



Direct Loan Exit Counseling and Repayment

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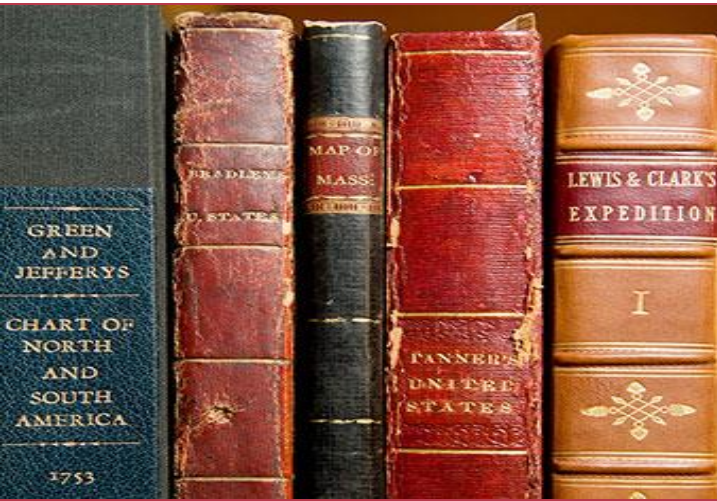
Presentation Overview



- **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

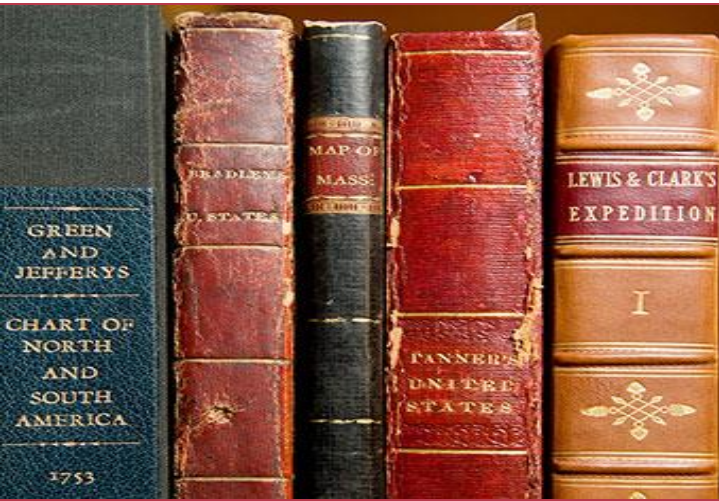
– Direct Subsidized Loan

- » 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

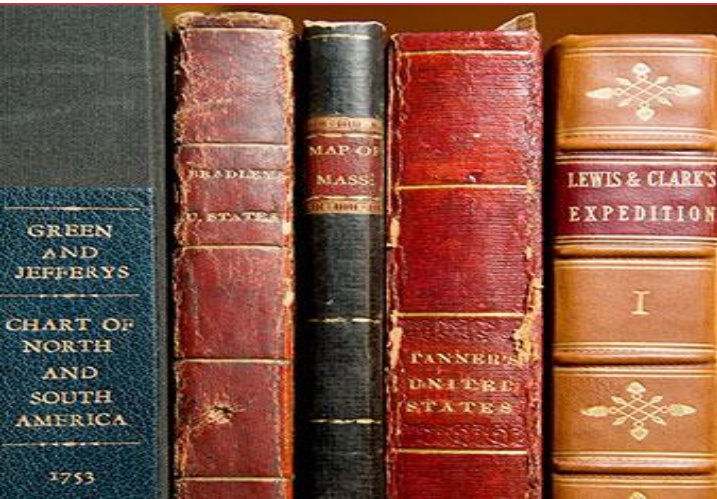
- » No requirement for Financial Need
- » Must be enrolled at least half-time
- » Responsible for paying interest during all periods
- » Fixed interest rates (July 1, 2022-June 30, 2023; rate is 4.99% undergrad; 6.54% graduate)

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
 - » 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

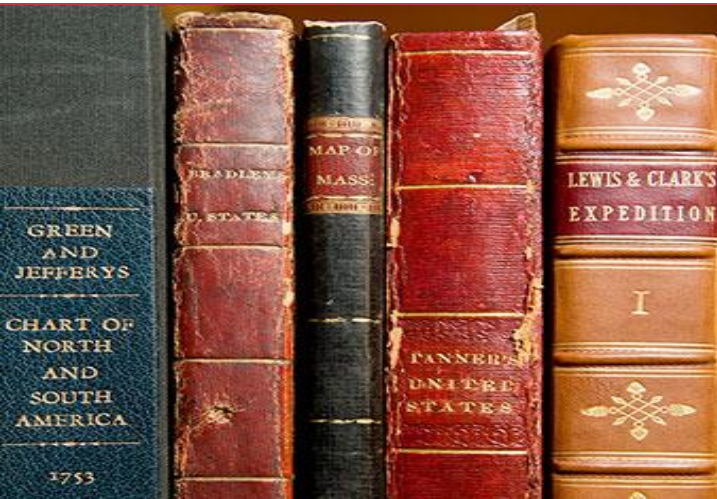
– Grace Period

- » 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

<u>PROS</u>	<u>CONS</u>
ONE PAYMENT	PAY MORE
FIXED INTEREST RATE	INTEREST RATE MAY BE HIGHER
LOWER PAYMENT	HAVE LOANS LONGER
DEFERMENT/FORBEARANCE RESTARTS	LOSE REMAINDER OF GRACE PERIOD
AVOID DEFAULT	LOSE CREDIT FOR PSLF PAYMENTS

Repayment Options

- Standard
- Graduated
- Extended
- Income-Driven
- Examples

<u>Plan</u>	<u>Payment</u>	<u>Repayment Term</u>	<u>Eligible Loans</u>	<u>Eligibility Requirements</u>
Standard Repayment Plan	Fixed payment of at least \$50	10yrs	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Direct Plus • FFELP 	Upon request
Extended Repayment Plan	Fixed or Graduated payments	up to 25yrs	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Direct Plus • FFELP 	\$30,000 of student loan debt; Obtain loans on or after Oct. 7, 1998

Repayment Example

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

*6% interest rate

<u>Plan</u>	<u>Payment</u>	<u>Repayment</u>	<u>Eligible Loans</u>	<u>Information</u>
Revised Pay as You Earn (REPAYE)	10% of discretionary income	20yrs undergraduate loans only; 25yrs graduate loans; remaining balance <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • 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 <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • 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 <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • 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 <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • 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.

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

* \$62,763 total paid under 10-year Standard Repayment Plan

Forgiveness and Discharge

- Teacher Loan Forgiveness
- Public Service
- Discharges

Forgiveness



I Choose To Forgive

– Teacher Loan Forgiveness (TLF)

- » Must teach full-time for 5 complete and consecutive academic years
- » Must be a low-income school 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



I Choose To Forgive

– 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



I Choose To Forgive

– 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
- 90 days per request

Delinquent

- Delinquency
- Default
- Rehabilitation

Delinquent

**PAYMENT
REQUIRED**

- 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

**PAYMENT
REQUIRED**

– Rehabilitation of Loan

- » Loan that initially defaulted and turned over to Default Resolution Group (DRG) 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>

One Time Loan Forgiveness



I Choose To Forgive

- » 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

StudentAid.gov

Students can:

- ❖ Complete Federal Loan Counseling requirements (Entrance, Exit, TEACH)
- ❖ Complete the Federal MPN
- ❖ View their Federal Aid history
- ❖ View their enrollment history
- ❖ View a repayment estimator
- ❖ Apply for Loan consolidation
- ❖ Apply for an income driven repayment plan

UAS Connect

<https://www.uasconnect.com/>

Students can:

- ❖ View information on all institutional loans through Stanford (such as the Avery Loan)
- ❖ Make payments
- ❖ Request deferment and/or forbearance
- ❖ Request forgiveness (Avery)

Lender website

*Examples: Sallie Mae,
Discover*

Students can:

- ❖ Make payments
- ❖ Select repayment plans
- ❖ Request deferment and/or forbearance

Questions/Comments

