Exit Counseling

SPRING 2014
MONTEREY INSTITUTE OF INTERNATIONAL STUDIES
STUDENT FINANCIAL SERVICES
Agenda

- Loan types and interest rates
- Grace periods
- Repaying your student loans
- Repayment plans and incentives
- Avoiding delinquency and default
Loan Programs

Subsidized Loans
- Subsidized Federal Stafford/Direct Loan
- Federal Perkins Loan

Unsubsidized Loans
- Unsubsidized Federal Stafford/Direct Loan
- Federal Grad PLUS Loans
- Parent PLUS Loans
- Private Loans
Your Rights

- Receive a copy of your signed MPN
- Receive a disclosure statement
- Receive a six-month grace period (Stafford loans)
  (There is no grace period for Grad Plus Loans)
- Prepay all or part of your loan without penalty
- Deferments & forbearance, if eligible
- Where to make payments
- Proof of discharge after repaying loan in full
Your Responsibilities

• Repay your loan(s)
• Make on-time, monthly payments
• Read correspondence from lender
• Notify lender of changes within 10 days
  • School & enrollment status
  • Name, address & telephone number (Consider doing this now!!!)
• Ask your lender for help
Key Industry Players

- Financial aid office
- Federal government
- Lender/Servicer
- Guarantor
- Credit reporting agencies
  - https://www.annualcreditreport.com/

- Ombudsman
  - 1.877.557.2575
  - www.ombudsman.ed.gov
- NSLDS
  - www.nslds.ed.gov
Subsidized Stafford Loans

- Need-based

- Federal government pays interest
  - In school
  - During grace period (six months)
  - During deferment periods

- Payment not required while in school

- Effective July 1, 2012: Graduate students no longer eligible for subsidized loans
Unsubsidized Stafford Loans

- Not need-based
- You are responsible for the interest that accrues while in school
  - Interest begins accruing at disbursement
  - Option to pay interest as you go
  - Capitalization of interest
    - Unpaid interest is added to the principal
    - Increases total debt & monthly payment
Stafford Interest Rates and Loan Fees
(For Loans Disbursed PRIOR to July 1, 2013)

- Loans taken after July 1, 2006
  - Fixed rate of 6.80%

- Loans taken before July 1, 2006
  - Variable rate revised every July 1
  - Interest rate cap of 8.25%
  - Currently variable rate is 2.35%

- 1% percent origination and default fee
Stafford Interest Rates and Loan Fees
(For Loans Disbursed AFTER to July 1, 2013)

- **5.41% fixed** (for all loans disbursed between July 1, 2013 and June 30, 2014.) Interest rate is variable thereafter- set by Congress.

- **1.051% origination loan fee** (covers administrative expenses and insurance costs) for loans with a first disbursement prior to January 1, 2014

- **1.072% origination loan fee** for loans with a first disbursement after January 1, 2014
Federal Perkins Loans

- Federal government pays interest
  - In school
  - During grace period (nine months)
  - During deferment periods
  - Fixed interest rate of 5% upon entering repayment

- Payment not required while in school

- Separate online exit requirement
  [www.mycampusloan.com](http://www.mycampusloan.com)
  Create an account to access form
Grad PLUS Loans
For Loans Disbursed BEFORE 7/1/2013

- No set annual or aggregate limits

- No grace period
  - Loan formally enters repayment after the final disbursement
  - May request a “DEFERRAL” to defer payments for up to six months after (for loans disbursed after 7/1/2008)

- Fixed rate of 7.9

- 4 percent origination and default fee
Grad PLUS Loans
For Loans Disbursed AFTER 7/1/2013

- **Fixed rate of 6.41 percent** for loans disbursed between 7/1/2013 and 6/30/2014

- **4.204 percent origination and default fee** (for loans with a first disbursement prior to 1/1/2014)

- **4.288 percent origination and default fee** (for loans with a first disbursement after 1/1/2014)
<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Grace Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Stafford Loans</td>
<td>6 months</td>
</tr>
<tr>
<td>Federal Grad PLUS Loans (before 7/1/2008)</td>
<td>N/A</td>
</tr>
<tr>
<td>Federal Perkins Loans</td>
<td>9 months</td>
</tr>
<tr>
<td>Federal Consolidation Loan</td>
<td>N/A</td>
</tr>
<tr>
<td>Private Loans</td>
<td>6 to 9 months*</td>
</tr>
</tbody>
</table>
The Grace Period

What about my undergraduate loans? Do I have a grace period on those?

IT DEPENDS-
Did you re-enter school at least half time within 6 months of graduation?

If yes, then your grace period is reinstated*. If not, you will enter payment on your undergraduate loans within 30 to 60 days of your last date of attendance, which is being reported as December 13, 2013.

* Any time you do not use up the full 6 month grace period, it is reinstated! So if you are planning to enroll again, if you do so before your 6 month grace period is up, you get your grace period back!
What is Capitalization?

Definition: “The addition of accrued interest to outstanding principal.” (Applicable for unsubsidized loans)

- Generally, unpaid interest is capitalized once each time the borrower enters repayment (after grace period, deferments, forbearances)

- Grad Plus definition of “entering repayment” varies by lender.
  - Some define it as when the final disbursement on the loan is made.
  - Some define it as when your last formal date of attendance.
Repayment - Spring 2014 Avg Debt: $68,885

- Standard Repayment
- Graduated Repayment
- Extended Repayment
- Income Contingent (DL)
- Income Based Repayment (IBR)
- Pay As You Earn (PAYE)

Consider overall cost!
# Standard Repayment Plan

Fixed monthly payment
$50 minimum payment
10-year repayment schedule

## Federal Stafford Loans (subsidized & unsubsidized) and Grad PLUS loans

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>6.80%</th>
<th>8.50%</th>
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<tbody>
<tr>
<td>Total Amount Borrowed</td>
<td>Number of Payments</td>
<td>Monthly Payment</td>
</tr>
<tr>
<td>$10,000</td>
<td>120</td>
<td>$115</td>
</tr>
<tr>
<td>$41,000</td>
<td>120</td>
<td>$472</td>
</tr>
</tbody>
</table>

Total Estimated Monthly Repayment for $51K in debt = $596/Mo
Graduated Repayment Plan

Payment gradually increases over time
Payment must cover interest due
10-year repayment schedule

Federal Stafford Loans (subsidized & unsubsidized) and Grad PLUS loans

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<tr>
<td>Total Amount Borrowed</td>
<td>Beginning Monthly Payment</td>
<td>Ending Monthly Payment</td>
</tr>
<tr>
<td>$10,000</td>
<td>$57</td>
<td>$135</td>
</tr>
<tr>
<td>$41,000</td>
<td>$285</td>
<td>$853</td>
</tr>
</tbody>
</table>

Total Estimated Monthly Repayment starts at $356 and ends at $997 per month
### Extended Repayment Plan

Loans greater than $30,000
Standard or graduated repayment plans
Repayment term not to exceed 25 years

<table>
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Total Estimated Monthly Repayment = $374/month
## Comparison of Repayment Plans

### Federal Stafford Loans (subsidized & unsubsidized) and Grad PLUS loans

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Standard</th>
<th>Graduated</th>
<th>Extended</th>
<th>Income Sensitive</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$10,000</strong></td>
<td>$124</td>
<td>First 5 Years: $71 Last 10 Years: $144</td>
<td>$89</td>
<td>First 5 Years: $71 Last 10 Years: $124</td>
</tr>
<tr>
<td><strong>$41,000</strong></td>
<td>$472</td>
<td>First 5 years: $285 Last 10 Years: $853</td>
<td>$285</td>
<td>First 5 years: $232 Last 10 Years: $472</td>
</tr>
<tr>
<td><strong>$51,000</strong></td>
<td>$596</td>
<td>$356 to $997</td>
<td>$374</td>
<td>$303 to $596</td>
</tr>
<tr>
<td><strong>Sum of Payments</strong></td>
<td><strong>$71,498</strong></td>
<td><strong>$76,437</strong></td>
<td><strong>$111,954</strong></td>
<td><strong>$89,688</strong></td>
</tr>
</tbody>
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Income Based Repayment Plan

- Income-Based Repayment (IBR) is a repayment plan that caps your required monthly payments on the major types of federal student loans at an amount intended to be affordable based on income and family size.

- The program lowers monthly payments for borrowers who have high loan debt and modest incomes, but it may increase the length of the loan repayment period, accruing more interest over the life of the loan.
To qualify for IBR, you must have a partial financial hardship. You have a partial financial hardship if the monthly amount you would be required to pay on your IBR-eligible federal student loans under a 10-year Standard Repayment Plan is higher than the monthly amount you would be required to repay under IBR. Your payment amount may increase or decrease each year based on your income and family size.
If you are married and file a joint federal tax return with your spouse, both your income and your spouse’s income are used to calculate your IBR monthly payment amount.

If you are married and you and your spouse file a joint federal tax return, and if your spouse also has IBR-eligible loans, your spouse’s eligible loan debt is combined with yours when determining whether you are eligible for IBR. If the combined monthly amount you and your spouse would pay under IBR is lower than the combined monthly amount you and your spouse are paying under a 10-year standard repayment plan, you and your spouse are eligible for IBR.
Advantages

• **Pay based on what you earn**—Under IBR, your monthly payment amount will be 15 percent of your *discretionary income*, will never be more than the amount you would be required to pay under the 10-year Standard Repayment Plan, and may be less than under other repayment plans.

• **Interest payment benefit**—If your monthly IBR payment amount doesn’t cover the interest that accrues (accumulates) on your loans each month, the government will pay your unpaid accrued interest on your Direct Subsidized Loans or Subsidized Federal Stafford Loans (and on the subsidized portion of your Direct or FFEL Consolidation Loans) for up to three consecutive years from the date you began repaying your loan under IBR.

• **Limitation on the capitalization of interest**—While you have a partial financial hardship, interest that accrues but is not covered by your loan payments will not be capitalized, even if interest accrues during a *deferment* or *forbearance*.
Disadvantages

- **You may pay more interest**— A reduced monthly payment in IBR generally means you’ll be repaying your loan for a longer period of time, so you may pay more total interest over the life of the loan than you would under other repayment plans.

- **You must submit annual documentation**— You must provide the documentation or your monthly payment amount will be changed to the amount you would be required to pay under the 10-year Standard Repayment Plan, based on the amount you owed when you began repaying under IBR, and will no longer be based on your income. This amount will be higher than your prior IBR payment that was based on your income. If you do not provide the required income documentation, unpaid interest will also capitalize.

- **You may have to pay taxes** on any loan amount that is forgiven after 25 years.

- **Your payments may be higher if you are no longer eligible for IBR**— If you become ineligible for IBR and have to go back to the standard 10 year repayment plan, your payment could be higher than it was when you initially entered repayment.
Pay As You Earn (PAYE)

- The new Pay-As-You-Earn plan will provide monthly payments tied to income that are lower than currently available in IBR, as well as loan forgiveness after 20 rather than 25 years of payments.
  - Allows borrowers to cap their student loan payments at 10% of discretionary income (vs. 15% with IBR)
  - Reduces the number of years for forgiveness from 25 to 20 for private sector employment.
  - Unpaid interest on subsidized loans is subsidized for three years.
  - Must renew your eligibility annually, or unpaid accumulated interest will capitalize and you will be put back on standard 10 year repayment plan.
Pay As You Earn (PAYE) cont.

- Must **not** have loan debt prior to Oct. 1, 2007
- Must have a **new** loan disbursed after Oct. 1, 2011

**Eligible Loans:**
- Direct Stafford Loans
- Direct Graduate Plus Loans
- Direct Consolidation Loans

**Non-Eligible Loans:**
- FFEL Loans
- All Parent PLUS loans
- Private Loans
Pay As You Earn (PAYE) cont.

- RESOURCES-

Federal Direct Loan Consolidation

- Repayment Extended up to 30 Years

- You will lose your borrower benefits
  - From older FFEL loans
  - Perkins Loans will become unsubsidized loans
  - Potential Loss of grace period

- You will increase your cost by extending repayment

- You will be able to combine loans and make one payment

- Consider Affordability and Overall Cost

www.loanconsolidation.ed.gov
Public Service Loan Forgiveness

You must be working in an eligible public service position AND be making monthly loan payments for 120 months on your eligible Federal Direct Loan(s) as part of:

- Pay as you Earn Repayment Plan
- Income Based Repayment (IBR) plan, or
- Standard Repayment plan based on a 10-year repayment schedule (???)
Public Service Loan Forgiveness

Additional Eligibility Provisions

- Your 120 qualifying months do NOT have to be consecutive
- You must be working in qualifying public service position at time of loan forgiveness
- Loan payments made prior to 10/1/2007 do NOT count toward the 120-month requirement
- Loan payments on non-eligible loans (e.g., FFELP loans, Federal Perkins Loans) do NOT count toward the 120-month requirement

www.studentaid.gov
Loan Assistance Programs for Perkins/Stafford Loans

Military service
Teach or practice medicine in certain communities
AmeriCorps—www.americorps.gov
Peace Corps—www.peacecorps.gov

Other loan forgiveness resources
http://studentaid.ed.gov/
Who’s got my loan?

- If you don’t know from whom and/or how much you’ve borrowed check out the National Student Loan Data System

  - www.nslds.ed.gov
  - 800-999-8219
  - SSN, Name, Birth date and FAFSA PIN

Get information on all of your existing Federal Loans (Stafford, PLUS, Consolidation and Perkins)
National Student Loan Data System

Central database for student aid records

Track loans from disbursement to payoff
Total student loan indebtedness
Loan status & interest rate

www.nslds.ed.gov

Request a PIN

www.pin.ed.gov
National Student Loan Data System (NSLDS) for Students

Retrieval 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
Exit Counseling
Money Saving Tips

- Loan Forgiveness Programs
- Repayment Incentives or Borrower Benefit Programs
  - Auto Debit ensures on time payments and offers a 0.25% interest rate reduction.
- Making Payments During Grace Period
- Making Payments Larger than Required
- Tax Benefits- Student loan interest benefit
  
  www.irs.gov
ASK FOR HELP!!

- Let your Lender or Loan Service Agent know if anything effects your ability to pay your loan

- You may be eligible for a
  - Deferment
  - Forbearance
  - Cancellation
Deferment

- Postponement of payments

- Not automatic
  - You must apply & receive approval from lender

- Primary reasons
  - In-school
  - Unemployment
  - Economic hardship
  - Military service
Forbearances

- Temporary reduction or postponement of payments
- Not automatic
  - You must apply and receive approval from lender/servicer
- Primary reasons
  - Poor health
  - Residency program
  - Financial hardship
- Interest will continue to accrue
Cancellation

- In extreme circumstances:
  - Total and permanent disability
  - Inability to complete course of study due to school closure
  - False certification by school
  - Death
Consequences of Default

✓ Full amount of loan is due
  – Including collection costs
✓ Subject to federal and state offsets
  – Wages and tax refund may be garnished
✓ Credit will be tarnished

✓ Loss of deferment and forbearance options
✓ Loss of eligibility for future financial aid
✓ May lose eligibility for certain federal or state jobs
✓ May lose professional license
Keys to Successful Repayment

- Keep school and lender informed about changes
- Keep copies of all documents in one place
- Open all mail
- The longer it takes to repay your loans, the more interest you will pay
- Build good credit with timely payments
- Always ask for help
Office of Student Financial Assistance, Ombudsman-

✓ The SFA Ombudsman works with student loan borrowers to informally resolve loan disputes and problems.

✓ Customer Service: (877) 557-2575

http://ombudsman.ed.gov