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The Road to Successful Student Loan Repayment

Presented to Touro College

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A Department of
Education Servicer

FedLoan Servicing was established by the Pennsylvania Higher Education Assistance Agency (PHEAA) to support the U.S. Department of Education's ability to service student loans owned by the federal government.

Agenda

- What You Need to Know
- Income-Driven Repayment Plans Overview
 - Income-Based Repayment Plan (IBR)
 - Income-Contingent Repayment Plan (ICR)
 - Pay As You Earn Plan (PAYE)
 - Revised Pay As You Earn Plan (REPAYE)
 - Applying for an Income-Driven Plan
- Other Repayment Plans
- Public Service Loan Forgiveness
- Direct Loan Consolidation
- Resources

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Successful repayment

Repayment Plans

Sometimes the right repayment plan makes all the difference in your ability to pay your student loan. The options are flexible, and there's sure to be one that will work for you.

Be aware that these repayment plans are not available on all loans, so check with your lender/loan servicer to find out which repayment options are available to you.

- Examine your financial situation carefully when you start repayment to make sure you use the plan that best meets your ability to pay.
- Changing your repayment plan is easy to do but usually requires that you submit your request in writing, since it is an official change to your existing agreement.

Types of Repayment Plans

Standard

Graduated

Pay As You Earn (PAYE)

Income-Based (IBR)

Income-Contingent (ICR)

Revised Pay As You Earn (REPAYE)

Income Sensitive

25-Year Extended

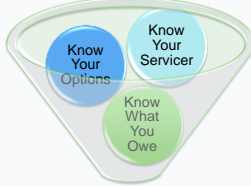
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Knowledge is Power!

Knowing how to track and manage their loans is the first step in successful repayment.



Successful Loan Repayment



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Grace Period

What is a Grace Period?

- Begins when you graduate, withdraw, or drop to less than half-time status
- You only get one, and it lasts 6 months
- You will receive your repayment obligation, which includes:
 - Date payments are to begin
 - Monthly payment amount
 - Repayment terms
 - Current principal balance
 - Interest rate



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Does Every Loan have a Grace Period?

Loans with a GRACE PERIOD	Loans without a GRACE PERIOD
<ul style="list-style-type: none">• Stafford/Direct Subsidized and Unsubsidized<ul style="list-style-type: none">• 6 months after graduation• Private<ul style="list-style-type: none">• Contact lender	<ul style="list-style-type: none">• Grad PLUS<ul style="list-style-type: none">• 6 months after graduation due to automatic 6-month post-enrollment deferment• Consolidation<ul style="list-style-type: none">• At graduation• Prior loans where grace period has been used<ul style="list-style-type: none">• At graduation



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Understand Your Options – Postponing Payments

Postpone Payments

Everyone experiences financial difficulty at one time or another. Fortunately, you can usually postpone loan payments under certain circumstances using a deferment or forbearance.

A deferment or forbearance may be the right choice to keep your loan from entering default.

Loan programs come with limited amounts of deferment and forbearance time, so use these opportunities wisely.

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Student Loan Repayment

Deferments and Forbearance

- If you are unable to send payments during your repayment period, call your lender/loan servicer immediately.
- You may qualify for a temporary suspension of payments.

Common Types of Deferment

- In-School
- Unemployment
- Economic Hardship

Ignoring the problem is not a solution---call for help.

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Interest Capitalization

- **Accrued interest added to principal balance**
 - Accruing interest on interest

- **Frequency of Capitalization**
 - Less frequent capitalization is better
 - When does capitalization occur?



- **If possible, pay down interest prior to entering repayment**

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Know Who You Owe

National Student Loan Data Systems (NSLDS)

- NSLDS allows borrowers to obtain their personal information on all your federal student loans.
- The NSLDS website provides the borrowers' balances and past attendance status and identifies the lender(s)/loan servicer(s) of their federal student loan(s).

www.nslds.ed.gov
1-877-557-2575

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Additional Resources - StudentAid.gov

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Additional Resources - StudentAid.gov ("Repay Your Loans" menu options)

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Exit Counseling Repayment Plan Selection

	Yearly Monthly Payment	Yearly Annual Payment	Repayment Period
Standard	\$100	\$1,200.00	10 years
Extended	\$75	\$900.00	15 years
Extended Plus	\$64	\$768.00	20 years
Extended Plus	\$50	\$600.00	25 years
Income Based	To use IBR repayment estimates, all year loan using the "Year or More" loan table	To use IBR repayment estimates, all year loan using the "Year or More" loan table	To use IBR repayment estimates, all year loan using the "Year or More" loan table
Pay As You Earn	To use PAYE repayment estimates, all year loan using the "Year or More" loan table	To use PAYE repayment estimates, all year loan using the "Year or More" loan table	To use PAYE repayment estimates, all year loan using the "Year or More" loan table
Income Based	\$50	\$600.00	25 years
Income Based	To use IBR repayment estimates, all year loan using the "Year or More" loan table	To use IBR repayment estimates, all year loan using the "Year or More" loan table	To use IBR repayment estimates, all year loan using the "Year or More" loan table
Income Based	\$50	\$600.00	25 years

- The Department shares borrower's repayment plan preference from Exit Counseling on studentloans.gov with federal loan servicers and Federal Family Education Loan (FFEL) Program lenders, lender servicers, and guaranty agencies.
- Repayment plan selection will be considered by the servicer, and – if possible, applied to the borrower's account.



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Repayment Schedule Estimators

Check out the Repayment Estimators available at [Fedloan Repayment Schedule Estimator](http://FedloanRepaymentScheduleEstimator) and studentloans.gov

Plans Based on Your Yearly Salary

You are required to re-submit an application every year. Initial payment shown is for 12 months.

Pay As You Earn 12 Months	Revised Pay As You Earn 12 Months	Income Based Repayment 12 Months	Income Contingent Repayment 12 Months
MONTHLY PAYMENT \$184.83	MONTHLY PAYMENT \$184.83	MONTHLY PAYMENT \$277.25	MONTHLY PAYMENT \$320.52
With Consolidation MONTHLY PAYMENT \$184.83	With Consolidation MONTHLY PAYMENT \$184.83	With Consolidation NOT QUALIFIED	With Consolidation MONTHLY PAYMENT \$320.52
VIEW DETAILS	VIEW DETAILS	VIEW DETAILS	VIEW DETAILS



Who Should Consider Income-Driven Repayment Plans?

Borrowers with high student loan payments relative to income, such as:

Teachers with heavy debt loads against low salaries

Individuals who are experiencing financial difficulties but who may not qualify for other options such as deferment or forbearance

Recent graduates managing typical federal student loan debt in low-wage jobs or unpaid internships

Individuals pursuing lower paid social-service careers

Law graduates earning low salaries as public defenders

Medical residents earning typical resident salaries



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Borrower Considerations



Pros	Cons
More manageable, lower monthly payment	Repayment period could be more than 10 years
Avoidance of delinquency and default	More interest could be paid over time
Remaining principal and interest is forgiven after 20 or 25 years of payments	Required annual submission of information on income and family size to prove continued eligibility for reduced payments
Possibility of Public Service Loan Forgiveness (after 10 years of qualifying payments)	Forgiven amount is taxable (except under PSLF)

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Income-Based Repayment (IBR)

- Under IBR, borrowers pay the lesser of:
 - 15% of discretionary income or what they would have paid under the 10-year Standard repayment plan (**Not a new borrower on/after 7/1/2014**)
 - Discretionary income for this plan is the difference between the borrower's Adjusted Gross Income (AGI) and 150 percent of the poverty guideline amount for his/her state of residence and family size.
- Loan forgiveness
 - If the borrower makes 25 years of qualifying payments and meets certain other requirements, any remaining balance will be cancelled.

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IBR Payment Amounts

EXAMPLE:

Borrower's AGI is \$50,000 and they reside in 1 of the 48 contiguous states and a family size of 1.

- Poverty guideline for this example is

$$\text{\$12,140} \times 150\% = \text{\$18,210}$$

- Then we subtract **\\$18,210** from **\\$50,000 = \\$31,790** which is the discretionary income

- \\$31,790 x 15% = \\$4,768.50**
and divide that figure by 12 = **\\$397.37**

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Leaving IBR

- If borrowers leave IBR and have unpaid interest, it will capitalize to principal, increasing principle balance
- The borrower is placed into the Standard Plan based on the term remaining for their loan type
 - For example, Stafford/PLUS Loans will have 10 years minus the time in repayment. Consolidation Loans may have 10-30 years minus the time in repayment.
 - Borrowers may request a reduced payment forbearance if they cannot afford the payment amount on the standard repayment plan.
- Borrowers who leave IBR can come back if they demonstrate "partial financial hardship".

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Pay As You Earn (PAYE)

- Who qualifies:
 - "New" borrowers who have a PFH
 - Has no outstanding balance on a Direct or FFELP loan as of 10/1/2007, or has no outstanding balance on a Direct or FFELP loan when he or she obtains a new loan on/after 10/1/2007
 - AND**
 - Receives a disbursement of a Direct Subsidized or Unsubsidized Stafford, or Grad PLUS loan on or after 10/1/2011; or receives a Direct Consolidation Loan based on an application received on/after 10/1/2011
- Eligible Loans:
 - Direct Loans except:
 - Defaulted loans
 - Parent PLUS loans
 - Consolidation loans that repaid Parent PLUS loans

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Pay As You Earn

- Under Pay As You Earn, borrowers pay the lesser of:
 - 10% of discretionary income or what they would have paid under the 10-year Standard repayment plan.
 - Discretionary income for this plan is the difference between the borrower's AGI and 150 percent of the poverty guideline amount for his/her state of residence and family size.
- For Pay As You Earn, the remaining balance is forgiven after 20 years of qualifying repayment

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Revised Pay As You Earn (REPAYE)

- Who Qualifies:
 - **Any** borrower with eligible federal student loans may make payments under this plan.
- Eligible Loans:
 - Direct Subsidized/Unsubsidized Loans
 - Direct PLUS Loans made to graduate or professional students
 - Direct Consolidation Loans that did not repay any PLUS loans made to parents
 - These loan types are eligible if consolidated into a Direct Consolidation Loan
 - Subsidized/Unsubsidized Federal Loans from the FFEL program
 - FFEL PLUS Loans made to graduate or professional students
 - FFEL Consolidation Loans that did not repay any PLUS Loans made to parents
 - Federal Perkins Loans

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Revised Pay As You Earn

- Payment Amounts
 - Generally **10%** of discretionary income
 - There is no cap on the payment amount (may be higher than the 10-year Standard Repayment amount)
- Repayment Period
 - **20 years** if all loans you are repaying under the plan were for undergraduate study
 - **25 years** if any loans you are repaying under the plan were for graduate or professional study

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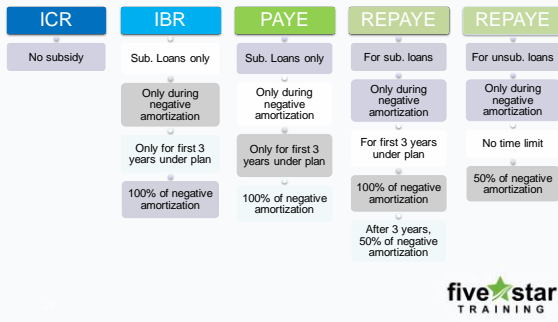
Income-Contingent Repayment (ICR)

- Does not require borrower to show PFH for eligibility
- Each year the monthly payments are recalculated based on:
 - AGI (spouse's income will only be included if they file federal taxes jointly or are repaying under joint ICR)
 - The Family size
 - Total amount of the borrower's Direct Loans
 - Lesser one of the following:
 - 12-year standard repayment schedule multiplied by income percentage factor, or
 - 20 percent of discretionary income
- Loan balance is discharged after 25 years

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Interest Subsidy Benefits



Interest Capitalization

IBR	<ul style="list-style-type: none"> While payment is income-based, normal rules are suspended While normal rules suspended, only trigger is conversion to standard plan amount Interest capitalizes when leaving the plan
ICR	<ul style="list-style-type: none"> Normal rules apply (upon expiration of deferment/forbearance) Interest accruing due to negative amortization is capitalized annually Capitalization of negative amortization interest is limited to 10% of balance
PAYE	<ul style="list-style-type: none"> While payment is income-based, normal rules are suspended While normal rules suspended, only trigger is conversion to standard plan amount Capitalization caused by conversion is limited to 10% of balance Interest capitalizes when leaving the plan
REPAYE	<ul style="list-style-type: none"> Normal rules apply (upon expiration of deferment or forbearance) Interest capitalizes when leaving the plan

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Estimated Payment Amounts #1

- \$200,000 in Direct Loan debt
- Interest rate on all loans is 6.8%
- Single with no dependents
- Adjusted Gross Income of \$50,000 (AGI) that rises at 5% per year
- New York resident
- Graduate school debt

Standard	You will pay a total of \$276,193 over 120 months	\$2,302 - \$2,302/month
Graduated	You will pay a total of \$297,200 over 120 months	\$1,328 - \$1,983/month
Extended Fixed	You will pay a total of \$408,443 over 300 months	\$1,388 - \$1,388/month
Extended Graduated	You will pay a total of \$401,081 over 300 months	\$1,113 - \$1,983/month
Revised Pay As You Earn (REPAYE)	You will pay a total of \$279,229 over 300 months	\$268 - \$1,084/month
Pay As You Earn (PAYE)	You will pay a total of \$220,770 over 240 months	\$268 - \$623/month
Income-Based Repayment (IBR)	You will pay a total of \$208,844 over 300 months	\$402 - \$1,627/month
IBR for New Borrowers	You will pay a total of \$220,770 over 240 months	\$268 - \$623/month
Income Contingent Repayment (ICR)	You will pay a total of \$208,063 over 300 months	\$670 - \$2,342/month

[StudentAid.gov/Repayment-Estimator](https://studentaid.gov/Repayment-Estimator)










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Estimated payments shown under Public Service Loan Forgiveness.

Residential Pay-As-You-Go (PPV10)					
You will pay a total of \$1,104.00 over 120 months					\$104 / \$900/month
First Monthly Payment	Last Monthly Payment	Total Amount Paid	Plan: Service Line Program	Request Payment	
\$104	\$405	\$43,224	\$240,679	120 months	
View Information					
Pay As-You-Go (PPV12)					
You will pay a total of \$1,122.00 over 120 months					\$106 / \$900/month
First Monthly Payment	Last Monthly Payment	Total Amount Paid	Plan: Service Line Program	Request Payment	
\$106	\$405	\$43,224	\$252,774	120 months	
View Information					
Income-Based Repayment (IBR)					
You will pay a total of \$54,540 over 120 months					\$450 / \$900/month
First Monthly Payment	Last Monthly Payment	Total Amount Paid	Plan: Service Line Program	Request Payment	
\$450	\$657	\$64,840	\$275,160	120 months	
View Information					
Pay As-You-Go (PPV15)					
You will pay a total of \$1,124.00 over 120 months					\$106 / \$900/month
First Monthly Payment	Last Monthly Payment	Total Amount Paid	Plan: Service Line Program	Request Payment	
\$106	\$405	\$43,224	\$252,774	120 months	
View Information					
Income-Contingent Repayment (ICR)					
You will pay a total of \$51,300 over 120 months					\$425 / \$900/month
First Monthly Payment	Last Monthly Payment	Total Amount Paid	Plan: Service Line Program	Request Payment	
\$425	\$1,061	\$9,562	\$247,039	120 months	

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- \$200,000 in Direct Loan debt
- Interest rate on all loans is 6.8%
- Single with no dependents
- Adjusted Gross Income of \$170,000(AGI) that rises at 5% per year
- New York resident
- Graduate school debt

Standard You will pay a total of \$276,193 over 120 months	\$2,302 / \$2,302/month	
Graduated You will pay a total of \$297,200 over 120 months	\$3,328 / \$3,383/month	
Extended Fixed You will pay a total of \$438,448 over 300 months	\$1,388 / \$1,388/month	
Extended Graduated You will pay a total of \$481,085 over 300 months	\$1,133 / \$1,383/month	
Interest Pay-In-You Earn (90%) You will pay a total of \$344,234 over 184 months	\$2,608 / \$2,756/month	
Pay-As-You-Earn (90%) You will pay a total of \$344,900 over 187 months	\$2,608 / \$2,302/month	
Income-Based Repayment (IBR) You will pay a total of \$285,872 over 120 months	\$1,902 / \$2,302/month	
IBR for New Borrowers You will pay a total of \$344,900 over 187 months	\$2,608 / \$2,302/month	
Income Contingent Repayment (ICR) You will pay a total of \$274,638 over 84 months	\$2,635 / \$3,338/month	

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Estimated payments shown under Public Service Loan Forgiveness.

Revised Pay to the Loan (BPP1)					\$1,900	\$2,000/month
You will pay a total of \$194,400 over 120 months						
First Monthly Payment	Last Monthly Payment	Total Amount Paid	Public Service Loan Forgiveness	Repayment Period		
\$1,900	\$2,000	\$194,400	\$204,800	120 months <td></td> <td></td>		
View Information						
Pay to You Loan (BPP2)					\$1,900	\$2,000/month
You will pay a total of \$194,400 over 120 months						
First Monthly Payment	Last Monthly Payment	Total Amount Paid	Public Service Loan Forgiveness	Repayment Period		
\$1,900	\$2,000	\$194,400	\$204,800	120 months <td></td> <td></td>		
View Information						
Income-Based Repayment (IBR)					\$1,900	\$2,500/month
You will pay a total of \$254,837 over 120 months						
First Monthly Payment	Last Monthly Payment	Total Amount Paid	Public Service Loan Forgiveness	Repayment Period		
\$1,900	\$2,500	\$254,837	\$255,000	120 months <td></td> <td></td>		
View Information						
Pay to You (BPP3)					\$1,900	\$2,500/month
You will pay a total of \$254,837 over 120 months						
First Monthly Payment	Last Monthly Payment	Total Amount Paid	Public Service Loan Forgiveness	Repayment Period		
\$1,900	\$2,500	\$254,837	\$255,000	120 months <td></td> <td></td>		
View Information						
Income-Contingent Repayment (ICR)					\$2,430	\$3,333/month
You will pay a total of \$395,880 over 84 months						
First Monthly Payment	Last Monthly Payment	Total Amount Paid	Public Service Loan Forgiveness	Repayment Period		
\$2,430	\$3,333	\$395,880	\$0	84 months		
View Information						

<dt>

Applying for IDR

[illegible]

Application Process: Electronic or Paper

```
graph LR; A((1. Select reason for submitting form)) --> B((2. Select plan, if submitting form to initially apply)); B --> C((3. Provide information about spouse, if applicable)); C --> D((4. Certify family size)); D --> E((5. Determine what kind of income documentation to submit)); E --> F((6. Submit documentation of AGI or ADOI));
```

ADOI = “alternative documentation of income,” not AGI.

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Application Process: Spouses

- Almost all married borrowers provide spouse's income documentation
- Only used by servicer when relevant
- Exception for those who are
 - Separated; or
 - Cannot access spouse's income

Repayment Plan	Married borrower filing jointly	Married borrower filing separately
ICR	Use joint AGI	Use borrower's AGI
IBR	Use joint AGI	Use borrower's AGI
PAYE	Use joint AGI	Use borrower's AGI
REPAYE	Use joint AGI	Combine AGI of borrower and borrower's spouse

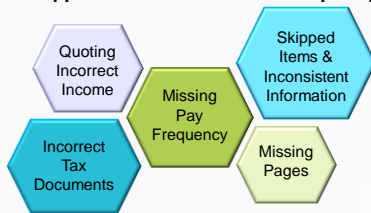
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Applying – Avoid Application Mistakes

The easiest way to apply for an IDR plan is online at studentloans.gov

Common Application Mistakes on the Paper Application



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Consequences of Failing to Recertify

IBR	ICR	PAYE	REPAYE
Interest capitalization	Stay in plan	Interest capitalization	Interest capitalization
Stay in plan		Stay in plan	Kicked out of plan
Payment no longer income-based; 10-year standard amount	Payment no longer income-based; 10-year standard amount	Payment no longer income-based; 10-year standard amount	Loan re-amortized over lesser of 10 years or time to forgiveness

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Standard & Graduated Repayment Plans

Standard Repayment

- Assigned to borrowers automatically unless otherwise specified
- Fixed (equal) payment amount each month, although it could vary due to interest rate changes on a variable rate loan
- Monthly payments will be at least \$50
- 10-year repayment term (Standard Repayment for Direct Consolidation loans is 10 to 30 years based on balance)

Graduated Repayment

- Payments start low and generally increase every two years
- 10-year repayment term (Direct Consol. Loans may have a term of 10 to 30 years based on balance)
- Monthly payment is never less than the amount of interest that accrues each month
- No single payment will be more than three times greater than any other payment

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Extended Repayment Plan

Extended Repayment

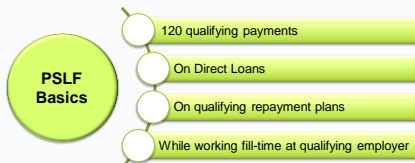
- Will pay a fixed or graduated payment amount
- Repayment term not to exceed 25 years
- FFEL borrowers must have more than \$30,000 in outstanding FFEL Program loans (for new borrowers as of 10/07/1998)
- Direct borrower must have more than \$30,000 in outstanding Direct Loans (for new borrowers as of 10/07/1998)

20 Examples from studentaid.ed.gov calculators



Public Service Loan Forgiveness

The Public Service Loan Forgiveness Program allows eligible borrowers to cancel the remaining balance of their Direct loans after serving full time at a public service organization for at least 10 years while making 120 qualifying monthly payments after October 1, 2007.

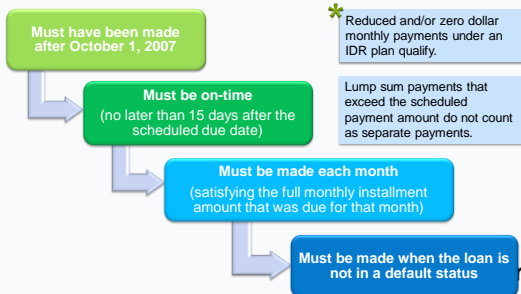


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Qualifying Payments*

The required 120 payments do not have to be consecutive, but must be:



Eligible Loans

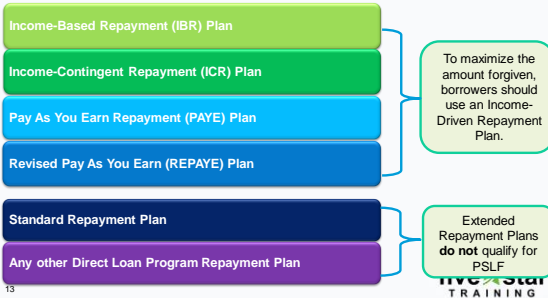
Only Federal Direct loans are eligible for PSLF, only those payments made on Federal Direct loans count toward the required 120 qualifying payments -- and only these Federal Direct loans will be forgiven.

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS Loans (for parents and graduate or professional students)
- Direct Consolidation Loans
 - Borrowers may choose to consolidate loans to establish eligibility for PSLF
- Special Direct Consolidation Loans
- TEACH Loans

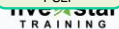


Eligible Repayment Plans

Qualifying monthly payments must be made under these plans:



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Forgiveness

Loans will not become eligible for Public Service Loan Forgiveness until AFTER 10/01/2017

Eligibility for forgiveness of an outstanding balance on an eligible Direct Loan occurs if the borrower:

- Is not in default
- Makes 120 separate, full monthly payments (after 10/1/07), within 15 days of due date
- Makes payments under one or more of the eligible repayment plans (referenced on slide 13)
- Is full-time employee of public service organization while making required payments and at time forgiveness is requested and granted



Direct Loan Consolidation

Direct Loan consolidation allows borrowers to combine one or more existing student loans into a single new loan. Consolidation may be the right option for your borrower if:

- If student loan debt is significant.
- If borrower has more than one type of student loan.
- Has trouble making the minimum monthly payments on multiple loans.

Pros	Cons
Lower monthly payments	Longer repayment schedule
Fixed interest rate	More interest to pay
One bill, one payment	Loss of loan incentives

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Servicing Resources

Servicer	Contact Information for Borrowers	
	Phone	Website
FedLoan Servicing	1-800-699-2908	MyFedLoan.org
Great Lakes	1-800-236-4300	MyGreatLakes.org
Nelnet	1-888-486-4722	Nelnet.com
Navient	1-800-722-1300	Navient.com
NSLDS	1-800-999-8219	NSLDS.gov
Additional servicer contact information	http://fap.ed.gov/fap/help/ContactInformationDetailedList.jsp?lsc=1	

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Additional Resources

- **Income-Driven Repayment Plans: Frequently Asked Questions**
<https://studentaid.ed.gov/sa/sites/default/files/income-driven-repayment-q-and-a.pdf>
- **Repayment Calculators**
<http://studentaid.ed.gov/repay-loans/understand/plans>
<http://www.finaid.org/calculators/>
<https://myfedloan.org/borrowers/additional-resources>
- **Federal Student Aid (FSA) Repayment Information**
• <https://studentaid.ed.gov/sa/repay-loans/understand/plans>
- **Department of Health and Human Services Poverty Guidelines - 2018**
<https://aspe.hhs.gov/poverty-guidelines>
- **PSLF Fact Sheet and Q&As**
studentaid.ed.gov/publicservice
- **CFPB Action Guide for Employees**
files.consumerfinance.gov/f/201308_cfpb_pledge-action-guide-for-employees.pdf

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FedLoan Servicing was established by the Pennsylvania Higher Education Assistance Agency (PHEAA) to support the U.S. Department of Education's ability to service student loans owned by the federal government.