

STUDENT LOAN REPAYMENT

Chase College
of Law
Financial Aid
Presentation

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2011

TOPICS TO BE COVERED

- General Repayment Information
- Loan consolidation
- Repayment Plans
- Public service loan forgiveness
- Contacting the lender

GENERAL REPAYMENT INFORMATION

- Six month grace period for a Federal Stafford Loan (Direct Loan Program or Federal Family Education Loan (FFEL Program)).
- Nine month grace period for Perkins loans
- You'll receive information about repayment, and your loan provider will notify you of the date loan repayment begins. It is *extremely* important to make your *full* loan payment *on time* either monthly (which is usually when you'll pay) or according to your repayment schedule.

GRADUATE PLUS

- The repayment period for a Direct PLUS Loan *begins at the time the PLUS loan is fully disbursed*, and the first payment is due within 60 days after the final disbursement. However, a graduate student PLUS Loan borrower can defer repayment while the borrower is enrolled at least half-time, and, for PLUS loans first disbursed on or after July 1, 2008, for an additional six months after the borrower is no longer enrolled at least half-time. Interest that accrues during these periods will be capitalized if not paid by the borrower during the deferment.

EXIT COUNSELING

- Federal requirement for students to complete when they graduate or any time a student drops below half-time enrollment status
- Can be completed online at: www.studentloans.gov. Click on “exit counseling”. You will then be directed to log in to NSLDS with your FAFSA PIN.
- Exit counseling materials will be mailed to graduating students in the next few weeks.
- Online counseling allows student to view customized repayment schedule.

ACCESS YOUR FEDERAL STUDENT LOAN INFORMATION

- The U.S. Department of Education's National Student Loan Data System (NSLDS) allows you to access information on loan and/or federal grant amounts, your loan status (including outstanding balances), and disbursements made. Visit www.nslds.ed.gov.
- You will need your FAFSA PIN to access this information.

LOAN CONSOLIDATION

- Consolidation loans have fixed interest rates that are based on the weighted average of the interest rates on the loans being consolidated. The interest rate does not exceed 8.25 percent.
- Private education loans are not eligible for consolidation.
- All FFEL and Direct Stafford Loan borrowers are eligible to consolidate after they graduate, leave school, or drop below half-time enrollment.
- The consolidation rate is fixed for the life of the loan, which protects you from future increases in variable rate loans but prevents you from benefiting from future decreases in variable rates.
- The payback term ranges from 10 to 30 years, depending on the amount of education debt being repaid and the repayment option you select.
- *Once made, Federal Consolidation Loans cannot be unmade.*

REPAYMENT PLANS

- Standard
- Extended
- Graduated
- Income Based
- Income Sensitive

STANDARD REPAYMENT PLAN

- With the standard plan, you'll pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least \$50, and you'll have up to 10 years to repay your loans.
- Your monthly payment under the standard plan may be higher than it would be under the other plans because your loans will be repaid in the shortest time. For that reason, having a 10-year limit on repayment, you may pay the least interest.

EXTENDED REPAYMENT PLAN

- Under the extended plan, you'll pay a fixed annual or graduated repayment amount over a period not to exceed 25 years.
- You must have more than \$30,000 in outstanding Stafford & Grad PLUS loans to qualify for this repayment plan.
- Your fixed monthly payment is lower than it would be under the Standard Plan, but you'll ultimately pay more for your loan because of the interest that accumulates during the longer repayment period.

GRADUATED REPAYMENT PLAN

- With this plan, your payments start out low and increase every two years.
- The length of your repayment period will be up to ten years.
- If you expect your income to increase steadily over time, this plan may be right for you.
- Your monthly payment will never be less than the amount of interest that accrues between payments.
- Although your monthly payment will gradually increase, no single payment under this plan will be more than three times greater than any other payment.

INCOME BASED REPAYMENT (IBR)

- Under IBR, the required monthly payment is capped at an amount that is intended to be affordable based on income and family size.
- You are eligible for IBR if the monthly repayment amount under IBR will be less than the monthly amount calculated under a 10-year standard repayment plan.
- If you repay under the IBR plan for 25 years and meet other requirements you may have any remaining balance of your loans cancelled.
- Additionally, if you work in public service and have reduced loan payments through IBR, the remaining balance after ten years in a public service job could be cancelled.

INCOME SENSITIVE REPAYMENT

- Your monthly loan payment is based on your annual income.
- As your income increases or decreases, so do your payments. The maximum repayment period is 10 years. Ask your lender for more information on FFEL Income-Sensitive Repayment Plans.
- This plan is only available for FFEL loans.

INCOME CONTINGENT REPAYMENT

- Each year, your monthly payments will be calculated on the basis of your adjusted gross income (AGI, plus your spouse's income if you're married), family size, and the total amount of your Direct Loans. Under the ICR plan you will pay each month the lesser of:
- 1. The amount you would pay if you repaid your loan in 12 years multiplied by an income percentage factor that varies with your annual income, or
- 2. 20 percent of your monthly discretionary income.

PUBLIC SERVICE LOAN FORGIVENESS PROGRAM

- Created to encourage individuals to enter and continue to work full-time in public service jobs.
- Under this program, you may qualify for forgiveness of the remaining balance due on your eligible federal student loans after you have made 120 payments on loans under certain repayment plans while employed full time by certain public service employers.
- Only non-defaulted loans made under the William D. Ford Direct Loan Program are eligible for loan forgiveness.

LOANS THAT CAN BE INCLUDED IN THE PUBLIC LOAN FORGIVENESS PROGRAM

- •Federal Direct Stafford Loans (Direct Subsidized Loans)
- •Federal Direct Unsubsidized Stafford Loans (Direct Unsubsidized Loans)
- •Federal Direct PLUS Loans (Direct PLUS Loans)- for parents and graduate or professional students
- •Federal Direct Consolidation Loans (Direct Consolidation Loans)

CIVIL LEGAL ASSISTANCE ATTORNEY STUDENT LOAN REPAYMENT PROGRAM

- established to encourage qualified individuals to enter and continue employment as civil legal assistance attorneys.
- an eligible student loan borrower, with one or more eligible loans, may receive up to \$6,000 in student loan repayment for each year of completed service up to an aggregate total of \$40,000.
- If funding is available for this program for 2011, the application will be available online July 1.

HELPFUL TOOLS AND RESOURCES

- Repayment calculators:
 - www.studentaid.ed.gov
 - Click on “repaying your loans” and then on “repayment plans and calculators”.
- To apply online for loan consolidation, please visit:
 - www.loanconsolidation.ed.gov
 - You can apply online, E-sign the Master Promissory Note, download instructions, select repayment plan, etc.

TROUBLE MAKING PAYMENTS

- • **Requesting a deferment**—If you meet certain requirements, a deferment allows you to temporarily stop making payments on your loan.
- • **Requesting a forbearance**—If you don't meet the eligibility requirements for a deferment but are temporarily unable to make your loan payments, then (in limited circumstances) a forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments.

If you stop making payments and don't get a deferment or forbearance, your loan could go into default (see Default section below), which has serious consequences.

DEFAULT

- you failed to make your loan payments as scheduled, according to the terms of your promissory note. Your school, the financial institution that made or owns your loan, your loan guarantor, and the federal government all can take action to recover the money you owe.
- default occurs on a Federal Family Educational Loan (FFEL) program loan after a default has persisted for 270 days in the case of a loan repayable in monthly installments

DEFAULT CONSEQUENCES

- • National credit bureaus can be notified of your default, which will harm your credit rating, making it hard to buy a car or a house.
- • You will be ineligible for additional federal student aid if you decide to return to school.
- • Loan payments can be deducted from your paycheck.
- • State and federal income tax refunds can be withheld and applied toward the amount you owe.
- • You will have to pay late fees and collection costs on top of what you already owe
- • You can be sued.

LOAN REHABILITATION

- To rehabilitate a Direct Loan, you must make at least nine (9) full payments of an agreed amount within twenty (20) days of their monthly due dates over a ten (10) month period to the U.S. Department of Education (Department). Payments secured from you on an involuntary basis, such as through wage garnishment or litigation, cannot be counted toward your nine (9) payments. Once you have made the required payments, your loan(s) will be returned to the Direct Loan Servicing Center.

LENDER CONTACT INFORMATION

- Great Lakes 1-800-247-0462
- KHEAA 1-800-564-6068
- Sallie Mae 1-888-272-5543
- Department of Education Direct Consolidation Information
 - 1-800-557-7392