ATSU-ASHS
SENIOR EXIT INTERVIEW
CLASS OF 2015

Repayment Strategies for Managing Your Student Loans
1. Career goals and repayment objectives
2. What you borrowed and when your loans come due
3. Repayment options, including consolidation and service programs
4. Rights and Responsibilities, resources, and working with your loan servicers
REPAYMENT OBJECTIVES

- Protect income, maximize cash flow
- Minimize adverse impact of interest accrual and capitalization
- Service to community, military, HPSA
- Simplicity and convenience
- Other
TERMS YOU SHOULD KNOW

- National Student Loan Data System
- Direct Loans and FFELP Loans
- Subsidized and unsubsidized loans
- Interest accrual and capitalization
• National Student Loan Data System
• [www.NSLDS.ed.gov](http://www.NSLDS.ed.gov)
• Cumulative running total of Title IV loans
• Information on loan servicers
• May be updated weekly, not but real time
• Only Stafford, Grad PLUS, Federal Consolidation, Perkins Loans on NSLDS
DIRECT AND FFELP LOANS

• Direct Loans
  • Stafford, Grad PLUS, Consolidation “directly from federal government” (no outside private lender)

• FFELP Loans
  • Stafford, Grad PLUS, Consolidation from a private lender*
  • Last FFELP loans given in the 2009-2010 academic year

* FFELP Loans are NOT private loans, they are federal loans from a private lender
Subsidized loans are interest free during school, Grace, Deferment

- Sub Stafford, Perkins, Federal Consolidation*

- Borrower responsible for all accrued and unpaid interest on unsubsidized loans

- Unsubsidized Stafford, Grad PLUS, private loans, Federal Consolidation*

* Some portions may be subsidized, some unsubsidized
**CAPITALIZATION**

- Process whereby accrued and unpaid interest is added back to principal
- In general, occurs
  - At repayment
  - At “status” change
  - For borrowers in IBR, or PAYE when PFH no longer demonstrated and when borrower opts out of IBR or PAYE plan
GRACE PERIODS

• Period of time when you are not required to pay your loans
• Grace periods are “loan specific”
  • Length depends on loan
  • Once used, do not get again
• Grace periods start at Graduation or drop below half-time enrollment status
Your Portfolio

- Federal Stafford*
- Federal Grad PLUS*
- Federal Perkins*
- Federal Consolidation*
- Institutional
- Private

* Reported on NSLDS at www.NSLDS.ed.gov
FEDERAL STAFFORD LOANS

• Unsubsidized
• 6.8% fixed interest rate through 12/13 year
• 5.41% fixed interest rate for 13/14 year
• 6.21% fixed interest rate for 14/15 year
• 6 month Grace period
• Deferment and Forbearance options
• Multiple repayment options
• Eligible for consolidation
FEDERAL GRAD PLUS

- Unsubsidized
- 7.9% fixed interest from 2010/11 year through 2012/13 years
- 6.41% fixed interest during 2013/14 year
- 7.21% fixed interest during 2014/15 year
- 6 Month “Post Enrollment Deferment” if disbursed on or after July 1, 2008 instead of formal Grace period
- Deferment and Forbearance options
- Multiple repayment options
- Eligible for consolidation

* Direct Grad PLUS and FFELP Grad PLUS respectively
FEDERAL PERKINS LOANS

- Subsidized
- 5% fixed interest rate
- 9 month Grace period*
- Deferment and Forbearance options
- 10 year Standard level repayment
- Eligible for consolidation
- Allied Health students can get 100% of Perkins Loans forgiven after 5 years

* 6 month Post Deferment Grace also available
FEDERAL CONSOLIDATION

• Subsidized and unsubsidized
• Weighted rate, fixed for life of loan
• No Grace period
• Deferment and Forbearance options
• Multiple repayment options
• Direct Loans only option for federal loans
• You may have consolidation loan prior to grad school (will show on NSLDS)
PRIVATE LOANS

- Unsubsidized
- Usually variable rates
- Limited repayment options
- Limited Deferment and Forbearance options
  - Fee may required to postpone
- Not available for forgiveness or repayment under IBR or PAYE
- Not on NSLDS website
OPTIONS AT REPAYMENT

- Start active repayment
  - Select repayment option based on career goals and repayment objectives and start actively repaying your loans
- Postpone payments
  - Deferment or Forbearance
REPAYMENT REMINDERS

• Notification prior to loans coming due
• No penalty for aggressive repayment
• Payments to interest before principal
• You remain in “Good Standing” during periods of Deferment and Forbearance
• Voluntary and additional payments may be targeted on most expensive loan*

* Except on consolidation loan, which only has one rate
REPAYMENT OPTIONS*

- Standard
- Graduated
- Income “Driven”
  - Income Based Repayment (IBR)
  - Pay As You Earn (PAYE)
- Extended

* Stafford, Grad PLUS, Federal Consolidation
• Same payment each month
• 10 years for unconsolidated loans
• Up to 30 years for consolidation loans
• You get Standard if you do not choose
• Possibly part of repayment strategy for grad school graduate with steady income moving right into practice
• Payments start lower and increase by designated amounts at designated times
• Total repayment higher if loan held to term
• Possibly part of repayment strategy for grad school graduate with steady income moving right into practice who has other short term financial obligations to address
Income Driven

- Payments tied to income
- Payments subject to change each year
- Multiple types
  - Income Sensitive, Income Contingent, Income Based, Pay As You Earn
- Pay As You Earn (10%) and Income Based Repayment (15%) usually result in lowest monthly payment
- Possibly part of strategy for grad school graduate with unstable income
Payments spread out for extended period, up to 25-30 years
- Total repayment higher if loan held to term
- Possibly part of repayment strategy for grad school graduate with relatively high debt and moderate income or graduate who needs to show a lower debt-to-income (DTI) ratio when applying for a mortgage or other financing
INCOME BASED REPAYMENT (IBR)

- Designed for highly indebted borrowers with low to moderate incomes
- Stafford, Grad PLUS, Consolidation
- Both FFELP and DL
- You do **not** have to consolidate to repay under IBR
- IBR is nothing more and nothing less than a relatively new repayment plan
Income Based Repayment (IBR)

• Became available when eligibility rules changed for Economic Hardship Deferment (July 1, 2009)
• Option for borrowers who do not want to postpone payments through Forbearance
• Designed for highly indebted borrowers with low to moderate incomes
• Available for borrowers who demonstrate “Partial Financial Hardship”
• Go to www.IBRinfo.org to estimate eligibility and subsequent payments
TWO STEPS TO IBR

• Borrower must first demonstrate “Partial Financial Hardship” (PFH)
  • Eligible educational loans included in this part of the calculation
• Assuming PFH, then actual IBR monthly payment determined
  • Student loan debt is not part of this equation
  • Amount of debt will impact subsequent payments when borrower no longer shows PFH
PARTIAL FINANCIAL HARDSHIP

PFH occurs when the annual amount due on borrower’s eligible federal loans (as determined under Standard 10 year plan) at the time they entered repayment exceeds 10% of difference between their AGI and 150% of poverty level for their family size.*

*Baseline debt change effective July 1, 2010
(see www.IBRinfo.org)
IBR: HOW IT WORKS

• Caps monthly payments at 15% of discretionary income
• Borrower signs IRS release form and submits ADOI*
• Servicer determines PFH status
• Assuming PFH, servicer determines monthly payment

* Alternative Documentation of Income (if requested)
PAY AS YOU EARN (PAYE)

- PAYE is a new repayment plan, effective December 21, 2012
- Only Direct Loans eligible, not FFEL Program loans which you received before 2010/11 year
- You will need to consolidate your FFEL (loans) first so you have Direct Consolidation Loans
- Then, you can request PAYE Repayment Plan
PARTIAL FINANCIAL HARDSHIP (PAYE)

• PFH occurs when the monthly payment amount on a Standard 10-Year Repayment Plan is higher than the monthly amount you repay under Pay As You Earn (PAYE)

• While on partial financial hardship, interest that accrues greater than your payments will not be capitalized

• After borrower no longer on partial financial hardship, total amount of interest that capitalizes under PAYE is limited to 10% of your original balance when you begin paying
PAY AS YOU EARN (PAYE)

- Caps monthly payments at 10% of discretionary income
- Borrower signs IRS release form and submits ADOI*
- Servicer determines PFH status
- Assuming PFH, servicer determines monthly payment
PAY AS YOU EARN (PAYE)

- You must be a new borrower as of October 1, 2007 and must have received a Direct Loan on or after October 1, 2011
- Balance forgiven after 20 years of repayment, but this forgiven amount is taxable
- If you work for a non-profit hospital or agency for 10 years, balance is forgiven and is NOT taxable
- Go to www.IBRinfo.org to estimate eligibility and monthly payments
ADVANTAGES TO IBR & PAYE

• More manageable payments, possible affordable alternative to Forbearance
• May help build credit
• Qualify once, and subsequent payments never higher than payments under Standard*
• Considered eligible payment for PSLF

*At time borrower would have initially entered repayment
DISADVANTAGES TO IBR & PAYE

• May hardly make a dent in balance so you may pay more interest
• Can be complicated
• Borrower submits annual documentation
• Borrower must apply with each Loan Servicer(s), unless you consolidate*
• Residents may see inconsistency in treatment of income for determination of monthly payments

*Total IBR & PAYE payment is prorated among servicers
MARRIED BORROWERS AND IBR & PAYE

• Spouse earnings not counted if separate tax returns
• Married filing joint return
  • Spousal income included
  • Eligible spousal educational debt included in PFH determination and subsequent IBR payment assuming borrower is eligible
• IBR/PAYE payment calculation reflects total payment, borrower’s amount is prorated
OPTIONS AFTER PFH*

- Monthly payments revert to what borrower would have paid under Standard had they started in Standard when loans initially came due.
- Term will extend beyond 10 years (which includes time paying under IBR or PAYE).
- Term may be extended several years, depending on balance.

*When borrower no longer qualifies to make IBR payments.
ATHLETIC TRAINING REPAYMENT AT $79,648
(MEAN DEBT LEVEL AMONG BORROWERS)

Includes Unsub Stafford Loans & Grad PLUS Loans
• $20,500 in Stafford Loan at 5.41%
• $20,500 in Stafford Loan at 6.21%
• $19,324 in Grad PLUS at 6.41%
• $19,324 in Grad PLUS at 7.21%

Standard (10 year)
• Principal Borrowed - $79,648
• Total Interest - $39,225
• Total Principal & Interest - $118,873
• Monthly Payments - $990 for 120 Months
Includes Unsub Stafford Loans & Grad PLUS Loans

- $20,500 in Stafford Loan at 5.41%
- $20,500 in Stafford Loan at 6.21%
- $41,998 in Grad PLUS at 6.41%
- $41,998 in Grad PLUS at 7.41%

**Standard (10 year)**

- Principal Borrowed - $124,996
- Total Interest - $63,669
- Total Principal & Interest - $188,665
- Monthly Payments - $1,572 for 120 Months
Includes Unsub Stafford Loans & Grad PLUS Loans
- $20,500 in Stafford Loan at 5.41%
- $20,500 in Stafford Loan at 5.84%
- $20,500 in Stafford Loan at 6.21%
- $15,950 in Grad PLUS at 6.41%
- $15,951 in Grad PLUS at 7.41%

**Standard (10 year)**
- Principal Borrowed - $93,401
- Total Interest - $47,847
- Total Principal & Interest - $141,248
- Monthly Payments - $1,177 for 120 Months
PHYSICAL THERAPY
REPAYMENT AT $151,196
(MEAN DEBT LEVEL AMONG BORROWERS)

Includes Unsub Stafford Loans & Grad PLUS Loans
• $20,500 in Stafford Loan at 6.8%
• $20,500 in Stafford Loan at 5.41%
• $20,500 in Stafford Loan at 6.21%
• $28,000 in Grad PLUS at 7.9%
• $30,000 in Grad PLUS at 6.41%
• $31,696 in Grad PLUS at 7.21%

Standard (10 year)
• Principal Borrowed - $151,196
• Total Interest - $87,790
• Total Principal & Interest - $238,986
• Monthly Payments - $1,991 for 120 Months
Audiology Repayment at $175,111
(Mean Debt Level Among Borrowers)

Includes Unsub Stafford Loans & Grad PLUS Loans
- $41,000 in Stafford Loan at 6.8%
- $20,500 in Stafford Loan at 5.41%
- $20,500 in Stafford Loan at 6.21%
- $42,500 in Grad PLUS at 7.9%
- $24,250 in Grad PLUS at 6.41%
- $26,361 in Grad PLUS at 7.21%

Standard (10 year)
- Principal Borrowed - $175,111
- Total Interest - $112,588
- Total Principal & Interest - $287,699
- Monthly Payments - $2,395 for 120 Months
• Paying off or “refinancing” multiple loans with one new loan
• Loans you are consolidating are gone
• Not the same thing as “combined” billing
• Direct Loans only option for federal loans
• Minimal options for private loan consolidation

* Reported on NSLDS at www.NSLDS.ed.gov
POSSIBLE ADVANTAGES

- Simplicity and convenience
- Converts non-Direct Loans into Direct Loans (may help maximize PSLF* eligibility)
- May extend repayment term

* Only Direct Loans are eligible for Public Service Loan Forgiveness
POSSIBLE DISADVANTAGES

• Partially negates aggressive repayment strategy
• Lengthy and may be cumbersome
• Loss of Grace periods if consolidate too early
• Usually higher rate
• Perkins lose interest subsidy
SERVICES COMMITMENT PROGRAMS

- Public Service Loan Forgiveness
- Armed Forces Repayment Programs
- Faculty Loan Repayment Program
- Federal Student Loan Repayment Program
- Indian Health Service
- National Health Service Corps
- National Institutes of Health
• Designed to provide help for borrowers who are committed to public service
• Forgives remaining balance after designated period of time if certain conditions are met
• Only Stafford, Grad PLUS, Consolidation Loans through Direct Loan program qualify
PSLF ELIGIBILITY REQUIREMENTS

1. Only Direct Loans quality
2. Borrower must make 120 “eligible” payments (only payments made under ICR, IBR, and Standard 10 year qualify)
3. Borrower must be working in eligible public service position each time an eligible payment is made on eligible loans
PSLF UPDATE

• Information available at www.studentaid.ed.gov/publicservice

• New Employment Certification form available to help track employment

• FedLoan Servicing designated loan servicer for PSLF program
• Subsidized loans interest free to borrower
• Must meet statutory requirements
• Borrower remains in “Good Standing”
• In-School Deferment only available to graduates enrolled at least half time in postdoctoral or residency program (Registrar must certify enrollment)
• Check promissory note for Deferment options on non-federal loans
• Interest accrues on all loans
• Servicers have some discretion
• Borrower remains in “Good Standing”
• Administrative (also called Verbal) Forbearance may be available
  • Often used when shorter period of time needed for Forbearance
BORROWER RIGHTS

• Written explanation of loan obligations
• Explanation of default and consequences
• Copy of MPN and return when paid in full
• Disclosure statement prior to repayment
• Be notified when your loan is sold
• Federal subsidy, if eligible
• Forgiveness and discharge, if eligible
• May request Forbearance, if needed
• Prepay without penalty
BORROWER RESPONSIBILITIES

• Attend Exit Interview before you graduate
• Repay loan according to schedule
• Notify loan servicer regarding:
  • Anything impacting ability to repay
  • Change in status, including graduation date
  • Change in name and contact information
  • Change in enrollment
• Organization lender contracts with to work with you in repayment
• Listed on NSLDS for Stafford, Grad PLUS, Federal Consolidation, Perkins
• Loan servicers required to notify you if they are servicing your loans
• Multiple loans servicers results in a “Split Portfolio” or “Split Servicing”
Always document calls and correspondence
Confirm receipt of applications and related documents
Ask about anecdotal comments on file
Speak with supervisor if needed
Semantics are important
Confirm all actions referenced by servicer
Open and read your mail
Have NSLDS record handy if possible
SUMMARY AND TO DO LIST

- Self assessment (career plans and repayment objectives)
- Loan inventory and decision points
- Choose options that work for you
- Keep in touch with loans servicers and keep contact information current
- Maintain high standard of repayment for grad school alumni
United States Department of Education
Federal Student Aid

www.ombudsman.ed.gov
877.557.2575
RESOURCES

• School’s Financial Aid Office

• [www.studentaid.ed.gov](http://www.studentaid.ed.gov)
  • Information on different types of repayment, consolidation of loans, and helpful Q and A.

• [www.IBRinfo.org](http://www.IBRinfo.org)
  • Information on Income Based Repayment and Pay As You Earn, including calculator and important links
RESOURCES

- www.loanconsolidation.ed.gov
  - Online application, forms, and FAQs
- www.studentaid.ed.gov/specialconsolidation
  - Information on temporary Special Direct Consolidation Loan Program
- www.studentaid.ed.gov/publicservice
  - Information on Public Service Loan Forgiveness program and Employment Certification form
- www.irs.gov/publications/p970
  - Tax benefits for education, including information on Student Loan Interest Deduction
QUESTIONS?

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CONGRATULATIONS

2015 ASHS Graduates!!