Student Loan Repayment Strategies for Medical Students

Rowan University School of Osteopathic Medicine

Presenters: Joe Garzillo, Vice President and Region Head, East Region
Ed Gonzalez, Director, Business Development

March 20, 2018
The information contained in this presentation is not comprehensive, is subject to constant change, and therefore should serve only as general, background information for further investigation and study related to the subject matter and the specific factual circumstances being considered or evaluated. Nothing in this presentation constitutes or is designed to constitute legal advise.
Today’s discussion will help you to…

- Know your loan portfolio – loan types and relative cost
- Know important decision points
- Know ways to postpone payments
- Know repayment plan options
- Know your available resources
THE BASICS
Know Your Loan Portfolio

- **Know what types of loans you have**
  - Federal Student Loans
  - Direct Student 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
    - Others
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

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

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

**EXAMPLES**
- Direct Unsubsidized 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) temporarily eliminated the interest subsidy during the 6-month grace period on subsidized Stafford loans made from July 1, 2012 through June 30, 2014. The subsidy resumed for loans made on or after July 1, 2014.

Source: This information was gathered 9/2017 from: https://studentaid.ed.gov/sa/
Finding Your Federal and Private Student Loans

Federal and Direct 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

<table>
<thead>
<tr>
<th>Type of Loan</th>
<th>Servicer</th>
<th>Servicer Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Track Your Servicer**

**Tip:**
List the name of the servicer as it appears in the loan detail section of NSLDS.

<table>
<thead>
<tr>
<th>Type of Loan</th>
<th>Servicer</th>
<th>Servicer Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Track Your Servicer Contact Info

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

<table>
<thead>
<tr>
<th>Type of Loan</th>
<th>Servicer</th>
<th>Servicer Contact Info</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
RELATIVE COST OF STUDENT LOANS
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

- **Repayment Incentives**
  - Interest rate reductions
    - Most repayment incentives impose eligibility requirements such as signing up for automatic debit
# Loan Interest Rates

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Undergraduate</th>
<th>Graduate Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Subsidized Loans</strong>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012-13</td>
<td>3.40%</td>
<td>N/A</td>
</tr>
<tr>
<td>2013-14</td>
<td>3.86%</td>
<td>N/A</td>
</tr>
<tr>
<td>2014-15</td>
<td>4.66%</td>
<td>N/A</td>
</tr>
<tr>
<td>2015-16</td>
<td>4.29%</td>
<td>N/A</td>
</tr>
<tr>
<td>2016-17</td>
<td>3.76%</td>
<td>N/A</td>
</tr>
<tr>
<td>2017-18</td>
<td>4.45%</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Direct Unsubsidized Loans</strong>*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-AY 13-14:</td>
<td>6.8%</td>
<td>Pre-AY 13-14:</td>
</tr>
<tr>
<td>AY 13-14:</td>
<td>3.86%</td>
<td>AY 12-14:</td>
</tr>
<tr>
<td>AY 14-15:</td>
<td>4.66%</td>
<td>AY 14-15:</td>
</tr>
<tr>
<td>AY 15-16:</td>
<td>4.29%</td>
<td>AY 15-16:</td>
</tr>
<tr>
<td>AY 16-17:</td>
<td>3.76%</td>
<td>AY 16-17:</td>
</tr>
<tr>
<td>AY 17-18:</td>
<td>4.45%</td>
<td>AY 17-18:</td>
</tr>
<tr>
<td><strong>Graduate PLUS Loans</strong>*</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Pre-AY 13-14:</td>
<td></td>
<td>Pre-AY 13-14:</td>
</tr>
<tr>
<td>AY 13-14:</td>
<td></td>
<td>AY 12-14:</td>
</tr>
<tr>
<td>AY 14-15:</td>
<td></td>
<td>AY 14-15:</td>
</tr>
<tr>
<td>AY 15-16:</td>
<td></td>
<td>AY 15-16:</td>
</tr>
<tr>
<td>AY 16-17:</td>
<td></td>
<td>AY 16-17:</td>
</tr>
<tr>
<td>AY 17-18:</td>
<td></td>
<td>AY 17-18:</td>
</tr>
<tr>
<td><strong>Consolidation Loans</strong>*</td>
<td>Fixed rate based on weighted-average interest rate of underlying loans rounded up to a nearest one-eighth of a percent (capped at 8.25%)</td>
<td></td>
</tr>
<tr>
<td><strong>Private Loans</strong>*</td>
<td>Many lenders offer both variable and fixed rate options. Interest rates range from 3.00% to 12.99%</td>
<td></td>
</tr>
</tbody>
</table>

* Federal student loan information was gathered September 2017 from [https://studentaid.ed.gov](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.

* Based on an September13, 2017 review of competitors' loan programs and repayment features.
Record Your Loan Amount

Tip:
List the amount of each loan

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Interest Rate</th>
<th>Grace Period (Yes or No)</th>
<th>Action Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Record Current Interest Rate

Tip:
List the interest rate associated with each loan

<table>
<thead>
<tr>
<th>Loans</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount</td>
<td>Interest Rate</td>
<td>Grace Period (Yes or No)</td>
<td>Action Date*</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</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>Treatment of Interest During Forbearance 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>
<td>$2,374.55</td>
</tr>
</tbody>
</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.

<table>
<thead>
<tr>
<th>Treatment of Interest During Forbearance 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>$25,000</td>
<td>$0</td>
<td>$25,000</td>
<td>$293</td>
<td>$44,321</td>
<td>$20,393</td>
</tr>
<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>
</tr>
</tbody>
</table>

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.
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 $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:

<table>
<thead>
<tr>
<th>Treatment of Interest During Forbearance 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>$50,000</td>
<td>$0</td>
<td>$50,000</td>
<td>$586</td>
<td>$88,642</td>
<td>$40,786</td>
</tr>
<tr>
<td>Int. is capitalized at end of status</td>
<td>$64,720</td>
<td>$4,666</td>
<td>$69,387</td>
<td>$813</td>
<td>$97,580</td>
<td>$49,724</td>
</tr>
</tbody>
</table>
Paying Loans Off Early

- 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

<table>
<thead>
<tr>
<th>Grace Period (Yes/No)</th>
<th>Action Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Track Dates You Need to Take Action

Tip:
This is one of the most important items to document. List the date that you have to take action on your loan. This can either be the graduation date or the date your grace period expires. This can be confirmed by your servicer(s).
Tracking Your Loans

Utilize this chart to help you track your loans

<table>
<thead>
<tr>
<th>Type of Loan</th>
<th>DEBTOR</th>
<th>SUCCESS CONTACTS</th>
<th>LAST PAYMENT</th>
<th>PAYED THROUGH</th>
<th>GRACE PERIOD</th>
<th>REDUCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Important Advice for Students

Student Loan and Financial Planning Checklist

You can track your loans by filling out the fields below. Note: if your version of Adobe does not support editable fields, we encourage you to print this worksheet and complete the appropriate fields by hand.
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)
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

Note: Unsubsidized loans continue to accrue interest for which the borrower is responsible. Unless the interest is paid by the borrower, it may be capitalized (added to your principal balance) at the end of the deferment period. To keep your total loan cost lower, 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.

TIPS:
Be careful, the use of forbearance adds expense!

Forbearances can help you stay out of delinquency and default!
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
• **What is a “Good” FICO® Score**

The higher the score, the better it is!

<table>
<thead>
<tr>
<th>FICO® Score</th>
<th>Rating</th>
<th>What FICO® Scores in this range mean</th>
</tr>
</thead>
</table>
| 800+        | Exceptional| • Well above the average score of U.S. consumers  
             |            | • Demonstrates to lenders you are an exceptional borrower |
| 740 - 799   | Very Good  | • Above the average of U.S. consumers  
             |            | • Demonstrates to lenders you are a very dependable borrower |
| 670 - 739   | Good       | • Near or slightly above the average of U.S. consumers  
             |            | • Most lenders consider this a good score |
| 580 - 669   | Fair       | • Below the average score of U.S. consumers  
             |            | • Though many lenders will approve loans with this score |
| < 580       | Poor       | • Well below the average score of U.S. consumers  
             |            | • Demonstrates to lenders that you are a risky borrower |


September 2017
Components of Your FICO® Score

1. Payment history (35% of your scores): Whether you've paid past credit accounts on time
2. Amounts owed (30% of your scores): The amount of credit and loans you are using
3. Length of credit history (15% of your scores): How long you've had credit
4. New credit (10% of your scores): Frequency of credit inquires and new account openings
5. Credit mix (10% of your scores): The mix of your credit, retail accounts, installment loans, finance company accounts and mortgage loans

A good FICO® Score means better financial options for you

Federal Loan 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
Federal Loan 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 disbursed on or after October 7, 1998
    - Direct and 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
Federal Loan Repayment Comparison

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>First Monthly Payment</th>
<th>Last Monthly Payment</th>
<th>Total Amount Paid</th>
<th>Projected Loan Forgiveness</th>
<th>Repayment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$2,280</td>
<td>$2,280</td>
<td>$273,615</td>
<td>$0</td>
<td>120 months</td>
</tr>
<tr>
<td>Graduated</td>
<td>$1,312</td>
<td>$3,937</td>
<td>$293,757</td>
<td>$0</td>
<td>120 months</td>
</tr>
<tr>
<td>Extended Fixed</td>
<td>$1,362</td>
<td>$1,362</td>
<td>$408,505</td>
<td>$0</td>
<td>300 months</td>
</tr>
<tr>
<td>Extended Graduated</td>
<td>$1,098</td>
<td>$1,971</td>
<td>$443,026</td>
<td>$0</td>
<td>300 months</td>
</tr>
<tr>
<td>Revised Pay As You Earn (REPAYE)</td>
<td>$308</td>
<td>$1,212</td>
<td>$201,612</td>
<td>$262,951</td>
<td>300 months</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$308</td>
<td>$922</td>
<td>$135,195</td>
<td>$327,405</td>
<td>240 months</td>
</tr>
<tr>
<td>Income-Based Repayment (IBR)</td>
<td>$461</td>
<td>$1,819</td>
<td>$302,418</td>
<td>$227,082</td>
<td>300 months</td>
</tr>
<tr>
<td>IBR for New Borrowers</td>
<td>$308</td>
<td>$922</td>
<td>$135,195</td>
<td>$327,405</td>
<td>240 months</td>
</tr>
<tr>
<td>Income-Contingent Repayment (ICR)</td>
<td>$716</td>
<td>$2,602</td>
<td>$443,815</td>
<td>$81,311</td>
<td>300 months</td>
</tr>
</tbody>
</table>

Assumes $200,000 in graduate loans over a 4 year period ($82,000 unsubsidized and $118,000 GradPLUS). Assumes current interest rate of 6.00% for all unsubsidized loans and 7.00% for all GradPLUS Loans, annual income of $55,000 and household size of 1. Note: The DOE Calculator rounds the interest rates down to 6% and 7% respectively.

Source: Information verified 9/2017 from https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action
Federal Loan 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)** 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
  - 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>
<th>Quick Comparison</th>
</tr>
</thead>
</table>
| Revised Pay As You Earn Repayment Plan (REPAYE) | • Direct Subsidized and Unsubsidized Loans  
• Direct PLUS loans made to students  
• Direct Consolidation Loans that do not include PLUS loans (Direct or FFEL) made to parents | • Your monthly payments will be 10 percent of discretionary income.  
• Payments are recalculated each year and are based on your 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) |

Effective December 2015

# Federal Loan Repayment Plans

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Eligible Loans</th>
<th>Monthly Payment &amp; Timeframe</th>
<th>Quick Comparison</th>
</tr>
</thead>
</table>
| Consolidation  | • Direct Subsidized Loans  
• Direct Unsubsidized Loans  
• Subsidized Federal Stafford Loans  
• Unsubsidized Federal Stafford Loans  
• Direct PLUS Loans  
• PLUS loans from FFELP  
• Supplemental Loans for Students (SLS)  
• Federal Perkins Loans  
• Federal Nursing Loans  
• Health Education Assistance Loans  
• A PLUS loan made to the parent of a dependent student cannot be transferred to the student through consolidation. | • A Direct Consolidation Loan has a fixed interest rate for the life of the loan. The fixed rate is based on the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of 1%. There is no cap on the interest rate of a Direct Consolidation Loan.  
• The repayment term ranges from 10 to 30 years, depending on the amount of your consolidation loan, your other education loan debt, and the repayment plan you select. | • You'll pay more for your loan over time than under the 10-year standard plan. |

Source: This information was gathered from [https://studentaid.ed.gov/sa/](https://studentaid.ed.gov/sa/)
Consolidate or Refinance?

- **Consolidation**
  - Consolidation lets you combine multiple federal student loans into one loan with a fixed interest rate that’s a weighted average of your loans’ various interest rates. You won’t necessarily get a lower interest rate with consolidation, but you’ll have the convenience of making just one payment.

- **Refinancing**
  - Refinancing occurs when a company or lender buys all your current student loans and issues you a new loan to pay them all off. You’ll get a new rate but you may lose payment flexibility and special benefits that were available through the individual lenders or the government.

- **Considerations**
  - Will you lose any current student loan benefits, such as repayment options or Public Service Loan Forgiveness?
  - Is your credit score sufficient for a lender to approve you for a consolidation or refinancing?
  - Will your new loan be considered a student loan or a personal loan? If it’s not a student loan, will there be any tax consequences?
  - Will you have to pay any service fees to refinance your student loans?
  - Will you lose any discounts that you’ve had with your loan originator?

---

1This information was gathered on June 20, 2017, from https://studentloans.gov/myDirectLoan/launchConsolidation.action.
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 and/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!
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.

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 2017 are shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Full Deduction</th>
<th>Partial Deduction</th>
<th>No Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single</strong></td>
<td>Modified Adjusted Gross Income is &lt;= $65,000</td>
<td>$60,001 to $79,999</td>
<td>$80,000 or more</td>
</tr>
<tr>
<td><strong>Married</strong></td>
<td>Modified Adjusted Gross Income is &lt;= $130,000</td>
<td>$130,001 to $159,999</td>
<td>$160,000 or more</td>
</tr>
<tr>
<td><strong>Filing jointly</strong></td>
<td></td>
<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
Final Tips for Managing Your Loans and Finances

- **Make payments automatically**
  You won’t forget to make your payment and you could also get a reduction on your interest rate.

- **Make payments each and every month**
  Resist putting off your payments, as deferment or forbearance typically means you’ll pay more over the life of the loan.

- **Pay a little extra each month**
  Extra payments can help you pay off your loan faster.

- **Create a budget**
  Track your monthly expenses to help you cut out unnecessary items and pay down your debt even faster.

- **If you fall behind, get help**
  Call your loan servicer to discuss your options. Changes to your payment plan may provide the flexibility you need.

- **Build an emergency fund**
  Aim to save $500 to $1,000 to cover unexpected expenses.

- **Beware of scams**
  Fraudulent companies might claim to offer easy ways to lower your loan payments and even try to charge you fees. If you have doubt about a service offered, contact your servicer.

- **Don’t miss important information**
  Keep your loan servicers updated with any change in mailing address, email, and phone numbers so they can keep in touch with you.
Resources

- School Financial Aid
- Lender/servicer
- Federal Student Aid Ombudsman
  - U.S. Department of Education – FSA Ombudsman
  - http://www.ombudsman.ed.gov or 1-877-557-2575
- Federal Loan Servicers:
  - Great Lakes: 800-236-4300 www.mygreatlakes.org
  - Navient: 800-722-1300 www.navient.com
  - Nelnet: 888-486-4722 www.nelnet.com
Questions?