

Managing Your Student Loans

Information Classification: CONSUMER DISTRIBUTION
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Everything you need to know about **REPAYMENT**

➤ Understand the details of repayment on student loans

Who do I
repay?

When do I
repay?

What
repayment
options do I
have?

➤ Help develop a plan that puts you on track to pay back your loans on time and in full

➤ Learn what resources are available to help navigate student loan repayment

Locating Loans



Where to locate student loan information:



Federal -

- studentaid.gov
 - Select “Manage Loans”



Private -

- Loan statements/personal records
- Credit report
- Financial Aid Office records
- Documents, including promissory note



Federal Student Loan Types

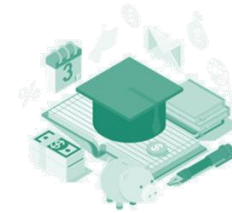
Direct Subsidized



Direct Unsubsidized



Parent PLUS



Grad PLUS



Perkins



Consolidation



Please note that if you took out federal loans prior to June 30, 2010 you may have taken them under the FFEL Program

Who Do You Repay?

Federal Loans



Private Loans

Students should work with the lender they borrowed the loan from



Payments may be made directly to lender or to a servicing organization



Perkins Loans - contact the school for repayment options

Defining Interest

Interest rates are fixed for federal loans, but private loans may have either fixed or variable rates

FIXED

Rate will not change for the entire term of the loan

VARIABLE

Rate is subject to change periodically based on economic indicators like SOFR

Defining Capitalized Interest

Interest capitalization occurs when unpaid interest is added to the principal amount of a student loan

ORIGINAL LOAN AMOUNT	INTEREST RATE	ACCRUED INTEREST AFTER 4 YEARS AND 6-MONTH GRACE PERIOD		PRINCIPAL BALANCE AFTER 4.5 YEARS
\$15,000	5.05%		\$3,408.75	\$18,408.75
\$15,000	7.10%		\$4,792.50	\$19,792.50
\$25,000	5.05%		\$5,681.25	\$30,681.25
\$25,000	7.10%		\$7,987.50	\$32,987.50
\$50,000	5.05%		\$11,362.50	\$61,362.50
\$50,000	7.10%		\$15,975.00	\$65,975.00
\$100,000	5.05%		\$22,725.00	\$122,725.00
\$100,000	7.10%		\$31,950.00	\$131,950.00

Disclaimer: The figures used on this page are for illustrative purposes only and do not constitute the rates the borrower may receive and the results may not be typical results the borrower will receive.

Grace Period

Standard Grace Period

Time before start paying on your loans

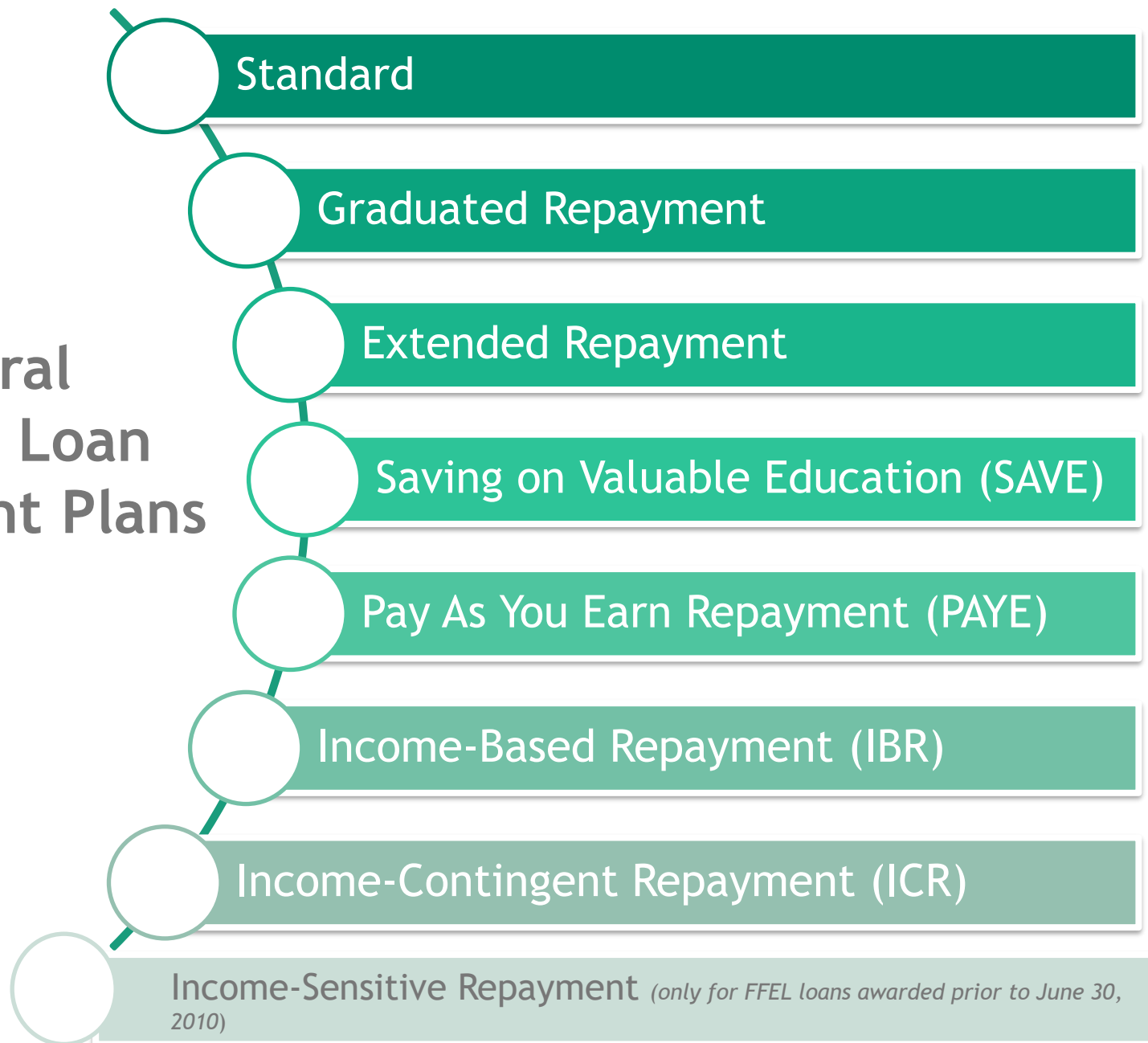
Type of Loans	Length
Subsidized/ Unsubsidized	180 days (6 Months)
Graduate PLUS	180 days (6 Months)
Perkins	9 Months
Private Loans	Varies

Stop Attending School

(Exhausted Your Grace Period)

Type of Loan	When Repayment Starts
Federal Loans	Right after Graduation Within 30-45 days
Private Loans	Right after Graduation Within 30-45 days

Federal Student Loan Repayment Plans





Federal Student Loan Repayment Plans

Standard

- Fixed payments
- Repayment Plan
 - Up to 10 years
 - 10-30 years if consolidated
- Minimum payment \$50 per month
- Assigned payment plan



Graduated

- Gradual payments
- Repayment Plan
 - Up to 10 years
 - 10-30 years if consolidated
- If your income is low now, but you expect it to increase steadily over time



Extended

- Federal debt greater than \$30,000
- Repayment Plan
 - Up to 25 years
- Fixed or graduated payments
- Minimum payment \$50 per month



Income-Driven Repayment Plans

Four Income-Driven Repayment Plans

- Saving on Valuable Education Plan (**SAVE** Plan)
- Pay As You Earn Repayment Plan (**PAYE** Plan)
- Income-Based Repayment Plan (**IBR** Plan)
- Income-Contingent Repayment Plan (**ICR** Plan)

Payments

- % of discretionary income and family size
- Recalculated annually
- May be \$0 loan balance
- Forgiven after 20 or 25 years depending upon plan
- You may have to pay income tax on the amount forgiven

You should work with your loan servicer to choose what plan is right for you!

Income driven plans require submitting paperwork annually to determine yearly payment amount

Income Based

IBR

Payments 10% or 15%
income

Payment capped at
standard 10-year
amount

Up to 25 years to
repay

FFEL & Direct Loan
Program

Pay As You Earn

PAYE

Payment 10% of
income

Payments capped at
standard 10-year
amount

Up to 20 years to
repay

Direct Loan Program
Only

Saving on a Valuable Education

SAVE

Payment amount is 10%
of discretionary income

Payments recalculated
each year based on
income

Up to 20 years to repay
(25 with Grad debt)

Direct Loan Program
Only

SAVE Plan

Saving on Valuable Education (SAVE) Plan

- Replaces the REPAYE Plan
- Unpaid interest won't accrue when making payments
- Income exemption from 150% to 225% of the poverty line, likely reducing monthly payments
- Elimination of 100% of remaining interest for both subsidized and unsubsidized loans after a scheduled payment is made under the SAVE Plan.
- Excludes spousal income for borrowers who are married and file separately.

Plan Updates coming in July 2024

SAVE Plan- July 2024

What are the SAVE Plan benefits going into effect next year?

- Payments on undergraduate loans will be cut in half (reduced from 10% to 5% of income above 225% of the poverty line).
- Borrowers with original principal balances of \$12,000 or less will receive forgiveness of any remaining balance after making 10 years of payments, with the maximum repayment period before forgiveness rising by one year for every additional \$1,000 borrowed.
- Borrowers who consolidate will not lose progress toward forgiveness. They will receive credit for a weighted average of payments that count toward forgiveness based upon the principal balance of the loans being consolidated.
- Borrowers will automatically receive credit toward forgiveness for certain periods of deferment and forbearance.
- Borrowers will be given the option to make additional “catch-up” payments to get credit for all other periods of deferment or forbearance.
- Borrowers who are 75 days late will be automatically enrolled in IDR if they have agreed to allow the Department of Education to securely access their tax information.
- PAYE and IBR will be phased out

Private Student Loan Repayment Options

IMMEDIATE

Make payments toward principal and interest while in school

INTEREST- ONLY

Make payments solely toward interest while enrolled in school and begin making principal and interest payments 6 months after graduation or dropping below half-time status

DEFERRED

Make payments toward principal and interest starting 6 months after graduating, dropping below half-time status or leaving school

Private Student Loan Repayment Features

Features vary by loan type and servicer

Grace Period

Set period of time, typically 6 months, from school separation before repaying your student loan

Co-Signer Release

Ability to release your co-signer after making the required payments

Deferment/Forbearance

Temporarily postpone, reduce or extend time for loan payments

Deferment Examples

- Unemployment
- Graduate Fellowship
- Military
- In-school
- Medical/Dental
- Internship/Residency

Forbearance Examples

- AmeriCorps
- National Guard
- Medical/Other Acceptable Reasons
- Economic Hardship



Private Refinance Vs. Federal Consolidation

Private Refinance

Combine **private** and federal payments into one payment

Possibly **lower interest rate** and/or payments

Interest is based on your (or your co-signer's) creditworthiness with **choice** of fixed or variable rate

Current interest rates and/or loan term can **lower** the overall cost of the loan

Pays off existing loans and may reflect a **lower monthly payment** on your credit report

You should **compare rates** and terms and apply with the lender of your choice

Federal Consolidation

Combine **federal** payments into one payment

Possibly **lower monthly payment** with longer loan term

The interest rate is the **weighted average of included loans**, rounded up to the nearest 1/8th of a percent

You will **pay more interest** over the life of the loan if the repayment period is extended

You **may lose** some benefits offered with the original loan

Apply for a direct consolidation loan at <https://studentaid.gov>

Loan Forgiveness & Discharge

Loan forgiveness releases you from all or a portion of your loan obligation



Direct Loan Forgiveness and Discharge options may exist under certain conditions:

- ☐ Teacher Loan Forgiveness programs
- ☐ School Related Discharge (School Closing, Fraud, ID Theft, False Certification, Unpaid Refund)
- ☐ Public Service Loan Forgiveness
- ☐ Bankruptcy
- ☐ Cases of total and permanent disability or death



Private Loan Forgiveness options may exist under certain conditions:

- ☐ Cases of total and permanent disability or death

To verify loan forgiveness options for federal loans visit
<https://studentaid.ed.gov/sa/repay-loans>

For private loans contact your lender or servicer!

Public Service Loan Forgiveness (PSLF)



Forgives the remaining balance on Federal Direct Loans

- To **qualify** for PSLF borrowers must
 - Be employed by a government organization, 501(c)(3) not for profit organization or other not-for-profit organizations providing specific qualifying services
 - Working full time for that **qualifying** employer
 - Repay the loans under an income-driven repayment plan
 - Make 120 **qualifying** payments
- To find out if they qualify, borrowers should submit the PSLF Employer Certification Form found on studentaid.gov

Avoiding Delinquency & Default

Falling behind on federal student loan payments can have major ramifications!

Delinquency

- Federal loan servicer has not received payment **by the stated due date**

Default

- If a federal student loan is delinquent for **more than 270 days**, it goes into default

Default Consequences

Loans may become due immediately (fees and collection costs)

State and Federal Income Tax Returns withheld

Wage Garnishment

Damaged Credit Score

Difficulty getting hired

Unable to renew professional license

Higher interest rates

No more federal financial aid

Lawsuits and court costs

Tips for Delinquent Student Borrowers

- ✓ **Do not ignore servicer notifications**
 - ✓ Respond to legitimate messages, texts and mail notifications
- ✓ **Ask questions**
- ✓ **Document the call**
 - Write down the date and time along with the number shown on caller ID
 - Write down all the information you receive about your loans
- ✓ **Confirm and call loan servicer**
 - Find out the name of the current owner of the student loan, as well as the total balance due
 - Inquire about how the current balance is broken down between principal, interest, and collection fees
 - Verify unrecognized loans at studentaid.gov or borrower's credit report

Where To Get Help?

Federal Student Aid
Feedback System - send
a compliment or a
complaint, suggest
website improvements,
report suspicious activity
[https://studentaid.gov/feedback
-center](https://studentaid.gov/feedback-center)

Consumer Financial
Protection Bureau -
report unfair, deceptive
or abusive acts or
practices, submit
consumer complaints
[https://www.consumerfinance.
gov/](https://www.consumerfinance.gov/)

Federal Student Aid
Ombudsman Group - a
neutral, informal, and
confidential resource to
help resolve disputes
about federal student
aid

Postal Mail or Phone
U.S. Department of Education
FSA Ombudsman Group
P.O. Box 1854
Monticello, KY 42633
Phone
1-877-557-2575

Repayment Summary



Steps You Should Be Taking

- ☐ Get to know your loans -studentaid.gov
- ☐ Can you consolidate/refinance?
Should you?
- ☐ Figure out how much your monthly payments will be
- ☐ Make your loan payments automatic
- ☐ Determine if you qualify for Loan Forgiveness
- ☐ Pay more if you can
- ☐ Ask about employer assisted loan repayment programs

