Student Loans 101

Holly Wright
UM Financial Education Program Manager
◆ Repayment/Forgiveness of Student Loans
◆ Monthly Budgets
◆ Reviewing Financial Aid
◆ Find your Credit Report
◆ Emergency Savings Account
◆ Reaching Financial Goals

FREE
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.
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 Graduate/Professional Students

- Direct Unsubsidized Loan, 6.595%
- Direct Graduate PLUS Loan, 7.595%
Dependent Undergraduates: $31,000
Independent Undergraduates: $57,500
Graduate or Professional Students: $138,500
Certain Health Professions Programs: $224,000
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 major servicers used by the Department of Education for Direct Loans:

- FedLoan Servicing
- Nelnet
- Navient
- Sallie Mae

GREAT LAKES
LOANS
Servicers

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)
LOANS

Repayment Plans - Parent PLUS

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

Estimate your Repayment

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

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

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
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

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
LOANS

Capitalization

- 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>1. DIRECT CONSOLIDATED SUBSIDIZED</td>
<td>$979</td>
<td>01/17/2011</td>
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<td>2. DIRECT CONSOLIDATED UNSUBSIDIZED</td>
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<td>01/17/2011</td>
<td>$1,473</td>
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<td>3. DIRECT CONSOLIDATED UNSUBSIDIZED</td>
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<td>5. STAFFORD UNSUBSIDIZED</td>
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<td>06/22/2006</td>
<td>$1,334</td>
<td>$2,666</td>
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<td>09/26/2001</td>
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<td>8. STAFFORD SUBSIDIZED</td>
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<td>$800</td>
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<td>9. STAFFORD UNSUBSIDIZED</td>
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<td>04/04/2001</td>
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<td>10. STAFFORD SUBSIDIZED</td>
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<td><strong>Total DIRECT CONSOLIDATED SUBSIDIZED</strong></td>
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<td><strong>$963</strong></td>
<td><strong>$14</strong></td>
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<td><strong>Total DIRECT CONSOLIDATED UNSUBSIDIZED</strong></td>
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<td><strong>$1,448</strong></td>
<td><strong>$21</strong></td>
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<td><strong>Total STAFFORD UNSUBSIDIZED</strong></td>
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<td><strong>Total STAFFORD SUBSIDIZED</strong></td>
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<td><strong>Total All Loans</strong></td>
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<td><strong>$13,034</strong></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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<tbody>
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<td>$2,557</td>
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<td>02/28/2013</td>
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# 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>
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<tbody>
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<td>03/19/2010</td>
<td>$2,557</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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<td></td>
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<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>
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<tr>
<td></td>
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<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>
</table>
| Current Servicer: | DEPT OF ED/GREAT LAKES  
PO BOX 7860       |
|                   | MADISON                                      
WI 53707-7860    |
|                   | 800-236-4300                                 |
|                   | mygreatlakes.org                             |
| Current Lender:   | U.S. DEPT OF EDUCATION/2009-2010 LPCP       |
|                   | 830 FIRST ST. NE                             
WASHINGTON DC 202020000 |
| Current ED Servicer: | DEPT OF ED/GREAT LAKES  
PO BOX 530229       |
|                   | ATLANTA                                      
GA 303530229    |
|                   | 800-236-4300                                 |
|                   | mygreatlakes.org                             |
LOANS
Loan Forgiveness

- Public Service Loan Forgiveness
- Perkins Loans
Public Service Loan Forgiveness (PSLF)

- Started on October 1, 2007
- First individuals to have loans forgiven under PSLF happened after October 1, 2017
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**

- 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)
- **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)
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- **Income-Sensitive Repayment** (payments based on annual income)
LOANS

Perkins Loan Forgiveness

Five year commitment - contact Alice Tully 406-243-5535

- Volunteer in the Peace Corps or VISTA
- Member of the U.S. armed forces (serving in area of hostilities)
- Full-time employee of a public or nonprofit child- or family- services agency providing services to high-risk children and their families from low-income communities
- Full-time qualified professional provider of early intervention services for the disabled
- Full-time faculty member at a tribal college or university (for service that includes Aug. 14, 2008, or began on or after that date)
Once You Graduate...

Beware of Third-Party Companies
Budgeting

First Things First

- What does being "wealthy" look like to you?

- It takes money to make money. – In order to increase your asset size, a.k.a. build wealth, you have to decrease the amount of debt you have outstanding and start to build savings. Sounds simple right?

- It isn’t always easy, or everyone would do it. But that doesn’t mean it can’t be done. The first steps along this path are to gather your data and then start to analyze it.
1. Know what you owe and who you owe it to by first pulling your free credit report.

2. Create an accurate report of where your money is actually going. Don’t sensor this first list; be honest with yourself.

3. Know what your net income will be in your new job.

4. Know how your costs will change in your new location.

5. Time to make some choices. Start with a short term challenge and build from there. Can I save 50 or 100 this first month?

6. ***Don’t get tunnel vision on your student loans: Remember the importance of investing early for retirement
Other Ways to Cut Expenses

- Utilize your health benefits:
  - Will they cover your Gym Membership?
  - Will they cover child care?
  - Do you have a Flex Account that will cover co-pays?
  - Do they have an incentivized wellness program?
  - Review your options EVERY year

- Check your credit report

- Shop around for renters and auto insurance
Long Term Ways to Cut Expenses

- Build an Emergency Savings Fund
- Build a separate savings fund with 3-6 months worth of living expenses
- Utilize your retirement benefits:
  - Will your employer match funds?
  - Does your employer provide access to a Financial Planner?
  - Decide how big of a risk taker you are
- Invest early
Big Ticket Purchases

- A New Car!
  - Good interest rate on an auto loan is 2%-4%
  - Typical repayment term is 5 years or 60 months
  - Auto Loan Calculator on Google
Big Ticket Purchases

- Homeownership!
- The debt you carry will influence the mortgage you can get
- What is the Debt-to-Income Ratio?
- Debt-to-Income Ratio Calculator
Utilize the Homebuyer Education course offered by Homeword