Student Loan Exit Counseling and Repayment
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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
  - Fixed interest rates (July 1, 2018-June 30, 2019; rate is 5.05% undergrad)

- **Direct Unsubsidized Loan**
  - No requirement for Financial Need
  - Must be enrolled at least half-time
  - Responsible for paying interest during all periods
  - Fixed interest rates (July 1, 2018-June 30, 2019; rate is 5.05% undergrad; 6.6% graduate)
Loan Terminology

- **Direct Plus Loans**
  - Enrolled at least half-time
  - No adverse credit history
  - Fixed interest rates for life of loan (July 1, 2018-June 30, 2019; rate is 7.6%)
  - 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
    - Payments are required regardless of educational outcome or employment status.
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>PROS</th>
<th>CONS</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>
<tbody>
<tr>
<td>Standard Repayment Plan</td>
<td>Fixed payment of at least $50</td>
<td>10yrs ; 30yrs if consolidated</td>
<td>• Direct Subsidized</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Direct Unsubsidized</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Direct Plus</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• FFELP</td>
<td></td>
</tr>
<tr>
<td>Graduated Repayment Plan</td>
<td>Payments start low but increase every 2yrs</td>
<td>10yrs</td>
<td>• Direct Subsidized</td>
<td>Upon request</td>
</tr>
<tr>
<td></td>
<td>for 10yrs; will never be less than monthly</td>
<td></td>
<td>• Direct Unsubsidized</td>
<td></td>
</tr>
<tr>
<td></td>
<td>interest</td>
<td></td>
<td>• Direct Plus</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• FFELP</td>
<td></td>
</tr>
<tr>
<td>Extended Repayment Plan</td>
<td>Fixed or Graduated payments</td>
<td>up to 25yrs</td>
<td>• Direct Subsidized</td>
<td>$30,000 of student loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Direct Unsubsidized</td>
<td>debt; Obtain loans on or</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Direct Plus</td>
<td>after Oct. 7, 1998</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• FFELP</td>
<td></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
<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&lt;br&gt;• Direct Unsubsidized&lt;br&gt;• Grad Plus</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&lt;br&gt;• Direct Unsubsidized&lt;br&gt;• Grad Plus</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 after 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&lt;br&gt;• Direct Unsubsidized&lt;br&gt;• Grad Plus&lt;br&gt;• FFELP</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&lt;br&gt;• Direct Unsubsidized&lt;br&gt;• Grad Plus&lt;br&gt;• Consolidated Parent Plus Loans made after 7/1/06</td>
<td>Recertify Yearly; You are responsible for int</td>
</tr>
</tbody>
</table>
## 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
    - [https://studentloans.gov/myDirectLoan/tcli.action](https://studentloans.gov/myDirectLoan/tcli.action)
  - 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 and FFELP Loans only; (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
Deferment Types (cont)

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](http://www.nslds.gov)
- Compare different repayment plans. Use the repayment estimator at [www.studentloans.gov](http://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
- Receive 0.25% interest rate reduction with automatic debit payments
- 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>Studentloans.gov</th>
<th>National Student Loan Data for Students (nslds.gov)</th>
<th>Lender website</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>❖ Select repayment plans</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>❖ Ask for other options available</td>
</tr>
<tr>
<td>❖ View a repayment estimator</td>
<td>❖ Update contact info</td>
<td><strong>Examples: Sallie Mae, Wells Fargo</strong></td>
</tr>
<tr>
<td>❖ Appeal a PLUS credit decision. <strong>Note:</strong> Stanford does allow a parent to apply for a PLUS loan through this site.</td>
<td></td>
<td><strong>Database for all Federal Financial Aid including grants like Pell and SEOG</strong></td>
</tr>
<tr>
<td>❖ Endorse a PLUS loan (co-sign)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Examples: Sallie Mae, Wells Fargo**