



MONEY MATTERS PART 2 – LOAN REPAYMENT

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We talked last time about minimizing your debt load while you're in school...

But what about after school?! That debt has to be paid back somehow!



Don't panic! You have LOTS of options!

Basics of Loan Repayment

NSLDS.gov – Record of your entire federal loan history and who your loan servicer(s) is(are)

- Look carefully - You may have multiple servicers!

Federal Direct Loan servicers-

- FedLoan Servicing
- Nelnet
- Navient
- Great Lakes
- CornerStone
- Granite State
- HESC/Edfinancial
- MOHELA
- OSLA Servicing



Federally-funded loans administered by UF (Perkins, HPSL, LDS, etc.)-

- Servicer is Heartland ECSI – www.ecsi.net

Remember - Your loan servicer is your friend!

- “A servicer is a company that works on behalf of DOE to collect payments, respond to customer service inquiries, and perform other administrative tasks related to your federal student loans”*
- The servicer is NOT a debt or bill collector
- Your servicer’s purpose is to assist you in repaying your debt and staying out of delinquency/default
- If your servicer communicates with you, *don’t ignore it!*

To-Do Items-

- Set up an online account with each of your servicers
 - Many tasks can be completed online
 - Easy way to track your loan balance, payments, etc.
 - Mobile app may also be available
- [Keep your contact information current!](#)
 - You could miss important communications from your servicer if they can’t reach you
 - Easy to forget when repayment starts without a reminder

Private Loans (a.k.a., Alternative Loans)

- Loans made by a private lender (i.e., Wells Fargo, Sallie Mae, Discover, etc.) rather than the federal government
- Generally, you will not have a loan servicer – you will deal directly with the lender when it comes to repayment
- No centralized record-keeping system – Will not appear on NSLDS
 - Check your credit report and your personal records if you are unsure about your lender and/or loan status

****Please note** – Private loans are NOT eligible for federal loan repayment options nor for federal loan forgiveness!

To-Do Items-

- Set up an online account with each of your lenders (if available)
- Keep your contact information current!

When do I have to start paying back my loans?

- Federal loans have “grace periods” that begin after graduation (or a drop below half-time enrollment)
 - During a grace period, you are not required to make payments
 - However – interest continues to accrue for Unsubsidized & PLUS loans
- Grace period lengths
 - Direct Loans (Subsidized, Unsubsidized): 6 months
 - Perkins Loans: 9 months
 - HPSL, LDS: 12 months
 - Special note on PLUS: Technically, no grace period. However, you can opt for an automatic 6-month deferment when you apply.
- **NOTE**: Private loans generally do not carry a grace period. You may have to start repaying immediately after graduation. Check the terms of your loan and/or contact your lender if you’re unsure of your repayment terms.

How does repayment work?

- Generally, your servicer will contact you when you're approaching the end of your grace period
- You don't have to wait for servicer contact to start making payments or to choose a repayment plan – You can (and should!) talk to your servicer about options early

IMPORTANT! Even if your servicer doesn't contact you about repayment, **you are still responsible for making payments on time.** It's on you to know when repayment starts and when payments are due.

- You need to choose a repayment plan during your grace period, unless you plan to follow the Standard (default) plan
- Tip! Set up automatic debit for your loan payments. You get a 0.25% interest rate deduction for doing so.

Federal Student Loan Repayment Plans

Based on Debt

Standard

Graduated

Extended

Based on Income

Income-Contingent

Income-Based

Pay As You Earn

Revised PAYE

Plans Based on Debt / Not Based on Income

- For borrowers who want their debt paid off in a certain amount of time and/or don't want their income taken into consideration when calculating the monthly payment amount

Standard Plan

- Default plan – All borrowers enter this plan unless they select another
- Fixed monthly payments for a 10-year repayment period
- High monthly payments but lowest amount of interest paid
- Good option for borrowers who can afford the payments and want their debt gone in the shortest amount of time

Graduated Plan

- Payments start low and increase throughout the 10-year repayment term
- Borrower will pay more interest, & therefore have a higher payoff amount
- Good option for borrowers who start out with a low income but anticipate increased income

Plans Based on Debt / Not Based on Income (cont.)

Extended Plans - Fixed or Graduated

- Essentially, longer term versions of the Standard and Graduated plans
- Borrower must have a Direct Loan balance of \$30,000 or more to qualify
- Borrower pays a fixed or graduated payment over 25 years
- Borrower will pay more interest, and therefore have a higher payoff amount
- Good option for borrowers who want a lower monthly payment without pursuing an income-based repayment plan or consolidation

Comparison of Non-Income Based Repayment Plans (StudentLoans.gov Repayment Estimator)

Repayment Plan		First Monthly Payment	Last Monthly Payment	Total Amount Paid	Selected Loan Forgiveness	
Standard	i	\$1,845	\$1,845	\$221,450	\$0	120 months
Graduated	i	\$1,050	\$3,149	\$234,959	\$0	120 months
Extended Fixed	i	\$1,044	\$1,044	\$313,264	\$0	300 months
Extended Graduated	i	\$779	\$1,631	\$341,580	\$0	300 months

- Assumptions
 - Total debt: \$170,043 (average debt of UFCVM class of 2016)
 - \$136,034 unsubsidized loans (80% of total debt)
 - \$34,039 Grad PLUS loans
 - Just entered repayment
- Note: No loan forgiveness. The purpose of these plans is to pay off your entire balance in a certain amount of time - so there is nothing left to forgive

Income-Driven Repayment Plans

Under these plans, the monthly payment amount is determined based on the borrower's (and his/her spouse's, in some cases) income

Considerations for an IDR Plan

Pros	Cons
Lower monthly payment	Repayment period more than 10 years
Avoid delinquency/default	More interest paid over time (i.e., higher payoff amount)
Remaining principal/interest forgiven after 20-25 years of payments	Must recertify annually (easy to forget)
Qualifies for Public Service Loan Forgiveness (10 years)	Non-PSLF forgiveness is taxable

*Note – Payments may be as low as \$0 under an IDR plan. These do count as qualifying payments toward forgiveness (both PSLF and otherwise).

Who Should Consider an IDR Plan?

- IDR plans are generally the best option for borrowers who have a high loan debt relative to their income
- *Borrowers must give serious thought to their repayment priorities*
 - IDR plans do give you lower monthly payments – but will accrue more interest over time, thus creating a much higher payoff amount
 - You'll be making payments for up to 25 years
 - Remaining loan balance is forgiven after 20-25 years
 - The forgiven amount is considered taxable income!
 - Must be in an IDR plan to qualify for PSLF
- ALWAYS do research and talk to your servicer before choosing a plan! The best option for each individual borrower is very much based on his/her own personal situation.
- You must apply initially for an IDR plan – via StudentLoans.gov (electronic) or your servicer (paper) – and provide income documentation
- You must also recertify your income and household size annually

Income-Contingent Repayment (ICR) Plan

- All Direct Loans eligible
- All borrowers with eligible loans qualify (a particular debt-to-income ratio is not required)
- Monthly payment is the lesser of: 20% of discretionary income; *or* the amount you would pay on a 12-year repayment plan with fixed payments, adjusted according to your income
 - Payments recalculated every year based on updated income, family size, and the total amount of your Direct Loans
 - **NOTE: There is no cap on the payment amount.** You could end up with a higher payment than you would have under the Standard plan!
- If married – Your spouse’s income and loan debt are taken into consideration if you file a joint tax return or choose joint repayment of your and your spouse’s Direct Loans
- After 25 years of payments, any remaining loan balance is forgiven
 - *The forgiven amount is considered taxable income*

Income-Based Repayment (IBR) Plan

- All Direct Loans eligible (except Parent PLUS and Consolidation Loans that include Parent PLUS)
- Must have a high debt relative to income to qualify (“partial financial hardship”)
- Monthly payments = 10-15% of discretionary income
 - Payments recalculated every year based on updated income and family size
 - Payment Amount Cap – You’ll never pay more than you would under the Standard plan
- If married – Your spouse’s income and loan debt are taken into consideration when determining your AGI only if you file a joint tax return
- After 25 years of payments, any remaining loan balance is forgiven
 - *The forgiven amount is considered taxable income*

*Note – If you leave the IBR plan, you will be placed on the Standard plan. You must make 1 payment under the Standard plan (or request a reduced-payment forbearance) before you can switch to another repayment plan.

PAYE (Pay As You Earn) Plan

- Very similar eligibility requirements as IBR, including partial financial hardship
 - Key difference-
 - ONLY available to individuals who were “new borrowers” on or after 10/1/07 and received a disbursement of a Direct Loan on or after 10/1/11
- Monthly payments = 10% of discretionary income
 - Payment cap does apply – payments will never be higher than they would be under the Standard plan
- Forgiveness occurs after 20 years of payments
 - *The forgiven amount is considered taxable income*

REPAYE (Revised Pay As You Earn) Plan

- Open to any borrower with eligible federal student loans
 - No financial requirements
- Monthly payments = 10% of discretionary income
 - **NOTE: There is no cap on the payment amount.** You could end up with a higher payment than you would have under the Standard plan!
- Payments recalculated every year based on updated income and family size
- If married – Your spouse’s income and loan debt is considered regardless of whether you file jointly or separately (with limited exceptions)
- Forgiveness occurs after 25 years of payments
 - *The forgiven amount is considered taxable income*

Single borrower residing in Florida
 Total loan debt \$170,034
 Starting salary \$67,535*

Repayment Plan	First Monthly Payment	Last Monthly Payment	Total Amount Paid	Projected Loan Forgiveness ⓘ	Repayment Period
Standard ⓘ	\$1,845	\$1,845	\$221,450	\$0	120 months
Graduated ⓘ	\$1,050	\$3,149	\$234,959	\$0	120 months
Extended Fixed ⓘ	\$1,044	\$1,044	\$313,264	\$0	300 months
Extended Graduated ⓘ	\$779	\$1,631	\$341,580	\$0	300 months
Revised Pay As You Earn (REPAYE) ⓘ	\$414	\$1,556	\$262,919	\$119,291	300 months
Pay As You Earn (PAYE) ⓘ	\$414	\$1,192	\$178,751	\$178,340	240 months
Income-Based Repayment (IBR) ⓘ	\$621	\$1,845	\$340,007	\$0	279 months
IBR for New Borrowers ⓘ	\$414	\$1,192	\$178,751	\$178,340	240 months
Income-Contingent Repayment (ICR) ⓘ	\$928	\$1,982	\$271,293	\$0	191 months

*Per AVMA Market Research Statistics for Class of 2013 (most recent available)

Consolidation Loan

- Combines all federal loans into a single new loan
 - Essentially, all your loans are paid off, and their balance is transferred into the Consolidation loan
- Establishes new interest rate, repayment schedule, and terms
 - Interest rate = weighted average of the underlying loans' interest rates rounded up to the next 1/8 of 1%
- All federal repayment plans may be used for repaying a Consolidation loan
- Benefits: Could provide borrower with a lower monthly payment & qualifies for PSLF
- Remember – Private loans cannot be included in a federal consolidation loan!

Deferment/Forbearance

- Both temporarily postpone payments for borrowers who meet eligibility requirements
- Interest does still accrue! (Except for subsidized loans in deferment)
- Available for various circumstances – Contact your servicer to find out if you qualify

What is Public Service Loan Forgiveness (PSLF)?

A borrower qualifies if they meet ALL of the following conditions:

- (1) Makes 120 qualifying payments
- (2) Under a qualifying repayment plan
- (3) While being employed full time by a qualifying employer

- Key points
 - Qualifying payments do not have to be consecutive
 - All IDR plans qualify – Standard, Extended, & Graduated do not
 - Qualifying employers generally are government agencies and 501(c)(3) nonprofits
- PSLF Employment Certification form
 - Not required but highly recommended – Available from servicer
 - Servicer will evaluate if your employment qualifies and track payments
 - Solely handled by FedLoan Servicing
- After 120th qualifying payment, you MUST apply for loan forgiveness – not automatically granted
- The forgiven amount is NOT taxable and there is no cap on how much can be forgiven ← **Biggest benefit of PSLF**

Note – Future of program is unknown. Major changes or even full repeal could occur. Stay tuned!

Single borrower residing in Florida
Total loan debt \$170,034
Starting salary \$52,400*

Repayment Plan	First Monthly Payment	Last Monthly Payment	Total Amount Paid	Public Service Loan Forgiveness	Repayment Period
Standard ⓘ					
Graduated ⓘ					
Extended Fixed ⓘ					
Extended Graduated ⓘ					
Revised Pay As You Earn (REPAYE) ⓘ	\$288	\$496	\$46,245	\$193,722	120 months
Pay As You Earn (PAYE) ⓘ	\$288	\$496	\$46,245	\$217,370	120 months
Income-Based Repayment (IBR) ⓘ	\$432	\$744	\$69,368	\$194,248	120 months
IBR for New Borrowers ⓘ	\$288	\$496	\$46,245	\$217,370	120 months
Income-Contingent Repayment (ICR) ⓘ	\$675	\$1,113	\$105,599	\$157,407	120 months

**Per AVMA Market Research Statistics – Starting salary at a non-profit for Class of 2013 graduates*

Veterinary Medicine Loan Repayment Program (VMLRP)

<https://nifa.usda.gov/program/veterinary-medicine-loan-repayment-program>

- Offered by the USDA National Institute of Food and Agriculture (NIFA)
- Pays up to \$25,000 per year toward veterinarians' educational loans
 - Only pays toward loans incurred in vet school
 - Private loans generally qualify (check eligibility criteria)
 - Must have loan debt of \$15,000 or more
- Must agree to work in a NIFA-designated shortage area for 3 years
 - May potentially receive loan repayment for longer than 3 years – check with program
- Applications generally open in the spring each year
- Key eligibility criteria
 - Must hold a DVM degree
 - Must be a U.S. citizen, national, or permanent resident
 - Cannot owe veterinary service to any other entity (e.g., military)

AVMA -

<https://www.avma.org/KB/Resources/Statistics/Pages/Market-research-statistics-First-year-employment.aspx>

FedLoan Servicing webinar: “Income-Driven Repayment Plans” (originally presented 10/06/2016)

Federal Student Aid webinar: “Federal Student Loan Repayment Plans and the Repayment Estimator” (originally presented 06/02/2016)

Federal Student Aid –

<https://studentaid.ed.gov/sa/repay-loans/understand/plans>

<https://studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service>

<https://studentaid.ed.gov/sa/sites/default/files/income-driven-repayment-q-and-a.pdf>

<https://studentaid.ed.gov/sa/repay-loans>

Great Lakes SmartSessions webinar: “New Professionals Webinar: Fundamentals of the Federal Loan Program” (originally presented 10/26/2016)

NASFAA webinar: “NASFAA Policy Update” (originally presented 12/6/2016)

USDA NIFA - <https://nifa.usda.gov/program/veterinary-medicine-loan-repayment-program>

Questions?

Office Hours: 8:00-4:30 Monday-Friday

Or, call or email!

I'm here for you!



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