Today’s discussion will help you to…

- Know your loan portfolio – loan types and relative cost
- Know deferment and forbearance options
- Know the cost before choosing a repayment plan
- Know important decision points
- Know your available resources
THE BASICS

Know Your Loan Portfolio

- Know what types of loans you have
  - Federal Loans
  - Direct Loans
  - Perkins Loans
  - Private/Alternative Loans

- Identify your servicers
  - Federal and/or private loans may not all be with one servicer
  - Great Lakes
  - Nelnet
  - Fed Loan Servicing
  - Navient

Finding Your Federal and Private Student Loans

Federal Student Loans
National Student Loan Data System
www.nslds.ed.gov

Private Student Loan
www.annualcreditreport.com
National Credit Bureau Agencies

EQUIFAX: Phone: 800-685-1111
Website: www.Equifax.com

Experian: Phone: 888-397-3742
Website: www.Experian.com

TransUnion: Phone: 800-916-8800
Website: www.TransUnion.com

Track Your Types of Loans

Tip: Remember to list the type of loan exactly as it appears in NSLDS.

Track your Servicer

Tip: List the name of the servicer as it appears in the loan detail section of NSLDS.
Track Your Servicer Contact Info

Tip:
List the phone number of the servicer as it appears in the detail section of NSLDS.

Subsidized vs Unsubsidized Loans

**Subsidized Loans:** Have no interest cost while student is in school, in grace if applicable, or in a period of authorized deferment.

**Unsubsidized Loans:** Borrower is responsible for interest that accrues from the time of disbursement.

**EXAMPLES**
- Subsidized Stafford Loans*
- Perkins Loans
- Consolidation Loans: portion of underlying eligible subsidized loans
- Some institutional loans (see promissory note or aid office)

**EXAMPLES**
- Unsubsidized Stafford Loans
- PLUS Loan for Graduate Students
- Consolidation Loans: unsubsidized portion, which includes the unsubsidized Stafford loans plus any Perkins
- Private Loans

*Effective July 1, 2012, Subsidized Stafford Loans are no longer available for graduate students.

Note: Consolidated Appropriations Act (Public Law 112-74) eliminated the interest subsidy during the 6-month grace period on subsidized Stafford loans made from July 1, 2012 through June 30, 2014.

RELATIVE COST OF A STUDENT LOAN
Relative Costs of a Student Loan

- Interest Rate
  - What the lender charges for the use of money
  - The higher the interest rate, the more the loan will cost overall

- Interest Capitalization
  - Interest capitalization occurs when unpaid interest is added to the principal amount of a loan, increasing the principal amount outstanding

- Borrower Benefits/Repayment Incentives
  - Interest rate reductions
  - Credits to loan balance
  - Some benefits and repayment incentives impose eligibility requirements such as signing up for automatic debit or making a certain number of on-time payments

Loan Interest Rates

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Undergraduate Rates</th>
<th>Graduate Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Subsidized Loans</td>
<td>3.40%</td>
<td>N/A</td>
</tr>
<tr>
<td>Direct Unsubsidized Loans*</td>
<td>6.8%</td>
<td>3.86%</td>
</tr>
<tr>
<td>Grad PLUS Loans*</td>
<td>7.9%</td>
<td>6.41%</td>
</tr>
<tr>
<td>Consolidation Loan</td>
<td>3.86%</td>
<td>N/A</td>
</tr>
<tr>
<td>Private Loans</td>
<td>Variable rates</td>
<td>Fixed rates</td>
</tr>
</tbody>
</table>

*Rates in effect for loans issued on or after July 1, 2006.

Stafford loans disbursed from 7/1/1998 to 6/30/2006 carry variable rates, which are adjusted annually, each July 1.

The unexpired term for Stafford loans during the 2015-16 academic year is 10 years. Loans disbursed between July 1, 2015 and June 30, 2016 have a fixed interest rate of 4.66%.

Note: Rate for Grad PLUS loans issued under the Federal Family Education Loan Program is 8.50%

Federal student loan information was gathered on August 26, 2016 from https://studentaid.ed.gov. Rates, fees and availability of federal loan products are subject to change by the Federal Government. Check this website for the most up-to-date information about federal loan products.

Record you Loan Amount

Tip:
- List the amount of each loan

<table>
<thead>
<tr>
<th>Loans</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
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<td></td>
<td></td>
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</tr>
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</table>
Interest Capitalization and Its Impact

- Interest on most loans accrues from the date funds are disbursed until the loan is paid in full.
- Capitalization is the addition of unpaid accrued interest to the principal balance of a loan. The less frequent the better.
- Capitalization may occur more frequently for certain loans during forbearance.

The chart provides estimates for a $5,000 Stafford loan with a 6.8% interest rate, of the monthly payments due at the end of a 12 month forbearance for a 10 year term.

<table>
<thead>
<tr>
<th>Status</th>
<th>Principal at Repayment</th>
<th>Cap. Int. During Forbearance</th>
<th>Principal at end of Forbearance</th>
<th>Payment Amount</th>
<th>Total Amount Repaid</th>
<th>Total Interest Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Int. is paid as it accrues</td>
<td>$5,000</td>
<td>$0</td>
<td>$5,000</td>
<td>$57.54</td>
<td>$6,904.88</td>
<td>$1,904.88</td>
</tr>
<tr>
<td>Int. is capitalized at end of status</td>
<td>$5,000</td>
<td>$340</td>
<td>$5,340</td>
<td>$61.45</td>
<td>$7,374.55</td>
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Tip: Students should consider asking family to help with interest.

The chart provides estimates for $25,000 in Grad PLUS loans from a 4 year program with a 7.21% interest rate, of the monthly payments due at the end of a 12 month forbearance.

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<td>$0</td>
<td>$25,000</td>
<td>$293</td>
<td>$44,321</td>
<td>$20,393</td>
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<tr>
<td>Int. is capitalized at end of status</td>
<td>$32,360</td>
<td>$2,333</td>
<td>$35,667</td>
<td>$407</td>
<td>$48,790</td>
<td>$24,862</td>
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Tip: Students should consider asking family to help with interest.

Record Current Interest Rate

Tips:
- List the interest rate associated with each loan.

- Interest on most loans accrues from the date funds are disbursed until the loan is paid in full.
- Capitalization is the addition of unpaid accrued interest to the principal balance of a loan. The less frequent the better.
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### Interest Capitalization and Its Impact

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<th>Loan Type</th>
<th>Principal at</th>
<th>Principal at End of</th>
<th>Total Interest</th>
<th>Total Amount Repaid</th>
<th>Total Interest Cost</th>
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</thead>
<tbody>
<tr>
<td>Int. paid as it accrues</td>
<td>$50,000</td>
<td>$50,000</td>
<td>$586</td>
<td>$586,842</td>
<td>$40,786</td>
</tr>
<tr>
<td>Int. capitalized at end of status</td>
<td>$64,720</td>
<td>$69,387</td>
<td>$813</td>
<td>$97,580</td>
<td>$49,724</td>
</tr>
</tbody>
</table>

The chart provides estimates, for $50,000 in Grad PLUS loans from a 4 year program with a 7.21% interest rate, of the monthly payments due at the end of a 12 month forbearance.

Borrowers can always prepay federal and private student loans without penalty.

Be aware of the relative cost and make payments towards unsubsidized loans while in school/during deferments that have the highest rates and/or most frequent capitalization. This should save more money over time.

Unless otherwise noted, loan payments typically are applied first toward late fees, then interest, and finally principal.

### Understanding Grace Periods

**Grace Period** - period of time after a borrower graduates, leaves school or drops to less than half-time

- Payments may not be required during this period
- No application required
- Loan specific, varies according to loan – once used completely, it’s gone
  - Direct Subsidized and Unsubsidized loans have a six-month grace period
  - Private and Institutional loans: check your promissory note
- Unsubsidized federal loans continue to accrue interest during the grace period
- Taking advantage of a grace period does not adversely impact credit
Record your Grace Period Status

Track Dates You Need to Take Action

Tracking Your Loans

Utilize this chart to help you track your loans.
Understanding Federal Loan Deferments

**Deferment**: period when a borrower who meets certain criteria may postpone loan payments

- Application may be required depending on deferment type; recertification for subsequent deferment periods may also be required
- Federal student loan deferments are "borrower" specific, meaning eligibility is attached to the borrower and there is a max deferment time allotted for certain deferments
- The government pays interest on a borrower’s behalf for subsidized loans during authorized deferment periods

**Common Types of Deferments**:  
- In-School  
- Economic Hardship  
- Unemployment  
- Military  
- Graduate Fellowship

Note: Unsubsidized loans continue to accrue interest for which the borrower is responsible. To keep the interest paid by the government for subsidized loans, you may want to consider paying all or some of the interest that accrues during this time.

Understanding Federal Loan Forbearance

**Discretionary Forbearance**: allows a borrower who cannot make scheduled payments to temporarily delay or reduce the payments

- Interest continues to accrue on subsidized and unsubsidized loans during a forbearance period.
- Interest that accrues during the forbearance remains the borrower's responsibility.
- Unpaid interest may be capitalized at the end of the forbearance depending on the loan type and when the loan was disbursed. Additionally, there is a max forbearance time allotted.
- Capitalization of interest increases the amount to pay back, and will result in a higher payment amount after the forbearance. To keep your total loan cost lower, you may want to consider paying all or some of the interest that accrues during this time.

Federal Forbearance During Residency

Medical and dental school residents are eligible to receive a forbearance during their residency as long as the residency meets certain criteria such as being required for a degree, certificate, or licensing for professional practice or service. (Renewable on an annual basis in 12-month increments)
Delinquency & Default

Delinquency & defaults on student loans can adversely impact your credit history

- Delinquency
  - Failure to make payment(s) when due
  - Reported to credit bureaus; affects borrowers history

- Default
  - Collection agencies may take over adding to cost
  - Lender can take legal action
  - School can withhold records
  - Federal defaults could include wage garnishment & withholding of federal tax refunds
  - Student loans are rarely discharged in bankruptcy

FICO® Score

A FICO® Score is a three-digit number calculated from the credit information on your credit report at a particular point in time. It summarizes information in your credit report into a single number that lenders can use to assess your credit risk quickly.

FICO® Scores fall within the 300-850 score range.

Learning your FICO® Score can help you better understand your credit risk.

Ways to Improve Your Credit Score

Credit scores are continually changing, depending on how well - or poorly - the person manages their credit.

- General tips for improving your financial health:
  - Pay bills on time
  - Apply for credit only when necessary
  - Keep credit card balances to less than 50% of the available credit limit
  - Make more than the minimum payment
  - Have a mix of credit account types
  - Review your credit report regularly at annualcreditreport.com
Repayment Plans

- **Standard Repayment (Federal and Direct Loans)**
  - Level monthly payments that cover accruing interest and a portion of principal over a 10-year period
  - Higher monthly payments
  - Lowest overall cost

- **Graduated Repayment (Federal and Direct Loans)**
  - Payments start low, increase over time
  - Interest only payments followed by standard principal & interest
  - Finish in 10 years
  - Higher overall cost – but provides lower initial payment amounts

**Repayment Plans (Continued)**

- **Income Sensitive Repayment (Federal Loans Only)**
  - 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)

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

**Federal Loan Repayment Comparison**

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Initial Payment</th>
<th>Monthly Payment</th>
<th>Total Amount Paid</th>
<th>Repayment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$12,000</td>
<td>$200</td>
<td>$120,000</td>
<td>10 years</td>
</tr>
<tr>
<td>Graduated</td>
<td>$8,000</td>
<td>$160</td>
<td>$80,000</td>
<td>10 years</td>
</tr>
<tr>
<td>Income Sensitive</td>
<td>$10,000</td>
<td>$250</td>
<td>$250,000</td>
<td>10 years</td>
</tr>
<tr>
<td>Extended</td>
<td>$5,000</td>
<td>$100</td>
<td>$50,000</td>
<td>25 years</td>
</tr>
</tbody>
</table>

Source: Information gathered 8/2016 from https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action

Note: The DOE Calculator rounds the interest rates down to 5.3% and 6.3% respectively.
Repayment Plans (Continued)

- **Income-Contingent Repayment (Direct Loans Only)**
  - Payment is based on income
  - Student loan payments will not exceed 20% of “discretionary income”
  - Negative amortization is allowed
  - Up to 25 years to repay
  - Balance remaining after 25 years’ worth of payments can be forgiven (reportable as income)

- **Income-Based Repayment (Federal and Direct Loans)**
  - Available to federal loan borrowers experiencing financial hardship
  - Student loan payments will not 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 (reportable as income)

- **Pay As You Earn – PAYE (Direct Loans)**
  - Available to new Direct loan borrowers (except Parent PLUS loans) experiencing financial hardship
  - No loan balance as of October 1, 2007, and received a Direct loan on or after October 1, 2011
  - Student loan payments will not exceed 10% of “discretionary income”
  - Similar to Income Based Repayment, 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 qualifying repayment (reportable as income)

Federal Loan Repayment Plans

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Eligible Loans</th>
<th>Monthly Payment &amp; Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised Pay As You Earn Repayment Plan (REPAYE)</td>
<td>Effective December 2015</td>
<td>Monthly payments will be 10% of discretionary income. Payments are recalculated each year and are based on updated income and family size. If you’re married, both your and your spouse’s income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions). Any outstanding balance on your loan will be forgiven if you haven’t repaid your loan in full after 20 or 25 years. Any Direct Loan borrower with an eligible loan type may choose this plan. Your monthly payment can be more than the 10-year Standard Plan amount. You may have to pay income tax on any amount that is forgiven. Good option for those seeking Public Service Loan Forgiveness (PSLF)</td>
</tr>
</tbody>
</table>

Private Loan Repayment

- Private loans are almost always unsubsidized for the life of the loan
- Repayment terms vary
- Choice of repayment plans may be available
- Residency and internship deferments may be available
- Forbearances may be available
  - Consult your loan provider

TIP:
Refer to your promissory note or your servicer to determine your available options

Federal Loan Forgiveness Program for Public Service Employees

- Eligibility limited to Federal Direct Student Loan Program (FDLP) Loans
  - FFELP Stafford, PLUS, and Consolidation are not eligible
- FFELP Borrowers may consolidate in the FDLP
- Additionally, borrowers must have:
  - Made 120 on-time monthly payments beginning after October 1, 2007 during eligible public service employment.
  - Payments must be made under one of the payment plans: Income Based, Pay As You Earn, Income Contingent or any payment equivalent to the 10-year standard payment amount.
  - Worked full time in eligible public service employment for ten years after October 1, 2007.
  - At the time the remaining loan balance is forgiven, must be employed in an eligible public service job.
- Other loan forgiveness programs may also be available – do your research!

PSLF Employment Certification Form

- It will take you at least 10 years to make the 120 qualifying payments necessary to receive PSLF
- During this time you’ll want to track your periods of qualifying employment
- The Employment Certification Form will allow you to get your employer’s certification of employment while you are still employed
- Learn more: http://studentaid.ed.gov/publicservice

PSLF Employment Certification Form
Student Loan Interest Deduction

Borrowers may be eligible to deduct student loan interest.

Deduction may not exceed $2,500 per year.

Voluntary payments of interest during school, deferment or forbearance may be eligible for deduction.

Interest paid on consolidation loans may be deducted.

There are eligibility rules, including income limits.

The limits for Federal Tax Year 2016 are shown in the table below:

<table>
<thead>
<tr>
<th>Modified Adjusted Gross Income</th>
<th>Full Deduction</th>
<th>Partial Deduction</th>
<th>No Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0 to $50,000</td>
<td>$2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$50,001 to $65,000</td>
<td>$2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$65,001 to $80,000</td>
<td>$2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$80,001 to $130,000</td>
<td>$2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$130,001 to $160,000</td>
<td>$2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$160,001 or more</td>
<td>$2,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married Filing Jointly</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0 to $135,000</td>
<td>$2,500</td>
<td></td>
<td></td>
</tr>
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<td>$135,001 to $159,999</td>
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<td>$160,000 or more</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE: For information about your specific tax situation and any tax advice, please contact a tax professional.

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

Resources

School Financial Aid

Lender/servicer

Federal Student Aid Ombudsman
- U.S. Department of Education – FSA Ombudsman
  - [https://www.ombudsman.ed.gov](https://www.ombudsman.ed.gov) or 1-877-557-2575

Federal Loan Servicers:
- Great Lakes: 800-236-4330 [www.mylearningsakes.org](http://www.mylearningsakes.org)
- FedLoan Servicing: 800-630-2106 [www.mylearningsome.org](http://www.mylearningome.org)
- Navient: 800-722-1300 [www.navient.com](http://www.navient.com)
- Nelnet: 888-466-4722 [www.nelnet.com](http://www.nelnet.com)
Final Tips for Managing Your Loans and Finances

- Make your minimum payments.
- Avoid delinquency at all costs.
- Build an emergency fund.
- Reduce or stop unnecessary expenses.
- Reduce your overall debt.
- Make extra payments when possible.
- Create an emergency fund.
- Keep good credit information.

Questions?