

**UNIVERSITY
OF MIAMI**

USA Funds
There for you

Counseling Students Through the Repayment Puzzle


Tools for Borrower Success

FASFAA 2011 Region V Workshop
April 1, 2011
Nova Southeastern University

Overview of Today's Climate

Why are we here?

- We know that students are leaving school with more debt than even before: student loans, alternative loans and credit cards.
- Some begin to struggle as soon as the grace period is complete.
- Students' loans are held by multiple entities, which leads to confusion for borrowers regarding their repayment responsibilities.
- The first 12 to 24 months of repayment are when their success impacts your school's Cohort Default Rate.
- You can help your students by understanding their repayment options!



**UNIVERSITY
OF MIAMI**

USA Funds
There for you

What are we going to do today?

- Determine how we, as FAA's:
 - may assist students' to manage their student loan portfolio.
 - understanding loan types and managing repayment
 - Finding their loans
 - Deferments and Forbearances
 - Delinquency and Default (and/or consequences)
 - Federal Student Loan Repayment Options
 - generate and share some ideas on best practices that you may want to adopt in your office

What is it that students need to know?

- We know that students must understand:
 - their student loan portfolio – identifying loan types, relative costs and servicers.
 - their repayment options.
 - their grace, deferment and forbearance options.
 - delinquencies and default, plus consequences.
 - their decision points and keep a calendar
 - the costs, before choosing the “right” repayment plan
 - take ownership and keep good records.
 - their available resources.

Finding Their Loans – All Federal Loans

www.nslsds.ed.gov



National Student Loan Data System (NSLDS) for Students

Financial Aid Review | Glossary of Terms | Browser Information/Setup | FAQs | Contact Us

Hurricane Information



NSLDS STUDENT ACCESS

National Student Loan Data System

Retrieve Your Loan Information

The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED's) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

FINANCIAL AID REVIEW

FOIA | Privacy | Security | Notices

WhiteHouse.gov | USA.gov | ED.gov




Finding Their Loans – Direct Loans

www.dl.ed.gov



FEDERAL STUDENT LOAN SERVICING

Home | YOUR ACCOUNT | QUESTION CENTER | FORMS

Search

Access Your Account

Log In To Your Account

Log in to:

- make online payments
- view account balances
- change billing options
- enroll in electronic services
- and much more...

Forgot Your PIN?

Forgot Your PIN

or want to change it?

Your PIN serves as your identifier allowing you to access your personal information in various U.S. Department of Education systems.

[Request Now](#)

Tour This Site

Tour This Site

Learn how to easily manage your Direct Loan online.

Welcome To:

Direct Loan Servicing ONLINE



Entrance & Exit Counseling

Get the information you need as a Direct Loan borrower.

[GO](#)

Your Account

Make online payments, view your account balances and payment history, change your billing options, enroll in electronic services and much more...

Loan Consolidation

A Consolidation Loan allows you to combine one or more of your federal education loans into a new loan that offers you several advantages such as one monthly payment, flexible repayment options, and reduced monthly payments.

Enroll in Electronic Services

You can choose to receive your Direct Loan bills and correspondence electronically, eliminating paper mail. Electronic services are faster, free, and more convenient.

Make an Online Payment

Paying your Direct Loan online from this site is free, convenient, and saves you time and money. You can even schedule your payments up to six months into the future.

Direct Loan Servicing News

Deferment Options for Graduate Professional and Post-Graduate Loans: Borrowers Who Themselves Return to School 03/27/2010 12:00:00 AM

Public Service Loan Forgiveness Program 03/27/2010 12:00:00 AM

Teacher Information 03/27/2010 12:00:00 AM

[See all news >](#)

Make Your Payments Online

Pay your Direct Loan bill online. It's free, quick, and easy. [Learn More](#)

Lower your interest rate!

[Learn More](#)

Enroll in Automatic Payments




Transitioning Students To StudentLoans.gov

START HERE
GO FURTHER
FEDERAL STUDENT AID

StudentLoans.gov

Home Learn More Tools and Resources Managing Repayment FAQs Contact Us

Manage My Direct Loan
Sign In Please use your PIN to sign in
Why am I signing in?
View My Loan Documents
Entrance Counseling
Sign Master Promissory Note
Complete PLUS Request Process
Endorse PLUS Loan
Please visit the PIN site if you are a new user or have forgotten your PIN.

StudentLoans.gov
This site is your source for information from the U.S. Department of Education about how to manage your student loans.

Learn More
» Find Information about Student Aid Programs
» Direct Loan Overview
» What you Need for Direct Loans
» What to Expect for Direct Loans
» Asesoramiento de Ingreso

Tools and Resources
» Apply for PIN
» FAFSA
» Exit Counseling
» Direct Loan Consolidation
» My Financial Aid History

Managing Repayment
» Repaying Your Loans
» Repayment Plans & Calculators
» Income Based Repayment Plan
» Trouble Making Payments?
» Loan Discharge
» Public Service Loan Forgiveness
» Teacher Loan Forgiveness

UNIVERSITY OF MIAMI

USA Funds

Exploring Loan Repayment Options

“The Message”

- There are options!
- There are costs and benefits to each one.
- You can help students stay in successful repayment by helping them understand which option best fits their situation.

UNIVERSITY OF MIAMI

USA Funds

Relative Cost of Student Loans

- **Interest Rate**-what the lender charges you to use their money
- **Capitalization**-the addition of accrued and unpaid interest to the principal balance of your loan
- **Borrower Benefits and Repayment Incentives**—special offerings that can help you reduce the cost of repaying your loan(s), these may include:
 - **Interest rate reductions**
 - **Credits to loan balance**
- Some benefits and repayment incentives impose eligibility requirements such as signing up for auto debit or making a certain number of on-time payments



SUBSIDIZED VS. UNSUBSIDIZED LOANS

SUBSIDIZED STAFFORD

Have no interest cost while student is in school, in grace (if applicable), or in a period of authorized deferment.

Examples

- Subsidized Stafford Loan
- Perkins Loan
- Consolidation Loan – portion of underlying eligible subsidized loans
- Primary Care Loan (PCL) program
- Loans for Disadvantaged Students (LDS)
- Some institutional loans (see promissory note or aid office)

UNSUBSIDIZED STAFFORD

Borrower is responsible for interest that accrues from the time of disbursement.

Examples

- Unsubsidized Stafford Loan
- Graduate PLUS Loan
- Consolidation Loan – unsubsidized portion, which includes the unsubsidized Stafford loans plus any Perkins, Health Professions Student Loan or LDS loans included in the consolidation
- Private Loans



LOAN INTEREST RATES

Federal

Loan Type	Undergraduates	Graduate Students
Fixed-Rate Stafford Loans		
Subsidized Staffords <small>Rate can vary, based on academic year in which loans are issued</small>		
2010-11	4.50%	6.80%
2009-10	5.60%	6.80%
2008-09	6.00%	6.80%
2007-08	6.80%	6.80%
2006-07	6.80%	6.80%
Unsubsidized Stafford Loans*	6.80%	6.80%
Graduate PLUS Loans*	---	7.90%
Consolidation Loan	Fixed rate based on weighted-average interest rate of underlying loans rounded up to nearest one-eighth of a percent (capped at 8.25%)	

Stafford loans issued from 7/1/1998 to 6/30/2006 carry variable rates, which are adjusted annually, each July 1. The variable rate for these Stafford loans during the 2010-11 academic year is 1.87% for loans in an in-school, grace or deferment period, 2.47% for loans in repayment or forbearance.



These rates apply to both undergraduate and graduate students.

Note: Rate for Grad PLUS loans issued under the Federal Family Education Loan Program is 8.50%

*Rates in effect for loans issued on or after July 1, 2006.

The Rest

Perkins, Primary Care Loan, Loan for Disadvantaged Students (LDS) - 5% FIXED **Private Loans** – Check promissory note for Index plus the margin **Institutional Loans** – Check promissory note



Exploring Your Loan Repayment Options

Capitalization of Interest

What is capitalization?

Interest on most loans accrues from the date funds are disbursed until the loan is paid in full. (Subsidized loans have no interest accrue during in-school, grace, and deferment periods.) Capitalization is the addition of unpaid accrued interest to the principal balance of a loan.

- Less frequent the better
- Consider asking family to help with interest
- Capitalization often occurs more frequently during forbearance

Impact of Capitalization of Interest

The chart provides estimates, for a **\$15,000 loan balance at a 9% interest rate, of the monthly payments due following a 12-month deferment or forbearance.**

It compares the effects of paying interest, capitalizing interest at the end of a deferment or forbearance, and capitalizing interest quarterly and at the end of a deferment or forbearance.

Treatment of Interest Accrued During Deferment or Forbearance Status	Loan Amount	Capitalized Interest for 12 Months	Principal to Be Repaid	Monthly Payment	# of Payments	Total Amount Repaid	Total Interest Paid
Interest is paid	\$15,000.00	\$0.00	\$15,000.00	\$190.01	120	\$24,151.64*	\$9,151.64
Interest is capitalized at the end of status	\$15,000.00	\$1,350.00	\$16,350.00	\$207.11	120	\$24,853.79	\$9,853.79
Interest is capitalized quarterly during status and at the end of status	\$15,000.00	\$1,396.25	\$16,396.25	\$207.70	120	\$24,924.09	\$9,924.09



Borrower Benefits and Repayment Incentives

Money-saving borrower benefits and repayment incentives were typically offered to borrowers by lenders during your time as a student.

They took the form of interest rate reductions, credits to your loan balance and/or cash rebates and imposed eligibility rules such as making a specific number of on-time payments.

Make sure you:

Find out if any of your loans are eligible for borrower benefits or repayment incentives by contacting your loan service provider or consulting your lender's web site.

Research the terms to know and understand the eligibility rules



Delaying Repayment

- If your loans have a grace period, you won't be asked to start making payments until the grace period is over.
 - Stafford, Perkins and some private loans offer grace periods.
 - Federal Consolidation Loans and Grad PLUS loans do not have grace periods.
 - Grad PLUS loans issued on or after July 1, 2008, offer a new six-month post-school deferment option that essentially aligns with the Stafford grace period.
 - Borrowers can create a de facto grace period for consolidation loans and older Grad PLUS loans via forbearance.
- You can postpone repayment on your federal loans via deferment or forbearance.
 - you have to meet the qualifying conditions for a deferment or forbearance.



Understanding Loan Repayment



Grace

- Period of time after you graduate, leave school or drop to less than half-time during which you are not required to make payments
- No application required
- Loan specific, varies according to loan –once you use it completely, it's gone
 - Stafford loans have a six-month grace period
 - Perkins have nine-month grace
- Subsidized loans are interest free to the borrower during grace
- Unsubsidized loans continue to accrue interest
- Does not adversely impact credit



Deferment

- Period when a borrower **who meets certain criteria may suspend loan payments**
- Application may be required depending on deferment type. Recertification for subsequent deferment periods may also be required.
- Stafford deferments are —borrower specific, meaning eligibility is attached to the borrower
- Subsidized loans are interest free to borrower during authorized deferment periods
 - Unsubsidized loans continue to accrue interest
 - Putting loans into deferment does not adversely impact credit



Common Types of Deferment

- In-School
- Economic Hardship
- Unemployment
- Military



Economic Hardship Deferment (EHD)

EHD Eligibility Categories	
Current eligibility rules	<ol style="list-style-type: none">1. Borrower has qualified for EHD with another lender and is seeking EHD for same time period covered by the established EHD.2. Borrower is receiving federal or state public assistance payments.3. Borrower is serving as Peace Corps volunteer.4. Borrower is working full-time and his/her total monthly gross income from employment is less than or equal to the larger of (A) the monthly minimum wage rate or (B) 150% of the Poverty Guideline amount for his/her state of residence and household size.



Forbearance Option

- Forbearance typically is sought for temporary repayment relief—that is, temporary adjustment to repayment schedule (no payments or reduced payments).
- Other forbearance types include financial hardship forbearance.
- In general, these other forbearances--
 - Are subject to agreement between the borrower and lender.
 - Can be arranged in increments of up to 12 months at a time.
 - Have cumulative time limits.



Forbearance

- In general, apply at end of grace, if deferment isn't an option
- In forbearance, interest accrues on all loans, subsidized and unsubsidized; unpaid interest will be capitalized at end of forbearance
- Interest that accrues during the forbearance remains the borrower's responsibility.
- Unpaid interest may be capitalized no more frequently than quarterly and at the end of the forbearance.
- Capitalization of interest increases the amount to pay back, and may result in a higher payment amount after the forbearance.
- Electing forbearance does not adversely impact credit, but may adversely impact eligibility for borrower benefits or repayment incentives, check with lender

Be careful of use because it **adds expense!**

Do use to stay out of delinquency and default!



Forbearance – Federal Graduate PLUS

Alignment Forbearance for Federal Graduate PLUS Loans

- Allows you to align your first payment due date on Graduate PLUS loans first disbursed on or before June 30, 2008 with your Stafford Loans so that both become due at the same time.
- Interest will accrue and capitalize, no more frequently than quarterly
- Putting loan into forbearance will not adversely impact credit
- Using forbearance to align PLUS payments with Stafford grace period may or may not affect benefits or repayment incentives, check with your lender
- Graduate PLUS loans are also eligible for residency forbearance.

NOTE: Graduate PLUS loans first disbursed on and after July 1, 2008 will be placed into a deferment during school (at least half-time enrollment status) and the six-month period after the borrower graduates, leaves school or drops to less than half-time status.



Paying Loans Off Early

Alignment Forbearance for Federal Graduate PLUS Loans

- You can **prepay your federal student loans with no penalties.**
- Be aware of the relative costs and make payments towards your **unsubsidized loans that have the highest rates and/or most frequent capitalization. This should save you more money over time.**
- Unless otherwise noted, loan payments typically are applied first toward late fees, then interest, and finally principal.



Delinquency & Default

Alignment Forbearance for Federal Graduate PLUS Loans

- You can **prepay your federal student loans with no penalties.**
- Be aware of the relative costs and make payments towards your **unsubsidized loans that have the highest rates and/or most frequent capitalization. This should save you more money over time.**
- Unless otherwise noted, loan payments typically are applied first toward late fees, then interest, and finally principal.



Delinquency & Default

DELINQUENCY –FFELP and Private Loans

- Failure to make payment(s) when due
- Reported to credit bureaus, it affects your credit history

DEFAULT –FFELP and Private Loans

- Defaulting on any student loan can have serious consequences
- Servicer can sue, and you are responsible for costs
- Collection agencies take over –adds to your cost
- School can withhold records
- Student loans rarely discharged in bankruptcy



Delinquency & Default

CONSEQUENCES

Your federal student loans are only canceled if you die or become totally and permanently disabled. They are generally not dischargeable in bankruptcy.

Remember: No one wants you to default!

If you are experiencing any difficulties in repayment, contact your servicer immediately to make appropriate arrangements and avoid the consequences of default!



Reviewing Your Federal Loan Repayment Plans



Standard Repayment

- Monthly payment amount stays essentially the same throughout repayment.
- Most commonly selected plan.
- Automatically selected if you don't choose another plan.

Advantages	<ul style="list-style-type: none"> • Typically yields the lowest overall loan cost. • Allows for aggressive repayment of your loan.
Considerations	<ul style="list-style-type: none"> • Higher payment (compared to other plans) may be more difficult to manage if starting income is low.

Most useful to...borrowers who prefer the stability of having the same monthly payment throughout the repayment term.



Graduated Repayment

- Monthly payment adjusted at one or more predefined intervals.
- Payment must cover accruing interest.
- Number of intervals and frequency of adjustment can vary by lender.

Advantages	<ul style="list-style-type: none"> • Provides a low initial monthly payment. • Offers predictable payment increases.
Considerations	<ul style="list-style-type: none"> • Lower up-front payment may cause higher interest costs. • Review payment amounts for later tiers to ensure the payments will be affordable.

Most useful to...borrowers seeking short-term repayment relief.



Graduated Repayment

Graduated Repayment Plan Based on \$12,500 at 8.25%	
Payment Amount	Number of Months
\$85.84	24
\$125.22	18
\$165.90	18
\$206.51	60



Extended Repayment

- Allows up to 25-year repayment term.
- Can be standard or graduated.
- Eligibility for FFEL or DL:
 - Total loans more than \$30,000 AND all loans disbursed to new borrowers on or after Oct. 7, 1998.

Advantages	• Provides a lower monthly payment for the entire repayment term.
-------------------	---

Considerations	• Longer repayment term typically results in higher overall interest costs
-----------------------	--

Most useful to...borrowers who need long-term repayment relief.



Income - Sensitive & Contingent Repayment

- Income-sensitive repayment (FFELP only).
 - Based on your total monthly gross income.
 - Must cover at least monthly accruing interest.
- Income-contingent repayment (DL only).
 - Based on family size, household AGI and total loan amount.
 - Balance forgiven after 25 years of payments.
 - Forgiven amount taxable under current law.

Advantages

- Provides a flexible monthly payment associated with your income.

Considerations

- Longer repayment term typically results in higher overall interest costs.

Most useful to...borrowers with income too low to afford payments under other repayment plans.



Consolidation

- New loan pays off existing loans and carries new terms.
- Interest rate is fixed and is a weighted average rounded up to the nearest 1/8 percent.
- 10- to 30-year term.

Advantages

- Lowers monthly payment by extending repayment term.
- Combines payments to multiple lenders into one payment.
- Replaces multiple interest rates with a single interest rate.

Considerations

- Likely increase in total interest costs due to the longer repayment term.
- May lose benefits attached to loan paid by consolidation.

Most useful to...borrowers with multiple lenders seeking a single payment.



Repayment Comparison

Total Loan Amount	\$150,000 in Loans *			
	Initial Monthly Payment	Long-term Monthly Payment	Total Interest	Years in Repayment
Standard	\$1,726	\$1,726	\$57,145	10
Income-sensitive (1 year interest-only)	\$850	\$1,726	\$67,345	11
Graduated (4 years interest-only)	\$850	\$2,543	\$73,894	10
Extended (Standard)	\$1,041	\$1,041	\$162,332	25
Consolidation (Standard)	\$985	\$985	\$204,742	30
Consolidation (Income-sensitive – 1 year interest-only)	\$859	\$985	\$215,054	31

* Examples assume federal Stafford loans with the total loan amount due on the day repayment begins, 6.8% fixed interest rationing-consolidated loans and 6.875% interest rate on consolidated loans, no borrower benefits or repayment incentives, no pre-payments and no delinquent payments. All payment calculations are estimates only. Your monthly payment schedule and total payment estimates will vary.



Income Based Repayment

- Standard payment amounts are capped based on income and family size.
 - Borrower must reapply annually with new AGI and family size information.
- Remaining debt may be forgiven after 25 years.
 - Borrower must meet certain criteria.
- Grad PLUS loans are eligible.
 - Parent PLUS, private and consolidation loans that include a Parent PLUS loan are not eligible for this new program.
- Stafford, Grad PLUS and consolidation loans (that don't include a Parent PLUS loan) and Perkins loans if they are in a consolidation loan are eligible.



Income Based Repayment

- Income-based repayment.
 - How is eligibility calculated?
 - If a student’s standard loan payments exceed 15% of whatever they make above 150% of Poverty Guidelines, IBR will lower the payment amount.
 - What are the amounts that represent 150% of 2009 Poverty Guidelines?

States	Amount	Additional for each person
48 states and D.C.	\$16,245	\$5,610
Alaska	\$20,295	\$7,020
Hawaii	\$18,690	\$6,450



Income Based Repayment Example

Balance at start of repayment*	\$150,000
Total standard payments for IBR-eligible loans	\$1,726
12 months' worth of standard payments	\$20,714
AGI	\$47,000
State of Residence	Florida
Household size	1
2010/2011 Poverty Income Guideline	\$10,890
150% of Poverty Income Guideline	\$16,335
Discretionary Income [0.15 * (\$47,000 - \$16,335)]	\$4,600
Is borrower experiencing partial financial hardship? Does a year's worth of payments exceed discretionary income?	Yes
Initial Monthly Payment Under IBR	\$380
12 months' worth of IBR payments	\$4,560



* Loans carry rate of 6.8%

www.IBRinfo.org



Reviewing Your Private Loan Debt



Exploring Your Loan Repayment Options

Private Loan Repayment (this includes Post-Enrollment Educational Loans)

- Loans almost always unsubsidized for life of loan
- Usually a grace period before you are required to repay
- Forbearance may be available –consult your loan servicer
- Repayment terms vary
- Choice of repayment plans may be available
- Check Promissory Note(s) for details



Repayment/Forgiveness Options



Exploring Your Loan Repayment Options

Repayment/Forgiveness Programs

Service commitment programs following graduation

- Pay down loans in exchange for service
- Some offer tax incentives
- Programs currently available through various state and federal programs and the armed forces



Forgiveness Program

Loan Forgiveness for Public Service Employees

- Eligibility limited to Federal Direct Student Loans (FDLP), Stafford, PLUS and Consolidation.
- FFELP Borrowers may consolidate in the FDLP program on or after July 1, 2008.
- Additionally, borrowers must have:
 - Made 120 ON-TIME monthly payments during eligible public service employment.
 - Payments must be made under one of the payment plans: Standard, Income-Based Repayment or Income Contingent Repayment.
 - Worked full time in eligible public service employment for ten years after October 1, 2007.
 - Must be employed in an eligible public service job at time remaining loan balance is forgiven.



Tax Benefits



Taxpayer Relief

- 1. Your deduction may not exceed \$2,500 per year.
- 2. Voluntary payments in deferment or forbearance can be used to determine eligibility for student loan interest deduction.
- 3. Interest on consolidation loans can be included to determine eligibility for the student loan interest deduction.
- 4. There are income limits. The limits for Federal Tax Year 2010 are shown in the table below:

	Full Deduction	Partial Deduction	No Deduction
Single	Modified Adjusted Gross Income Under \$60,000	\$60,000 to \$74,999	\$75,000 or more
Married filing jointly	Modified Adjusted Gross Income Under \$120,000	\$120,000 to \$149,999	\$150,000 or more



Resources



Resources

- The financial aid office
- Lender/Servicer
- U.S. Department of Education
 - www.nslds.ed.gov
 - www.studentaid.ed.gov (Repaying Your Loans)
- Other
 - Equal Justice Works
 - www.equaljusticeworks.org (Student Debt Relief)
 - USA Funds
 - www.usafunds.org (Borrowers – Repayment)
 - Sallie Mae
 - www.salliemae.com/ (College Planning – After Graduation)
 - FinAid Org
 - www.finaid.org (Loans – Repayment)
 - IBR Info
 - www.ibrinfo.org (IBR calculator available)



Contacts

Brenda M. Brown
Director of Financial aid
University of Miami school of law
bbrown@law.miami.edu

Vicky Keller
Consultant, School and Student Services
USA Funds
Vicky.Keller@usafunds.org



This presentation was developed by resources available from the Sallie Mae, USA Funds, U.S. Department of Education and Equal Justice Works.

The information contained in this presentation is not comprehensive, is subject to constant change, and therefore should serve only as general, background information for further investigation and study related to the subject matter and the specific factual circumstances being considered or evaluated. Nothing in this presentation constitutes or is designed to constitute legal advice.

