


Direct Loan: Post-Graduation

Direct Loan Repayment

Glossary: Before we begin

- Principal: The actual dollar figure of the amount borrowed
- Interest: Periodic fee charged to borrower; usually a percentage of the current loan balance
- Interest Capitalization: If borrower does not pay interest as it accrues (accumulates) then it is added to loan balance, increasing amount owed.
- Deferment/Forbearance: Periods of time during which payment is not required

Direct Subsidized Loans

- Interest does not start accruing until after you graduate/drop below half-time enrollment
- 2011-12 Interest: 3.4%
- 2012-13 Interest (until July 1, 2013): 3.4%
- 2013-14 Interest (from July 1, 2013 on): 6.8%

Direct Unsubsidized Loans

- Interest begins to accrue after 1st disbursement
- Ideal to make payments on the interest while in school
- 2011-12 Interest: 6.8%
- 2012-13 Interest: 6.8%
- 2013-14 Interest: 6.8%

Aggregate Loan Limits

	Subsidized	Total Sub/Unsub Dependent
Dependent Undergrads	$23,000	$31,000
Independent/ Dependent Undergrads whose parents can't get PLUS	$23,000	$57,500
Graduate/Prof.	$65,500	$138,500

First Steps of Repayment

- Find out who is servicing your loan(s) – www.NSLDS.ed.gov
- Create an account at that servicer's webpage
- Make sure they have your most up-to-date contact information
- You have 6 months grace period before you must make your first repayment

Repayment Plans

Standard Repayment

- The plan you are put into automatically if you don’t choose a different one before repayment begins
- Payments are:
  - Made up to 10 years
  - A fixed amount of at least $50/month

Extended Repayment

- Payments:
  - May be fixed or graduated
  - Made up to 25 years
- You must have more than $30,000 in outstanding loans
- Must be new borrower as of Oct 7, 1998
- End up paying more than you would under Standard Repayment Plan

Graduated Repayment

- Payments :
  - start out low and increase usually every two years,
  - are made for up to 10 years,
  - will never be less than the amount of ***interest*** that accrues between your payments, and
  - won’t be more than three times greater than any other payment.

Income-Based Repayment

- Must have "partial financial hardship"
- Payments:
  - Are calculated each year and are based on your adjusted gross income, family size, and the total amount of your Direct Loans
  - Maximum monthly payments will be 15 percent of ***discretionary income***, the difference between your AGI and 150 percent of the poverty guideline for your family size and state of residence (other conditions apply).
  - Change as your income changes – must submit documentation annually
  - Made for up to 25 years – forgiveness after this
- Calculate your payments:
  - http://studentaid.ed.gov/repay-loans/understand/plans/income-based/calculator

Income-Contingent Repayment

- Payments:
  - Calculated each year; based on your AGI, family size, and total amount of your Direct Loans
  - Made up to 25 years – forgiven after this
  - Change as your income changes – must submit documentation annually
  - Are the lesser of
    - the amount you would pay if you repaid your loan in 12 years multiplied by an income percentage factor that changes with your annual income or
    - 20 percent of your monthly ***discretionary income***.
- http://studentaid.ed.gov/repay-loans/understand/plans/income-contingent/calculator

Pay As You Earn Repayment

- To qualify, you must have a “partial financial hardship”
- Payments are:
  - Based on income and family size
  - Adjusted each year, based on changes to income/family
  - Usually lower than on other plans
  - Never more than 10-year standard amount
  - Made over a period of 20 years

Income-Sensitive Plan

- Under this plan, your monthly payments:
  - increase or decrease based on your annual income and
  - are made for a maximum period of 10 years
- An alternative to ICR for loans in the FFELP program (before Direct Stafford Loans)

Sample Repayment Calculation

Interest Rate:	5 %
Loan Amount:	$ 27,000
Adjusted Gross Income (AGI):	$ 30,000
Marital Status:	Single
Family Size:	1
State of Residence:	Continental U.S

Repayment Plan	Term	Initial Monthly Payments	Total Payments
Standard	120	$286.38	$34,365.60
Graduated	120	$190.65	$35,773.90
Extended	Extended payment plans are only available for amounts greater than $30,000		
Income Contingent	191	$192.79	$39,530.85
Income-Based	Unavailable	$166	Unavailable

Loan Consolidation

- The process of combining one or more loans into a single loan
- Fixed interest rate is based on average of the interest rates on the loans being consolidated
- Apply online, over the phone or via paper application

Forbearance

- Allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments
- Common reasons for getting a forbearance:
  - Illness, financial hardship or serving in a medical or dental internship or residency
- Maximum forbearance is 12 months

Deferment

- Deferment:
  - A postponement of payment on a loan, during which interest does not accrue if the loan is subsidized.
  - You may qualify for a deferment while you are:
    - Enrolled at least half time in an eligible postsecondary school or studying full time in a graduate fellowship program or an approved disability rehabilitation program
    - Unemployed or meet rules for economic hardship (limited to 3 years)
  - Maximum deferment is 3 years

Public Service Loan Forgiveness

- Requirements – you must:
  - Make 120 on-time, full, scheduled, monthly payments on your Direct Loans. Only payments made after October 1, 2007 qualify
  - Make those payments under a qualifying repayment plan
  - Be working full-time at a qualifying public service organization when you make those payments

Qualifying Organization for PSLF?

- Any employment with a federal, state, or local government agency, entity, or organization or a non-profit org designated as tax-exempt by the IRS

Delinquency

- Loan becomes delinquent the first day after you miss a payment
- If you are delinquent on your loan payments, contact your loan servicer immediately to find out how to bring your account current
  - Late fees may be added, and your delinquency may be reported to credit bureaus, but this is much better than remaining delinquent on your payments and going into default

Default

- A loan is considered to be in default if it is more than 270 days delinquent, or without payment
- Severe consequences like:
  - Damage to credit rating
  - Wage garnishment
  - Entire unpaid balance of loan immediately due
  - Tax refund withheld
  - Loss of eligibility for additional federal student aid
  - Loss of eligibility for deferment, forbearance, and repayment plans

Tips to Avoid Default

- **Locate your loans!** Know your loan servicer and your rights and responsibilities as a borrower, so log on to National Student Loan Data System
- **Keep everything current**. Notify your loan servicer of any name, address, and/or phone changes.
- **Pay without delay.** If you forget to pay your bill by the due date, make sure you pay it immediately to avoid a default penalty. Most servicers give you 30 days before they report your delinquency to the credit bureaus. Once you get that "delinquency" label on your credit report you can NOT get it removed.
- **Don’t be afraid to ask for help**. Contact your loan servicer as soon as possible if you are having problems making your monthly payments. They may be able to help you with switching repayment plans, deferment or forbearance.
- **Know your options**. Review the Repayment Plans to possibly change your plan and/or lower your monthly payment. Consider loan consolidation to lower your monthly payments.

Use Credit Cards Wisely

- Advantages
- Build credit
- Rent a car
- Available for emergencies
- Frequent flyer miles

Disadvantages

- Negatively affect credit
- Debt accumulation
- Years to repay debt
- High interest rates

Managing your Credit Cards

- Choose a credit card with no annual fee
- Use credit cards conservatively
- Charge only what you can pay off at the end of the month
- Make monthly payments on time

Budgeting

- Create a monthly budget
  - Add up all your monthly expenses = any money you are spending
  - Compare expenses to income = any money you are earning
  - Figure out any areas where you can cut expenses
  - Create a section for your Savings so you get in the habit of putting money away each month

Useful websites

- Direct Loan Exit Counseling
  - www.studentloans.gov
- Federal Student Aid Information
  - www.studentaid.ed.gov
- Financial Awareness Counseling
  - https://studentloans.gov/myDirectLoan/financialAwarenessCounselingLanding.action
- Repayment Comparison Calculator
  - http://studentaid.ed.gov/repay-loans/understand/plans/standard/comparison-calculator
- National Student Loan Data System
  - www.nslds.ed.gov

Questions?

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