FEDERAL STUDENT LOAN
EXIT COUNSELING
KNOW YOUR LOAN PORTFOLIO

• Know what you borrowed, who services your loans, and when they come due
• Identify and constantly review your repayment objectives
• Your Federal Student Loan information may be found via the National Student Loan Data System (NSLDS) by logging into https://studentaid.gov
• Access your Credit Report for any loans not listed on NSLDS such as Campus-Based/Institutional or Private/Alternative Student Loans
FEDERAL STUDENT LOANS

- Stafford Subsidized (Undergraduates Only)
- Stafford Unsubsidized
- Grad PLUS (Graduate Students Only)
FEDERAL STUDENT LOANS

• Interest Rates fixed for each academic year:
  • Currently for 2019-2020
    • Subsidized Loans 4.53%
    • Unsubsidized Loans 4.53% for undergrads 6.08% for graduates
    • Grad PLUS Loans 7.08%
FEDERAL STUDENT LOANS

• Interest Capitalization:
  • Accrued and unpaid interest is added to the principal amount of the loan increasing the balance
  • Usually occurs:
    • When loans enter repayment
    • When borrower has status changes
    • When borrowers opt out of an income-driven repayment (IDR) plan or switch plans
    • When borrower is late renewing an IDR
FEDERAL STUDENT LOANS

• When Loans Come Due:
  • Subsidized and Unsubsidized Loans have a 6-month Grace Period
  • Grad PLUS Loans have a 6-month Post-Enrollment Deferment Period
  • If Grace Period is used in its entirety during any breaks in enrollment, it is gone forever, and any loans effected will be due right after graduation
FEDERAL STUDENT LOAN REPAYMENT

• Loan Servicers usually notify borrowers 30 to 90 days prior to end of grace period or loans coming due
  • Be sure all Contact Information is up to date
FEDERAL STUDENT LOAN REPAYMENT

• Options at Repayment:
  • Select a repayment plan and start actively repaying your loans
  • Postpone payments
FEDERAL STUDENT LOAN REPAYMENT

• Repayment Reminders:
  • No penalty for aggressive or early repayment
  • You can switch repayment plans
  • Payments applied to outstanding interest first
  • Voluntary and additional payments may be applied to most expensive loans
FEDERAL STUDENT LOAN REPAYMENT

• Pick a plan:
  • Time or Balance Driven
    • Standard 10 Year
    • Extended 25 Year
  • Income-Driven Repayment or IDR
    • Income-Based Repayment Plan (IBR)
    • Pay As You Earn (PAYE)
    • Revised Pay As You Earn (REPAYE)
FEDERAL STUDENT LOAN REPAYMENT

• Standard 10 Year:
  • 120 Level Payments
  • Calculations not dependent on income
  • If no plan chosen by borrower, this is the default plan

• Extended 25 Year:
  • 300 Level Payments
  • Total repayment much higher if only minimum payments are made
FEDERAL STUDENT LOAN REPAYMENT

• Income-Driven Repayment (IDR):
  • Designed for high debt borrowers who cannot afford repayment under other plans
  • The bigger the gap between federal loan debt and income, the more likely these plans will be needed, unless borrower has other resources
  • Monthly payments change annually
  • Payments based on income and family size
FEDERAL STUDENT LOAN REPAYMENT

• IDR Pros & Cons:
  • Advantages
    • Manageable monthly payments
    • May lead to forgiveness
  • Disadvantages
    • Initial payments may not cover interest
    • Nuances of plans can be confusing
    • Debt remaining at end of term is forgiven, but is considered taxable income
FEDERAL STUDENT LOAN REPAYMENT

• IDR Forgiveness:
  • PAYE Forgiveness Provisions
    • Balance forgiven after 20 years
    • Not dependent on type of employment
    • Balance forgiven considered taxable income
  • IBR & REPAYE Forgiveness Provisions
    • Balance forgiven after 25 years
    • Not dependent on type of employment
    • Balance forgiven considered taxable income
FEDERAL STUDENT LOAN REPAYMENT

• Takeaways:
  • Income-Driven Repayment Plans provide responsible borrowers with high debt a way to effectively manage their loan debt
  • Consider other more aggressive plans first, then back into use of IDR
  • No penalty for overpayment on IDR
  • Work closely with your Loan Servicer on IDR
    • Apply online at https://studentaid.gov
FEDERAL STUDENT LOAN REPAYMENT

• Postponing Payment Options:
  • Deferments
    • Must apply and qualify
    • Interest waived on Subsidized Loans only
  • Forbearance
    • Must request from Servicer
    • Interest accrues on all loans
    • 36 Months available broken down in increments over the life of the loans (3 months, 6 months, etc.)
PUBLIC SERVICE LOAN FORGIVENESS

• Encourages borrowers to enter and remain in the public sector for at least 10 years
• Not degree specific
• Forgiveness amount not considered taxable income
PUBLIC SERVICE LOAN FORGIVENESS

• Eligibility:
  • Make 120 on-time payments with an eligible repayment plan (IBR, PAYE, or REPAYE)
  • Only Direct Loans qualify
  • Must work full time (at least 30 hours) for an eligible employer
PUBLIC SERVICE LOAN FORGIVENESS

• Enrollment Requirements:
  • Ensure all loans are in Direct Loan Program
  • Start making payments with an IDR
  • Submit Employment Certification Form each year to the only assigned servicer, FedLoan Servicing
    • FedLoan Servicing will confirm employer eligibility
    • FedLoan Servicing will help you track eligible payments
    • Apply for PSLF after all payments are made
PUBLIC SERVICE LOAN FORGIVENESS

• Denials:
  • High percentage of denials for first batches of applications:
    • 55% due to wrong payment plan (not using an IDR)
    • 24% due to missing information
    • 15% due to wrong kind of loans
    • 4% due to wrong employment type and wrong dates

• Enrolling in PSLF helps you track payments so you would not apply unless you knew you already qualified
FEDERAL STUDENT LOAN
REPAYMENT ASSISTANCE PROGRAMS

• Help repaying loans in exchange for service commitment
  • National Health Service Corps (NHSC)
  • Indian Health Service (IHS)
  • National Institutes of Health (NIH)
  • Armed forces
  • State offered programs
• Consider tax implications
FEDERAL STUDENT LOAN CONSOLIDATION

• Pay off multiple federal loans with one new federal loan
• Information and online application available at https://studentaid.gov
• You consolidate with the government, but you can choose your loan servicer
FEDERAL STUDENT LOAN CONSOLIDATION

• PROS & CONS:

  • Advantages
    • Convenience of one loan servicer
    • Helps maximize PSLF amount
    • May allow repayment with PAYE or REPAYE
    • Can extend term to 30 years

  • Disadvantages
    • Slightly higher interest rate
    • Loss of grace period if you consolidate too early
REFINANCING

• Trading federal student loan debt for private debt:
  • Promise of lower rates and substantial repayment savings
  • Lenders likely to consider credit, employment history, and debt-to-income ratio when approving applications and for pricing
REFINANCING

• Questions to ask:
  • About interest rates and capitalization
  • Repayment and postponement options
  • Cosigner requirements and release provisions
  • Forgiveness provisions
    • Usually only Death and Disability
    • Not PSLF
  • Impact of preapproval on credit
REFINANCING

• Should you refinance:
  • Yes
    • If you have steady income and are interested in aggressive repayment, or
    • If you do not need income plans or forgiveness
  • No
    • If you need to be cautious with payments and need a repayment plan based on income, or
    • You are trying to qualify for PSLF
    • You do not have steady income
BORROWER RIGHTS & RESPONSIBILITIES

• Borrower Rights:
  • Written explanation of loan obligations
  • Explanation of default and consequences
  • Copy of Master Promissory Note (MPN) and return when loan paid in full
  • Disclosure prior to repayment
  • Be notified when your loan is sold
  • Forgiveness and discharge, if eligible
  • May request forbearance, if needed
  • Prepay without penalty
BORROWER RIGHTS & RESPONSIBILITIES

• Borrower Responsibilities:
  • Complete Federal Loan Exit Counseling before you graduate
  • Repay loan according to schedule
  • Notify Loan Servicer regarding
    • Anything impacting your ability to repay
    • Change in status, including graduation date
    • Change in name and contact information
    • Change in enrollment
FEDERAL LOAN SERVICERS

• Organizations Department of Education or lenders contract with to work with borrowers in repayment

• Your federally owned loans should all be assigned to and serviced by one loan servicer

• Go to https://studentaid.gov to see a list of federal loan servicers and get access to the National Student Loan Data System to view your student loan history and your assigned servicer

• Keep your contact information current
RESOURCES

- [https://studentaid.gov](https://studentaid.gov)
  - Detailed federal student loan information
    - Repayment options
    - Exit Counseling
    - Access to National Student Loan Data System (NSLDS)
      - Federal database
  - Information on student loan interest deduction
- [https://studentaid.gov/ombudsman](https://studentaid.gov/ombudsman)
  - Department of Education Federal Student Aid Advocate
  - 1-877-557-2575
ACTION ITEMS

• Do inventory of Student Loan Portfolio
• Determine Repayment Objectives
• Run Repayment Estimates
• Open and read mail in timely manner
• Open and read e-mails and alerts in timely manner
• Keep contact information current with Loan Servicers
CONGRATULATIONS!