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Exit Counseling:

What you need to know about student loans

Principles of Loan Repayment




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You will know...

- How to locate your federal student loans
- Information on federal repayment plans, suspending repayment, and consolidation
- The consequences of not repaying your loan
- How your lender/servicer can help you


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Know Whom You Owe!

- National Student Loan Data System (NSLDS)
 - www.nslds.ed.gov
 - 800-4-FEDAID (800-433-3243)
- Request PIN/Duplicate PIN:
 - <http://www.pin.ed.gov/PINWebApp/pinindex.jsp>


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Department of Education Loan Servicer Contact Information

❖ DL SERVICING CENTER ☎ 800.848.0979 🌐 www.dl.ed.gov	❖ DEPT OF ED/GREAT LAKES ☎ 800.236.4300 🌐 www.mygreatlakes.org
❖ DEPT OF ED/ACS ☎ 800.508.1378 🌐 www.ed-servicing.com	❖ DEPT OF ED/NELNET ☎ 888.486.4722 🌐 www.nelnet.com
❖ DEPT OF ED/FEDLOAN SERVICING (PHEAA) ☎ 800.699.2908 🌐 www.myfedloan.org	❖ DEPT OF ED/SALLIE MAE ☎ 800.722.1300 🌐 www.salliemae.com


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Considerations when selecting a repayment plan:

- Current financial situation
 - Short term or long term?
- Overall cost of decision
- Length of repayment
- Ability to prepay loan without penalty
- Flexibility — you can change your plan at least once a year if needed

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Average student loan debt

At your school

- Average Stafford loan debt is \$ _____
with an average monthly payment of \$ _____.

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Standard Plan*

- Fixed monthly payments
- \$50 minimum
- Loan repaid in full within 10 years
- Typically pay less in overall interest
- *Automatically assigned unless you request a different plan*

* In the case of a consolidation loan, the minimum monthly payment and the maximum loan term may increase.

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Example: Standard Plan

Loan	Payment	Interest	Total Paid
\$10,000	\$115	\$3,810	\$13,810
\$31,000	\$357	\$11,810	\$42,810
\$65,500	\$754	\$24,953	\$90,453
\$100,000	\$1,151	\$38,096	\$138,096
\$138,500	\$1,588	\$52,573	\$190,573

Estimated payments based on 6.8% interest
"Students & Borrowers/Calculators" tabs
at www.nslp.org

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Graduated Plan

- Monthly payments start low and increase over time
 - Anticipate larger future payments
 - The payment will never be greater than three times the initial payment
- Good for someone expecting salary increases with work force experience

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Example: Graduated Plan*

Loan	Payment	Interest	Total Paid
\$10,000	\$57	\$4,727	\$14,724
\$31,000	\$176	\$14,652	\$45,652
\$65,500	\$368	\$30,722	\$95,722
\$100,000	\$567	\$47,265	\$147,265
\$138,500	\$782	\$65,226	\$203,226

*Estimated payments based on 6.8% interest
Only first tier of payments is represented

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Extended Plan

- Total federal student loan debt must be greater than \$30,000*
- May extend repayment period up to 25 years
- May repay under the standard or graduated payment schedule
- For those needing a longer term to lower the monthly payment

**Only eligible if you borrowed your first loan on or after October 7, 1998*

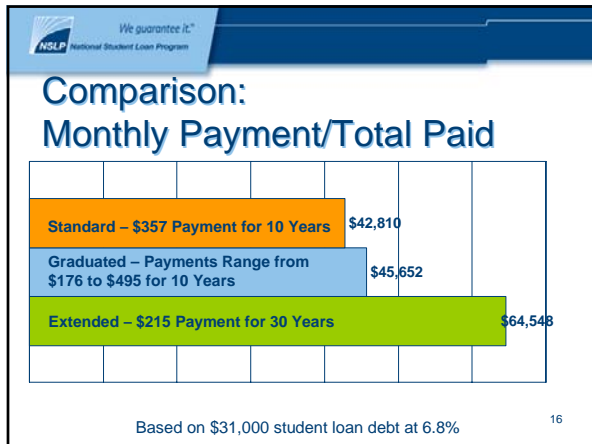
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Example: Extended Plan

Loan	Payment	Interest	Total Paid
\$10,000	NA	NA	NA
\$31,000	\$215	\$33,548	\$64,548
\$65,500	\$455	\$70,886	\$136,386
\$100,000	\$694	\$108,221	\$208,221
\$138,500	\$958	\$149,346	\$287,346

Estimated payments based on 6.8% interest

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- Income-Sensitive Plan (FFELP)**
- Monthly payments are adjusted annually based on your student loan debt and income
 - Payment must cover monthly interest accrual
 - Good for someone who wants payment amount to increase/decrease with income
 - Short-term repayment solution

Example: Income-Sensitive Plan

Loan	Payment	Interest	Total Paid
\$10,000	\$68	\$4,027	\$14,027
\$31,000	\$187	\$12,590	\$43,590
\$65,500	\$382	\$26,658	\$92,158
\$100,000	\$578	\$40,726	\$140,726
\$138,500	\$793	\$56,221	\$194,221

Based on annual income of \$25,000 for 12 monthly payments — must reapply annually


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Income-Contingent Plan (DL)

- Based on annual family income, family size, and total student loan debt
- Twenty-five year repayment term
 - Remaining balance forgiven
 - Forgiven amount taxable income
- IRS income authorization required

 www.dl.ed.gov for more information


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Example: Income-Contingent Plan*

Annual Income	Payment Amount	Interest	Total Paid
\$20,000	\$91	\$26,084	\$51,084
\$25,000	\$174	\$20,799	\$45,799
\$30,000	\$202	\$16,693	\$41,693
\$35,000	\$217	\$14,624	\$39,624
\$40,000	\$231	\$13,008	\$38,008
\$45,000	\$245	\$11,916	\$36,916

*Estimated payments based on \$25,000 federal student loan debt and family size of two

 <http://www2.ed.gov/offices/OSFAP/DirectLoan/RepayCalc/dlentry2.html>

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Income-Based Plan

- Helps those with high student loan debt *relative* to income
- Reduces monthly payment based on "partial financial hardship"
- Reapply annually
- Forgiveness after 25 years of *qualifying* payments
- \$0 payment possible

 www.ibinfo.org for information*

* an independent source of information not affiliated with NSLP

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Example: Income-Based Plan*

Annual Income	Payment Amount	Interest	Total Paid
\$20,000	\$0	\$10,844	\$35,844
\$25,000	\$40	\$10,664	\$35,664
\$30,000	\$100	\$10,377	\$35,377
\$35,000	\$165	\$10,090	\$35,090
\$40,000	\$225	\$9,803	\$34,803
\$45,000	Not eligible	NA	NA

*Estimated payments based on \$25,000 federal student loan debt and family size of two

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Basic Repayment Strategies

- Develop and maintain a realistic budget
 - List your student loan payment as an expense (even while in grace period)
- Talk to your lender/servicer about your repayment options
- If necessary, talk to your lender/servicer about changing your repayment plans

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Create your own budget with the help of...



www.nslpflonline.org/mybudget

Earn a chance to win a \$500 scholarship!


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Managing Repayment


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Deferment

- Entitlement if you meet qualifications
- Postpones payments for a short time
- Government pays interest on subsidized loans
- Can often obtain forms on lender/servicer Web site

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Deferment*

- Deferment Types:
 - In school at least half-time
 - Graduate fellowship
 - Rehabilitation training
 - Unemployed, or underemployed
 - Economic hardship
 - Active duty military service
 - Post-active duty for students

* For specific information, refer to "Terms & Conditions" handout

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Forbearance*

- Postpones or reduces payments for a designated period of time
- Government does not pay interest on your loans
- Continue to make payments until lender approves
- Lender/servicers often allow online forbearance requests



* For specific information, refer to "Terms & Conditions" handout

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Impact of Interest Capitalization

- \$39,098 federal student loan
 - 6.8% interest rate
- Six-month forbearance/unsubsidized deferment
 - Over \$1,340 interest accrual*
- New balance: \$40,348*

*Estimate for example purposes. Actual amount may vary. Assumes no payment during forbearance/unsubsidized deferment.

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Call Your Lender/Servicer

- Request deferment and forbearance
- Change repayment plan
- Change payment due date
- If you have trouble paying your student loans
- Change your name, address, phone number, etc.



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Consolidation

- Combines federal student loans from different lenders and various interest rates into one new loan
- Must be out of school to apply
 - You will lose remainder of grace unless you request consolidation be processed after grace
- New fixed interest rate
- No application fees

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Consolidation


- Repay over 10-30 years based on total loan amount
- Longer repayment term results in:
 - lower monthly payments
 - more interest paid
 - higher total costs

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Consolidation

- Same repayment options as Stafford and Grad PLUS loans
- May change repayment plans at least once annually
- You may prepay at any time

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Consolidation Considerations

- Lender benefits may vary — research!
- May lose some loan benefits
 - Especially if you add Perkins loans to the mix
 - Be sure to check with your lender before consolidating
- May lose options such as:
 - Loan forgiveness
 - Loan cancellation
 - Deferment


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Consolidation into Direct Loan Program

- If unable to find FFELP consolidation lender
- To participate in Public Service Loan Forgiveness Program
- Contact Department of Education:
 - www.loanconsolidation.ed.gov
 - 800.557.7392

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Public Service Loan Forgiveness Overview

- Loan forgiveness program for public service employment
 - Direct Loan program only — not available in FFELP
 - Loan(s) cannot be in default
- Eligibility based on employer and full-time employment
- Forgiveness after 120 “qualifying payments”
 - Beginning October 1, 2007

Refer to “Loan Forgiveness for Public Service Employees” handout


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Defaulting on Your Student Loan

Occurs when loan reaches 270 days of delinquency


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Default consequences

- You will:
 - Lose eligibility for future student aid
 - Lose federal and state income tax refunds
 - Have your wages garnished
 - Lose options for deferment, forbearance, and some student loan forgiveness and loan discharge programs
 - Have adverse credit reports
 - Be charged collection costs and attorney fees


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Default consequences

- You may:
 - Have legal action taken against you
 - Be subject to other federal delinquent debt collection procedures
 - Lose your professional license


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Reminder: Master Promissory Note (MPN)


- Multiple loans on one MPN for up to 10 years
- When you signed the MPN, you promised to repay all loans, plus interest, even if you:
 - Don't complete your educational program
 - Are unable to find a job after you finish school
 - Are unhappy with the education or other services purchased that you did or did not receive
 - Don't complete program within regular time for program completion

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Additional Information


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Returning to School?

- You may need to sign a new MPN if:
 - You change lenders
 - You tell your lender to stop using this note
 - Your school, lender or guarantor request a new note
 - The MPN expires
- Talk to school about deferring your loan payment


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Tax benefits!

- Student loan interest deductions
 - Your lender/servicer will provide you with the federal form 1098E to assist with this process
 - Contact your tax advisor for further information and tax assistance
 - <http://www.irs.gov/taxtopics/tc456.html> for additional information

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Forgiveness and discharge*

- May receive full or partial loan forgiveness or discharge under certain conditions:
 - Death, or total and permanent disability
 - School closes before you complete your education
 - School falsely certifies the loan
 - Teach at a low-income school
 - Identity theft
 - Public service forgiveness (DL program only)

* For specific information, refer to "Terms & Conditions" handout


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Student Loan Ombudsman

- Resource for unresolved student loan issues with:
 - schools
 - lenders
 - servicers
 - guarantors

www.ombudsman.ed.gov

 877.557.2575

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Helpful Tips

- Maintain a file with all loan-related documents
- Read all loan-related mail
 - Important announcements and information
- Sign up for auto-pay to avoid late payments and prepay whenever possible
- Ask questions!
 - The financial aid office and your lender/servicer are always available to help you

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What now?


- Find all of your loans — www.nslds.ed.gov
- Know where to send your payment(s)
- Know when your first payment is due
- *Select* a repayment plan — contact lender/servicer!
- Pay on time!
- Communicate with lender/servicer or school if you have questions or concerns regarding repayment!

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Evaluations



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Questions



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Need more information?

National Student Loan Program
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Lincoln, NE 68508 www.nslp.org
800-735-8778

Financial Literacy, ext. 6858
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