

Loan Repayment Options

Think About Tomorrow®



Basics

Stafford Loan Players

- Schools – Still a resource even after graduation!
- Lenders – Provide the funds for the Stafford and PLUS Loans
- Guarantee Agency – Insures the loan and provides information and assistance
- Servicers – Handle all administrative duties on loans (i.e. billing, deferments, forbearances, etc.)
 - Important! You must notify your servicer of any changes to your address, name, social security number, enrollment status, and most importantly – your ability to repay your loan

Stafford Loan Types

– Subsidized Stafford Loan

- Need based
- Interest paid by the government while you are in school, grace period or deferment

– Unsubsidized Stafford Loan

- Available regardless of demonstrated financial need
- Interest accrues whether you are in school, grace period or deferment
- May defer interest or pay while in school
- Capitalized at repayment

Grad PLUS

- Credit based
- 8.5% Interest Rate
- Unsubsidized
- Repayment begins 60 days after loan is fully disbursed

Federal Perkins Loan

- All Perkins loans receive a 9 month grace period
- Fixed interest rate of 5%
- Minimum payment amount \$40

Private / Alternative Loans

- Repayment period begins following GRACE period
- Specifics are dependent on the loan borrowed
 - Length of repayment term
 - Minimum payment
 - Repayment options / schedules
 - Borrower benefits
- These loans CANNOT be consolidated

Repayment

Grace Period

- All Stafford loans receive one six month grace period
 - If you graduate December 15, your first payment will be due June 15
 - If you consolidate during your grace period, you lose the remainder of the grace
- No payments required
- Begins the day after you withdraw, graduate, or drop below half time

Repayment

- Loans must be paid in full even if you:
 - Do not finish school
 - Are not satisfied with school or program
 - Do not find a job after graduation
- Make sure servicer knows how to find you – must pay even if you don't receive a bill
- If you have trouble repaying, don't ignore it. Contact your servicer to discuss your options!

Repayment Options

- Standard
- Graduated
- Extended
- Income Sensitive
- Income Contingent
- Income-Based

Another option:

- Consolidation

Repayment Options - Standard

- The minimum monthly payment is \$50
- Payment will probably be higher than \$50 in order to ensure your loan is repaid within 10 years
- 10 year repayment term – payments split evenly over 120 months
- Most cost effective repayment option – you pay the lowest amount of interest

Standard Repayment – Stafford Loans

Amount Borrowed	# of payments	Monthly Payments	Total Repayment*
\$20,000	120	\$230	\$27,600
\$30,000	120	\$345	\$41,400
\$40,000	120	\$460	\$55,200
\$50,000	120	\$575	\$69,000
\$60,000	120	\$690	\$82,800
\$70,000	120	\$806	\$96,720
\$80,000	120	\$921	\$110,520
\$90,000	120	\$1,036	\$124,320
\$100,000	120	\$1,151	\$138,120
\$120,000	120	\$1,381	\$165,720
\$138,500	120	\$1,594	\$191,264

* Includes principal and interest, based on 6.8% interest rate

Standard Repayment – Grad PLUS

Amount Borrowed	# of payments	Monthly Payments	Total Repayment*
\$20,000	120	\$248	\$29,760
\$30,000	120	\$372	\$44,640
\$40,000	120	\$496	\$59,520
\$50,000	120	\$620	\$74,400
\$60,000	120	\$744	\$89,280
\$70,000	120	\$868	\$104,160
\$80,000	120	\$992	\$119,040
\$90,000	120	\$1,116	\$133,920
\$100,000	120	\$1,240	\$148,800
\$120,000	120	\$1,488	\$178,560
\$150,000	120	\$1,860	\$223,200

* Includes principal and interest, based on 8.5% interest rate

Repayment Options - Graduated

- Payments start smaller and gradually increase throughout repayment – minimum payment \$30
- This is a good alternative if you anticipate income will increase in the future
- The maximum repayment period is 10 years; however, the lender/holder may extend the term up to 4 additional years in certain cases

Repayment Options - Extended

- For borrowers with over \$30,000 in loan debt
- The payment amounts can be either fixed or graduated
- Maximum repayment term is 25 years
- Payment at least \$50/month
- Extends repayment period
- Most costly (the longer you have the \$, the more interest)

Repayment Options - Income Sensitive

- Monthly payment is adjusted annually, based on total monthly gross income (4 – 25%)
- Payment may be as low as \$5 / month
- The maximum repayment period is 10 years. However, the lender / holder may extend the 10 year period up to 5 additional years in certain cases

Repayment Options - Income Contingent

- Direct Loan borrowers only
- Repayment amount based on borrower's income and total amount of debt
- Monthly payments adjusted yearly – based on income
- Repayment term up to 25 years. Any remaining amount is taxable at that time

Repayment Options – Income – Based Repayment (IBR)

- Begins July 1, 2009 for both Direct Lending and FFELP
- No field of work specified
- Monthly payments will be capped at 15% of your monthly discretionary income
- Discretionary income is defined as the difference between your adjusted gross income and 150 percent of the federal poverty line that corresponds to your family size and the state where you live
- Remaining debt, if any, may be forgiven after 25 years of qualifying payments

Income – Based Repayment (IBR) – additional info

www.studentaid.ed.gov/repaying - Department of Education site provides IBR details

<http://www.ibrinfo.org/> - provides the latest updates and useful calculators to estimate your monthly loan payments based on IBR



Consolidation

Consolidation

- All individual loans are paid off so you now have one new loan
- May lower monthly payment
- Extends repayment period
- Fixed interest rate – weighted average of all loans rounded up to the nearest 1/8%
- Same repayment options as Stafford Loans

Consolidation – Repayment Lengths

Amount Borrowed

\$7,499 – Under

\$7,500 - \$9,999

\$10,000 - \$19,999

\$20,000 - \$39,999

\$40,000 - \$59,999

Over \$60,000

Repayment Length

10 years

12 years

15 years

20 years

25 years

30 years

PLUS Interest Rate Reduction Loophole

- Currently the PLUS interest rate is fixed at 8.50%
- Consolidation interest rate is capped at 8.25%
 - So, recommend consolidate PLUS separately to get the interest rate reduction
 - If consolidate PLUS with other loans, the 8.50% is used in the weighted average calculation

Public Service Loan Forgiveness

- Direct Loans Only
- Borrowers repaying federal Direct Loans who work in public service professions for 10 years can cancel any federal student loan balances that remain after that period
- FFELP borrowers can consolidate into DL even if they have already consolidated (beginning July 2008)
- Borrowers who work in certain public service careers, including jobs in non-profit organizations, government, education, public health and safety, law enforcement, and emergency mgmt are eligible

Public Service Loan Forgiveness

- Eligible repayment plans:
 - [Income-Contingent Repayment](#) (available now)
 - [Income-Based Repayment](#) (available starting July 2009)
 - Standard Repayment
- **Repayment plans NOT eligible:**
 - Extended
 - Graduated

Public Service Loan Forgiveness

Eligible Loans

- Stafford subsidized
- Stafford unsubsidized
- Grad Plus
- Consolidation
- Perkins (if consolidated into a Direct Loan)

Default

Delinquency and Default

Delinquency

- Failure to make payments when due
- Even one day late is delinquent!
- Adversely affects credit
- May result in late fees
- Could eventually lead to default

Default

- Continued failure to repay loans (typically 270 days of non-payment)
- Adversely affects credit
- 18% or more in collection costs

Consequences of Default

Default may greatly affect your ability to obtain employment, automobile loans, mortgages, credit cards, etc. while it is on your credit report.

Sampling of other negative effects:

- Wage garnishment (up to 15%)
- Federal and state taxes may be seized
- Loss of professional license
- Legal action
- Loss of eligibility for federal student aid and other benefit programs



Deferment and Forbearance

Deferment

- Payments may be suspended for period of time
- Must apply for a deferment with servicer
- Must meet eligibility criteria – servicer will determine if you qualify

Common reasons for deferment:

- At least half-time at eligible school
- Graduate fellowship program
- Rehabilitation training program
- Unable to find full-time employment
- Economic hardship
- Military

Forbearance

- Temporary delay or adjustment to monthly payments (6-12 months in length)
- Must apply for forbearance with servicer
- Does not adversely affect credit
- Accrued interest will be capitalized at end of forbearance

Common reasons:

- Financial hardship, illness, internships, disasters

Cancellations

Loans may be discharged/cancelled for the following:

- Death
- Total and Permanent Disability
- Closed School
- False Loan Certification
- School failed to repay a refund

Loan Example – Early Repayment

Loan Balance:	\$22,000.00
Loan Interest Rate:	6.80%
Loan Term:	15 years
Monthly Loan Payment:	\$195.29
Number of Payments:	180
Cumulative Payments:	\$35,152.34

Total Interest Paid: \$13,152.34

Loan Example – Early Repayment

Loan Balance:	\$22,000.00
Loan Interest Rate:	6.80%
Loan Term:	10 years
Monthly Loan Payment:	\$253.18
Number of Payments:	120
Cumulative Payments:	\$30,381.04
Total Interest Paid:	\$8,381.04

You save **\$4,771.13** in real money. This savings translates into a guaranteed, tax-free, average annual return of 6%.

Some sound advice...

- Create a realistic budget based on minimum salary requirements and stick to it
- Make your student loan payment a priority like rent and car payment
- Use credit cards sparingly – for emergencies only
- If you use your credit card, pay “on-time, in full, as agreed”
- Beware of living “in the future” – if you have lived like a lawyer while in school, you will have to live like a student later!

Credit

- Pay your credit card bills on time
- Establishing good credit now will benefit you later
- Don't max out your credit cards or open numerous accounts
- Review your credit report frequently for accuracy and fix mistakes:

Credit Report agencies:

Equifax

www.equifax.com

Experian

www.experian.com

Trans Union

www.transunion.com

And www.annualcreditreport.com (free report from all 3)

In Conclusion

- Open ALL mail
- Keep in mind that you must repay your loan even if you don't receive a coupon booklet in the mail
- Keep copies of everything (MPNs, all incoming and outgoing loan correspondence)
- Commit to paying student loans on time
- Stay in contact with your loan administrator
- Utilize the resources available to you!

Useful Web Sites

- Loan Repayment Calculator:
 - www.finaid.org/calculators/loanpayments.phtml
 - www.ibrinfo.org
- Find Information on Your Loans:
 - www.loanlocator.org or www.nslds.ed.gov or call (800) FED-AID
- Information about Average Salaries, Deferment Forms, and Budget Worksheets:
 - www.amsa.com/bor or call (800) 999-9080
 - <http://www.amsa.com/fap/forms/publications.cfm> A financial guide for Law Professionals, as well as numerous other money management resources
- Personal Finance and Career Planning
www.journeyonline.org or (866) 493-5563

Ombudsman

US Dept. of Education Ombudsman

830 First Street N.E., Fourth Floor
Washington, D.C. 20202
(877) 557-2575
www.fsahelp.ed.gov

American Student Assistance (ASA) Ombudsman

100 Cambridge Street, Boston, MA 02114
(800) 999-9080, Option 1
www.amsa.com



Questions

**Congratulations
and Good Luck!**

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