

# TAKE CHARGE OF LOAN REPAYMENT!

Strategies for Managing  
Your Debt Successfully

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# Your Action Plan

## 5 Steps

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1. Take stock of your loan portfolio
2. Determine when repayment begins
3. Pick your repayment plan
4. Prepare for contingencies
5. Repay all that you owe

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## Step 1

**Take stock of your  
loan portfolio**

# What do you need to know?

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## ***For each loan in your portfolio:***

- Type of loan
- Interest rate
- Amount owed
- Who to repay
- When repayment begins

# ***NSLDS.ed.gov***

## **“Financial Aid Review”—A Useful Resource**

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### **To access, enter:**

- SSN
- First two letters of your last name
- Birthdate
- Dept. of Ed PIN

### **Duplicate PIN available at:**

*PIN.ed.gov*



National Student Loan Data System (NSLDS) for Students

[Financial Aid Review](#) [Glossary of Terms](#) [Browser Information/Setup](#) [FAQs](#) [Contact Us](#)

[Hurricane Assistance](#)



## **NSLDS STUDENT ACCESS** National Student Loan Data System

### **Retrieve Your Loan Information**

The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED's) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

[FINANCIAL AID REVIEW](#)

# Who do you repay?

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## You should know:

- Roles of lender/holder and servicer
  - You will be working with the **SERVICER**
- How to contact them
- Value of NSLDS

# Who is your servicer?

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- ❑ Direct Loans initially are assigned to one of the following four ED servicers:

Servicer	Website	Phone Number
FedLoan Servicing	myfedloan.org	(800) 699-2908
Great Lakes	mygreatlakes.org	(800) 236-4300
Nelnet	nelnet.com	(888) 486-4722
Sallie Mae	salliemae.com	(800) 722-1300

- ❑ ED may transfer your Direct Loans to another servicer in the future—you will be notified!
- ❑ Check “loan detail” screen on [NSLDS.ed.gov](https://www.nsls.ed.gov) to verify contact information for your loan servicer(s)

# How much do you owe?

## An Example

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<b>Boston University School of Law Class of 2012</b>	
Average student loan borrowing	<b>\$110,000</b>
Estimated capitalized interest	<b>\$13,700</b>
Estimated total debt at repayment	<b>\$123,700</b>
<u>Assumptions:</u>	Direct Unsubsidized Loan interest rate = 5.41% Direct Grad PLUS interest rate = 6.41%



# Loan Portfolio Chart

## Sample Worksheet

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Loan Type	Interest Rate	Lender	Servicer	Amount Owed
Direct Stafford	6.8%	U.S. Dept. of Education	( )	\$
Direct Grad PLUS	7.9%	U.S. Dept. of Education	( )	\$

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## Step 2

**Determine when  
repayment begins**

# Timing is complicated!

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## Loans with GRACE PERIOD

- ❑ Automatic benefit
- ❑ Grace period begins when you drop below  $\frac{1}{2}$ -time enrollment
- ❑ Repayment begins after grace period
- ❑ Interest is subsidized on subsidized loans in grace

## Loans without GRACE PERIOD

- ❑ Enter repayment when funds are disbursed
- ❑ Eligible for in-school deferment while enrolled
- ❑ Repayment resumes after deferment

# What loans have a grace period?

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## Loans with GRACE PERIOD

- Stafford = 6 months
- Perkins = 9 months
- Private = depends

## Loans without GRACE PERIOD

- Consolidation
- Grad PLUS
  - Grad PLUS Loans first disbursed on/after 7/1/2008 have an **automatic 6-month post-enrollment deferment**

# When repayment begins ...

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**You must:**

Start making payments,

**OR**

Postpone repayment.

**Action is required!**

# Postponing Repayment

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- ❑ **Deferment**

- ❑ Interest is subsidized on subsidized loans; accrues on unsubsidized loans

- ❑ **Forbearance**

- ❑ Interest accrues on ALL loans

**Should contact servicer and explain why payment relief is needed**

# Repayment Timetable

## Year 1 (Class of 2013)

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Loan	Degree	Grace Period	Payment Start Date	Action Needed
Direct Stafford	Law	6 months	≈ 12/1/2013	Select payment plan near end of grace period
Direct Grad PLUS	Law	none	≈ 12/1/2013	Verify post-enrollment deferment will be applied automatically after graduation

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## Step 3

**Pick your repayment plan**



# Picking Your Plan

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## **Suggested steps:**

1. Understand your options
2. Estimate your budget
3. Define your goals
4. Evaluate possible tradeoffs
5. Leverage loan repayment flexibility
6. Pick your plan

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# Picking Your Plan

**Understanding your options**

# Loan Repayment Options

## Stafford, PLUS and Consolidation Loans

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Options	Payment Structure	Payment Period
Standard	Fixed	10 years
Graduated	Tiered	10 years
Extended	Fixed or tiered	25 years
Pay As You Earn (PAYE) <i>(Direct only)</i>	Adjusted annually based on: <ul style="list-style-type: none"> <li>- Household AGI</li> <li>- Household size</li> <li>- Poverty guideline</li> <li>- State of residence</li> </ul> <i>10% of annual "Discretionary Income"</i>	20 years
Income Based (IBR)	Adjusted annually based on: <ul style="list-style-type: none"> <li>- Household AGI</li> <li>- Household size</li> <li>- Poverty guideline</li> <li>- State of residence</li> </ul> <i>15% of annual "Discretionary Income"</i>	25 years
Income-Contingent (ICR) <i>(Direct only)</i>	Adjusted annually based on: <ul style="list-style-type: none"> <li>- Household AGI</li> <li>- Household size</li> <li>- Total amount of Direct Loans</li> </ul> <i>Approx. 20% of discretionary income</i>	25 years

# Payment Comparisons

**\$123,700 Federal Student Loan Debt**

**\$85,000 Household AGI (Household Size = 1)**

*(Estimates calculated using "Repayment Estimator" at: [StudentLoans.gov](http://StudentLoans.gov))*

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Repayment Plans	Repayment Period	First Payment	Final Payment	Total Paid
Standard	10 years	<b>\$1,364</b>		\$163,649
Graduated	10 years	<b>\$779</b>	<b>\$2,336</b>	\$174,284
Extended Fixed	25 years	<b>\$785</b>		\$235,606
Extended Graduated	25 years	<b>\$603</b>	<b>\$1,195</b>	\$256,516
PAYE	20 years*	<b>\$565</b>	tbd	tbd
IBR	25 years*	<b>\$847</b>	tbd	tbd
ICR	25 years*	<b>\$1,225</b>	tbd	Tbd

\*Remaining balance is cancelled at end of term; amount cancelled is taxable under current IRS code.

# IBR vs. PAYE

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## IBR

- **Direct** and **FFEL** loans
- Annual amount paid based on **15%** of “Discretionary Income”
- Loan cancellation after **25** years

## PAYE

- **Direct** loans only
- Annual amount paid based on **10%** of “Discretionary Income”
- Loan cancellation after **20** years
- *Must meet two additional eligibility requirements*

# PAYE

## Additional Eligibility Requirements

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- Must be a “new borrower” on or after October 1, 2007 (10/1/2007)
  - ▣ No federal loans before 10/1/2007, **OR**
  - ▣ No outstanding balance on an existing federal student loan when you borrowed your first federal student loan on or after 10/1/2007
- Must have had a disbursement of a federal student loan on or after 10/1/2011

# **IBR and PAYE**

## **How do you qualify?**

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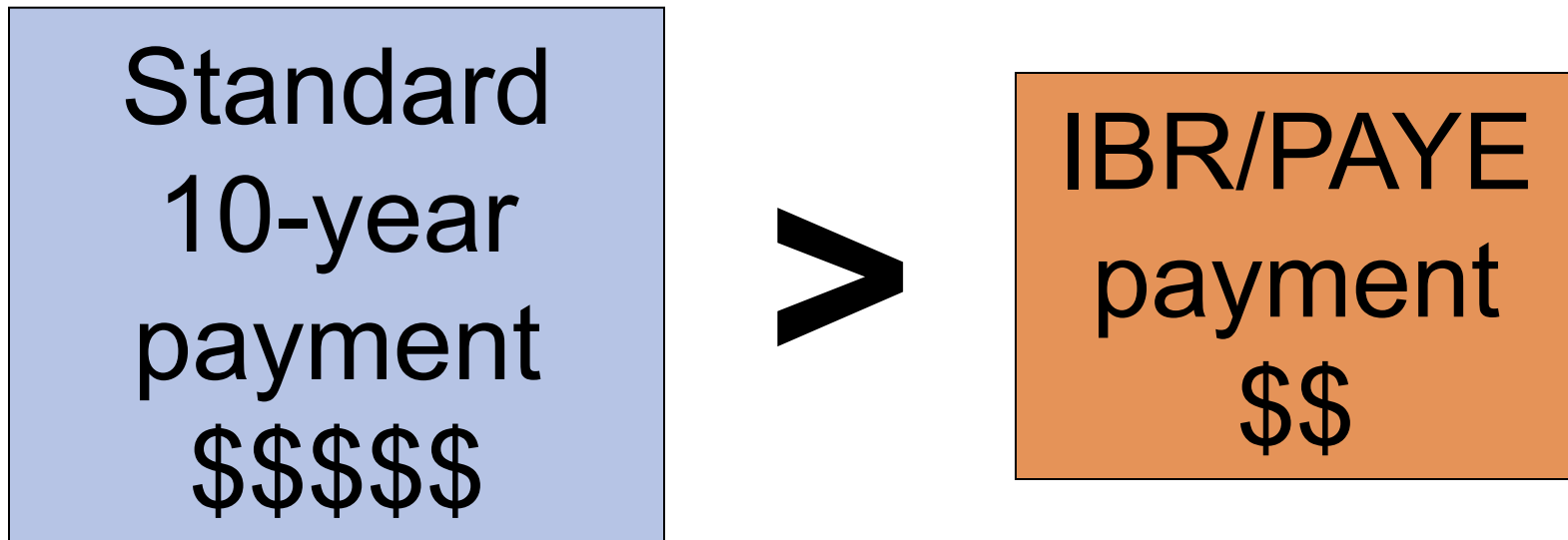
To enter IBR/PAYE, you must have:

**PARTIAL FINANCIAL HARDSHIP  
(PFH)**

# What is PFH?

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**Partial financial hardship exists when:**





# IBR and PAYE

## How is monthly payment calculated?

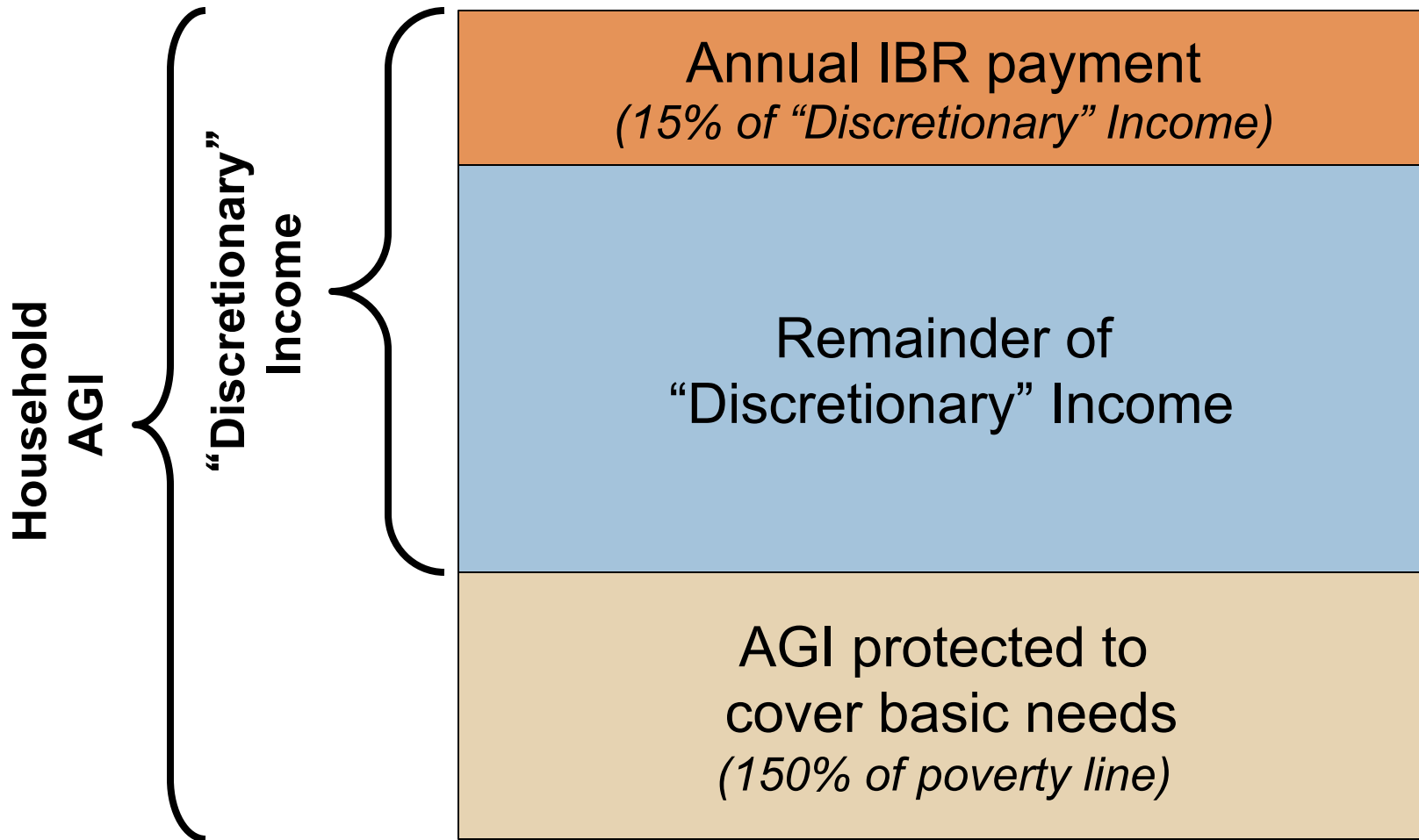
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**When PFH exists, payment is based on:**

- Household AGI
- Household size
- Federal Poverty Guidelines

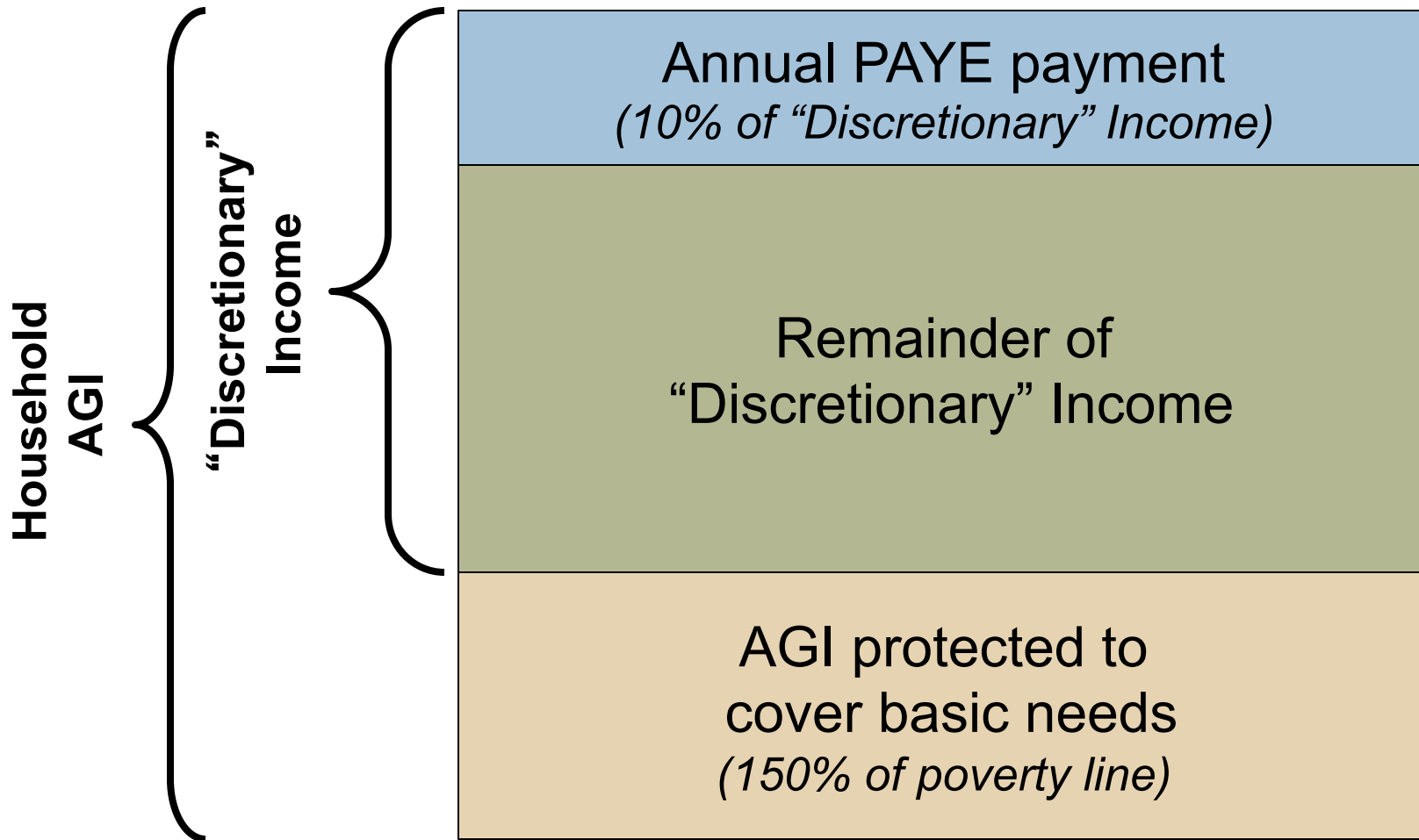
# Annual amount paid in **IBR** is **15%** of “Discretionary” Income

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# Annual amount paid in **PAYE** is **10%** of “Discretionary” Income

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# IBR and PAYE

## Negative Amortization

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- IBR/PAYE payment can be less than accrued interest
- Unpaid interest accrues
  - ▣ Unpaid interest accruing on **subsidized** Direct/Stafford Loan debt is waived by government for up to first 3 consecutive years in IBR or PAYE plan
- Debt increases

# Applying for IBR or PAYE

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- Contact current loan servicer to apply for IBR/PAYE
- Complete online application at: [StudentLoans.gov](https://studentloans.gov), as directed (every 12 months)
  - ▣ Application collects basic demographic information as well as information about household adjusted gross income (AGI) and household size

You must **CONSOLIDATE** any non-DIRECT federal student loans (e.g., FFEL, Perkins) before you can repay that debt using PAYE

Apply at: [loanconsolidation.ed.gov](https://loanconsolidation.ed.gov)

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# Prepaying Loans

# Loan Prepayment

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- You can make prepayments on your federal student loan(s) without penalty
- Will reduce total interest paid on loan
- Target prepayment at loan(s) with highest interest rate  
*(contact servicer to determine how to target prepayments without advancing next payment due date)*
- Contact loan servicer for information on how prepayments are applied to principal/interest
- **Best to make prepayments online at loan servicer's website**

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## Step 4

# Prepare for contingencies



# What if you can't afford to make your loan payments?

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**Contact your loan servicer immediately!**

**Payment relief may be available, including:**

- Deferment
- Forbearance
- Changing payment plans to lower your monthly payment, e.g., IBR or PAYE

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# Consolidation

**A refinancing option ...**

# Consolidation

## Can be confusing!

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- Consolidation  $\neq$  **COMBINING** loans
- Consolidation = **REFINANCING** loans

# Consolidation

## A Refinancing Option

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- Borrowing a **new** loan
  - Federal Direct Consolidation Loan
- Only **federal** student loans are eligible
- Interest rate is **fixed**
  - Equals weighted average of interest rates of loans being consolidated then rounded up to nearest 1/8<sup>th</sup> percent
- Apply online at: ***LoanConsolidation.ed.gov***
  - Loans must be in grace, repayment, deferment or forbearance
  - Can opt to delay funding of new loan until end of grace period

# Reasons to Consolidate

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- Simplify repayment by reducing number of lenders/servicers
  - ▣ *For example, you may have borrowed FFEL Loans as an undergraduate*
- Convert variable-rate Stafford Loans into fixed-rate Direct Consolidation Loan
- Convert FFEL loan(s) into Direct loan debt for Public Service Loan Forgiveness Program and PAYE eligibility
- Convert Perkins loan(s) into Direct loan debt for Public Service Loan Forgiveness Program, IBR and PAYE eligibility
- Lengthen repayment period to reduce monthly payment on federal student loan debt
- Release endorser from Grad PLUS Loan

# Consolidation

## Additional Factors to Consider

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- Consolidation Loan enters repayment when loan is funded; it does not have a grace period
- Total interest paid on debt likely will increase:
  - ▣ Due to rounding up of weighted average of interest rates
  - ▣ Due to longer potential repayment period
- Will lose any payment incentives earned on loans you consolidate; lose subsidy
- Interest rate on new loan will be different from rates on consolidated loans; may lose ability to target prepayments at highest cost debt

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## **Benefit for Public Service**

### **Public Service Loan Forgiveness Program (PSLF)**

# PSLF

## Key Points

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- ❑ DIRECT Loans only
- ❑ Work full-time as a paid employee for an eligible public service organization for 10 years (120 months)
- ❑ Repay loans using PAYE or IBR
- ❑ For more information, go to:  
***[StudentAid.ed.gov/publicservice](https://studentaid.ed.gov/publicservice)***



# Suggested Steps to Participate in PSLF

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- Consolidate any non-Direct Federal Student Loans in the Federal Direct Loan Program at:  
***LoanConsolidation.ed.gov***
- Use PAYE or IBR to repay your Direct loan(s)
- Make 120 payments (on-time) while employed full-time in qualifying public service position(s)
- Keep good records regarding all qualifying employment
- **Submit “Employment Certification Form for PSLF” annually**
- Apply for PSLF after 120 months of qualifying activity has been completed

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# Taking Charge

**Final words ...**

# An “Action Plan”

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1. Check your loan history at: ***NSLDS.ed.gov***
2. Develop your loan timeline
3. Select payment plan that’s best for you
4. Request payment relief when needed
5. Repay what you owe

And remember, notify loan servicer(s) of address changes whenever you move

# Direct Loan Payment tips ...

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- You will receive a SINGLE, itemized monthly billing statement from the servicer listing all of your Federal Direct Loans in repayment so that you only need to submit one monthly payment for those loans
  
- Payments can be made by:
  - ▣ Check or money order
  - ▣ Online payment
  - ▣ “Auto-Pay” program
    - SAVE TIME AND MONEY – Sign up for “Auto-Pay” – The U.S. Department of Education currently offers to reduce the interest rate by 0.25% on the federal student loans it owns if the you sign up with your loan servicer to have your monthly loan payments automatically deducted from a checking or savings account

# For more information ...

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- Federal student loan repayment: ***StudentAid.gov***
- Federal loan “Repayment Estimator”: ***StudentLoans.gov***
- Federal Direct Consolidation Loans:  
***LoanConsolidation.ed.gov***
- Public service: ***StudentAid.ed.gov/publicservice***
- National Student Loan Data System: ***NSLDS.ed.gov***
- Federal Student Aid PIN: ***PIN.ed.gov***
- PSLF benefits estimation: ***FinAid.org/calculators***
- Free annual credit report: ***AnnualCreditReport.com***

# YOU CAN TAKE CHARGE!

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