



Understanding Student Loan Repayment

KEY TIPS FOR MANAGING STUDENT LOANS

- ▶ Understand your student loan portfolio
 - Know what types of loans you have
 - Know your lenders and servicers
 - Know how much you owe
 - Know what your interest rate is
 - Know what your total monthly payments will be
 - Know what borrower benefits are available
- ▶ Understand the capitalization and its impact
- ▶ Know grace, deferment and forbearance options
- ▶ Know Federal Loan Repayment Plan options
- ▶ Avoid delinquency & default
- ▶ Keep good records
- ▶ Know resources

UNDERSTANDING STUDENT LOAN REPAYMENT

- ▶ **Grace - period of time after a borrower graduates, leaves school or drops to less than half-time**
 - No payments required during this period
 - Time varies based on loan type
 - Does not adversely impact credit

▶ **Deferment - period when borrower who meets certain criteria may suspend loan payments**

- In-School
- Economic Hardship
- Military
- **Forbearance – typically sought for temporary repayment relief and provides temporary adjustment of no payments or reduced payments**
- Be careful to use because it adds expense
- But can be very useful to help avoid delinquency and default

FEDERAL LOAN REPAYMENT PLANS

▶ **Standard**

- Level monthly payments that cover accruing interest and a portion of principal over a 10-year period
- Higher monthly payments
- Lowest overall cost

▶ **Graduated**

- Payments start low, increase over time
- Interest only payments followed by standard principal & interest
- Finish in 10 years
- Higher overall – but provides lower initial payment amounts

▶ **Income Sensitive Repayment (Non-Direct Federal Loans)**

- Payments are based on percentage of your monthly income
- Payments must be sufficient to cover accruing interest
- Finish in 10 years (may be extended to 15 years)

▶ **Income-Contingent (Direct Loans Only)**

- Payment is based on income
- Negative amortization is allowed
- Up to 25 years to repay
- Balance remaining after 25 years' worth of payments can be forgiven

▶ **Extended Repayment**

- Available to borrowers who have accumulated more than \$30K in Direct or FFELP Federal Stafford, PLUS & Consolidation loans first disbursed on or after October 7, 1998
 - ▶ Direct and FFELP Federal Loans are accumulated separately in determining eligibility
- Repayment can be extended up to 25 years
- Permits you to manage monthly cash flow needs, but will increase your cost

▶ **Income-Based Repayment**

- Available to federal loan borrowers experiencing financial hardship
- Borrower qualifies if annual monthly student loan payments exceed 15% of “discretionary income”
- If eligible for IBR, borrower’s monthly payment will be determined by a formula that takes into account household size and adjusted gross income. Increases in income will impact the required monthly payment amount
- Unpaid balance may be forgiven after 25 years of scheduled monthly payments

▶ **Pay As You Earn**

- Announced by ED December 21, 2012
- Available to new Direct loan borrowers (except Parent PLUS) experiencing financial hardship
 - ▶ No loan balance as of October 1, 2007 and
 - ▶ Receive a Direct loan on or after October 1, 2011
- Borrower qualifies if annual monthly student loan payments exceed 10% of “discretionary income”
- Similar to IBR, borrower’s monthly payment will be determined by a formula that takes into account family size and adjusted gross income. Increases in income will impact the required monthly payment amount
- Unpaid balance may be forgiven after 20 years of scheduled monthly payments

▶ **Loan Consolidation**

- Provides the ability for borrowers to consolidate all of their federal loans into one new loan
- FFEL and Direct Stafford Loans, Perkins Loans and PLUS Loans may be consolidated
- Interest Rate: weighted average of the interest rates on the loans being consolidated rounded to the nearest higher one-eighth of one percent. Multiple repayment options: Standard, Graduated, Extended, Income Contingent, Income Based
- Benefits:
 - ▶ Longer repayment period

- ▶ Lower monthly payment
- ▶ Single Servicer

TIPS ON REPAYING YOUR STUDENT LOANS

- ▶ Remember that you can always **prepay** federal and private student loans without penalty
- ▶ **Never be late** for a payment or miss one entirely
- ▶ Be aware of the total cost and **pay more than the minimum** whenever you can on the higher interest rate loans
- ▶ Pay your bill as **early** as possible
- ▶ Take advantage of all borrower benefits available to you; which can mean **lowering your interest rate**
- ▶ Understand **deferral and forbearance** and use them wisely

KEEP GOOD RECORDS

- ▶ **Get all loan documents together: keep them on file!**
 - Promissory notes
 - Disclosure statements
 - Award Letters
 - Exit interview information
- ▶ **Open and READ student loan mail**
- ▶ **Bookmark loan servicer's websites**
- ▶ **Notify loan servicer(s) of name & address changes**
- ▶ **Document calls to servicer: date/time of call & person who handled the call**
- ▶ **Keep important numbers available**