STUDENT LOAN EXIT COUNSELING AND REPAYMENT

Sam Krow-Lucal, Student Loan Coordinator, Stanford Financial Aid Office
Presentation Overview

- Loan Repayment Terminology
- Federal Loan Repayment Plans
- Federal Loan Repayment Examples
- Federal Loan Forgiveness Programs
- Helpful Repayment Information
Loan Repayment Terminology

- **Master Promissory Note (MPN)**
  - You signed this form when you took out your loan
  - Legally binding document: your promise to repay your loan
  - Specifies your rights and responsibilities

- **Subsidized Stafford/Direct Loans**
  - Government pays the interest while student is in school
  - Interest rate depends on first disbursement date for each loan
  - Interest starts at time of repayment for subsidized loans disbursed before 7/1/12, but at start of grace period for loans disbursed between 7/1/12 and 7/1/14

- **Unsubsidized Stafford/Direct Loans**
  - Interest begins accumulating at time of disbursement
  - Interest rate depends on first disbursement date for each loan
- FFEL Loans
  - Stafford Loans made prior to 6/30/2010
  - Funded by private lenders

- Direct PLUS Loans
  - Loan for graduate students or the parents of undergraduate students
  - Current interest rate is 7.21%. Interest begins when loan disburses.

- Grace Period
  - Period after graduation before repayment period begins
  - Six month grace period for Stafford/Direct Loans
  - Interest will accumulate except for subsidized loans disbursed prior to 7/1/2012 or after 7/1/14
  - First loan payment due about 30 days after grace period ends.
  - No penalty for early repayment
- **Repayment Period**
  - When your first loan payments are due to your Loan Servicer

- **Delinquency: Making late payments**
  - Late charges and fines may be assessed
  - Negative mark on your credit record

- **Default: No loan payments for 270 days or more**
  - Lose eligibility for future federal aid
  - Lose flexible loan repayment options
  - Bad credit
  - Legal action, income tax refunds withheld and wages garnished
  - Interest continues to accumulate
Loan Repayment Terminology (cont)

- **Loan Servicer:** A loan servicer is a company that handles the billing of your federal student loans on behalf of the U.S. Department of Education

  - You can find your loan servicer(s) on [www.nslds.ed.gov](http://www.nslds.ed.gov) or [www.studentloans.gov](http://www.studentloans.gov)
  - You will make loan payments to your loan servicer. The loan servicer can also help you to choose your repayment plan and to learn about loan consolidation

**Keep in contact with your Loan Servicer!**
Postponing Loan Repayment

- **Deferment**
  - Payments and interest postponed under certain conditions.
  - Length of time and subsidy varies by type of deferment
  - Application usually required (not automatic)
  - Possible Reasons for Deferment: enrolled at least half-time, unemployed, economic hardship, graduate fellowship program, rehabilitation services, serving on active duty

- **Forbearance**
  - Payments are postponed under certain conditions. Interest continues.
  - Application usually required (not automatic)
  - Possible Reasons for Forbearance: financial hardship, illness, you qualify for teacher loan forgiveness, a member of National Guard, or U.S. Dept. of Defense
### Loan Consolidation

- Federal student loan consolidation allows borrowers to combine many federal student loans into one student loan.
- Application required ([www.studentloans.gov](http://www.studentloans.gov))

<table>
<thead>
<tr>
<th><strong>Pros</strong></th>
<th><strong>Con’s</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Combines several loans into one new loan</td>
<td>Only certain loans can be included</td>
</tr>
<tr>
<td>One lower monthly payment</td>
<td>Lose remainder of any grace period</td>
</tr>
<tr>
<td>Interest rate may be lower</td>
<td>Interest rate may be higher</td>
</tr>
<tr>
<td>Interest subsidy still applies, but only to Stafford</td>
<td>Increases interest charges due to longer repayment period</td>
</tr>
<tr>
<td>No fees or pre-payment penalties</td>
<td>Reduced options for loan forgiveness</td>
</tr>
</tbody>
</table>
## Traditional Loan Repayment Plans

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Eligible Loan Program</th>
<th>Borrower Eligibility Restrictions</th>
<th>Monthly Payment</th>
<th>Repayment Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Repayment</td>
<td>Direct and FFEL loans</td>
<td>None</td>
<td>Payments are fixed, $50 minimum</td>
<td>10 years</td>
</tr>
<tr>
<td>Graduated Repayment</td>
<td>Direct and FFEL loans</td>
<td>None</td>
<td>Payments are lower at first then increase</td>
<td>10 years</td>
</tr>
<tr>
<td>Extended Repayment</td>
<td>Direct and FFEL loans</td>
<td>Loans disbursed after 10/6/1998 and debt exceeds $30,000</td>
<td>Payments are fixed or graduated</td>
<td>25 years</td>
</tr>
</tbody>
</table>
## Federal Loan Repayment Plans (Income Driven)

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Eligible Loan Program</th>
<th>Borrower Eligibility</th>
<th>Payment Calculation</th>
<th>Repayment Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay As You Earn</td>
<td>Direct loans</td>
<td>Financial Hardship plus new borrower as of 10/1/07 and loan disb. after 9/30/11</td>
<td>10% of discretionary income</td>
<td>20 years</td>
</tr>
<tr>
<td>Income-Based Repayment: IBR</td>
<td>Direct or FFEL Loans</td>
<td>Financial Hardship</td>
<td>15% of discretionary income</td>
<td>25 years</td>
</tr>
<tr>
<td>Income-Contingent Repayment: ICR</td>
<td>Direct loans</td>
<td>Financial Hardship</td>
<td>20% of discretionary income</td>
<td>25 years</td>
</tr>
</tbody>
</table>
# Federal Loan Repayment Examples

<table>
<thead>
<tr>
<th>Loan amount at time of repayment</th>
<th>Standard Month/total</th>
<th>Extended Month/total</th>
<th>Graduated Month/total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$111 $13,322</td>
<td>N/A</td>
<td>$63-$190 $14,212</td>
</tr>
<tr>
<td>$25,000</td>
<td>$278 $33,306</td>
<td>N/A</td>
<td>$159-$476 $35,530</td>
</tr>
<tr>
<td>$50,000</td>
<td>$555 $66,612</td>
<td>$322 $96,645</td>
<td>$317-$952 $71,060</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,110 $133,225</td>
<td>$644 $193,290</td>
<td>$635-$1,905 $142,120</td>
</tr>
</tbody>
</table>

*payment calculated using 6% interest rate on loan*
Federal Loan Repayment Examples

- Based on a single person with an AGI of $35,000. Assumes a 5% increase in income each year. $50,000 in total federal loans ($23,000 of which is subsidized). All loans have 4.66% interest rate.
- $62,763 paid under 10-year Standard Repayment Plan

<table>
<thead>
<tr>
<th></th>
<th>Pay As You Earn</th>
<th>IBR</th>
<th>ICR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Payment</td>
<td>$145</td>
<td>$217</td>
<td>$370</td>
</tr>
<tr>
<td>Final Payment</td>
<td>$508</td>
<td>$523</td>
<td>$439</td>
</tr>
<tr>
<td>Time in Repayment</td>
<td>20 years</td>
<td>16.8 years</td>
<td>14.5 years</td>
</tr>
<tr>
<td>Total Paid</td>
<td>$71,446</td>
<td>$77,191</td>
<td>$69,676</td>
</tr>
<tr>
<td>Forgiven Amount</td>
<td>$19,931 (taxable)</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
# Loan Forgiveness Programs

<table>
<thead>
<tr>
<th>Forgiveness Program</th>
<th>Eligible Loan Programs</th>
<th>Required Term</th>
<th>Amount Forgiven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Service Loan Forgiveness</td>
<td>Direct Loans (Sub/Unsub and Grad PLUS)</td>
<td>10 years repayment</td>
<td>Remaining principle and interest</td>
</tr>
<tr>
<td>Teacher Loan Forgiveness*</td>
<td>FFELP &amp; Direct Loans (Not Grad PLUS)</td>
<td>5 consecutive years</td>
<td>$5,000 or $17,500</td>
</tr>
<tr>
<td>Federal Employee Student Loan</td>
<td>FFELP, Direct &amp; Perkins Loans</td>
<td>Minimum 3 years required service</td>
<td>Up to $10,000 annually; Up to $60,000 maximum</td>
</tr>
</tbody>
</table>

Qualifying Public Service Jobs

- A federal, state, local, or tribal government organization, agency, or entity
- A public child or family service agency
- A nonprofit organization under section 501(c)(3) taxation under section 501(a) of the IRC
- Peace Corps and AmeriCorps
- A private organization that provides public services: Emergency management, military service, public safety, law enforcement, public interest law services, public child care, public service for individuals with disabilities and the elderly, public health, public library services
To-Do Items to Prepare for Repayment

- Get organized: Use NSLDS (www.nslds.ed.gov) to determine your loans services and how much you owe
- Compare different repayment plans. Use the repayment estimator at www.studentloans.gov
- Determine how much you can afford
- Know the amount of accumulated interest for each repayment plan
- Know eligibility for the repayment plans and the loan forgiveness programs
Loan Repayment Reminders

- Know the details about your loans — amount, interest, servicers, repayment plan options, etc.
- Pay off during deferment to avoid interest on subsidized loans
- Make payments on time
- Set up automatic monthly payments from checking/savings account
- You can receive a federal tax deduction for interest paid on your student loans
Loan Repayment Reminders

- You will be placed in the standard plan if you do not choose a different one during their grace period
- You can change your repayment plan
- You can change your due date
- You can postpone with a deferment/forbearance if you have difficulty making a payment
- You will pay more in interest with longer repayment periods
Any Questions?
- Sam Krow-Lucal
- Loan Coordinator
- Financial Aid Office
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- samkrow@Stanford.edu