

# Loan Repayment 101: What Happens Now?



Presented by:  
Student Financial Aid Services  
Student Union Building (SUB)  
University of Idaho  
Spring 2012

# What We Will Cover

- Going to Grad School?- New changes for 2012/2013
- Loan Terminology:
  - Loan, Grace Period, Master Promissory Note, Lender, Loan Servicer, National Student Loan Data System (NSLDS)
  - Glossary: <http://www2.ed.gov/offices/OSFAP/DirectLoan/glos.html>
- Loan Types:
  - What is a Federal, private or other loan?
  - What does Unsubsidized mean?
- Time Frames and payments
- Who am I paying?
- Budget Calculator:  
<http://www2.ed.gov/offices/OSFAP/DirectLoan/calc.html>
- Default Prevention



# What We Will Cover

- Consolidation- Is it right for you?
- Deferment- What is it, and when to use it.
- Forbearance- another option if needed.
- Loan Counseling Videos- Entrance and Exit:  
<http://www2.ed.gov/offices/OSFAP/DirectLoan/video.html>
- Borrower Rights and Responsibilities

## Repayment and forgiveness programs

- Standard, Income Based, etc.
- Teacher, Public Service Forgiveness

# Loan Terminology

- **Loan**: is money borrowed from a lending institution or the Department of Education that must be repaid.
- **Grace Period**: a six month period after you graduate, leave school or drop below half-time enrollment in which you are not required to make monthly payments.
- **Master Promissory Note**- a binding legal document that you sign before receiving your student loans, indicating you agree to repay your loan/s in full (good for up to 10 years).
- **Lender**-the organization that made the loan initially. This could be a bank, credit union or the Department of Education.
- **Servicer**- the organization that handles billing and other loan functions for the lender.
- **NSLDS**- the Department of Education's central database that stores information on all loans and grants made through the federal student aid program.

## Loan Changes to Graduate Loans in 12/13

- The federal government has discontinued the Subsidized Stafford loan for graduate students. Students can still borrow up to the same annual limit of \$20,500 but the loan is the Unsubsidized Stafford loan ONLY.
- The Unsubsidized Stafford still has a 6 month grace period before payment on principle is due, but interest continues to accrue through the grace period.
- The Graduate PLUS loan origination fee will increase from 1.5% to 4%

# Loan Types

- **Federal Government Loans:**
- Direct or FFEL Stafford Loans
  - Subsidized and Unsubsidized- these loans differ by who is paying the accrued interest. For the unsubsidized loans, students are sent a statement that shows the amount that has accrued since the first disbursement. Students are encouraged to pay this as they go, so the principle balance on the loan will not increase when they go into repayment.
- PLUS Loans- for dependent and graduate students only:
  - Graduate or Parent- [www.studentloans.ed.gov](http://www.studentloans.ed.gov)
- Perkins Loans- 5% rate, 9 month grace period
- **Private Loans-** Read the fine print, know your options.
  - Alaska Loans, Institutional Loans, Bank Loans



# Time Frames and Payments

- Grace Period
  - 6 consecutive months from graduation or dropping below half time status
  - For May Graduates, first payment due right around beginning of November
  - 9 months for Perkins loans
- Consolidate 4-6 weeks prior to first payment due
  - [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)



# Who am I paying?

- You are repaying your lender, through your current loan servicer. First, you need your loan history information from:
- National Student Loan Data Service (NSLDS)
  - [www.nslds.ed.gov](http://www.nslds.ed.gov) – Use your Federal PIN to access
  - Print a “loan history”
  - Note the servicer for your loan/s
- Servicers
  - Nelnet, Sallie Mae, Great Lakes, PHEA, MOHELA, etc.
  - May change once fully consolidated
  - **NOTICE**: ACS is no longer a federal loan servicer, so students cannot access their account through MyEd Account.  
A new loan servicer will be assigned to these students.





# Who am I paying?

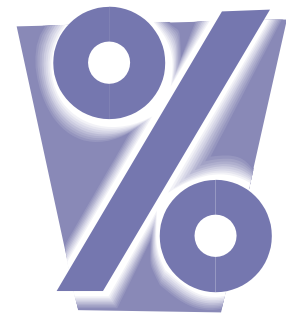
- Establish your My Ed Account at:  
<https://www.myedaccount.com/> After you register, you can link to:
  - **Manage My Account-** Here you can view balances, payment history and sign up for automatic Kwikpay® debits
  - **Loan Consolidation-** You can easily start the federal loan consolidation process through this site
  - **Enroll in My Secure Messages-** Here you can choose to receive your Direct loan bills and correspondence electronically
  - **Make a Payment-** Free, convenient online payments
  - **Questions?** Call 1-800-848-0979 for assistance

# Default Prevention

- Keep your contact information current.
- Enroll in auto payment (save .25% on your rate).
- Once you are 270 days delinquent on payments- you default.
- Consequences of default:
  - Entire loan balance due in full immediately
  - You lose eligibility for benefits such as deferment
  - Balance owed immediately jumps approximately 25%
  - Wage garnishment
  - Seizure of tax returns
  - Damaged credit rating
  - May block professional licensure, employment through credit checks.

# Consolidation

- Do you have unpaid student loans prior to July 1, 2008? These are variable rate loans and will likely go up in the future. Consolidation locks your interest into a new, weighted average rate.
- Could you save money having one payment as opposed to several
- Downsides? You may lose certain benefits if you consolidate (once the Perkins is consolidated-it can't be reversed)
- A consolidated Perkins loans are unsubsidized in terms of interest accrual during deferment and/or forbearance periods
- Don't lose your grace period- consolidate 4-6 weeks prior to first payment due. Once you consolidate- payment is due within 60 days
- [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)
- Can apply for different repayment plans
- One servicer for the new consolidation loan



# Deferment

- **Deferment**- is a period in which repayment of the principle balance is temporarily postponed if you meet certain requirements. There are several types of deferments such as:
  - In school (enrolled at least halftime)
  - Unable to find full-time employment (for up to 3 years)
  - Economic hardship (including Peace Corps Service)
  - Study in an approved graduate fellowship program or rehabilitation training program for the disabled.
  - Member of the National Guard or other reserve component of the armed forces who is called to active duty.

# Forbearance

If you have used all deferment options, you may want to consider:

**Forbearance**- If for any reason you do not qualify for deferment, a forbearance will allow postponement of payments as well. Interest will accrue on all loans in forbearance.

# Rights

- Notification
  - Promissory Notes, repayment obligations, disclosure statement
- Grace Period
  - 6 months after Graduation (9 for Perkins)
- Deferment and Forbearance
- Change repayment plans
- Prepayment without penalty



# Responsibilities

## Repaying your loan

- On-time, monthly payments



- Notifying lender of any changes to:
  - Contact info, employment status, etc.
  - Your ability to make monthly payments

**\*\*Keep them notified and they will help you will stay out of default\*\***

# Repayment Plans

- Standard
  - 10 years, 120 payments
  - Default program
- Graduated
  - 10 years, 120 payments
  - Payments start low, increase as years progress
- Extended
  - Up to 25 years
  - Must have higher than \$30k in student loan debt





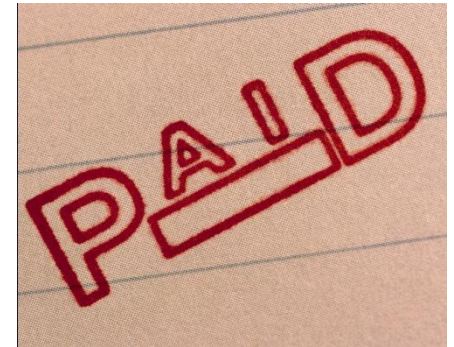
# Repayment Plans

- Income Contingent/Income Based (ICR / IBR)
  - Up to 25 years (may be reduced to 20 years pending recent Presidential initiatives)
  - To qualify for IBR- borrower must show partial financial hardship
  - Monthly payments based on annual income, family size, and loan amount-(ICR)
  - Must apply and qualify
  - Annual reporting
  - Loans discharged after 25 years (20?)



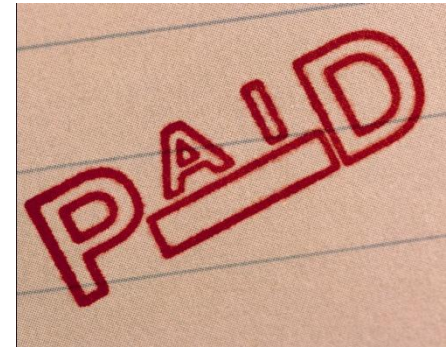
# Forgiveness / Discharge

- Teacher
  - [www.studentaid.ed.gov](http://www.studentaid.ed.gov)
  - [www.aft.org](http://www.aft.org)
  - Typically must fulfill employment requirements
- Volunteer
  - [www.americorps.gov](http://www.americorps.gov)
  - [www.friendsofvista.org](http://www.friendsofvista.org)
  - [www.peacecorps.gov](http://www.peacecorps.gov)
    - Deferments only, partial for Perkins
- Legal/Medical
  - [www.equaljusticeworks.org](http://www.equaljusticeworks.org)
  - [www.hrsa.gov](http://www.hrsa.gov)
  - Typically revolves around public service



# Forgiveness / Discharge

- Public Services Loan Forgiveness (PSLF)
  - Large umbrella (counties, fed/state, pub. schools)
  - 10 years, 120 payments
    - Any balance after 120<sup>th</sup> payment is forgiven
    - Must be in ICR or IBR repayment plan
  - Only eligible with Direct Loans
  - Keep track of employment records
  - No application in place at the moment
  - [www.studentaid.ed.gov](http://www.studentaid.ed.gov)



# Other Helps

- Read all loan correspondence you receive
- Monitor your “my ed account” for updates
- Sign up for Electronic Funds Transfer
- Plan for payments
- Stay in contact with your loan servicer
- If you are not hearing from your loan servicer, initiate contact to avoid getting a “late” or delinquent mark on your credit rating



# Thank You

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