



# Student Loans: Prepare/Apply/Repay



# Federal Student Loan programs

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- **The William D. Ford Federal Direct Loan (Direct Loan)**
  - **Direct Subsidized-** loans for eligible undergrad students with financial need
  - **Direct Unsubsidized-** loans for eligible undergrad, graduate, and professional; but eligibility is NOT based on financial need
  - **Direct PLUS-** loans made to graduate or professional students and parents of dependent undergrad students to cover expenses not cover by other financial aid; NOT based on financial need; credit check may be required
  - **Direct Consolidation-** allows you to combine all of your eligible federal student loans into a single loan with a single servicer
- **The Federal Perkins Loan (Perkins)**
  - Loans made directly by schools
- **The Federal Family Education Loan (FFEL)**
  - Now discontinued, loans were made by banks or other financial institutions. No new FFEL Program loans have been made since July 1, 2010, but you may have an FFEL if you were attending school before that date

# Loan Terms - Definitions

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- **Types of federal loans:**
  - **Direct Subsidized-** loans for eligible undergrad students with financial need
  - **Direct Unsubsidized-** loans for eligible undergrad, graduate, and professional; but eligibility is NOT based on financial need
  - **Direct PLUS-** loans made to graduate or professional students and parents of dependent undergrad students to cover expenses not covered by other financial aid; NOT based on financial need; credit check may be required
  - **Direct Consolidation-** allows you to combine all of your eligible federal student loans into a single loan with a single servicer
- **Interest Rate:** the percentage of a sum of money charged for its use
- **Grace Period:** the period of time after graduation (or you drop below half-time enrollment) before you have to start making payments on your loans

# Loan Terms - Definitions, cont.

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- **Interest Rate:** the percentage of a sum of money charged for its use
- **Grace Period:** the period of time after graduation (or you drop below half-time enrollment) before you have to start making payments on your loans
- **Deferment:** allows students to temporarily postpone making payments on their loans
  - Eligibility for deferment:
    - Half-time enrolled at postsecondary school
    - Taking part in an approved graduate fellowship or rehabilitation program
    - Unable to find full-time employment
    - Qualified for economic hardship
    - On active duty during war or other military operation
    - Member of the National Guard or other reserve component
- **Forbearance:** a temporary postponement or reduction of payments for a period of time because you are experiencing financial difficulty
  - Interest accrues on both subsidized and unsubsidized loans during forbearance

**Both can be granted in intervals of up to 12 months at a time for up to 3 years**

# Loan Terms - Definitions, cont.

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- **Delinquency:** a loan is considered delinquent when one payment is missed
  - Delinquent loans are reported on a borrower's (and co-signer's) credit report when they are 60 days delinquent

**Delinquent loans are reported on a borrower's (and co-signer's) credit report when they are 60 days delinquent!!!**

- **Default:** technical default occurs when a borrower does not make a payment for 270 days on Stafford, PLUS, or consolidation loans
  - Consequences of default:
    - Damage credit for at least 7 years
    - Federal tax refund revoked &/ or Wages garnished
    - Collection fees assessed on loans
    - Inability to receive additional financial aid

**Can resolve a defaulted student loan by making satisfactory arrangement with servicer, consolidating the defaulted loan, rehabilitating the defaulted loan (9 full payments in 10 months), paying the loan in full, or receiving a discharge on the defaulted loan**

# Loan Terms - Definitions, cont.

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- **Discharge/ Cancellation:** the release of a borrower from their obligations to repay their student loans.
  - Closed School
  - Unpaid Refund
  - False Certification
    - School-based
    - Identity Theft
  - Bankruptcy
  - Total and Permanent Disability
  - Death (including death of a dependent for parent PLUS loans)
  - Parents and Spouses of September 11<sup>th</sup> victims

**You may NOT normally have a student loan discharged due to bankruptcy**

# Student Loan Debt

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## Average Student Loan Debt Facts As of June 2021

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Federal student loan borrowers: \$43.4 million

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Average federal student loan debt: \$37,013

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Total student loan debt (private + federal): \$1.75 trillion

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Student loan delinquency rate: 5%

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**JUST ANNOUNCED: Student loan payment “pause” extended through August 31, 2022**



# Biden Administration Plan

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- **Student loan forgiveness vs. Student loan cancellation**
- **Student Loan Relief:** What's at stake-
  - No mandatory federal student loan payments
  - 0% interest rate on **federal** student loans & no accrual of new student loan interest
  - No collection of student loans in default

**Student loan payments are scheduled to restart**

**September 1, 2022**





# Biden Administration Plan

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- **Student loan cancellation:** Would I qualify?
  - ❖ Student loan borrowers with federal student loans
    - ✓ Likely to limit student loan forgiveness to federal student loans (Direct loans)
  - ❖ Student loan borrowers with college student loans
    - ✓ Differentiate between college student loans and graduate student loans
  - ❖ Student loan borrowers who earn a certain income
    - ✓ Likely to impose an income threshold for individual & joint filers

**There is no GUARANTEE the Biden Plan will cancel your student loans**

**WHAT IS YOUR REPAYMENT PLAN?**



# Where to start...

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➤ Federal Student Aid – An office of the U.S. Department of Education

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

## ✓ Understanding Aid

- ✓ How Financial Aid Works
- ✓ Types of Financial Aid
- ✓ Financial Aid Eligibility

## ✓ Apply for Aid

- ✓ Complete the FAFSA form -2022–23 Academic Year

The FAFSA form must be submitted by 11:59 p.m. Central time (CT) on June 30, 2023. Any corrections or updates must be submitted by 11:59 p.m. CT on Sept. 10, 2023.

- ✓ Apply for PLUS loan

## ✓ Complete Aid process

## ✓ Manage loans

# Need Information About YOUR Loans?

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## ➤ NSLDS (National Student Loan Data System)

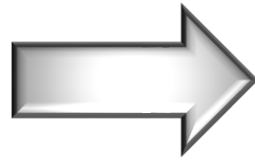
[www.nsls.ed.gov](http://www.nsls.ed.gov)

- ❖ US Department of Education central database for student aid
- ❖ Contains information about all federal student loans, federal grants, and student enrollment
- ❖ Used to determine student eligibility for federal aid, monitor aggregate totals, and track changes to student's financial history
- ❖ Students can use this database to track loans
  - ❑ Can access with your SSN, DOB, first 2 letters of last name, and a PIN
- ❖ Parents can also look up their PLUS loan info on NSLDS

# Understanding Repayment Plans

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Student borrowers may repay their student loans through one of the several repayment plans:



**Standard Repayment Plan**

**Graduated Repayment Plan**

**Extended Repayment Plan**

**Revised Pay As You Earn (REPAYE)**

**Pay As You Earn (PAYE)**

**Income-Based Repayment (IBR)**

**Income-Contingent Repayment (ICR)**

**Income-Sensitive Repayment**

# Standard Repayment

- All borrowers are eligible
- Fixed monthly payments to ensure loans are paid off within 10 years (within 10 to 30 years consolidation loans)
- Eligible loans:
  - Direct Subsidized and Unsubsidized loans
  - Subsidized and Unsubsidized Stafford loans
  - All PLUS loans
  - All Consolidation Loans (Direct or FFEL)

## Good to know:

- Pay less over time
- Not a good option if seeking Public Service Loan Forgiveness (PSLF)



# Graduated Repayment

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- All borrowers are eligible
- Monthly payments start lower and gradually increase over time usually every two years; will pay more in interest than Standard
- Payments are for an amount to ensure loans are paid off within 10 years (within 10 to 30 years consolidation loans)
- Eligible loans:
  - Direct Subsidized and Unsubsidized loans
  - Subsidized and Unsubsidized Stafford loans
  - All PLUS loans
  - All Consolidation Loans (Direct or FFEL)

## Good to know:

- Pay more over time
- Generally, not a qualifying repayment plan for PSLF



# Extended Repayment

- Eligible borrower must have \$30,000 in outstanding Direct Loans
- Monthly payments are fixed or graduated, to ensure loans are paid off within 25 years
- Eligible loans:
  - Direct Subsidized and Unsubsidized loans
  - Subsidized and Unsubsidized Stafford loans
  - All PLUS loans
  - All Consolidation Loans (Direct or FFEL)

## Good to know:

- Payments will be lower than Standard or Graduated plans
- Pay more over time than Standard
- Generally, not a qualifying repayment plan for PSLF



# Revised Pay As You Earn Repayment (REPAYE)

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- Direct Loan borrower with eligible loan type
- Monthly payment and time frame; payments will be 10% of discretionary income
- Payments are recalculated annually based on current income and household size; Must reapply for this type of repayment plan annually
- Any outstanding balance will be forgiven after 20 years (if all loans were taken out for undergraduate study) or 25 years (if any loans were taken out for graduate or professional study).
- Eligible loans:
  - Direct Subsidized and Unsubsidized loans
  - Direct PLUS loans made to students
  - Direct Consolidation Loans; NO PLUS (Direct or FFEL) made to parents

## Good to know:

- **Pay more over time than Standard**
- **May have to pay income tax on forgiven amounts**
- **Good option for PSLF**



# Pay As You Earn Repayment (PAYE)

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- New borrower/received Direct Loan disbursement on or after October 1, 2007
- Monthly payments will be 10% of discretionary income
- Payments are recalculated annually based on current income and household size; Must reapply for this type of repayment plan annually
- Eligible loans:
  - Direct Subsidized and Unsubsidized loans
  - Direct PLUS loans made to students
  - Direct Consolidation Loans; NO PLUS (Direct or FFEL) made to parents

## Good to know:

- **Must have high debt to income ratio**
- **Pay more over time than Standard**
- **May have to pay income tax on forgiven amounts**
- **Good option for PSLF**

# Income-Based Repayment (IBR)

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- Designed to help borrowers with unmanageable debts relative to their income
  - Eligibility is based on AGI (Adjusted Gross Income), family size, and loan debt
- Monthly payments are 10% or 15% of discretionary income
- Payments are recalculated annually based on current income and household size; Must reapply for this type of repayment plan annually
- Any outstanding balance will be forgiven after 20 or 25 years depending on when you received your first loan
- Eligible loans:
  - Direct Subsidized and Unsubsidized loans
  - Direct PLUS loans made to students
  - Direct Consolidation Loans; NO PLUS (Direct or FFEL) made to parents

## Good to know:

- **Must have high debt to income ratio**
- **Monthly payments will never be more than Standard; will pay more over time than under Standard**
- **May have to pay income tax on forgiven amounts**

# Income-Contingent Repayment (ICR)

- Direct Loan borrower with eligible loan type
- Monthly payments will be 20% of discretionary income; OR calculated amount of fixed payments over 12-year span
- Payments are recalculated annually based on current income, household size, and total amount of Direct Loans; Must reapply for this type of repayment plan annually
- Any outstanding balance will be forgiven after 25 years
- Eligible loans:
  - Direct Subsidized and Unsubsidized loans
  - Direct PLUS loans made to students
  - Direct Consolidation Loans



## Good to know:

- Pay more over time than under Standard
- May have to pay income tax on forgiven amounts
- Good option for PSLF

# Income-Sensitive Repayment

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- Available only for FFEL program loans
- Monthly payments are based on annual income; but payments will be to ensure loan is paid **IN FULL** within 15 years
- Eligible loans:
  - Subsidized and Unsubsidized Federal Stafford loans
  - FFEL PLUS loans
  - FFEL Consolidation Loans

## Good to know:

- Pay more over time than under Standard
- The formula used to determine monthly payment can vary



# Federal Consolidation Loans

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- Allow borrowers to combine their federal loans into a single loan and to have a single monthly payment
  - Available to those who are in repayment or grace period
  - If you consolidate while still in school, you may still have multiple servicers if you continue to borrow and you will lose the 6 month grace period
- Advantages:
  - May give borrowers a lower monthly payment
  - Single monthly payment to one servicer
- Disadvantages:
  - Interest rate may increase slightly
  - May pay more in accrued interest
  - May lose some benefits like cancellation or loan forgiveness

Consolidation borrowers have a repayment period of 10 - 30 years depending on their total loan indebtedness.

# Loan Forgiveness

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- **WHAT IS LOAN FORGIVENESS?**

- Differences of terms – forgiveness, cancellation, discharge
- Public Service Loan Forgiveness
- Teacher Loan Forgiveness
- Federal Employee Loan Forgiveness



# Public Service Loan Forgiveness

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- Borrower's who work for a public service employer may be eligible to have a portion of their direct loan debt forgiven after 120 qualifying monthly payments
- Public Service Organization
  - Federal, state, local or tribal government agency/organization
  - Public child or family service agency
  - Non-profit organization under section 501(c)(3)
  - A tribal college or university
  - A private organization that provides public services
- Qualifications:
  - Cannot be in default
  - Must be employed full time (30 hours/week)
  - Must make 120 qualified payments
    - ❑ These payments do not have to be consecutive, but must be separate, on-time, and full monthly payments
    - ❑ Payments must be made under IBR, ICR, or standard repayment plans

**DIRECT LOANS ONLY**

# Loan Forgiveness for Teachers

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- Borrowers who teach in an elementary or secondary school that is designated as low-income may be eligible to have a portion of their Stafford loan debt forgiven
- Qualifications:
  - Teach full-time for at least 5 consecutive years at a low-income school
  - Cannot be in default
  - Must be a “highly qualified” teacher
    - ❑ Obtained full state certification; bachelor’s degree; and demonstrate subject knowledge and teaching skills in reading, writing, math, or other basic elementary curriculum or high level of competency in the subject area taught
- Up to \$17,500 in forgiveness for “highly qualified” mathematics or science teacher in a secondary school or for “highly qualified” special education teachers in an elementary or secondary school

**DIRECT LOANS AND FFEL PROGRAM LOANS**



# Discharge/Cancellation

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- Closed School Discharge
- Perkins Loan Cancellation & Discharge
- Total & Permanent Disability Discharge
- Discharge Due to Death
- Discharge in Bankruptcy (rare cases)
- Borrower Defense to Repayment
- False Certification Discharge
- Unpaid Refund Discharge
- Forgery Discharge
- Eligibility for Parent Borrowers



# Your Responsibilities

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- Stay on top of your loans
  - Inform each servicer of changes to your name, address, or telephone number
  - Discuss options with your servicer before failing to make a payment
  - Remember that you can change your repayment plan and due date (at least 1x annually)
  - If you have difficulty making payments, remember **deferment** and **forbearance**



# Resources – Federal Loan Servicers

## Direct Loan Servicing Center

NSLDS Servicer Code: 00100

NSLDS Name: **Direct Loan  
Servicing Center**

**Borrower Phone:** 800-848-0979

**Web:** [www.dl.ed.gov](http://www.dl.ed.gov)

**School Phone:** 888-877-7658

**Web:** [www.dl.ed.gov/schools](http://www.dl.ed.gov/schools)

## FedLoan Servicing (PHEAA)

NSLDS Servicer Code: 700579

NSLDS Name: **Dept of ED/ FedLoan  
Servicing (PHEAA)**

**Borrower Phone:** 800-699-2908

**Web:** [www.myfedloan.org](http://www.myfedloan.org)

**School Phone:** 800-655-3813

**Web:** [www.myfedloan.org](http://www.myfedloan.org)

## Great Lakes Educational Loan Services

NSLDS Servicer Code: 700581

NSLDS Name: **Dept of ED/ Great  
Lakes**

**Borrower Phone:** 800-236-4300

**Web:** [www.mygreatlakes.org](http://www.mygreatlakes.org)

**School Phone:** 888-686-6919

**Web:** [www.mygreatlakes.org](http://www.mygreatlakes.org)

## Nelnet

NSLDS Servicer Code: 700580

NSLDS Name: **Dept of ED / Nelnet**

**Borrower Phone:** 888-486-4722

**Web:** [www.nelnet.com](http://www.nelnet.com)

**School Phone:** 866-463-5638

**Web:** [www.nelnetloanservicing.com](http://www.nelnetloanservicing.com)

## Sallie Mae

NSLDS Servicer Code: 700578

NSLDS Name: **Dept of ED / Sallie Mae**

**Borrower Phone:** 800-722-1300

**Web:** [www.salliemae.com](http://www.salliemae.com)

**School Phone:** 888-272-4665

**Web:** [www.opennet.salliemae.com](http://www.opennet.salliemae.com)

# REMEMBER:

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- Calculate total cost **BEFORE** you enroll in school and incur student loan debt
- **TAKE ACTION!!!** You WILL repay the debt either by voluntarily or involuntarily
- If currently delinquent, loan servicers make every effort to get loans back on the “right road”. **YOU** must make first step and **CALL**.



# QUESTIONS?

