



Direct Student Loan Exit Counseling

Jeff Shelby, Director of Compliance and Technology

Financial Aid Office, Stanford University

Presentation Overview



- **Direct Loan Terminology**
- **Direct Loan Repayment Options and Examples**
- **Direct Loan Forgiveness and Discharge Programs**
- **Suspension of Payment**
- **Delinquency**
- **Helpful Information**



Direct Loan Terminology

Loan Terminology



– Direct Subsidized Loan

- » Available only to undergraduates with computed financial need
- » Must be enrolled at least half-time
- » No interest accrues while in school
- » Fixed interest rate (July 1, 2019-June 30, 2020: rate is 4.53% undergrad)

– Direct Unsubsidized Loan

- » No requirement for financial need
- » Must be enrolled at least half-time
- » Responsible for interest during all periods
- » Fixed interest rate (July 1, 2019-June 30, 2020: rate is 4.53% undergrad; 6.08% graduate)

– Master Promissory Note (MPN)

- » Must sign before receiving any loan funds
- » A legal document
- » Gives terms and conditions of loans

Loan Terminology



– Direct PLUS Loans

- » Enrolled at least half-time
- » No adverse credit history
- » Fixed interest rate for life of loan (July 1, 2019-June 30, 2020: rate is 7.08%)
- » Enters repayment once fully disbursed
- » Parent PLUS Loan cannot be transferred to the child

– Grace Period

- » 6 month period after graduation/separation
- » PLUS Loans do not have a grace period automatically
- » No interest will accumulate on Subsidized loans during grace
- » Can make payments

– Repayment Period

- » Time your loan payments are due to loan servicer
 - Payments are required regardless of educational outcome or employment status.

Loan Terminology



– **Discretionary Income**- the difference between your income and 150% of the poverty guidelines for your family size and state of residence (www.aspe.hhs.gov)

– **Loan Consolidation**

- » Allows borrowers to combine federal student loans into one loan
- » Federal consolidation process is free
- » Consolidate loans through www.studentaid.gov or contact your Loan Servicer

<u>PROS</u>	<u>CONS</u>
ONE PAYMENT	PAY MORE OVER LIFE OF LOAN
FIXED INTEREST RATE	INTEREST RATE MAY BE HIGHER
LOWER PAYMENT	ONLY CERTAIN LOANS ELIGIBLE
DEFERMENT/FORBERANCE RESTARTS	LOSE REMAINDER OF GRACE PERIOD
AVOID DEFAULT	LOSE CREDIT FOR PSLF PAYMENTS

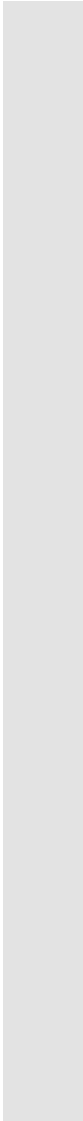
Loan Terminology



- **Federal Family Education Loan Program (FFELP)**
 - » Private lenders provided loans to students guaranteed by government
 - » No new loans made as of July 1, 2010
- **Loan Servicer**
 - » Handles all services and options on your federal student loan
 - » Loans may be transferred amongst Servicers
 - » Find your student Loan Servicer(s) on www.studentaid.gov
 - » MAINTAIN CONTACT WITH YOUR SERVICER!!!



Repayment Options

- Standard
 - Graduated
 - Extended
 - Income-Driven
 - Examples
- 

<u>Plan</u>	<u>Payment</u>	<u>Repayment Term</u>	<u>Eligible Loans</u>	<u>Eligibility Requirements</u>
Standard Repayment Plan	Fixed payment of at least \$50	10yrs ; 30yrs if consolidated	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Direct PLUS • FFELP 	None
Graduated Repayment Plan	Payments start low but increase every 2yrs for 10yrs; will never be less than monthly interest	10yrs	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Direct PLUS • FFELP 	Upon request
Extended Repayment Plan	Fixed or Graduated payments	up to 25yrs	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Direct PLUS • FFELP 	\$30,000 of student loan debt; Obtain loans on or after Oct. 7, 1998

Repayment Example

<u>Loan amount</u>	<u>Payment for Standard</u>	<u>Payment for Graduated</u>	<u>Payment for Extended</u> *fixed
\$10,000	\$111/month \$13,322 total payment	\$63 - \$190/month \$14,212 total payment	Not Applicable
\$25,000	\$278/month \$33,360 total payment	\$159 - \$476/month \$35,530 total payment	Not Applicable
\$50,000	\$555/month \$66,612 total payment	\$317 - \$952/month \$71,060 total payment	\$322/month \$96,645 total payment
\$100,000	\$1,110/month \$133,225 total payment	\$635 - \$1,905/month \$142,120 total payment	\$644/month \$193,290 total payment

*6% interest rate

<u>Plan</u>	<u>Payment</u>	<u>Repayment</u>	<u>Eligible Loans</u>	<u>Information</u>
Revised Pay as You Earn (REPAYE)	10% of discretionary income	20yrs undergraduate loans only; 25yrs graduate loans; remaining balance <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Grad PLUS 	Recertify Yearly; sub loans int paid for first 3yrs then half; half on unsub loans
Pay as You Earn (PAYE)	10% of discretionary income	20yrs, remaining balance <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Grad PLUS 	Recertify Yearly; sub loans int paid for first 3yrs
Income-Based Repayment (IBR)	15% of discretionary income (10% of discretionary income after 7/1/14)	25yrs, 20yrs if borrowed on or after 7/1/14; remaining balance <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Grad PLUS • FFELP 	Recertify Yearly; sub loans int paid for first 3yrs
Income-Contingent Repayment (ICR)	20% of discretionary income	25yrs, remaining balance <u>may</u> be forgiven and taxed	<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Grad PLUS • Consolidated Parent PLUS Loans made after 7/1/06 	Recertify Yearly; You are responsible for int

Repayment Example

Based on a family size of one with an adjusted gross income (AGI) of \$35,000. No additional federal loan debt. Assumes a 5% increase in income each year. \$50,000 in total loan debt (\$23,000 subsidized and \$27,000 unsubsidized). All loans have a 4.66% interest rate.

	<u>REPAYE</u>	<u>PAYE</u>	<u>IBR</u>	<u>ICR</u>
<u>Initial Payment</u>	\$143	\$143	\$217	\$370
<u>Final Payment</u>	\$606	\$507	\$523	\$439
<u>Time in Repayment</u>	22.9 years	20 years	16.8 years	14.5 years
<u>Total Paid</u>	\$90,779	\$71,171	\$77,191	\$69,676
<u>Forgiven Amount</u>	\$0	\$20,327 (may be taxable)	\$0	\$0

* \$62,763 total paid under 10-year Standard Repayment Plan

Try *Loan Simulator*

Loan Simulator is a new tool to help you make decisions about your student loans. Use it to find a repayment plan that meets your needs and goals or to decide whether to consolidate.



I Want to Find the Best Repayment Strategy

We will recommend a repayment plan based on your needs and goals and help you explore options like making extra payments or consolidating your loans.

Log In and Start



I'm Struggling With My Payments

Decide whether you want to temporarily stop payments or lower your monthly payment instead.

Log In and Start

Forgiveness and Discharge

- Teacher Loan Forgiveness
- Public Service
- Discharges

Forgiveness



I Choose To Forgive

– Teacher Loan Forgiveness (TLF)

- » Must teach full-time for 5 complete and consecutive academic years
- » Must be a low-income school (<https://studentaid.gov/app/tcli.action>)
- » All schools operated by the Bureau of Indian Education (BIE) qualify
- » Forgiveness of up to \$17,500
 - A highly qualified teacher in Science, Mathematics, or Special Education
- » Forgiveness of up to \$5,000
 - A highly qualified Elementary or Secondary education teacher
- » Direct Loans and FFELP Loans only; (PLUS Loans not eligible)
- » Teaching at multiple schools acceptable
 - Each school will require an application

Forgiveness



I Choose To Forgive

– Public Service Loan Forgiveness (PSLF)

- » 120 non-consecutive qualifying payments
 - No later than 15 days after due date, Full-Months payment
- » Employed Full-Time by Qualifying Employer
- » On a qualifying repayment plan
 - REPAYE, PAYE, IBR, ICR, 10-Year Standard Repayment Plan
- » Remaining balance will be forgiven; Not considered income
- » Direct Loans, Grad PLUS
- » Parent PLUS Loans
 - Eligibility is based on parent employment , not students

Forgiveness



I Choose To Forgive

– Public Service Loan Forgiveness (cont)

- » May not use the 5 years that were accepted for the Teacher Loan Forgiveness (TLF)
- » Private-Loans are not eligible
- » Consolidated loans on standard repayment plan do not qualify
- » If you have been paying into PSLF, but consolidate, you will lose those prior qualifying payments made

Discharges



- **Closed School** - if your school closes while enrolled and unable to complete program
- **Total and Permanent Disability**- if you are no longer able to work due to physical or mental impairments
- **Due to Death**- if acceptable documentation of your death is received by your loan servicer
- **Borrower Defense to Repayment**- if a school misled or engaged in other misconduct in violation of certain state laws

Suspension of Payment

- Deferment
- Forbearance

Payment Suspension



– Deferment

- » Entitlements offered by the Department of Education
- » Interest will not accrue on Subsidized Loans
- » Account will remain current on option

– Deferment Types

In-School – may be granted if attending a qualifying school at least half-time (unlimited)

Post-Enrollment – may be granted for PLUS borrowers to align repayment schedule with Subsidized/Unsubsidized loans

Only for 6 months

Graduate Fellowship – may be granted if participating in Graduate Fellowship Program

Unemployment – may be granted if unemployed or working less than 30 hours per week (3 years available)

Must be eligible for unemployment benefits or

Must be registered with employment agency

Payment Suspension



– Deferment Types (cont)

Economic Hardship – may be granted during a period of financial difficulty (3 years available)

Working full-time, but earnings below 150% of poverty guidelines, OR
Receiving means-tested benefits (e.g. TANF, SSI, WIC), OR
Serving in the Peace Corps

Military – must be on active duty during a war, military operation, or national emergency

Post active-duty student deferment may be available
National Guard members should request forbearance instead

Rehabilitation Training – must be enrolled in a certified/licensed rehab program

Vocational rehabilitation, drug abuse treatment, mental health treatment, or alcohol abuse services

Cancer Treatment – defers payments while you are undergoing cancer treatment and for six months after your treatment ends

Payment Suspension



- **Forbearance**
 - » Interest still accrues on subsidized and unsubsidized loans
 - » Account will remain current on option
- **Forbearance Types**
 1. **General** – may be granted to borrowers if time available
 - 12 months per request; check with servicer
 - 36 months available
 2. **Internship/Residency** – may be granted if in a medical or dental or other residency program
 - Authorized official certifies the begin and end dates of participation in program
 - 12 months per request
 - 36 months available
 3. **Teacher Loan Forgiveness** – may be granted if qualify for Teacher Loan Forgiveness Program
 - Only if expected forgiveness amount will satisfy the anticipated outstanding balance at the end of the fifth year of qualifying service
 - 12 months per request

Payment Suspension



– Forbearance Types (cont)

4. **Loan Debt Burden** – may be granted if total monthly loan payment exceeds 20% of gross monthly income
 - Proof of income
 - 12 months per request
 - 36 months available

5. **Emergency/Disaster** – may be granted due to local or national disaster
 - Verification of a state of emergency in area www.fema.gov
 - 90 days per request



Delinquent

- Delinquency
- Default
- Rehabilitation

Delinquent

**PAYMENT
REQUIRED**

- Delinquency
 - » Occurs first day after due date
 - » Negative credit reporting at 90 days at end of month and every 30 days after
- Default
 - » Happens between 270 - 360 days of delinquency
 - » Lose options
 - » Lose eligibility for future federal aid
 - » Negative credit reporting
 - » Wage garnishment
 - » Tax offset
 - » Bank accounts frozen

Delinquent

**PAYMENT
REQUIRED**

– Rehabilitation Loan

- » Loan that initially defaulted and turned over to Default Management and Collections Systems (DMCS)
- » Have to make 9 consecutive payments within 10 consecutive months
- » Payment based off income and individual circumstances
- » DMCS sends letter asking if you would like loans rehabilitated
- » Default status will be removed
- » Eligible to receive additional student aid
- » You can rehabilitate a defaulted loan only once



COVID-19

– COVID-19 Borrower Relief Provisions

- » All Direct Loans placed in administrative forbearance; zero interest accruing and no payments required through September 30, 2020
- » Interest and repayment relief applies to federally-held FFEL loans and Perkins loans
- » No application/request required
- » Suspended payments count toward IDR forgiveness and PSLF
- » Payment based off income and individual circumstances
- » DMCS sends letter asking if you would like loans rehabilitated
- » Default status will be removed
- » Eligible to receive additional student aid
- » You can rehabilitate a defaulted loan only once



Helpful Information

- Tips

Helpful Information



- ❖ Get organized; Use <https://studentaid.gov/> to determine loan servicer(s)
- ❖ Compare different repayment plans. Use the repayment estimator
- ❖ Budget; Know how much you can afford
- ❖ Know eligibility for the loan forgiveness programs and discharges
- ❖ Know your loans
- ❖ Make payments during deferment and forbearance periods

Helpful Information



- ❖ Make payments on time
- ❖ Receive 0.25% interest rate reduction with automatic debit payments
- ❖ You can receive a federal tax deduction for interest paid on student loans; Form 1098E
- ❖ Able to change your due date and repayment plan
- ❖ Any difficulties, questions, or concerns with your student loan contact Loan Servicer(s)
- ❖ Any problems with Loan Servicer contact Ombudsman Group

Loan Portals

StudentAid.gov

Students can:

- ❖ Complete Federal Loan Counseling requirements (Entrance, Exit, TEACH)
- ❖ Complete the MPN
- ❖ Apply for an income driven repayment plan
- ❖ Use Loan Simulator to estimate your monthly payment and compare repayment plans
- ❖ Apply for Loan consolidation

Servicer websites

Examples:

<https://myfedloan.org/>
<https://mygreatlakes.org/>
<https://navient.com/>
<https://nelnet.com/>

Borrowers can:

- ❖ Make online payments
- ❖ Sign up for automatic payments
- ❖ Enroll in repayment plans
- ❖ Request deferment or forbearance
- ❖ Ask questions

Lender websites

*Examples: Sallie Mae,
Wells Fargo*

Students can:

- ❖ Make payments toward private loans
- ❖ Ask questions

Questions/Comments

