



REPAYING YOUR STUDENT LOANS

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AGENDA

- What Happens Next?
- Repayment Options
- Consolidation
- Public Service Loan Forgiveness
- Final Thoughts and Resources
- Q & A

WHAT HAPPENS NEXT?

- Well, first you graduate...
- Then in six months your loans come due!
- Your loan servicer will contact you about setting up a repayment plan
 - ▣ You can find out who your servicer is at www.nslds.ed.gov
- Your options...





REPAYMENT

REPAYMENT OPTIONS

Standard
Repayment
Plan

Graduated
Repayment
Plan

Income
Sensitive
Repayment

Income-
Driven
Repayment

Extended
Repayment
Plan

STANDARD REPAYMENT PLAN

- ❑ This is the default plan; do nothing and your lender will choose this for you
- ❑ Fixed payment; minimum \$50/month with a 10 year repayment
- ❑ Lowest total interest because repayment period is the shortest
- ❑ Available for Subsidized, Unsubsidized, and Plus loans

GRADUATED REPAYMENT PLAN

- Payments start low but increase every two years with a 10 year repayment period
- The minimum payment is no less than the amount of interest that accrues between payments
- Available with Subsidized, Unsubsidized, & PLUS loans
- May be used with consolidated loans with a 10 – 30 year repayment

INCOME SENSITIVE REPAYMENT

- Only for Family Federal Education Loans—not direct loans
- Under this plan, your monthly payments
 - ▣ increase or decrease based on your annual income and
 - ▣ are made for a maximum period of 10 years
- Not sure who owns your loans? Visit the [National Student Loan Data System \(NSLDS®\)](#) to find out.

INCOME-DRIVEN REPAYMENT PLAN

□ Four categories:

- Revised Pay As You Earn (REPAYE Plan)
- Pay As You Earn (PAYE Plan)
- Income-Based Repayment Plan (IBR Plan)
- Income-Contingent Repayment Plan (ICR Plan)

INCOME-DRIVEN REPAYMENT PLANS

- REPAYE Plan
 - ▣ Generally 10% of your discretionary income
- PAYE Plan
 - ▣ Generally 10% of your discretionary income, but never more than the 10-year Standard Repayment Plan
- IBR Plan
 - ▣ Generally 10% of your income; only if you first borrowed after July 1, 2014
 - ▣ 15% if your first loan was earlier than that
- ICR Plan
 - ▣ Either 20% of discretionary income or
 - ▣ What you would pay on standard for 12 years but paid out over 25 years

INCOME-DRIVEN REPAYMENT PLANS

- Under all four plans, any remaining loan balance is forgiven if your federal student loans aren't repaid in full at the end of the repayment period—usually 20 to 25 years
- The amount forgiven becomes taxable income for that year.

EXTENDED REPAYMENT PLAN

- Extends the fixed or graduated monthly payment
- Under this plan, your monthly payments are
 - ▣ a fixed or graduated amount (minimum \$50/month),
 - ▣ made for up to 25 years, and
 - ▣ generally lower than payments made under the Standard and Graduated Repayment Plans
- Available for Subsidized, Unsubsidized, PLUS loans

WHY IS CHOOSING A REPAYMENT PLAN IMPORTANT?

Consider if you have loan debt of \$60,000 and a starting income of \$40,000

Repayment Plan	Initial Payment	Final Payment	Time in Repayment	Total Paid	Loan Forgiveness
Standard	\$666	\$666	10 years	\$79,935	N/A
Graduated	\$381	\$1,143	10 years	\$85,272	N/A
Extended	\$387	\$387	25 years	\$126,173	N/A
REPAYE	\$185	\$612	25 years	\$131,444	\$0
PAYE	\$185	\$612	20 years	\$97,705	\$41,814
ICR	\$469	\$588	13 years, 9 months	\$89,468	\$0



CONSOLIDATION LOANS

CONSOLIDATION LOANS

- Combine multiple direct loans in to one new loan with different repayment terms and interest rates
- Interest weight is the average of the underlying loan rates; capped at 8.25%
- You can only consolidate your loans with the department of education

CONSOLIDATION PROS AND CONS

□ Pros

- ▣ Lower monthly payment by extending the term
- ▣ One monthly payment to servicer
- ▣ Fixed interest rate; no prepayment penalty
- ▣ Gain or retain federal benefits

□ Cons

- ▣ Lose borrower benefits on FFEL loans
- ▣ Total interest increases
- ▣ Unable to consolidate again
- ▣ May lose grace period and interest subsidy



LOAN FORGIVENESS

LOAN FORGIVENESS

Borrowers may qualify to have all or a portion of their loans forgiven under the following:

- Teacher Loan Forgiveness
- Public Service Loan Forgiveness

PUBLIC SERVICE LOAN FORGIVENESS

Encourages individuals to enter full-time public service employment by forgiving the outstanding balance on an eligible Direct Loan.

PUBLIC SERVICE LOAN FORGIVENESS

- To be eligible
 - ▣ Must be in Standard, IBR, or ICR plan
 - ▣ Cannot be in default at any time
 - ▣ Make 120 separate, full monthly payments within 15 days of the due date
 - ▣ Employed full-time, at least 30 hours per week, at a public service organization while making the required 120 payments, and when you request forgiveness, and when it is granted

BUT WHAT IS A PUBLIC SERVICE ORGANIZATION?

- A federal, state, local, or tribal government organization, agency, or entity
- A public child or family service agency
- A non-profit organization under 501(c)(3) of the IRS Code that is exempt from taxation under Section 501(a)
- A tribal college or university
- A private organization that:
 - ▣ Provides certain public services
 - ▣ Is not a business organized for profit

BUT...

- The department of Education was asked:
 - ▣ If a borrower is employed in a ministry-related occupation for a 501(c)(3) faith-based organization, can borrower's employment qualify for PSLF?
- The department responded:
 - ▣ Our legal counsel replied if a 501(c)(3) organization is not governmental, its employees will not qualify unless they are involved in activities that are unrelated to religious instruction, worship, or proselytizing.

SO, SADLY...





FINAL THOUGHTS

A BUNCH OF WORDS TO THE WISE

- ❑ Pick a payment plan and review it regularly
- ❑ Avoid default at all costs!
- ❑ Contact your lender or servicer *immediately* if you have trouble making payments
- ❑ NEVER consolidate private and federal debt together
- ❑ NEVER consolidate your debt with someone else's
- ❑ Complete the required Exit Counseling Session at www.nslds.ed.gov

RESOURCES

- www.studentloans.ed.gov
- www.studentaid.ed.gov
- www.nslds.ed.gov
- www.finaid.org

- Michelle J Walker, mwalker@upsem.edu