Direct 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
▪ Suspending Repayment
▪ Delinquency
▪ Special Situations
▪ 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, 2022 - June 30, 2023; rate is 4.99% 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, 2022 - June 30, 2023; rate is 4.99% undergrad; 6.54% graduate)
Loan Terminology

- **Direct Plus Loans**
  - Enrolled at least half-time
  - No adverse credit history
  - Fixed interest rates for life of loan (July 1, 2022-June 30, 2023; rate is 7.54%)
  - Enters repayment once fully disbursed (Parent PLUS)

- **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.studentaid.gov](http://www.studentaid.gov)
  - MAINTAIN CONTACT WITH YOUR SERVICER!!!
Loan Terminology

- **Principal and Interest**
  - Principal is the amount originally borrowed
  - Interest is an additional amount accrued over time
  - **Capitalization** – when interest becomes part of principal

- **Grace Period**
  - 6 month period after graduation
  - 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 for your family size and state of residence
  
  www.aspe.hhs.gov

- **Loan Consolidation**
  
  » Allows borrowers to combine federal student loans into one loan
  
  » Consolidation is free
  
  » Consolidate loans through www.studentaid.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>HAVE LOANS LONGER</td>
</tr>
<tr>
<td>DEFERMENT/FORBEARANCE RESTARTS</td>
<td>LOSE REMAINDER OF GRACE PERIOD</td>
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<tr>
<td>AVOID DEFAULT</td>
<td>LOSE CREDIT FOR PSLF PAYMENTS</td>
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</table>
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</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 for 10yrs; will never be less than monthly interest</td>
<td>10yrs</td>
<td>• Direct Subsidized</td>
<td>Upon request</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>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 debt; Obtain loans on or after Oct. 7, 1998</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>
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<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>
</table>
| Revised Pay as You Earn (REPAYE) | 10% of discretionary income | 20yrs undergraduate loans only; 25yrs graduate loans; remaining balance may be forgiven and taxed | • Direct Subsidized  
• Direct Unsubsidized  
• Grad Plus | Recertify Yearly; sub loans int paid for first 3yrs then half; half on unsub loans |
| Pay as You Earn (PAYE)      | 10% of discretionary income | 20yrs, remaining balance may be forgiven and taxed | • Direct Subsidized  
• Direct Unsubsidized  
• Grad Plus | Recertify Yearly; sub loans int paid for first 3yrs |
| Income-Based Repayment (IBR) | 10% of discretionary income (15% of discretionary income before 7/1/14) | 20yrs (25yrs if borrowed before 7/1/14); remaining balance may be forgiven and taxed | • Direct Subsidized  
• Direct Unsubsidized  
• Grad Plus  
• FFELP | Recertify Yearly; sub loans int paid for first 3yrs |
| Income-Contingent Repayment (ICR) | 20% of discretionary income | 25yrs, remaining balance may be forgiven and taxed | • Direct Subsidized  
• Direct Unsubsidized  
• Grad Plus  
• Consolidated Parent Plus Loans made after 7/1/06 | Recertify Yearly; You are responsible for int |
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 [studentaid.gov/tcli/](https://studentaid.gov/tcli/)
  - All schools operated by the Bureau of Indian Education (BIE) qualify
  - Forgiveness of up to $17,500
    - A highly qualified full-time teacher of Science or Mathematics (at the secondary school level), or
    - Special Education (any level)
  - Forgiveness of up to $5,000
    - A highly qualified full-time teacher at the Elementary or Secondary level
  - Direct Loans and FFELP Loans only; (PLUS Loans not eligible)
  - File forgiveness application at the end of the 5th consecutive year
    - Chief Administration Officer at current school must verify employment history
Forgiveness

- Public Service Loan Forgiveness (PSLF)
  - 120 non-consecutive qualifying payments
    - No later than 15 days after due date, full month’s payment
    - Includes $0 payments
  - Employed Full-Time by Qualifying Employer
    - Government (Federal, State, Local, Tribal)
    - 501(c)(3) Organization
    - Full time service in military, PeaceCorps, or AmeriCorps
  - On a qualifying repayment plan
    - REPAYE, PAYE, IBR, ICR, 10-Year Standard Repayment Plan*
  - Remaining balance will be forgiven
  - Direct Loans, Grad Plus
Forgiveness

- Public Service Loan Forgiveness (cont)
  
  » May not use the 5 years that were accepted for the Teacher Loan Forgiveness (TLF)
    
    » Consider employment and repayment options
    
    » Consider your loan balance

  » 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
Suspending Repayment

- Deferment
- Forbearance
Payment Suspension

- **Deferment**
  - Entitlements offered by the Department of Education
  - Interest will not accrue on Subsidized Loans
  - Account will remain current (no delinquency/default)

- **Deferment Types**
  1. **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
  2. **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
  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
Payment Suspension

- 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
Payment Suspension

- **Forbearance**
  - Interest still accrues on subsidized and unsubsidized loans
  - Account will remain current (no delinquency/default)

- **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 after day 270 of delinquency
  - Lose options (repayment plans, deferment/forbearance, forgiveness)
  - Lose eligibility for future federal aid
  - Negative credit reporting
  - Wage garnishment
  - Tax offset
  - Bank accounts frozen
Delinquent

- **Rehabilitation of Loan**

  » Loan that initially defaulted and turned over to Default Resolution Group (DRG) [studentaid.gov](http://studentaid.gov)

  » Have to make 9 consecutive payments within 10 consecutive months

  » Payment based off income and individual circumstances

  » Default status will be removed

  » Eligible to receive additional student aid

  » You can rehabilitate a defaulted loan only once
Special Situations

- Student Loan Pause
- One Time Loan Forgiveness
Student Loan Pause

» Effective **03/13/2020 – 06/30/2023**

» Applies to all Direct Loans, or any loans held by ED

» Does not apply to private student loans

» Loan payments suspended

» Zero interest
  
  • Plus, no capitalization until **6 months** after pause ends

» Paused payments count towards loan forgiveness and/or rehabilitation

» Payments made during this time can be refunded
  
  • Includes wage garnishment on Defaulted loans

Updates: [https://studentaid.gov/announcements-events/covid-19](https://studentaid.gov/announcements-events/covid-19)
One Time Loan Forgiveness

» Effective ???

» Up to $20,000 for Pell recipients, up to $10,000 for non-recipients

» Annual income below $125,000 (individual) or $250,000 (married/head of household, in either 2020 or 2021 tax year

» Applies to loans disbursed prior to July 1, 2022

» Application available on StudentAid.gov (currently blocked)

» More Information:
  » https://studentaid.gov/manage-loans/forgiveness-cancellation/debt-relief-info
Helpful Information

• Tips
Helpful Information

❖ Get organized; Know your loans, servicers, and lenders
  • https://www.studentaid.gov – log-in, use dashboard to identify servicers
  • https://www.annualcreditreport.com – identify loans from private lenders

❖ Compare different repayment plans
  • https://studentaid.gov/loan-simulator/repayment/compare/repayment-plans

❖ Budget; Know how much you can afford

❖ Know eligibility for the loan forgiveness programs and discharges

❖ Make payments during deferment and forbearance periods
Helpful Information

❖ Make payments on time
❖ Receive 0.25% interest rate reduction with automatic debit payments
❖ Able to change your due date and repayment plan
❖ You can receive a federal tax deduction for interest paid on student loans; Form 1098E ($600 or more form will be sent)
❖ Any difficulties, questions, or concerns with your student loan contact Loan Servicer(s)
❖ Any problems with Loan Servicer contact Ombudsman Group
  ❖ https://studentaid.gov/feedback-ombudsman/disputes
# Loan Portals

<table>
<thead>
<tr>
<th><strong>StudentAid.gov</strong></th>
<th><strong>UAS Connect</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>Examples:</strong> Sallie Mae, Discover</td>
</tr>
<tr>
<td>❖ Complete Federal Loan Counseling requirements (Entrance, Exit, TEACH)</td>
<td>❖ View information on all institutional loans through Stanford (such as the Avery Loan)</td>
<td>❖ Make payments</td>
</tr>
<tr>
<td>❖ Complete the Federal MPN</td>
<td>❖ Make payments</td>
<td>❖ Select repayment plans</td>
</tr>
<tr>
<td>❖ View their Federal Aid history</td>
<td>❖ Request deferment and/or forbearance</td>
<td>❖ Request deferment and/or forbearance</td>
</tr>
<tr>
<td>❖ View their enrollment history</td>
<td>❖ Request forgiveness (Avery)</td>
<td></td>
</tr>
</tbody>
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