

TAKE CHARGE OF LOAN REPAYMENT!

Strategies for Managing
Your Debt Successfully

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Your Action Plan

4 Steps

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1. Take stock of your loan portfolio
2. Determine when repayment begins
3. Pick your repayment plan
4. Prepare for contingencies

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Step 1

**Take stock of your
loan portfolio**

What do you need to know?

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For each loan in your portfolio:

- Type of loan
- Interest rate
- Amount owed
- Who to repay

NSLDS.ed.gov

A Useful Resource

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To access, enter:

- ❑ SSN
- ❑ First two letters of last name
- ❑ Birthdate
- ❑ Dept. of Ed PIN



The screenshot shows the NSLDS Student Access website. At the top left is the Department of Education logo with the text "START HERE GO FURTHER FEDERAL STUDENT AID". To the right is the title "National Student Loan Data System (NSLDS) for Students". Below this is a navigation menu with links: "Financial Aid Review", "Glossary of Terms", "Browser Information/Setup", "FAQs", and "Contact Us". A red link for "Hurricane Assistance" is visible in the top right. The main content area features a photograph of a young woman in a red jacket and cap working on a laptop. To the right of the photo, the text reads "NSLDS STUDENT ACCESS National Student Loan Data System". Below this is a blue header "Retrieve Your Loan Information" and a text box explaining that NSLDS is the U.S. Department of Education's central database for student aid, providing a centralized view of Title IV loans and grants. A blue button labeled "FINANCIAL AID REVIEW" is located at the bottom of the text box.

Who do you repay?

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You should know:

- Roles of lender/holder and servicer
 - You will be working with the **SERVICER**
- How to contact them
- Value of NSLDS

How much do you owe?

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Sample Case	
Amount borrowed in law school	\$110,600
Estimated capitalized interest	\$14,600
Estimated total debt at repayment	\$125,200
<u>Assumptions:</u>	DSL/UDSL interest rate = 6.8% PLUS interest rate = 7.9%

Loan Portfolio Chart

Sample Worksheet

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Loan Type	Interest Rate	Lender	Servicer	Amount Owed
Direct Stafford	6.8%	U.S. Dept. of Education	()	\$
Direct Grad PLUS	7.9%	U.S. Dept. of Education	()	\$

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Step 2

**Determine when
repayment begins**

Timing is complicated!

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Loans with GRACE PERIOD

- Automatic benefit
- Grace period begins when you drop below $\frac{1}{2}$ -time enrollment
- Repayment begins after grace period
- Interest is subsidized on subsidized loans in grace

Loans without GRACE PERIOD

- Enter repayment when funds are disbursed
- Eligible for in-school deferment while enrolled
- Repayment resumes after deferment

What loans have a grace period?

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Loans with GRACE PERIOD

- Stafford = 6 months
- Perkins = 9 months
- Private = depends

Loans without GRACE PERIOD

- Consolidation
- Grad PLUS
 - Grad PLUS Loans first disbursed on/after 7/1/2008 have an **automatic 6-month post-enrollment deferment**

When repayment begins ...

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You must:

Start making payments,

OR

Postpone repayment.

Action is required!

Postponing Repayment

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❑ Deferment

- ❑ Interest is subsidized on subsidized loans; accrues on unsubsidized loans

❑ Forbearance

- ❑ Interest accrues on ALL loans

Should contact servicer and explain why payment relief is needed

Repayment Timetable

Year 1 (Class of 2013)

Loan	Degree	Grace Period	Payment Start Date	Action Needed
Direct Stafford	Law	6 months	≈ 12/1/2013	Select payment plan near end of grace period
Direct Grad PLUS	Law	none	≈ 12/1/2013	Verify post-enrollment deferment will be applied automatically after graduation

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Step 3

Pick your repayment plan

Picking Your Plan

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Suggested steps:

1. Understand your options
2. Estimate your budget
3. Define your goals
4. Evaluate possible tradeoffs
5. Leverage loan repayment flexibility
6. Pick your plan

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Picking Your Plan

Understanding your options

Loan Repayment Options

Stafford, PLUS and Consolidation Loans

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Options	Payment Structure	Payment Period
Standard	Fixed	10 years
Graduated	Tiered	10 years
Extended	Fixed or tiered	25 years
Pay As You Earn (PAYE) <i>(Direct only)</i>	Adjusted annually based on: <ul style="list-style-type: none"> - Household AGI - Household size - Poverty guideline - State of residence <i>10% of annual "Discretionary Income"</i>	20 years
Income Based (IBR)	Adjusted annually based on: <ul style="list-style-type: none"> - Household AGI - Household size - Poverty guideline - State of residence <i>15% of annual "Discretionary Income"</i>	25 years
Income-Contingent (ICR) <i>(Direct only)</i>	Adjusted annually based on: <ul style="list-style-type: none"> - Household AGI - Household size - Total amount of Direct Loans <i>Approx. 20% of discretionary income</i>	25 years

Payment Comparisons

\$125,200 Federal Student Loan Debt

\$65,000 Household AGI (Household Size = 1)

(Estimates calculated using "Repayment Estimator" at: StudentLoans.gov)

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Repayment Plans	Repayment Period	First Payment	Final Payment	Total Paid
Standard	10 years	\$1,473		\$176,800
Graduated	10 years	\$854	\$2,563	\$191,288
Extended Fixed	25 years	\$909		\$272,781
Extended Graduated	25 years	\$762	\$1,262	\$294,552
PAYE	20 years*	\$398	tbd	tbd
IBR	25 years*	\$597	tbd	tbd
ICR	25 years*	\$892	tbd	Tbd

*Remaining balance is cancelled at end of term; amount cancelled is taxable under current IRS code.

Payment Comparisons

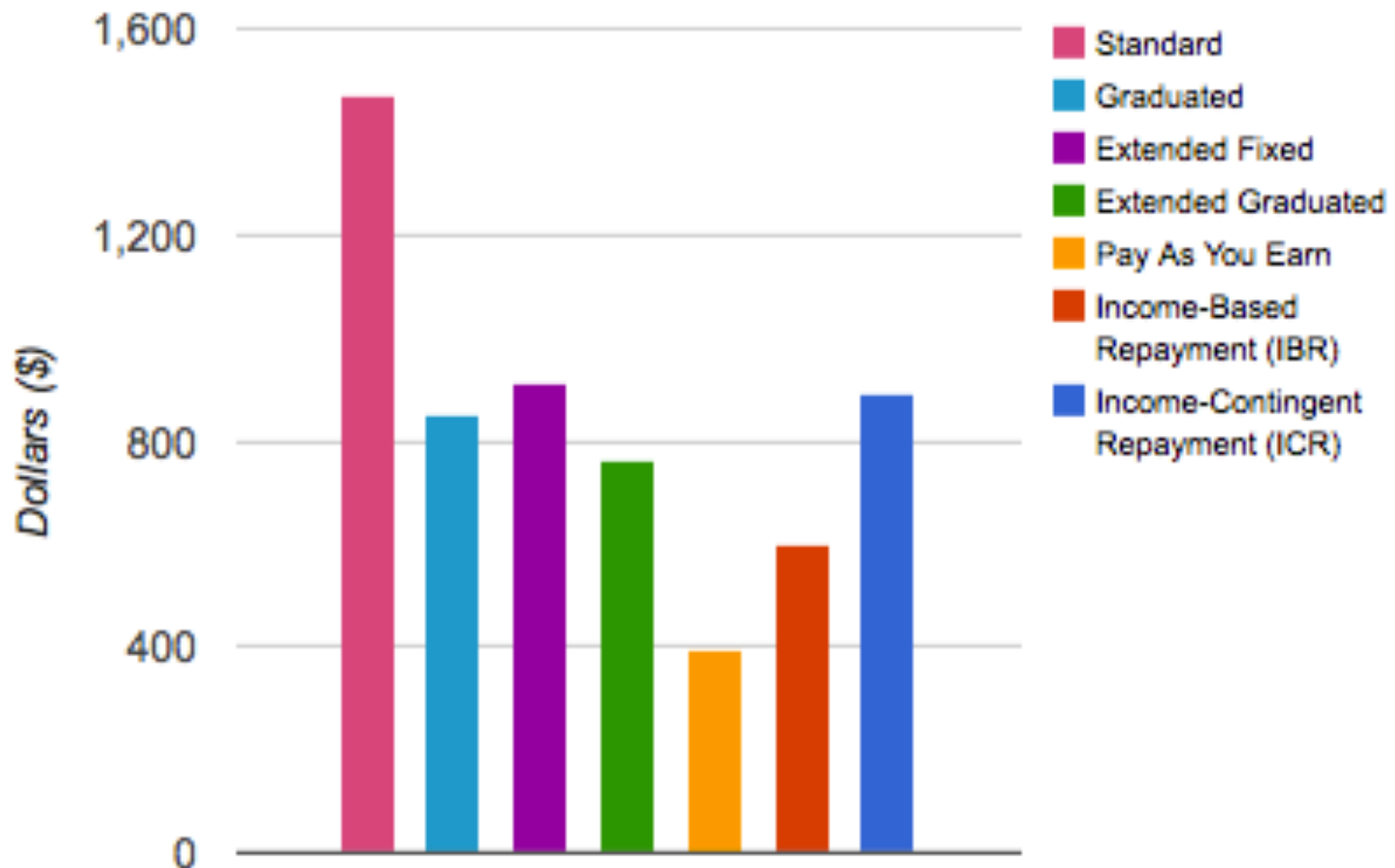
\$125,200 Federal Student Loan Debt

\$65,000 Household AGI (Household Size = 1)

(Estimates calculated using "Repayment Estimator" at: StudentLoans.gov)

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Initial Monthly Payment



IBR vs. PAYE

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IBR

- **Direct** and **FFEL** loans
- Annual amount paid based on **15%** of “Discretionary Income”
- Loan cancellation after **25** years

PAYE

- **Direct** loans only
- Annual amount paid based on **10%** of “Discretionary Income”
- Loan cancellation after **20** years
- *Must meet two additional eligibility requirements*

PAYE

Additional Eligibility Requirements

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- Must be a “new borrower” on or after October 1, 2007 (10/1/2007)
 - ▣ No federal loans before 10/1/2007, **OR**
 - ▣ No outstanding balance on an existing federal student loan when you borrowed your first federal student loan on or after 10/1/2007
- Must have had a disbursement of a federal student loan on or after 10/1/2011

IBR and PAYE

How do you qualify?

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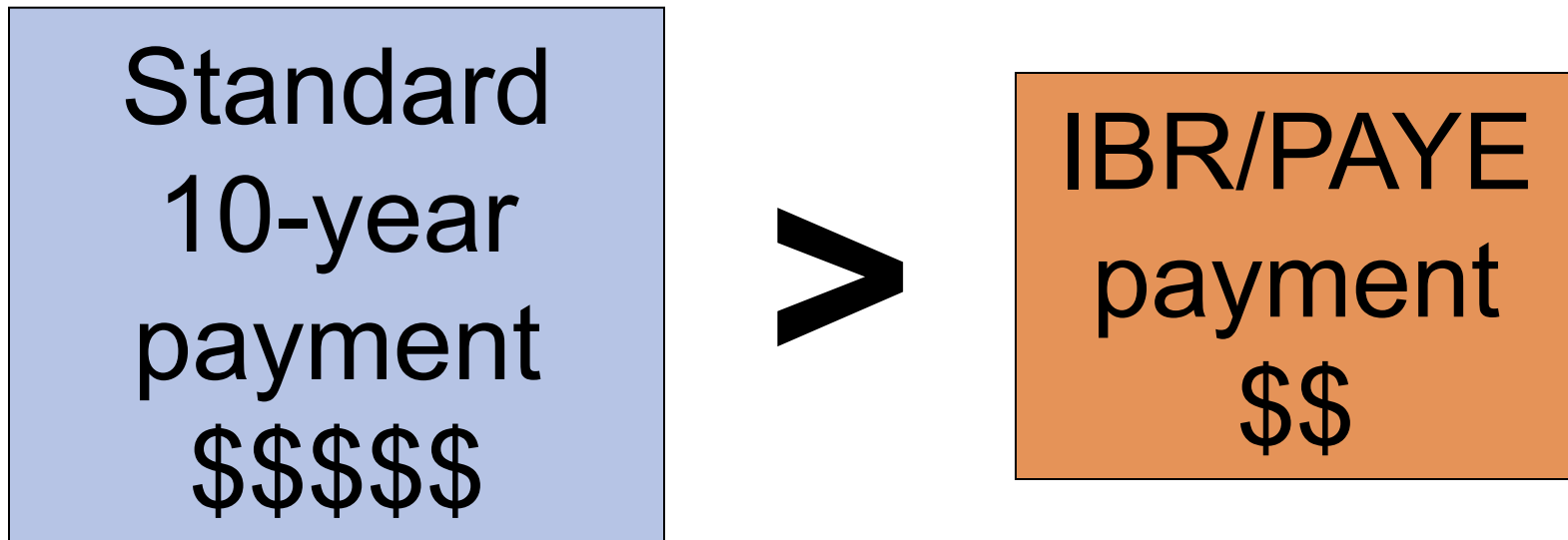
To enter IBR/PAYE, you must have:

**PARTIAL FINANCIAL HARDSHIP
(PFH)**

What is PFH?

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Partial financial hardship exists when:



IBR and PAYE

How is monthly payment calculated?

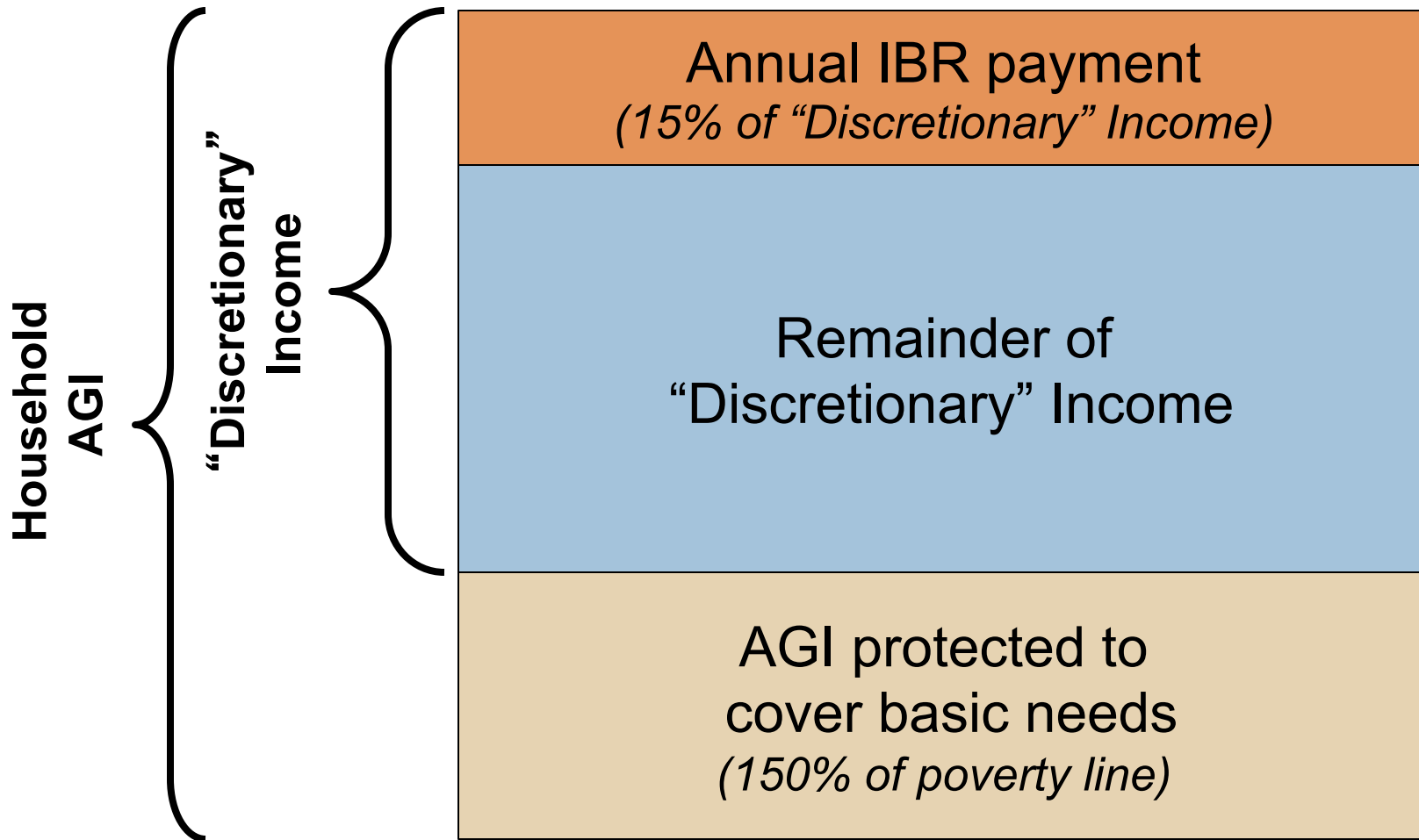
25

When PFH exists, payment is based on:

- Household AGI
- Household size
- Federal Poverty Guidelines

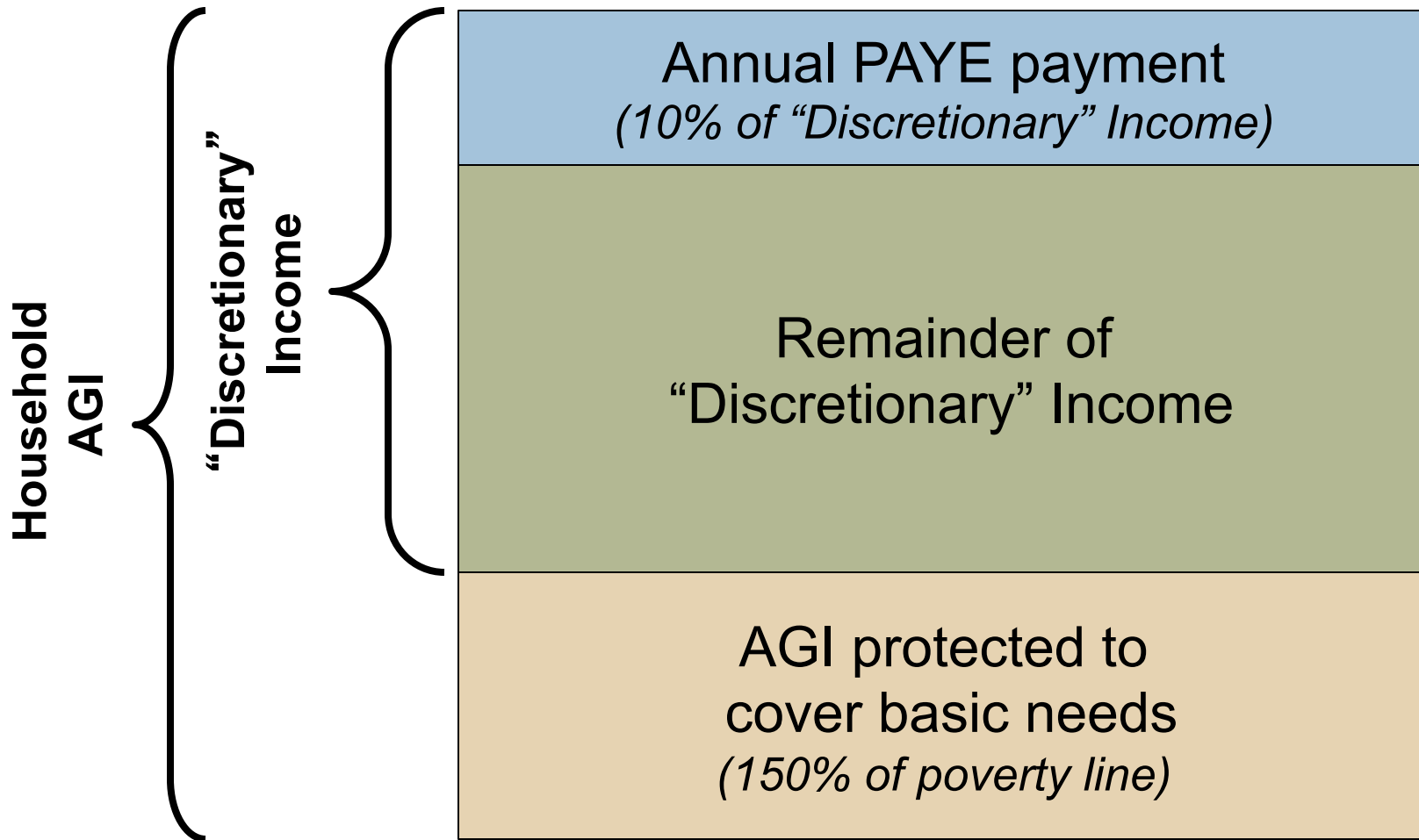
Annual amount paid in **IBR** is **15%** of “Discretionary” Income

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Annual amount paid in **PAYE** is **10%** of “Discretionary” Income

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IBR and PAYE

Negative Amortization

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- IBR/PAYE payment can be less than accrued interest
- Unpaid interest accrues
 - ▣ Unpaid interest accruing on **subsidized** Direct/Stafford Loan debt is waived by government for up to first 3 consecutive years in IBR or PAYE plan
- Debt increases

Payment Comparisons

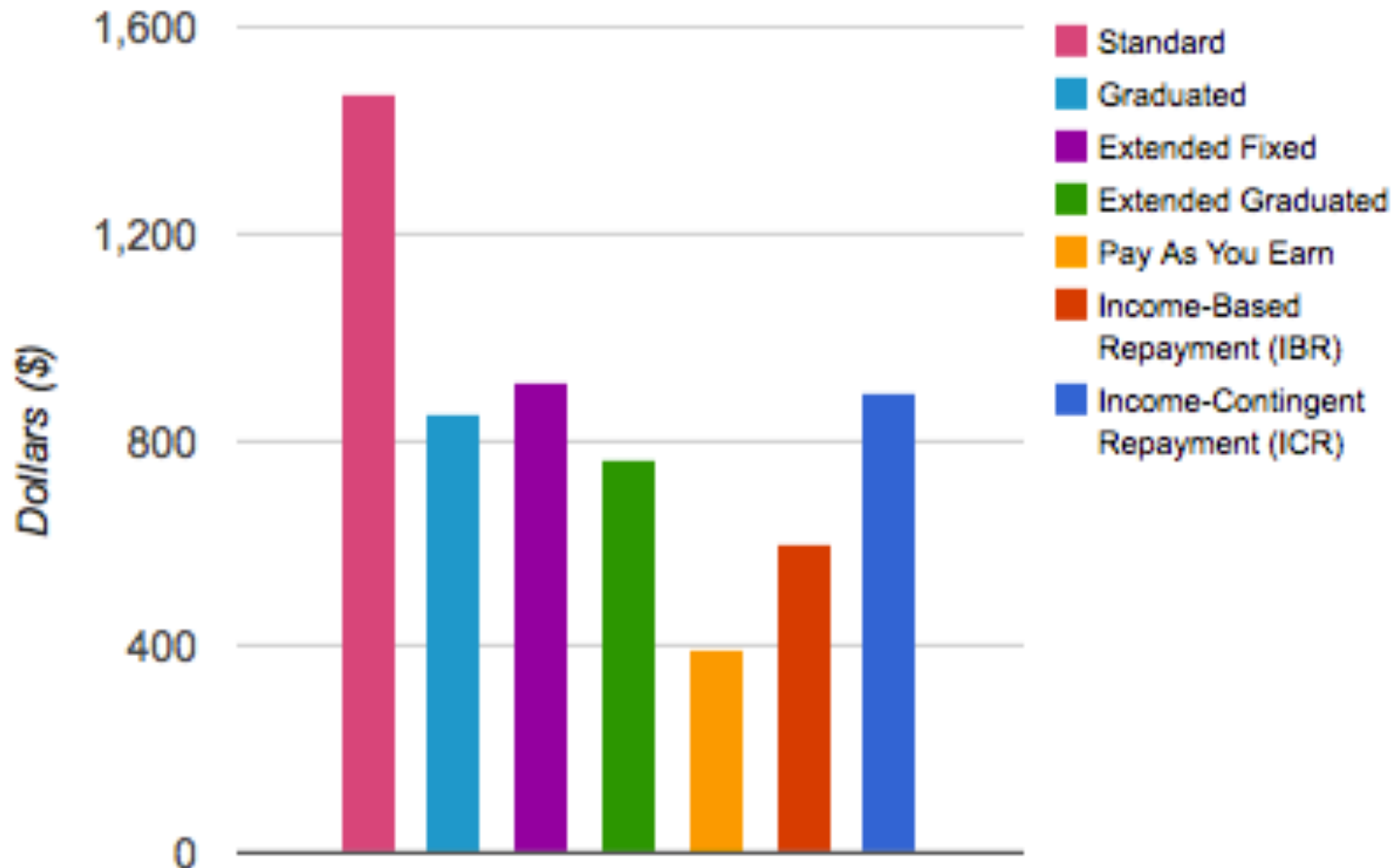
\$125,200 Federal Student Loan Debt

\$65,000 Household AGI (Household Size = 1)

(Estimates calculated using "Repayment Estimator" at: StudentLoans.gov)

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Initial Monthly Payment



Applying for IBR or PAYE

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- Contact current loan servicer to apply for IBR/PAYE
- Complete online application, as directed (every 12 months)
 - ▣ Application collects basic demographic information as well as information about household adjusted gross income (AGI) and household size

You must **CONSOLIDATE** any non-DIRECT federal student loans (e.g., FFEL, Perkins) before you can repay that debt using PAYE

Apply at: ***loanconsolidation.ed.gov***

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Prepaying Loans

Loan Prepayment

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- You can make prepayments on your federal student loan(s) without penalty
- Will reduce total interest paid on loan
- Target prepayment at loan(s) with highest interest rate
(contact servicer to determine how to target prepayments without advancing next payment due date)
- Contact loan servicer for information on how prepayments are applied to principal/interest
- **Best to make prepayments online at loan servicer's website**

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Step 4

Prepare for contingencies

What if you can't afford to make your loan payments?

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Contact your loan servicer immediately!

Payment relief may be available, including:

- Deferment
- Forbearance
- Changing payment plans to lower your monthly payment, e.g., IBR or PAYE

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Consolidation

A refinancing option ...

Consolidation

Can be confusing!

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- Consolidation \neq **COMBINING** loans
- Consolidation = **REFINANCING** loans

Consolidation

A Refinancing Option

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- Borrowing a **new** loan
 - Federal Direct Consolidation Loan
- Only **federal** student loans are eligible
- Interest rate is **fixed**
 - Equals weighted average of interest rates of loans being consolidated then rounded up to nearest 1/8th percent; rate is capped at 8.25%
- Apply online at: ***LoanConsolidation.ed.gov***
 - Loans must be in grace, repayment, deferment or forbearance
 - Can opt to delay funding of new loan until end of grace period

Reasons to Consolidate

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- Simplify repayment by reducing number of lenders/servicers
 - ▣ *For example, you may have borrowed FFEL Loans as an undergraduate*
- Convert variable-rate Stafford Loans into fixed-rate Direct Consolidation Loan
- Convert FFEL loan(s) into Direct loan debt for Public Service Loan Forgiveness Program and PAYE eligibility
- Convert Perkins loan(s) into Direct loan debt for Public Service Loan Forgiveness Program, IBR and PAYE eligibility
- Convert FFEL Grad PLUS Loan(s) with fixed rate of 8.5% into Direct Consolidation Loan with 8.25% fixed interest rate
- Lengthen repayment period to reduce monthly payment on federal student loan debt

Consolidation

Additional Factors to Consider

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- Consolidation Loan enters repayment when loan is funded; it does not have a grace period
- Total interest paid on debt likely will increase:
 - ▣ Due to rounding up of weighted average of interest rates
 - ▣ Due to longer potential repayment period
- Will lose any payment incentives earned on loans you consolidate; lose subsidy
- Interest rate on new loan will be different from rates on consolidated loans; may lose ability to target prepayments at highest cost debt

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Benefit for Public Service

Public Service Loan Forgiveness Program (PSLF)

PSLF

Key Points

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- DIRECT Loans only
- Work full-time as a paid employee for an eligible public service organization for 10 years (120 months)
- Repay loans using PAYE or IBR
- For more information, go to:
[StudentAid.ed.gov/publicservice](https://studentaid.ed.gov/publicservice)

Suggested Steps to Participate in PSLF

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- Consolidate any non-Direct Federal Student Loans in the Federal Direct Loan Program at:
LoanConsolidation.ed.gov
- Use PAYE or IBR to repay your Direct loan(s)
- Make 120 payments (on-time) while employed full-time in qualifying public service position(s)
- Keep good records regarding all qualifying employment
- **Submit “Employment Certification Form for PSLF” annually**
- Apply for PSLF after 120 months of qualifying activity has been completed

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Taking Charge

Final words ...

An “Action Plan”

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1. Check your loan history at:
NSLDS.ed.gov
2. Develop your loan timeline
3. Select payment plan that’s best for you
4. Request payment relief when needed

And remember, notify loan servicer(s) of address changes whenever you move

Direct Loan Payment tips ...

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- You will receive a SINGLE, itemized monthly billing statement from the servicer listing all of your Federal Direct Loans in repayment so that you only need to submit one monthly payment for those loans

- Payments can be made by:
 - ▣ Check or money order
 - ▣ Online payment
 - ▣ “Auto-Pay” program
 - SAVE TIME AND MONEY – Sign up for “Auto-Pay” – The U.S. Department of Education currently offers to reduce the interest rate by 0.25% on the federal student loans it owns if the you sign up with your loan servicer to have your monthly loan payments automatically deducted from a checking or savings account

For more information ...

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- Federal student loan repayment: ***StudentAid.gov***
- Federal loan “Repayment Estimator”: ***StudentLoans.gov***
- Federal Direct Consolidation Loans:
LoanConsolidation.ed.gov
- Public service: ***StudentAid.ed.gov/publicservice***
- National Student Loan Data System: ***NSLDS.ed.gov***
- Federal Student Aid PIN: ***PIN.ed.gov***
- PSLF benefits estimation: ***FinAid.org/calculators***
- Free annual credit report: ***AnnualCreditReport.com***

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