



Interest Capitalization and Its Impact

- ▶ Interest on most loans accrues from the date funds are disbursed until the loan is paid in full
- ▶ Capitalization is the addition of unpaid accrued interest to the principal balance of a loan. The less frequent the better.
- ▶ Capitalization may occur more frequently for certain loans during forbearance

The chart provides estimates, for a \$5,000 Stafford loan with a 6.8% interest rate, of the monthly payments due at the end of a 12 month forbearance for a 10 year term

Treatment of Interest During Forbearance Status	Principal at Repayment	Cap. Int. During Forbearance	Principal at end of Forbearance	Payment Amount	Total Amount Repaid	Total Interest Cost
Int. is paid as it accrues	\$5,000	\$0	\$5,000	\$57.54	\$6,904.88	\$1,904.88
Int. is capitalized at end of status	\$5,000	\$340	\$5,340	\$61.45	\$7,374.55	\$2,374.55

Tip: Students should consider asking family to help with interest



Interest Capitalization and Its Impact

Interest on most loans accrues from the date funds are disbursed until the loan is paid in full

The chart provides estimates, for \$25,000 in Grad PLUS loans from a 3 year program with a 7.21% interest rate, of the monthly payments due at the end of a 12 month forbearance

Treatment of Interest During Forbearance Status	Principal at Repayment	Cap. Int. During Forbearance	Principal at end of Forbearance	Term	Payment Amount	Total Amount Repaid	Total Interest Cost
Int. is paid as it accrues	\$25,000	\$0	\$25,000	120	\$293	\$42,518	\$18,590
Int. is capitalized at end of status	\$30,558	\$2,203	\$32,761	120	\$384	\$46,072	\$22,144

Tip: Students should consider asking family to help with interest



Interest Capitalization and Its Impact

Interest on most loans accrues from the date funds are disbursed until the loan is paid in full

The chart provides estimates, for \$50,000 in Grad PLUS loans from a 3 year program with a 7.21% interest rate, of the monthly payments due at the end of a 12 month forbearance

Treatment of Interest During Forbearance Status	Principal at Repayment	Cap. Int. During Forbearance	Principal at end of Forbearance	Term	Payment Amount	Total Amount Repaid	Total Interest Cost
Int. is paid as it accrues	\$50,000	\$0	\$50,000	120	\$586	\$85,037	\$37,181
Int. is capitalized at end of status	\$61,115	\$4,406	\$65,522	120	\$768	\$92,145	\$44,289

Tip: Students should consider asking family to help with interest



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 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 Loan Repayment





Understanding Grace Periods

Grace Period: for applicable loans, the period of time after a borrower graduates, leaves school or drops to less than half-time enrollment

- ▶ Payments may not be required during this period
- ▶ No application required
- ▶ Loan specific, varies according to loan – once used completely, it's gone
 - Stafford loans have a six-month grace period
 - Perkins loans have nine-month grace
 - Perkins loans can also have a 6-month grace after deferment
 - Private and Institutional loans: check your promissory note
- ▶ Currently, subsidized federal loans are interest free to the borrower during the grace period
- ▶ Unsubsidized federal loans continue to accrue interest during the grace period
- ▶ Taking advantage of a grace period does not adversely impact credit



Track Your Servicer Contact Info

te	Action Date*
Grace Period (Yes/No)	



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)


Date	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
- ▶ Stafford deferments are “borrower” specific, meaning eligibility is attached to the borrower
- ▶ The government pays interest on a borrower’s behalf for subsidized loans during authorized deferment periods
 - Unsubsidized loans continue to accrue interest for which the borrower is responsible. Unless the interest is paid by the borrower, it may be capitalized
 - Putting loans into deferment does not adversely impact credit

Common Types of Deferment

In-School

Economic Hardship

Unemployment

Military

Many more...check with your servicer(s)



Understanding Federal Loan Forbearances

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 as often as quarterly and at the end of the forbearance depending on the loan type and when the loan was disbursed
- ▶ Capitalization of interest increases the amount to pay back, and may result in a higher payment amount after the forbearance
- ▶ Electing forbearance does not adversely impact credit, but may adversely impact eligibility for borrower benefits or repayment incentives (check with your lender)

Tips:

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

Forbearances can be a great tool to help you stay out of **delinquency and default!**



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



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	Initial Monthly Payment	Long-term Monthly Payment	Total Interest Paid	Years in Repayment
Standard	\$1,589.00	\$1,589.00	\$55,971.00	10
Graduated	\$826.00	\$2,320.00	\$71,962.00	10
Extended	\$983.00	\$983.00	\$160,191.00	25
Income Based-Life	\$284.56	\$1,589.00	\$192,106.28	25
Income Based-4 Yrs	\$284.56	\$1,589.00	\$115,404.98	16.3
Pay as You Earn-Life	\$189.71	\$1,589.00	\$85,952.73	20
Pay as You Earn-4 Yrs	\$189.71	\$1,589.00	\$119,230.57	16.8
Consolidation	\$642.00	\$642.00	\$133,395.96	30

Assumes \$61,500 in graduate Stafford Loans (\$25,500 subsidized and \$36,000 unsubsidized) and \$58,500 in Grad PLUS over a 3 year period. Stafford interest rates were at 6.8% and Grad PLUS interest rates were at 7.9%.



Repayment Plans (Continued)

▶ **Income-Contingent Repayment (Direct Loans Only)**

- Payment is based on 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
- Borrower qualifies if annual monthly student loan payments 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 (Direct Loans Only) – NEW

- ▶ 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
 - **POSSIBLE CHANGE COMING December, 2015**

- ▶ Borrower qualifies if annual monthly student loan payments 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 (Continued)

▶ **Loan Consolidation**

- Provides the ability for borrowers to consolidate all of their federal loans into one new loan
- FFEL and Direct Stafford Loans, Perkins Loans and PLUS Loans may be consolidated
- Interest Rate: weighted average of the interest rates on the loans being consolidated rounded to the nearest higher one-eighth of one percent. Multiple repayment options: Standard, Graduated, Extended, Income Contingent, Income Based, Pay as you Earn
- Benefits:
 - Longer repayment period
 - Lower monthly payment
 - Single Servicer



Federal Loan Forgiveness Program for Public Service Employees

- ▶ **Eligibility limited to Federal Direct Student Loans (FDLP), Stafford, PLUS and Consolidation**
 - Commercial Stafford, Grad PLUS and Consolidation loans are not eligible in their current forms.
- ▶ **FFELP Borrowers may consolidate in the FDLP program on or after July 1, 2008.**
- ▶ **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: Standard, Income Based, Income Contingent, or Pay as You Earn.
 - Worked *full time* in eligible public service employment for ten years after October 1, 2007.
 - Must be employed in an eligible public service job at time remaining loan balance is forgiven.

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



Private Loan Repayment

- ▶ Private loans are almost always unsubsidized for the life of the loan
- ▶ Repayment terms vary
- ▶ Choice of repayment plans may be available
- ▶ Forbearances may be available – consult loan servicer

Tips:

Refer to your promissory note and/or your servicer to determine your available options

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 2014 are shown in the table below:

	Full Deduction	Partial Deduction	No Deduction
Single	Modified Adjusted Gross Income is \leq \$60,000	\$60,001 to \$74,999	\$75,000 or more
Married Filing jointly	Modified Adjusted Gross Income is \leq \$125,000	\$125,001 to \$154,999	\$155,000 or more

Source - http://www.irs.gov/publications/p970/ch04.html#en_US_2014_publink1000178280

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



Questions

