

# Exit Counseling



**SPRING 2018**

**MIDDLEBURY INSTITUTE OF  
INTERNATIONAL STUDIES**

**STUDENT FINANCIAL SERVICES**

# Agenda



- Loan types and interest rates
- Grace periods
- Repaying your student loans
- Repayment plans and incentives
- Avoiding delinquency and default

# Your Rights



- Receive a copy of your signed MPN
- Receive a disclosure statement
- Receive a six-month grace period (Stafford loans)  
(There is no grace period for Grad Plus Loans)
- Prepay all or part of your loan without penalty
- Deferments & forbearance, if eligible
- How to make payments- *however, you do not have the right to choose your servicer.*
- Proof of discharge after repaying loan in full

# Your Responsibilities



- Complete Exit Counseling
  - Federal Stafford/PLUS Loans: [www.studentloans.gov](http://www.studentloans.gov)
  - Federal Perkins Loan: [www.heartlandesci.com](http://www.heartlandesci.com)
- Repay your loan(s)
- Make on-time, monthly payments
- Read correspondence from lender
- Notify lender of changes within 10 days
  - **Name, address & telephone number (Consider doing this now)**
- Ask your servicer for help

# Key Industry Players



- MIIS Financial Aid Office

<http://studentaid.ed.gov/>

- Federal Government

<http://studentaid.ed.gov/>

- Loan Servicer

- Credit reporting agencies

♦ <https://www.annualcreditreport.com/>

- Ombudsman

1.877.557.2575

[www.ombudsman.ed.gov](http://www.ombudsman.ed.gov)

- NSLDS

[www.nslds.ed.gov](http://www.nslds.ed.gov)

# Loan Debt and Details



Don't know from whom and/or how much you've borrowed?  
Check out the *National Student Loan Data System*

- Central database for student aid records/federal loans
- Track loans from disbursement to payoff
- Total student loan indebtedness (Not including private educational loans)
- Loan servicer, status & interest rate
- [www.nslds.ed.gov](http://www.nslds.ed.gov)
- 1-800-999-8219
- SSN, Name, Birth date and FSA ID
- [Need to create an FSA ID to access if you haven't already done so.](#)

# Loan Programs



## Subsidized Loans

- Subsidized Federal Stafford/Direct Loan
- Federal Perkins Loan (Terminated in 2017)

## Unsubsidized Loans

- Unsubsidized Federal Stafford/Direct Loan
- Federal Grad PLUS Loans
- Parent PLUS Loans
- Private Loans



# Federal Perkins Loans- No new loans after 10/2017



- ☐ Federal government pays interest
  - ☐ In school
  - ☐ During grace period (nine months)
  - ☐ During deferment periods
  - ☐ Fixed interest rate of 5% upon entering repayment
- ☐ Payment not required while in school
- ☐ Federal Perkins Loan only offers one repayment plan, the standard 10 year repayment plan.
- ☐ **Separate online exit requirement**
  - ☐ [www.ecsi.net](http://www.ecsi.net)
  - ☐ Create an account to access form





# Grace Period



	Grace Period
<b>Federal Stafford Loans</b>	6 months
<b>Federal Grad PLUS Loans</b>	No Grace Period (May request deferral)
<b>Federal Perkins Loans</b>	9 months
<b>Federal Consolidation Loan</b>	No Grace Period
<b>Private Loans</b>	6 to 9 months (varies by lender)

# Grace Period Continued



What about my undergraduate loans?  
Do I have a grace period on those?

- Did you re-enter school at least half time within 6 months of graduation?
  - If yes, then your grace period is reinstated\*. If not, you will enter payment on your undergraduate loans within 30 to 60 days of your last date of attendance

\*Any time you do not use up the full 6 month grace period, it is reinstated!  
So if you are planning to enroll again, and you do so before your 6 month grace period is up, you get your grace period back!

# Origination Loan Fee



	10/1/2016 - 9/30/2017	10/1/2017 - 9/30/2018
<b>Direct Subsidized/ Unsubsidized Stafford</b>	1.069%	1.066%
<b>Direct Graduate Plus</b>	4.276%	4.264%

- Origination loan fee covers administrative expenses and insurance costs for loans at the time of first disbursement
- Perkins Loan has no loan fees

# Interest Rates for Graduate Loans



<b>Graduate Loan</b>	<b>07/01/06 - 06/30/13</b>	<b>07/01/14 - 06/30/15</b>	<b>07/01/15 - 06/30/16</b>	<b>07/01/16 - 06/30/17</b>	<b>07/01/17 - 06/30/18</b>
<b>Direct Unsubsidized Stafford</b>	6.8%	6.21%	5.84%	5.31%	6%
<b>Direct Graduate Plus</b>	7.9%	7.21%	6.84%	6.31%	7%

- Loans before 2006, had variable rates revised every July 1<sup>st</sup>
- Federal Perkins Loan has a 5% fixed interest rate
- Your servicer should provide a breakdown of each loan and its interest rate
- Simple interest calculation only. No ‘interest on interest’

# What is Capitalization?



Definition: “The addition of accrued interest to outstanding principal.” (*Applicable for unsubsidized loans*)

## Certain events will trigger the capitalization of your loans:

- Changing Loan Statuses (Moving from grace or deferment into repayment)
- Switching Repayment Plans
- Consolidating your Loans
- Failing the partial financial hardship test under certain income driven repayment plans
- Failing to provide annual documentation for income drive repayment plans

Note that the Grad PLUS loan enters repayment once it is fully disbursed. For a Fall/Spring loan, that means it capitalized in January. You still can postpone the repayment 6 months, but you have no ability to pay down accrued interest.

# Repayment- Spring 2018 Avg Debt = \$68,650



- Standard Repayment
- Graduated Repayment
- Extended Repayment
- Income Contingent (DL)
- Income Based Repayment (IBR)
- Pay As You Earn (PAYE)
- Revised Pay As You Earn (REPAYE)



# Standard Repayment Plan



- \$ Fixed monthly payment
- \$ \$50 minimum payment
- \$ 10-year repayment schedule

## Federal Stafford Loans (subsidized & unsubsidized) and Grad PLUS loans

Interest Rate		5.65%			6.65%	
Total Amount Borrowed	Number of Payments	Monthly Payment	Total Paid	Number of Payments	Monthly Payment	Total Paid
\$41,000	120	\$448	\$53,761			
\$27,650				120	\$316	\$37,929

Total Estimated Monthly Repayment for \$68,650 in debt = \$764/mo

Total Paid over the life of the loans: \$91,690 (\$23,040 in cumulative interest paid.)

# Graduated Repayment Plan



**\$** Payments start out low and gradually increases until paid in full

**\$** 10 Year Repayment Term

**\$** Requires that you pay at least monthly interest

## Federal Stafford Loans (subsidized & unsubsidized) and Grad PLUS loans

Interest Rate		6.103%	
Total Amount Borrowed	Beginning Monthly Payment	Ending Monthly Payment	Total Paid
\$68,650	\$438	\$1315	\$98,129

Total Interest Paid: \$29,479



# Extended Fixed Repayment Plan



- \$ Loans greater than \$30,000
- \$ Standard or graduated repayment plans
- \$ Repayment term cannot exceed 25 years

## Federal Stafford Loans (subsidized & unsubsidized) and Grad PLUS loans

Interest Rate		5.65%			6.65%	
Total Amount Borrowed	Monthly Payment	Years in Repayment	Total Paid	Monthly Payment	Years in Repayment	Total Paid
\$41,000	<b>\$255</b>	25	\$76,639			
\$27,650				<b>\$189</b>	25	\$56,790

Total Estimated Monthly Repayment = **\$444**/month (vs. **\$764**/month on standard repayment plan)

Total Paid Over the Life of the Loan **\$133,429** (vs. **\$91,690** for standard)

Total Interest Paid Over the Life of the Loan: **\$64,779** (vs. **\$23,040** for standard)

## Extended Graduated Repayment Plan



- \$** Payments start out low and gradually increases until paid in full
- \$** Loan term is set based on the loan balance – Max 25 years
- \$** Requires that you pay at least monthly interest

### Federal Stafford Loans (subsidized & unsubsidized) and Grad PLUS loans

Interest Rate		5.65%			6.65%	
Total Amount Borrowed	Beginning Monthly Payment	Ending Monthly Payment	Total Paid	Beginning Monthly Payment	Ending Monthly Payment	Total Paid
\$41,000	\$224	\$318	\$79,900			
\$27,650				\$158	\$308	\$46,840

Total Estimated Monthly Repayment starts at \$382 and ends at \$626 per month

Total paid over the life of the loan: \$126,740 (Total Interest Paid: \$58,090)

# Comparison of Repayment Plans



Federal Stafford Loans (subsidized & unsubsidized) and Grad PLUS loans				
	Standard	Graduated	Extended	Grd. Ext.
\$41,000 Stafford	\$448	\$236 to 763	\$255	\$224
\$27,650 Graduate Plus	\$289	\$187 to 505	\$173	\$158
<b>\$68,650</b> Total Loans	<b>\$737</b>	<b>\$423 to 1268</b>	<b>\$428</b>	<b>\$382 to \$626</b>
Total Paid for Life of Loan	<b>\$88,444</b>	<b>\$94,634</b>	<b>\$133,429</b>	<b>\$126,740</b>
Total Interest Paid	\$22,160	\$28,350	\$64,779	\$58,090

# Income Based Repayment (IBR) Plan



- Caps your required monthly payments on the major types of federal student loans at an amount intended to be affordable based on income and family size
- Lowers monthly payments for borrowers who have high loan debt and modest incomes
- May increase the length of the loan repayment period, accruing more interest over the life of the loan

# IBR Qualifications



- Must have a *partial financial hardship*
  - You have a partial financial hardship if the monthly amount you would be required to pay on your IBR-eligible federal student loans under a 10-year [Standard Repayment Plan](#) is **higher** than the monthly amount you would be required to repay under IBR.
- Payment amount may increase or decrease each year based on your income and family size.
- Payment required may not cover monthly interest accrued. This is called negative amortization.

# Income Based Repayment Plan (cont.)



## Advantages

- **Pay based on what you earn**
  - Monthly payment amount will generally be 10 to 15 percent of your *discretionary income*
  - To be eligible, payment cannot be more than the amount you would be required to pay under the 10-year Standard Repayment Plan
- **Interest payment benefit**—If your monthly IBR payment amount doesn't cover the interest that accrues (accumulates) on your loans each month, the government will pay your unpaid accrued interest on your **Direct Subsidized Loans** (and on the subsidized portion of your Direct Consolidation Loans) for up to three consecutive years from the date you began repaying your loan under IBR. This amount does not have to be repaid.

# Income Based Repayment Plan (cont.)



## Disadvantages

- **You may pay more interest**
  - Reduced monthly payment in IBR generally means a longer repayment time period
  - May pay more total interest over the life of the loan than with other repayment plans
- **You must submit annual documentation**
  - You must provide the documentation or your monthly payment amount will be changed to the amount you would be required to pay under the 10-year Standard Repayment Plan
  - If you do not provide the required income documentation, unpaid interest will also capitalize, often resulting in reverse amortization.
- **You may have to pay taxes** on any loan amount that is forgiven after 25 years.
- **Your payments may be higher if you are no longer eligible for IBR-**

If you become ineligible for IBR and have to go back to the standard 10 year repayment plan, your payment could be higher than it was when you initially entered repayment

# Income Based Repayment Plan (cont.)



## ● Married?

- Contact your loan servicer to determine if your payment might be lower if you and your spouse file taxes separately. There may be tax implications for filing separately so it is advisable that you contact a tax consultant as well.
- If your spouse also has federal student loans your servicer can help you determine if their loans can be considered when establishing your repayment amount.



# Pay As You Earn (PAYE)



- Provides monthly payments tied to income
- Allows borrowers to cap their student loan payments at **10%** of discretionary income (vs. 15% with IBR)
- Reduces the number of years for forgiveness from 25 to **20** for private sector employment
- Unpaid interest on subsidized loans is forgiven for three years
- Must renew your eligibility annually, or unpaid accumulated interest will capitalize and you will be put back on standard 10 year repayment plan

# Pay As You Earn (PAYE) cont.



- Must not have loan debt prior to Oct.1, 2007
- Must have a new loan disbursed after Oct, 1 2011

## Eligible Loans:

- Direct Stafford Loans
- Direct Graduate Plus Loans
- Direct Consolidation Loans
- Consolidated FFEL Loans
- Consolidated Perkins Loans

## Non-Eligible Loans:

- FFEL Loans- Not consolidated
- All Parent PLUS loans
- Private Loans
- Perkins Loans- Not consolidated

# Revised Pay As You Earn (REPAYE)



- Newest Program, just became available in December 2015  
Provides monthly payments tied to income
- Allows borrowers to cap their student loan payments at **10%** of discretionary income (vs. 15% with IBR)
- Will forgive remaining debt after 20 years for *undergraduate debt only*, and 25 years for those with any graduate debt for private sector employment.

# Revised Pay As You Earn (REPAYE)



- Similar to PAYE, without disbursement date restrictions
- Unlike with the PAYE and IBR plans, borrowers don't have to show that their income is low compared to their federal student loan debt in order to enter REPAYE. In simple terms, that means that the amount of your debt and your income level won't keep you from qualifying.

## Eligible Loans:

- Direct Stafford Loans
- Direct Graduate Plus Loans
- Direct Consolidation Loans
- Consolidated FFEL Loans
- Consolidated Perkins Loans

## Non-Eligible Loans:

- FFEL Loans- Not consolidated
- All Parent PLUS loans
- Private Loans
- Perkins Loans- Not consolidated

# Revised Pay As You Earn (REPAYE)



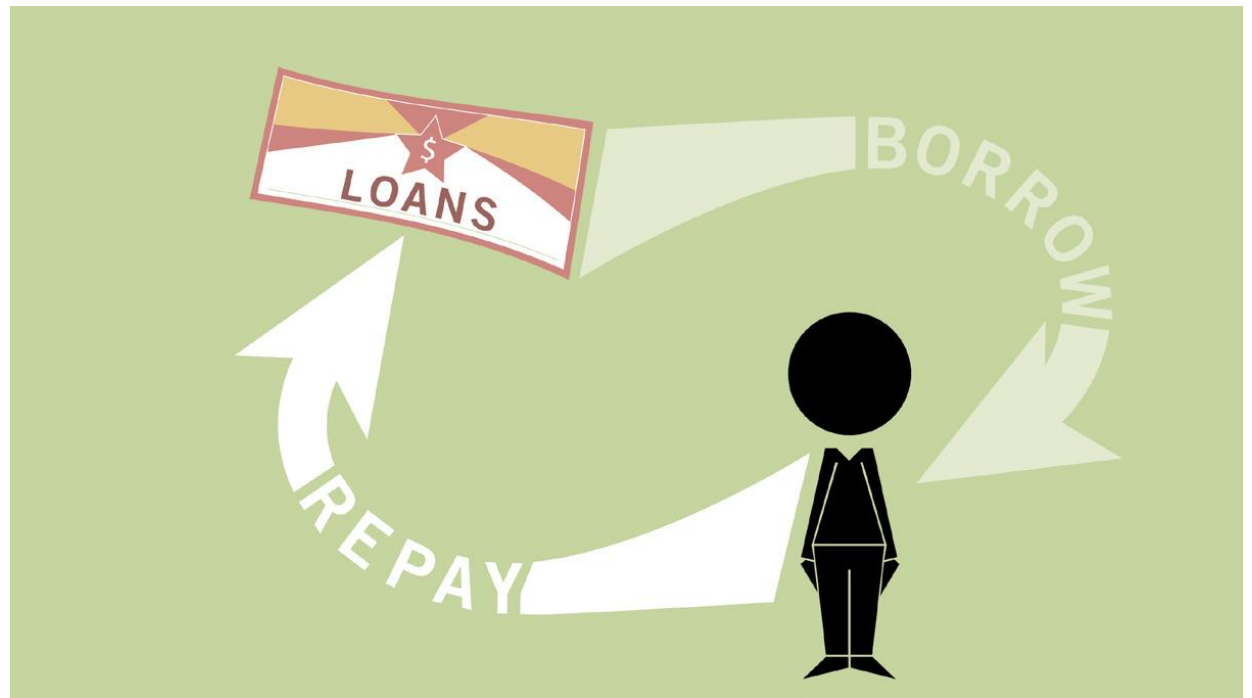
**Married borrowers' payments are calculated differently:** The other income-driven repayment plans use the combined income of you and your spouse to set your payment amount only if you file a joint federal income tax return. If you and your spouse file separate tax returns, your payment amount is based on only your income. REPAYE (with limited exceptions) uses the combined income (and student loan debt) of you and your spouse to set your monthly payment amount, regardless of whether you file a joint tax return or separate returns. This could increase your monthly payment amount.

# HOW TO ESTIMATE PAYMENTS

Helpful sites:

Finaid.org

Studentloans.gov



## Federal Student Aid Loan Repayment Estimator:

<https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action>

# Public Service Loan Forgiveness



You must be working full time in an eligible public service position AND be making on-time, full, scheduled monthly loan payments for 120 months on your eligible Federal Direct Loan(s) as part of :

- **Pay as you Earn Repayment Plan, REPAYE**
- **Income Based Repayment (IBR) plan,**
- **Standard Repayment plan based on a 10-year repayment schedule**

# Public Service Loan Forgiveness

## *Additional Eligibility Provisions*



- Your 120 qualifying payments do NOT have to be consecutive
- Must be working in qualifying public service position at time of loan forgiveness- contact your servicer to confirm if your employer is eligible
- Loan payments made prior to 10/1/2007 do NOT count toward the 120-month requirement
- Loan payments on non-eligible loans (e.g., FFEL loans, Federal Perkins Loans) do NOT count toward the 120-month requirement
- Check [studentaid.ed.gov](https://studentaid.ed.gov) for more information on PSLF



# Federal Direct Loan Consolidation



- Repayment Extended up to 30 Years
  - You will lose your borrower benefits
    - From older FFEL loans
    - Perkins Loans will become unsubsidized loans
    - Potential Loss of grace period
  - You will increase your cost by extending repayment
    - Total interest paid over repayment period will be much higher
  - You will be able to combine loans and make one payment
  - Consider Affordability and Overall Cost
- [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)

NOTE: There are non-federal student loan consolidations companies (SOFI, Lendkey, etc.) however, note that you lose the insurance you already paid, as well as access to loan repayment programs, forgiveness provisions and deferments/forbearances.

# Loan Assistance Programs



for Perkins/Stafford Loans

Military service

Teach or practice medicine in certain communities

AmeriCorps—[www.americorps.gov](http://www.americorps.gov)

Other loan forgiveness resources

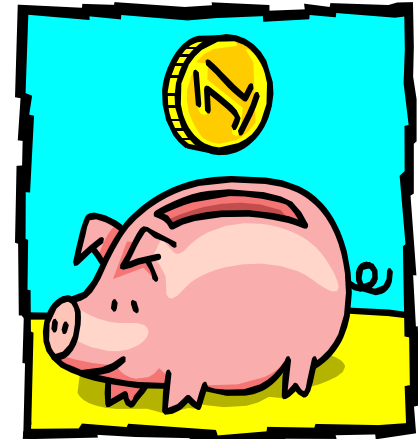
<http://studentaid.ed.gov/>

# Money Saving Tips



- Loan Forgiveness Programs
- Repayment Incentives or Borrower Benefit Programs
  - Auto Debit ensures on time payments and offers a 0.25% interest rate reduction.
- Making Payments During Grace Period
- Making Payments Larger than Required
- Tax Benefits- Student loan interest benefit

[www.irs.gov](http://www.irs.gov)



# ASK FOR HELP!!



- Let your servicer know if anything affects your ability to pay your loan
- You may be eligible for a
  - Deferment
  - Forbearance
  - Cancellation



# Deferment



- ❑ Postponement of payments
- ❑ Not automatic
  - ❑ You must apply & receive approval from lender
- ❑ Primary reasons
  - ❑ In-school
  - ❑ Unemployment
  - ❑ Economic hardship
  - ❑ Military service

# Forbearances



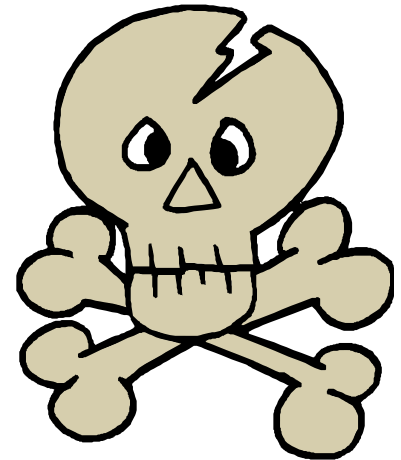
- Temporary reduction or postponement of payments
- Not automatic
  - You must apply and receive approval from lender/servicer
- Primary reasons
  - Poor health
  - Residency program
  - Financial hardship
- Interest will continue to accrue
- Only allowed 3 years for the life of the loan



# Cancellation



- In extreme circumstances:
  - Total and permanent disability
  - Inability to complete course of study due to school closure
  - False certification by school
  - Death



# Consequences of Default



- ✓ Full amount of loan is due
  - Including collection costs
- ✓ Subject to federal and state offsets
  - Wages and tax refund may be garnished
- ✓ Credit will be tarnished
- ✓ Loss of deferment and forbearance options
- ✓ Loss of eligibility for future financial aid
- ✓ May lose eligibility for certain federal or state jobs
- ✓ May lose professional license





# Keys to Successful Repayment



- ❖ Keep school and lender informed about changes
  - ❖ Most importantly, **address changes**
- ❖ Keep copies of all documents in one place
- ❖ *Open all mail*
- ❖ The longer it takes to repay your loans, the more interest you will pay
- ❖ Build good credit with timely payments
- ❖ Always ask for help

# FSA Ombudsman



## Office of Student Financial Assistance, Ombudsman-

✓ *The SFA Ombudsman works with student loan borrowers to informally resolve loan disputes and problems.*

✓ **Customer Service: (877) 557-2575**

**<http://ombudsman.ed.gov>**

# Beware of Student Loan Debt Relief Scams



- The Consumer Financial Protection Bureau (CFPB) issued a [Consumer Advisory](#) stating student loan debt relief company scams may cost consumers thousands of dollars and drive them even further into debt.
- The CFPB warns students to avoid paying third-party debt relief providers for plans the students can easily get for free.
- CFPB cited two companies in particular for illegally marketing student debt relief services: College Education Services and Student Loan Processing.US.
- Third-Party or private companies offering special services do not have the ability to negotiate with creditors in order to obtain a "special deal" under the federal student loan programs. The CFPB Consumer Advisory includes warning signs indicating a company offering student loan debt relief may be a scam.
- Avoid companies where they:
  - **Pressure to you pay high upfront fees before providing service**
  - **Requests for a Federal Student Aid (FSA) PIN, giving them access to your info**

# RESOURCES



- <https://studentaid.ed.gov/>
- <http://www.finaid.org/calculators/>
- [https://www.nslds.ed.gov/nslds\\_SA/](https://www.nslds.ed.gov/nslds_SA/)
- <https://heartlandecsi.com>
- <http://ombudsman.ed.gov>

# Questions?



The Student Financial Services Office is always here to help even after your graduate.

Email: [finaid@miis.edu](mailto:finaid@miis.edu)

Phone: 831-647-4119

Fax: 831-647-6685

