Student Loans 101
Loan Repayment, Consolidation and Forgiveness

Holly Wright
UM Financial Education Program Manager
Financial Education Program

- Federal Student Aid Process
- Financial Aid Package
- Student Loans
- Personal Finance
- Budgeting
- Credit Report
- Manage Checking/Savings Accounts

FREE
Students, Employees & Alumni
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.
LOANS

Federal / Institutional Student 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
Federal/Institutional Student Loans

Loans Currently Offered to Undergraduate Students

- Direct Subsidized Loan, 4.45%
- Federal Perkins Loan, 5%
- Direct Unsubsidized Loan, 4.45%
- Direct Parent PLUS Loan, 7%
LOANS

Federal / Institutional Student Loans

- Loans Currently Offered to Graduate/Professional Students
  - Federal Perkins Loan, 5%
  - Direct Unsubsidized Loan, 6%
  - Direct Graduate PLUS Loan, 7%
There are caps to what can be borrowed.

Dependent Undergraduates: $31,000
Independent Undergraduates: $57,500
Graduate or Professional Students: $138,500
Certain Health Professions Programs: $224,000
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 Education Planning & Financing
- Navient
- Sallie Mae
- Great Lakes
There are five smaller servicers used by the Department of Education for Direct Loans:

- CornerStone
- Granite State Management & Resources (GSM&R)
- EdFinancial Services
- OSLA
- MOHELA
If you have loans from before 2010 in Montana:

If you have Perkins loans:

LOANS
Servicers

Aspire SERVICING CENTER™

CAMPUS PARTNERS
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

- Standard (fixed payments, 10 yrs)
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LOANS

Estimate your Repayment

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

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

https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action
LOANS
Repayment Plans

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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
LOANS

Consolidation

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
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

Deferment

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

*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/npas

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.

Log in to NSLDS  Create An FSA ID  Edit My FSA ID

Username (or Verified E-mail Address) •
Forgot My Username

Password •
Forgot My Password

LOGIN »
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>DIRECT CONSOLIDATED SUBSIDIZED</td>
<td>$979</td>
<td>01/17/2011</td>
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<td>Total DIRECT CONSOLIDATED SUBSIDIZED</td>
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<td>$1,448</td>
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<td>Total STAFFORD UNSUBSIDIZED</td>
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### 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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### Disbursement(s) and Status(es)

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<tr>
<th>Disbursement Date</th>
<th>Disbursement Amount</th>
<th>Loan Status</th>
<th>Status Description</th>
<th>Status Effective Date</th>
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<tr>
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<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>
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<tr>
<td></td>
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<td>IG</td>
<td>IN GRACE PERIOD</td>
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<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 LPPC&lt;br&gt;830 FIRST ST. NE&lt;br&gt;WASHINGTON&lt;br&gt;DC 2020200000</td>
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<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 was on/around October 1, 2017
Eligibility for PSLF

In order to be eligible for PSLF you must have the correct:

- amount and type of employment
- type of loans
- servicer
- repayment plan
1) Employment

**Amount:**
- One Employer: must work the number of hours the employer considers to be full time OR an average of 30 hours per week, whichever is greater
- More Than One Employer: combined hours must be an annual average of at least 30 hours per week
- 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.
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)
- Graduated (low payments at first, then increase over 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