Student Loan Exit Counseling and Repayment
Brandon Shelton, Student Loan Coordinator
Stanford University Financial Aid Office
Presentation Overview

- Loan Terminology
- Federal Loan Repayment Options and Examples
- Federal Loan Forgiveness and Discharge Programs
- Suspension of Payment
- Delinquency
- Helpful Information
Loan Terminology
Loan Terminology

- **Master Promissory Note (MPN)**
  - Must sign before receiving any loan funds
  - A legal document
  - Gives terms and conditions of loans

- **Direct Subsidized Loan**
  - Available to Undergraduate Students with a Financial Need
  - Must be enrolled at least half-time
  - No interest accrues while in school

- **Direct Unsubsidized Loan**
  - No requirement for Financial Need
  - Must be enrolled at least half-time
  - Responsible for paying interest during all periods
Loan Terminology

- **Direct Plus Loans**
  - Enrolled at least half-time
  - No adverse credit history
  - Fixed interest rates for life of loan (July 1, 2016-June 30, 2017; rate is 6.31%)
  - Enters repayment once fully disbursed
  - Parent Plus Loan cannot be transferred to the child

- **Grace Period**
  - 6 month period after graduation
  - Plus Loans do not have a grace period
  - No Interest will accumulate on Subsidized Loans
  - Can make payments

- **Repayment Period**
  - Time your loan payments are due to loan servicer
Loan Terminology

- **Discretionary Income**: the difference between your income and 150% of the poverty guidelines [www.aspe.hhs.gov](http://www.aspe.hhs.gov) for your family size and state of residence

- **Loan Consolidation**
  - Allows borrowers to combine federal student loans into one loan
  - Consolidation is free
  - Consolidate loans through [www.studentloans.gov](http://www.studentloans.gov) or contact your Loan Servicer

<table>
<thead>
<tr>
<th><strong>PROS</strong></th>
<th><strong>CONS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>ONE PAYMENT</td>
<td>PAY MORE</td>
</tr>
<tr>
<td>FIXED INTEREST RATE</td>
<td>INTEREST RATE MAY BE HIGHER</td>
</tr>
<tr>
<td>LOWER PAYMENT</td>
<td>ONLY CERTAIN LOANS INCLUDED</td>
</tr>
<tr>
<td>DEFERMENT/FORBERANCE RESTARTS</td>
<td>LOSE REMAINDER OF GRACE PERIOD</td>
</tr>
<tr>
<td>AVOID DEFAULT</td>
<td>LOSE CREDIT FOR PSLF PAYMENTS</td>
</tr>
</tbody>
</table>
Loan Terminology

- **Federal Family Education Loan Program (FFELP)**
  - Private lenders provided loans to students guaranteed by government
  - No new loans made as of July 1, 2010

- **Loan Servicer**
  - Handles all services and options on your federal student loan
  - Loans may be transferred amongst Servicers
  - Find your student Loan Servicer(s) on [www.nslds.ed.gov](http://www.nslds.ed.gov) or [www.studentloans.gov](http://www.studentloans.gov)
  - MAINTAIN CONTACT WITH YOUR SERVICER!!!
Repayment Options

• Standard
• Graduated
• Extended
• Income-Driven
• Examples
<table>
<thead>
<tr>
<th>Plan</th>
<th>Payment</th>
<th>Repayment Term</th>
<th>Eligible Loans</th>
<th>Eligibility Requirements</th>
</tr>
</thead>
</table>
| Standard Repayment Plan | Fixed payment of at least $50   | 10yrs ; 30yrs if consolidated | • Direct Subsidized                          
|                      |                                  |                         | • Direct Unsubsidized                   
|                      |                                  |                         | • Direct Plus                      |
|                      |                                  |                         | • FFELP                            | None                     |

| Graduated Repayment Plan | Payments start low but increase every 2yrs for 10yrs; will never be less than monthly interest | 10yrs | • Direct Subsidized | Upon request |
|                         |                                                                 |       | • Direct Unsubsidized |                                        |
|                         |                                                                 |       | • Direct Plus        |                                        |
|                         |                                                                 |       | • FFELP              |                                        |

<p>| Extended Repayment Plan | Fixed or Graduated payments | up to 25yrs | • Direct Subsidized | $30,000 of student loan debt; Obtain loans on or after Oct. 7, 1998 |
|                         |                              |             | • Direct Unsubsidized |                                        |
|                         |                              |             | • Direct Plus        |                                        |
|                         |                              |             | • FFELP              |                                        |</p>
<table>
<thead>
<tr>
<th>Plan</th>
<th>Payment</th>
<th>Repayment</th>
<th>Eligible Loans</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised Pay as You Earn (REPAYE)</td>
<td>10% of discretionary income</td>
<td>20yrs undergraduate loans only; 25yrs graduate loans; remaining balance may be forgiven and taxed</td>
<td>• Direct Subsidized</td>
<td>Recertify Yearly; sub loans int paid for first 3yrs then half; half on unsub loans</td>
</tr>
<tr>
<td>Pay as You Earn (PAYE)</td>
<td>10% of discretionary income</td>
<td>20yrs, remaining balance may be forgiven and taxed</td>
<td>• Direct Subsidized</td>
<td>Recertify Yearly; sub loans int paid for first 3yrs</td>
</tr>
<tr>
<td>Income-Based Repayment (IBR)</td>
<td>15% of discretionary income (10% of discretionary income as of 7/1/14)</td>
<td>25yrs, 20yrs if borrowed on or after 7/1/14; remaining balance may be forgiven and taxed</td>
<td>• Direct Subsidized</td>
<td>Recertify Yearly; sub loans int paid for first 3yrs</td>
</tr>
<tr>
<td>Income-Contingent Repayment (ICR)</td>
<td>20% of discretionary income</td>
<td>25yrs, remaining balance may be forgiven and taxed</td>
<td>• Direct Subsidized</td>
<td>Recertify Yearly; You are responsible for int</td>
</tr>
</tbody>
</table>
### Repayment Example

<table>
<thead>
<tr>
<th>Loan amount</th>
<th>Payment for Standard</th>
<th>Payment for Graduated</th>
<th>Payment for Extended</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$111/month</td>
<td>$63 - $190/month</td>
<td>Not Applicable</td>
</tr>
<tr>
<td></td>
<td>$13,322 total payment</td>
<td>$14,212 total payment</td>
<td></td>
</tr>
<tr>
<td>$25,000</td>
<td>$278/month</td>
<td>$159 - $476/month</td>
<td>Not Applicable</td>
</tr>
<tr>
<td></td>
<td>$33,360 total payment</td>
<td>$35,530 total payment</td>
<td></td>
</tr>
<tr>
<td>$50,000</td>
<td>$555/month</td>
<td>$317 - $952/month</td>
<td>$322/month</td>
</tr>
<tr>
<td></td>
<td>$66,612 total payment</td>
<td>$71,060 total payment</td>
<td>$96,645 total payment</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,110/month</td>
<td>$635 - $1,905/month</td>
<td>$644/month</td>
</tr>
<tr>
<td></td>
<td>$133,225 total payment</td>
<td>$142,120 total payment</td>
<td>$193,290 total payment</td>
</tr>
</tbody>
</table>

*6% interest rate
Repayment Example

Based on a family size of one with an adjusted gross income (AGI) of $35,000. No additional federal loan debt. Assumes a 5% increase in income each year. $50,000 in total loan debt ($23,000 subsidized and $27,000 unsubsidized). All loans have a 4.66% interest rate.

<table>
<thead>
<tr>
<th></th>
<th>REPAYE</th>
<th>PAYE</th>
<th>IBR</th>
<th>ICR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial Payment</strong></td>
<td>$143</td>
<td>$143</td>
<td>$217</td>
<td>$370</td>
</tr>
<tr>
<td><strong>Final Payment</strong></td>
<td>$606</td>
<td>$507</td>
<td>$523</td>
<td>$439</td>
</tr>
<tr>
<td><strong>Time in Repayment</strong></td>
<td>22.9 years</td>
<td>20 years</td>
<td>16.8 years</td>
<td>14.5 years</td>
</tr>
<tr>
<td><strong>Total Paid</strong></td>
<td>$90,779</td>
<td>$71,171</td>
<td>$77,191</td>
<td>$69,676</td>
</tr>
<tr>
<td><strong>Forgiven Amount</strong></td>
<td>$0</td>
<td>$20,327 (may be taxable)</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

* $62,763 total paid under 10-year Standard Repayment Plan
Forgiveness and Discharge

- Teacher Loan Forgiveness
- Public Service
- Discharges
Forgiveness

- **Teacher Loan Forgiveness (TLF)**
  - Must teach full-time for 5 complete and consecutive academic years
  - Must be a low-income school; visit [www.tcli.ed.gov](http://www.tcli.ed.gov)
  - All schools operated by the Bureau of Indian Education (BIE) qualify
  - Forgiveness of up to $17,500
    - A highly qualified teacher in Science, Mathematics, or Special Education
  - Forgiveness of up to $5,000
    - A highly qualified Elementary or Secondary education teacher
  - Direct Loans; FFELP; (Plus Loans not eligible)
  - Teaching at multiple schools acceptable
    - Each school will require an application
Forgiveness

- **Public Service Loan Forgiveness (PSLF)**
  - 120 non-consecutive qualifying payments
    - No later than 15 days after due date, Full-Months payment
  - Employed Full-Time by Qualifying Employer
  - On a qualifying repayment plan
    - REPAYE, PAYE, IBR, ICR, 10-Year Standard Repayment Plan
  - Remaining balance will be forgiven; Not considered income
  - Direct Loans, Grad Plus
  - Parent Plus Loans
    - Eligibility is based on parent employment, not students
Forgiveness

- Public Service Loan Forgiveness (cont)
  » May not use the 5 years that were accepted for the Teacher Loan Forgiveness (TLF)
  » Private-Loans are not eligible
  » Consolidated loans on standard repayment plan do not qualify
  » If you have been paying into PSLF, but consolidate, you will lose those prior qualifying payments made
Discharges

- **Closed School** - if your school closes while enrolled and unable to complete program

- **Total and Permanent Disability** - if you are no longer able to work due to physical or mental impairments

- **Due to Death** - if acceptable documentation of your death is received by your loan servicer

- **Borrower Defense to Repayment** - if a school misled or engaged in other misconduct in violation of certain state laws
Suspension of Payment

• Deferment
• Forbearance
Payment Suspension

- **Deferment**
  - Entitlements offered by the Department of Education
  - Interest will not accrue on Subsidized Loans
  - Account will remain current on option

- **Deferment Types**
  1. **Economic Hardship** – may be granted during a period of financial difficulty (3 years available)
     - On public assistance
     - Full-time monthly income and family size below poverty guidelines
  2. **In-School** – may be granted if attending a qualifying school at least half-time (unlimited)
     - Must have exhausted 6 month grace period
     - In repayment status
  3. **Unemployment** – may be granted if unemployed or working less than 30 hours per week (3 years available)
     - Must be eligible for unemployment benefits or
     - Must be registered with employment agency
4. **Graduate Fellowship** – may be granted if participating in Graduate Fellowship Program
   - Enrolled in program full-time
   - Must provide statement of objectives

5. **Post-Enrollment** – may be granted for parent plus borrower or graduate plus borrower following the date student ceases to be enrolled at least half-time
   - Only for 6 months

6. **Military** – must be active military duty during a war or other military operations
   - Must begin on or after 10/01/2007
   - Prior to 10/01/2007, Military deployment must be associated with attacks on or after 09/11/2001
Payment Suspension

- **Forbearance**
  » Interest still accrues on subsidized and unsubsidized loans
  » Account will remain current on option

- **Forbearance Types**
  1. **General** – may be granted to borrowers if time available
     • 12 months per request; check with servicer
     • 36 months available
  2. **Internship/Residency** – may be granted if in a medical or dental or other residency program
     • Authorized official certifies the begin and end dates of participation in program
     • 12 months per request
     • 36 months available
  3. **Teacher Loan Forgiveness** – may be granted if qualify for Teacher Loan Forgiveness Program
     • Only if expected forgiveness amount will satisfy the anticipated outstanding balance at the end of the fifth year of qualifying service
     • 12 months per request
Payment Suspension

Forbearance Types (cont)

4. Loan Debt Burden – may be granted if total monthly loan payment exceeds 20% of gross monthly income
   • Proof of income
   • 12 months per request
   • 36 months available

5. Emergency/Disaster – may be granted due to local or national disaster
   • Verification of a state of emergency in area [www.fema.gov](http://www.fema.gov)
   • 90 days per request
Delinquent

- Delinquency
- Default
- Rehabilitation
Delinquent

- **Delinquency**
  - Occurs first day after due date
  - Negative credit reporting at 90 days at end of month and every 30 days after

- **Default**
  - Happens between 270 - 360 days of delinquency
  - Lose options
  - Lose eligibility for future federal aid
  - Negative credit reporting
  - Wage garnishment
  - Tax offset
  - Bank accounts frozen
Delinquent

- **Rehabilitation Loan**
  - Loan that initially defaulted and turned over to Default Management and Collections Systems (DMCS)
  - Have to make 9 consecutive payments within 10 consecutive months
  - Payment based off income and individual circumstances
  - DMCS sends letter asking if you would like loans rehabilitated
  - Default status will be removed
  - Eligible to receive additional student aid
  - You can rehabilitate a defaulted loan only once
Helpful Information

• Tips
Helpful Information

- Get organized; Use NSLDS to determine loan servicer(s)
  www.nslds.gov

- Compare different repayment plans. Use the repayment estimator at www.studentloans.gov

- Budget; Know how much you can afford

- Know eligibility for the loan forgiveness programs and discharges

- Know your loans

- Make payments during deferment and forbearance periods
Helpful Information

- Make payments on time
- Set up automatic debit payments and receive 0.25% interest rate reduction
- You can receive a federal tax deduction for interest paid on student loans; Form 1098E
- Able to change your due date and repayment plan
- Any difficulties, questions, or concerns with your student loan contact Loan Servicer(s)
- Any problems with Loan Servicer contact Ombudsman Group
# Loan Portals

<table>
<thead>
<tr>
<th><strong>Studentloans.gov</strong></th>
<th><strong>National Student Loan Data for Students (nslds.gov)</strong></th>
<th><strong>Lender website</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Students can:</strong></td>
<td><strong>Students can:</strong></td>
<td><strong>Students can:</strong></td>
</tr>
<tr>
<td>❖ Complete Federal Loan Counseling requirements (Entrance, Exit, TEACH Entrance)</td>
<td>❖ View their Federal Aid history</td>
<td>❖ Make payments</td>
</tr>
<tr>
<td>❖ Complete the Federal MPN</td>
<td>❖ View their enrollment history</td>
<td></td>
</tr>
<tr>
<td>❖ Apply for an income driven repayment plan</td>
<td>❖ Complete Exit Counseling for TEACH grant (this is the only counseling done on this site)</td>
<td></td>
</tr>
<tr>
<td>❖ View a repayment estimator</td>
<td>❖ Update contact info</td>
<td></td>
</tr>
<tr>
<td>❖ Appeal a PLUS credit decision. Note: Stanford does not allow a student (or parent) to apply for a PLUS loan through this site. They must apply through Stanford Financial Aid.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>❖ Endorse a PLUS loan (co-sign)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>❖ Apply for Loan consolidation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Database for all Federal Financial Aid including grants like Pell and SEOG**

**Examples: Sallie Mae, SoFi**