



Direct Loan Exit Counseling and Repayment

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Presentation Overview

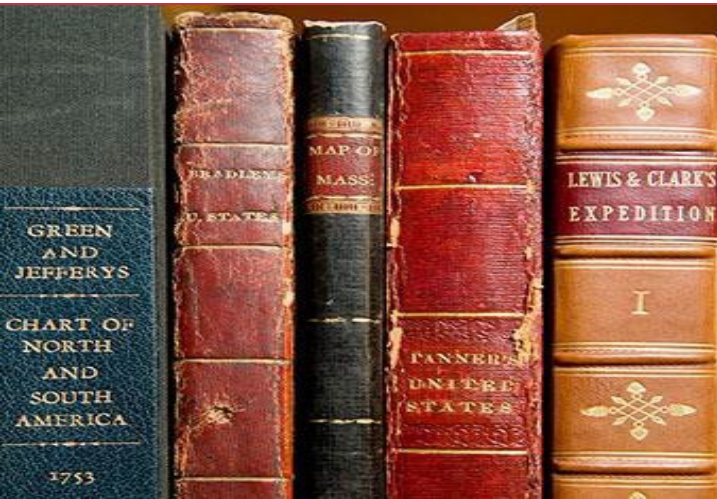


- **Loan Terminology**
- **Federal Loan Repayment Options and Examples**
- **Federal Loan Forgiveness and Discharge Programs**
- **Suspending Repayment**
- **Delinquency**
- **Special Situations**
- **Helpful Information**

Loan Terminology



Loan Terminology



– Master Promissory Note (MPN)

- » Must be signed before receiving any loan funds
- » A legal document
- » Gives terms and conditions of loans

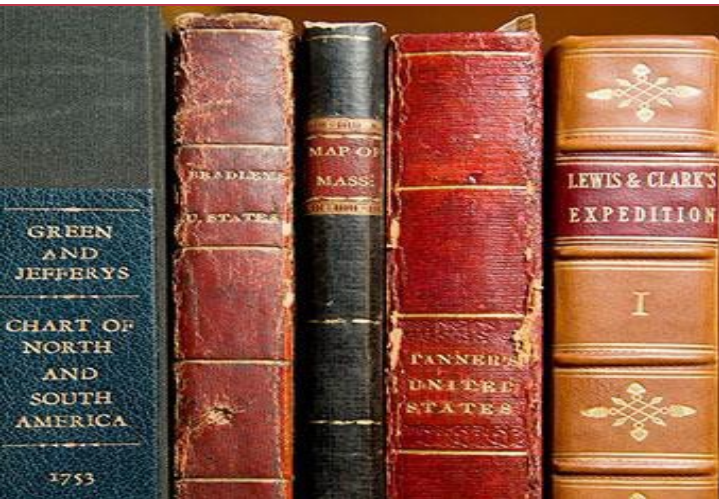
– Direct Subsidized Loan

- » 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, 2025-June 30, 2026; rate is 6.39% 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, 2025-June 30, 2026; rate is 6.39% undergrad; 7.94% graduate)

Loan Terminology



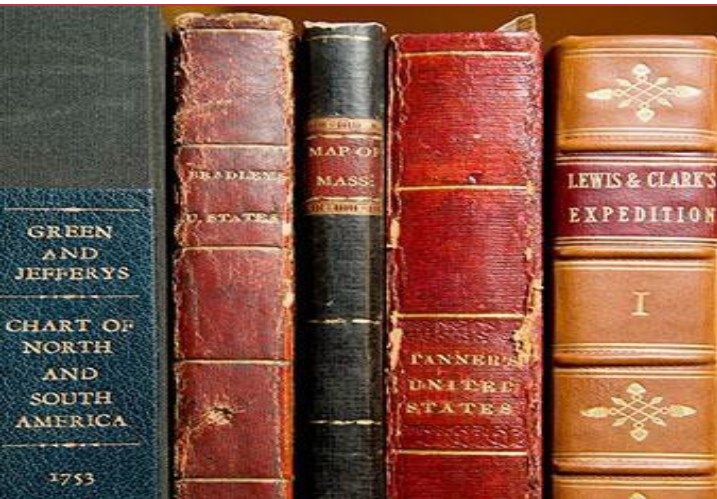
– Direct Plus Loans

- » Enrolled at least half-time
- » No adverse credit history
- » Fixed interest rates for life of loan (July 1, 2025-June 30, 2026; rate is 8.94%)
- » Enters repayment once fully disbursed (Parent PLUS only)
- » Not available to those starting new programs in the 26-27 Year

– Loan Servicer

- » Administers all services and options on your federal student loans
- » Loans may be transferred amongst Servicers
- » Find your student Loan Servicer(s) at 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 during this period.

– 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

Example: Let's say you have an AGI of \$40,000 and you're a single person living in the 48 contiguous United States. The Federal Poverty Guideline for a single person in 2026 is \$15,960.

For PAYE or IBR: $\$40,000 - (\$15,960 * 1.5) = \$40,000 - \$23,940 = \mathbf{\$16,060}$ (discretionary income)

– **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 Plans

- Standard
- Graduated
- Extended
- Income-Driven (IDR) and Repayment Assistance (RAP)
- 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 	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 	Upon request
Extended Repayment Plan	Fixed or Graduated payments	up to 25yrs	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Direct Plus 	\$30,000 of student loan debt; Obtain loans on or after Oct. 7, 1998

*These repayment plans are only available for loans disbursed before July 1, 2026, and are expected to be retired by June 30th, 2028.

Repayment Examples

<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>
Repayment Assistance Plan (RAP)	Flat \$10/month for AGI ≤ \$10K. Increases 1% per \$10K AGI increase, capping at 10% above \$100K.	30 years for both undergraduate and graduate borrowers; remaining balance <u>may</u> be forgiven and taxed.	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Grad Plus • FFEL & Perkins (If Consolidated) 	Recertify Yearly; unpaid interest is not added to the principal balance. Expected to be available July 1, 2026
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 • FFEL & Perkins (If Consolidated) 	Recertify Yearly; sub loans int paid for first 3yrs. Will be phased out by July 1st, 2028
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, FFEL, & Perkins (If Consolidated) 	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 interest. Will be phased out by July 1st, 2028

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://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)
- » More info and app found here: <https://studentaid.gov/manage-loans/forgiveness-cancellation/teacher>
- » File forgiveness application at the end of the 5th consecutive year
 - Chief Administration Officer (such as a principal) 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
 - PAYE, IBR, ICR, RAP, & 10-Year Standard Repayment Plan*
- » Remaining balance will be forgiven
- » Direct Loans, Grad Plus, or Direct Consolidation Loans



– 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
- » There is no income cap for PSLF, you can qualify regardless of your income so long as you have a qualifying employer and make the 120 non-consecutive payments.

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
 - Work with the university/college for your new program to process.
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 (continued)

4. Graduate Fellowship – may be granted if participating in a 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 time of conflict or other military operation.

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
 - 9 months max per request within a 24-month period; check with servicer
 2. **Internship/Residency** – may be granted if in a medical, 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 you 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 (continued)

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

Delinquency



- Delinquent Status
- Default
- Rehabilitation

Delinquent States

**PAYMENT
REQUIRED**

- Delinquency
 - » Occurs first day after due date
 - » Negative reporting to credit bureaus at 90 days at end of month and every 30 days after
- Default
 - » Happens after 270 days of delinquency
 - » Borrower loses 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
- » Borrower needs to make 9 consecutive payments within 10 consecutive months to resolve status.
- » Payment will be 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

Closing Information



Closing 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/>
- ❖ Budget; Know how much you can afford
- ❖ Know eligibility for the loan forgiveness programs and discharges
- ❖ Make payments during deferment and forbearance periods

Closing Information



- ❖ Ensure that payments are made on time
- ❖ Receive 0.25% interest rate reduction with automatic debit payments
- ❖ Know that you're 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 from lender)
- ❖ With any difficulties, questions, or concerns with your student loans contact Loan Servicer(s)
- ❖ Any problems with Loan Servicer contact Ombudsman Group
 - ❖ <https://studentaid.gov/feedback-ombudsman>

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, TLF, & PSLF.

ECSI

<https://heartland.ecsi.net/>

Students can:

- ❖ View information on all institutional loans through Stanford (such as the Avery Loan)
- ❖ Make payments
- ❖ Request deferment and/or forbearance
- ❖ Request forgiveness (e.g., Avery & GSE Forgivable)

Lender website

*Examples: Sallie Mae,
College Avenue*

Students can:

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

Questions/Comments

