Financial Adulting
An Intro to Student Loan Repayment and Credit Scores/Reports

THAT HORRIFYING MOMENT WHEN YOU'RE LOOKING FOR A ADULT BUT YOU REALISE THAT YOU ARE AN ADULT.

SO YOU LOOK AROUND FOR AN OLDER ADULT. AN ADULTIER ADULT. SOMEONE BETTER AT ADULTING THAN YOU.

Holly Wright
UM Financial Education Program Manager
“Now that you’re an adult what do you want do with your life?”

Me:

I don’t know.
I didn’t think I’d get this far...
Game of Loans
Interest is Coming
Repayment/Forgiveness of Student Loans
Monthly Budgets
Find your Credit Report
Emergency Savings Account
Reaching Financial Goals
LOANS

Private Student Loans

- Issued by a private lender (not the government) to the student.
- Most require credit check, cosigner, occupation.
- May have higher interest rates than federal loans.
- Limited repayment options, loan forgiveness, deferment, etc.
- Cannot be consolidated with Federal or Institutional loans.
From 1965-2010: Loans were issued through the Federal Family Education Loan (FFEL) Program

From 1992-Present: Loans were issued through the William D. Ford Federal Direct Loan Program

Institutional Loans: Loans issued by and paid back to the campus you attended
LOANS

Federal / Institutional Student Loans

- FFEL Stafford Subsidized Loan
- FFEL Stafford Unsubsidized Loan
- FFEL Graduate PLUS Loan
- FFEL Parent PLUS Loan
- FFEL Consolidation Loan
- Direct Stafford Subsidized Loan
- Direct Stafford Unsubsidized Loan
- Direct Graduate PLUS Loan
- Direct Parent PLUS Loan
- Direct Consolidation Loan
- Perkins Loans
Loans Currently Offered to Undergraduate Students

- Direct Subsidized Loan, 3.76%
- Federal Perkins Loan, 5%
- Direct Unsubsidized Loan, 3.76%
- Direct Parent PLUS Loan, 6.31%
LOANS

Grace Periods

- A period of time where payments are temporarily postponed or reduced
  - "Direct" or "Stafford"/"FFEL": 6 months
  - "Perkins": 9 months

- During a grace period, interest does not accrue on Subsidized Loans (excluding those disbursed between July 1, 2012 and July 1, 2014) or Perkins Loans

* You only get your Grace Period once *
LOANS
How Do We Get Rid of Them

- Pay them off (or some combination of payment or forgiveness)
- Discharge in Bankruptcy (very rare)
- Total and Permanent Disability Discharge
- Death Discharge
There are four main servicers used by the Department of Education for Direct Loans:

- FedLoan Servicing
- Nelnet
- Navient
- Sallie Mae
- Great Lakes
If you have loans from before 2010 in Montana:

If you have Perkins loans:
LOANS

Repayment Plans

- Standard (fixed payments, 10 yrs)
- Graduated (low payments at first, then increase over 10 yrs)
- Extended Standard (fixed payments, up to 25 yrs)
- Extended Graduated (low payments at first, then increase; up to 25 yrs)
- Revised Pay As You Earn (payments 10% of discretionary income)
- Pay As You Earn (payments 10% of discretionary income)
- Income-Based Repayment, IBR (payments 15% of discretionary income)
- Income-Contingent Repayment, ICR (payments based on gross income, family size, total amount of loans)
- Income-Sensitive Repayment (payments based on annual income)

I want to pay off my loans in a set number of years

I can only make payments based on how much money I make
LOANS

Repayment Plans - Parent PLUS

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I want to pay off my loans in a set number of years

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LOANS

Estimate your Repayment

Federal Student Aid
An Office of the U.S. Department of Education

Proud Sponsor of the American Mind™ Repayment Estimator

Repayment Plans » Repayment Estimator

Use the Repayment Estimator when you're:
• beginning repayment of your federal student loans for the first time; or
• exploring repayment options based on your income.

Otherwise, we recommend contacting your loan servicer to explore the best repayment option for you.

Log in
To view estimates based on your actual loan information

Or

Proceed
To continue to the Repayment Estimator without logging in
LOANS

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I can only make payments based on how much money I make.
LOANS

Change your Repayment Plan at www.studentloans.gov
You would want to consider consolidation if:

- You had multiple servicers
- You needed to extend repayment past 25 years to 30 years
- You do not have Direct loans but need them for Public Service Loans Forgiveness
LOANS

Apply for a Consolidation at www.studentloans.gov
LOANS

Can't Make Your Payment

If a major life event prevents you from meeting your payment (even after considering other repayment plans) you can utilize

Deferment

Forbearance

But please use both sparingly!
LOANS

Deferral

- A period of time where payments are temporarily postponed or reduced
  - Unemployment Deferral
  - Economic Hardship Deferral

During a deferment, interest does not accrue on Subsidized Loans or Perkins Loans

Contact the servicer for a deferment
LOANS

Forbearance

- A period of time where payments are temporarily postponed or reduced
  - Financial Hardship Forbearance
  - Illness Forbearance

*During a forbearance, interest accrues on all loans*

Contact the servicer for a forbearance
Capitalization: the addition of unpaid interest to the principal balance of a loan.

Example:
Principal: $32,000  Interest: $4,700

After your grace period ends:
Principal: $36,700  Interest: $0
STUDENT LOAN DEFAULT

- Have no statute of limitation

- Technically they are in default when the last payment is 270 or more days late (120 days for Perkins)
  
  - 24% collection agency cost
  
  - Wages garnished at 15%
  
  - SSI and SSDI benefits are garnished
  
  - Federal and state tax refund kept
  
  - This info goes on your credit report
  
  - Depending on the type of loan, you could lose your state issued licenses
LOANS

www.nslds.ed.gov

Login

Enter your username and password and select LOGIN if you already have an FSA ID. If you do not have an FSA ID, select the Create An FSA ID tab.
Aid Summary for JOSEPH C

Your enrollment status is WITHDRAWN, effective 08/22/2006.

**Loans**

Please click on number in first column to see details

<table>
<thead>
<tr>
<th>Type of Loan</th>
<th>Loan Amount</th>
<th>Loan Date</th>
<th>Disbursed Amount</th>
<th>Canceled Amount</th>
<th>Outstanding Principal</th>
<th>Outstanding Interest</th>
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<tbody>
<tr>
<td>1 DIRECT CONSOLIDATED SUBSIDIZED</td>
<td>$979</td>
<td>01/17/2011</td>
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<td>$0</td>
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<td>01/17/2011</td>
<td>$1,473</td>
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<td>3 DIRECT CONSOLIDATED UNSUBSIDIZED</td>
<td>$1,436</td>
<td>10/12/2009</td>
<td>$1,436</td>
<td>$0</td>
<td>$0</td>
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<td>4 DIRECT CONSOLIDATED SUBSIDIZED</td>
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<td>10/12/2009</td>
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<td>5 STAFFORD UNSUBSIDIZED</td>
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<td>09/26/2001</td>
<td>$2,000</td>
<td>$2,000</td>
<td>$2,277</td>
<td>$1</td>
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<td>8 STAFFORD SUBSIDIZED</td>
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<td>09/26/2001</td>
<td>$732</td>
<td>$1,893</td>
<td>$800</td>
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<td>9 STAFFORD UNSUBSIDIZED</td>
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<td>04/04/2001</td>
<td>$4,000</td>
<td>$0</td>
<td>$4,674</td>
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<tr>
<td>10 STAFFORD SUBSIDIZED</td>
<td>$2,625</td>
<td>04/04/2001</td>
<td>$2,625</td>
<td>$0</td>
<td>$2,872</td>
<td>$1</td>
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<tr>
<td><strong>Total DIRECT CONSOLIDATED SUBSIDIZED</strong></td>
<td><strong>$963</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$963</strong></td>
<td><strong>$14</strong></td>
</tr>
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<td><strong>$1,448</strong></td>
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<td><strong>Total STAFFORD UNSUBSIDIZED</strong></td>
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<td></td>
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<td><strong>$6,951</strong></td>
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<td><strong>Total STAFFORD SUBSIDIZED</strong></td>
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<td><strong>$3,672</strong></td>
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<td><strong>Total All Loans</strong></td>
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<td></td>
<td><strong>$13,034</strong></td>
<td><strong>$39</strong></td>
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</table>
### Amounts and Dates

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<thead>
<tr>
<th>Loan Amount</th>
<th>Outstanding Principal Balance</th>
<th>Outstanding Principal Balance As of Date</th>
<th>Outstanding Interest Balance</th>
<th>Outstanding Interest Balance As of Date</th>
<th>Interest Rate</th>
<th>Canceled Amount</th>
<th>Canceled Date</th>
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</thead>
<tbody>
<tr>
<td>$2,557</td>
<td>$2,582</td>
<td>02/28/2013</td>
<td>$16</td>
<td>02/28/2013</td>
<td>FIXED</td>
<td>$0</td>
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</table>

### Disbursement(s) and Status(es)

<table>
<thead>
<tr>
<th>Disbursement Date</th>
<th>Disbursement Amount</th>
<th>Loan Status</th>
<th>Status Description</th>
<th>Status Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/19/2010</td>
<td>$2,557</td>
<td>DA</td>
<td>DEFERRED</td>
<td>03/28/2011</td>
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<td></td>
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<td>FB</td>
<td>FORBEARANCE</td>
<td>03/01/2011</td>
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<tr>
<td></td>
<td></td>
<td>RP</td>
<td>IN REPAYMENT</td>
<td>02/18/2011</td>
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<tr>
<td></td>
<td></td>
<td>FB</td>
<td>FORBEARANCE</td>
<td>12/13/2011</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IG</td>
<td>IN GRACE PERIOD</td>
<td>06/13/2010</td>
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<tr>
<td></td>
<td></td>
<td>IA</td>
<td>LOAN ORIGINATED</td>
<td>03/18/2010</td>
</tr>
</tbody>
</table>

### Servicer/Lender/Guaranty Agency/ED Servicer Information

<table>
<thead>
<tr>
<th>Contact Type</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Servicer:</td>
<td>DEPT OF ED/GREAT LAKES&lt;br&gt;PO BOX 7860&lt;br&gt;MADISON&lt;br&gt;WI 537077860&lt;br&gt;800-236-4300&lt;br&gt;mygreatlakes.org</td>
</tr>
<tr>
<td>Current Lender:</td>
<td>U.S. DEPT OF EDUCATION/2009-2010 LPCP&lt;br&gt;830 FIRST ST. NE&lt;br&gt;WASHINGTON&lt;br&gt;DC 2020200000</td>
</tr>
<tr>
<td>Current ED Servicer:</td>
<td>DEPT OF ED/GREAT LAKES&lt;br&gt;PO BOX 530229&lt;br&gt;ATLANTA&lt;br&gt;GA 303530229&lt;br&gt;800-236-4300&lt;br&gt;mygreatlakes.org</td>
</tr>
</tbody>
</table>
LOANS

Loan Forgiveness

- Public Service Loan Forgiveness
- Perkins Loans
- Income Driven Repayment Forgiveness
Public Service Loan Forgiveness (PSLF)

- Started on October 1, 2007
- First individual to have loans forgiven under PSLF could be on October 1, 2017
1) Employment

- **Amount:**
  - At least 30 hrs/wk
  - Can combine hours from multiple jobs
  - Work for 10 years (120 months) to complete PSLF
  - Does not have to be consecutive or with the same organization

- **Type:**
  - Federal, State, Local or Tribal Government entity
  - 501(c)(3) Non-Profit
  - Select private, non-profits (see list in Certification Form)
2) Type Of Loans

- If you want non-Direct loans to count towards PSLF then a **consolidation** will take non-Direct loans and make them a Direct Consolidation Loan

- This can be done at [www.studentloans.gov](http://www.studentloans.gov)

- Consult a staff member before doing a consolidation.
3) Servicer

PSLF requires you to have FedLoan Servicing

Submitting the Employment Certification Form will switch you to PSLF
4) Repayment Plan

- Standard (fixed payments, 10 yrs)
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LOANS
Perkins Loan Forgiveness

Five year commitment

- Volunteer in the Peace Corps or ACTION program (including VISTA)
- Teacher
- Member of the U.S. armed forces (serving in area of hostilities)
- Nurse or medical technician
- Law enforcement or corrections officer
- Head Start worker
- Child or family services worker
- Professional provider of early intervention services
LOANS

Income-Driven Repayment Plan Forgiveness

- Revised Pay As You Earn (REPAYE)
  - Undergrad loans – 20 years of qualifying repayment
  - Graduate loans – 25 years of qualifying repayment

- Pay As You Earn (PAYE)
  - 20 years of qualifying repayment

- Income-Based Repayment (IBR)
  - 25 years of qualifying repayment

- Income-Contingent Repayment (ICR)
  - 25 years of qualifying repayment

The fine print says that the borrower may be taxed on this forgiven amount.
Once You Graduate...

Beware of Third-Party Companies
CREDIT REPORTS

- **Credit Score**: a number that rates how well you handle credit, how much of a risk you are.

- **Credit Report**: a summary of your financial history.

*One in four can have errors*
Credit Score Basics

A credit score is based on the information drawn from your credit report and there are about 30 individual factors are used to determine your score.

- Payment history: 35%
- Types of credit in use: 10%
- Outstanding debt: 30%
- Pursuit of new credit: 15%
- Credit history: 10%
CREDIT SCORE

The Higher The Better

Ranges from 300 to 850

Above 740: Very good credit history

640 to 740: Average, indicating basically good credit

Below 640: Greater credit risk
CREDIT SCORE

Improve Your Score

- Pay yours bills on time
- Do not max out your credit cards
- Establish a credit history (only need 1 or 2 account, start small)
- Keep old lines of credit open
- Apply for a secured loan at a credit union
- Stop using credit cards and pay down debts (credit is not an extension of your income)
- Check your credit report and correct any errors
- Be patient!
CREDIT REPORTS
Who Can Pull Your Credit Report

Those who have a valid reasons:
- Lender after you filled out a loan application
- Insurance Company after you apply for policy
- If you give WRITTEN permission: landlord, employer
CREDIT REPORTS

Opt-Out of Firm Offers

- Firm Offers: unwanted credit card offers and insurance quotes
- Stop or lessen the number you receive by opting out of these prescreened offers
  - for 5 year periods
  - opt out permanently
- Can lead to identity theft if someone gets a hold of one of your credit card offers, fills it out and starts making purchases

https://www.optoutprescreen.com/
Like, "fill my gas tank all the way up" rich