

Student loan repayment

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Together we'll go far



Congratulations

You're ready to move on. You're done with school (temporarily or permanently) and ready for the "real world." Part of that means preparing for your student loan repayment.

Today we'll cover some things that are **good to know**, and some things that are "**must-do's**."

The information covered in today's session is subject to change and should service as background information.

Must-do



Validate

National Student Loan Database System (NSLDS):

www.nslds.ed.gov

Provides data on your federal student loans:

- Direct Subsidized/Unsubsidized
- Direct Graduate PLUS
- Federal Perkins
- FFELP Loans
- Consolidation
- **Must know your Federal PIN number (you can obtain a PIN number at www.pin.ed.gov)**

Private Loans:

- You may have multiple private loans from multiple lenders, so it's important to check your documents.

It may seem like a no-brainer to know your student loan lender, but in today's world where it's common to borrow multiple loans and when loans are often sold, it's smart to double-check this

Make a list of all your loans and lenders and if you are unsure, check with the NYU Stern Graduate Financial Aid Office

Required action

Keep in touch with your lender

Contact them via email, or sign up for their online billing or servicing center. **Make sure they know** that you're done with school and that they have your current address, and phone number

Payment is required

When you signed your consumer credit agreement or promissory note, you made a legally binding agreement to **repay** your loan

If you had a private loan with a cosigner, **invite them** to sign up as well. He or she has a vested interest in keeping track of your loan

Not required, but smart

Get organized.

- Get copies of your credit agreements/promissory notes and read them again
- Keep a record of the following:
 - Where to send payments
 - Where to send correspondence
 - Your lender's website and customer service number

Open your mail.

You might not be used to paying attention to snail mail, but it's critical that you open and read everything that comes from your lender

- If you signed up for electronic statements, make sure the emails from your lender don't go to 'junk' — add them to your address book
- You'll be getting a repayment schedule before your first payment is due. For most lenders, it will typically show your:
 - 1.Loan balance | Estimated total interest
 - 2.Number of monthly payments | Amount of each payment
 - 3.Date that your first payment is due

Resources

Federal loans:

- National Student Loan Database System (NSLDS): nslds.ed.gov
 - Provides data on your federal student loans (Stafford, GradPLUS, Perkins, Consolidation)
 - You must know your federal PIN number
- Federal Student Aid: studentaid.ed.gov
 - Provide contact information for federal loan services
- Financial Aid Office

Private Loans:

- You may have borrowed multiple private loans through different lenders, so it is important to check with each lender
- Financial Aid Office

Federal Loan Details

Federal Stafford Loans

Types:

- **Subsidized** - Need-based; accruing interest paid by the government while the borrower is in school, in a grace period and during eligible deferment periods*
- **Unsubsidized** - Not need-based with accruing interest paid by borrower or capitalized at repayment
 - Fixed interest rate: **for loans first disbursed between 7/1/13 and 6/30/14**, the interest rate is 5.41% for graduate students
 - Repayment begins six months after you graduate, leave school, or drop to less than half-time status
 - Up to 10 year repayment term (*up to 25 years for federal loan debts over \$30,000*)
 - No pre-payment penalties

*As of July 1, 2012 the Federal Government ceased subsidized Stafford loans for graduate students.

Federal Loan Details

Graduate PLUS Loans

Credit-based loan, up-to the cost of education minus all other financial aid

- Fixed interest rate: for loans first disbursed between 7/1/13 and 6/30/14, the interest rate is 6.41% for graduate students
- Repayment :
 - Loans first disbursed on or after July 1, 2008: Borrower eligible for a six month enrollment deferment; lender may/may not automatically grant
- Up to 10 year repayment term (*up to 25 years for federal loan debts over \$30,000*)
- No pre-payment penalties

Private Loan Details

- Credit-based loan, up-to the cost of education minus all other financial aid
- Interest rates may be fixed or variable
- Repayment begins 6 to 9 months after graduation depending on the lender
- Typically 15 to 25 years depending on the lender
- No pre-payment penalties
- Know your borrower benefits and take advantage of them

Nice to know



Get Interested

Know when your interest is capitalized (that means added to your principal balance). Interest is typically capitalized upon repayment and/or after deferment/forbearance

- If you can afford to pay a portion of your interest before this happens, it will result in a lower total amount that you pay back

Capitalization of Interest Example

	If you pay the interest as it is charged	If you do <u>not</u> pay the interest as it is charged
Loan Amount	\$15,000.00	\$15,000.00
Capitalized Interest for 12 months (at the rate of 7.9%)	\$0.00	\$1,185.00
Principal to be Repaid	\$15,000.00	\$16,185.00
Monthly payment (Standard Repayment Plan)	\$181.00	\$196.00
Number of payments	120	120
Total Amount Repaid	\$21,744.00	\$23,462.00

Borrower Benefits

Borrower benefits are money-saving incentives that borrowers may receive as a reward for things such as making on-time payments and making payments via **auto-debit**.

- Visit your lender's Web site or call your lender to determine which benefits are available to you
- While there aren't many, most loans offer 0.25% interest rate reduction for ACH payments from a checking or savings account

Grace Period

Grace Period: Set period of time after you graduate, leave school or drop below half-time enrollment before you must begin repayment on your loans

- You can have a six to nine month grace period; however, it will vary depending on the type of loan you have borrowed
- Grace is a period of time when the lender doesn't require payment
- Make sure you know the length of your grace period
- For most loans, interest will accrue during your grace period

Federal Loan Repayment Options

Standard (Level)

- Same amount each month for 10 years

Graduated

- Lower initial payments, and increase every two years
- Payments are made for 10 years
- Will never be less than the amount of interest that accrues between your monthly payments
- Will not be more than three times greater than any other payment

Extended

- Generally lower monthly payments than the standard or graduated payment plans
- 25 year repayment (Direct Loan borrower must have more than \$30,000 outstanding in Direct loans and FFEL borrowers must have more than \$30,000 outstanding in FFEL Programs)

Federal Loan Repayment Options

- **Income-Sensitive (FFEL only)**

- Monthly payments increase or decrease depending on annual income
- Repayment up to 10 years

- **Income-Contingent (Direct Loans only)**

- Payments are calculated each year based on your AGI, family size, and total amount of your direct loans.
- Your payments change as your income changes.
- Up to 25 years to repay. After 25 years of qualifying monthly payments, unpaid portion will be forgiven. May have to pay income tax on amount that is forgiven

- **Income-Based Repayment (IBR)**

- For economic hardship or partial economic hardship
- Your maximum monthly payments will be 15 percent of *discretionary income*, the difference between your adjusted gross income and 150 percent of the poverty guideline for your family size and state of residence (other conditions apply).
- Your payments change as your income changes.
- Up to 25 years to repay

Federal Loan Repayment Options

Pay as you earn

- For economic hardship or partial economic hardship
- Your maximum monthly payments will be 10 percent of discretionary income, the difference between your adjusted gross income and 150 percent of the poverty guideline for your family size and state of residence (other conditions apply)
- Your payments change as your income changes
- Up to 20 years. After 20 years of qualifying monthly payments, any outstanding balance will be forgiven. You may have to pay income tax on the forgiven amount.

Consolidation

- One loan, one rate, one servicer and extended repay
- Borrower benefits from your original loan, which may include interest rate discounts, *principal* rebates, or some loan *cancellation* benefits might be lost if you consolidate.

Private Loan Interest Rates & Repayment

Interest Rates

- Credit-based rates are variable or fixed
 - Variable: rate can change (sometimes frequently)
 - Fixed: remains the same for the life of the loan
- Usually based on an index + a spread
 - LIBOR
 - Prime
 - Example: Prime (3.25%) + spread (.50%) = 3.75%
- Spread (tiers) & Fees

Repayment

- Usually longer than 10 years, but some can be less
- Usually you are granted a 6 month grace period and limited deferment
- Know your borrower benefits and take advantage of them

Federal Loan Deferments

Deferment allows you to temporarily suspend payment on your federal student loans

- Government pays interest on subsidized loans during periods of eligible deferment
- Interest continues to accrue for unsubsidized loans during deferment
- If you don't pay the interest on your loan during deferment, it may be capitalized
- Check with your lender or servicer for more information

Some Private lenders

may offer deferment options

TYPES

- In-school
- Unemployment (max. 3 years)
- Economic hardship (max. 3 years)
- Approved fellowship/rehabilitation training programs
- Military

Federal Loan Forbearance

A forbearance is an agreement with your lender that allows you to postpone student loan payments for a predetermined length of time. It's used when you are not eligible for a deferment

- It is typically granted in 12-month intervals
- You are responsible for interest as it accrues, regardless of loan type
- You may pay interest as it accrues
- Any unpaid interest may be added to your principal balance at the end of the forbearance period (capitalization)

★ Some Private lenders
may offer forbearance options

Common Types

Discretionary:

- Economic hardship
- Disability

Mandatory:

- Medical/dental internship/residency
- Student loan payments that are 20% or more of your total monthly gross income
- Payments being made by the Department of Defense

Federal Loan Discharge & Cancellation

- Total and permanent disability
- You cannot complete your course of study because your school closed
- False certification, including identity theft
- Employment in certain designated public school service professions
- Death
- Note that in most cases, student loans are NOT dischargeable in bankruptcy (only in cases where a bankruptcy court determines repayment would cause undue hardship)

 **Some Private lenders *may* offer discharge & cancellation options.**

Source for federal information: studentaid.ed.gov

Federal Loan Delinquency & Default

Delinquency

- Failure to make payment(s) when due
- Reported to credit bureaus, it affects borrower's credit history

Default

- Default occurs when you fail to make a payment for 270 days
- Defaulting on any student loan can have serious consequences
- Servicer (for private loans) or federal government (for federal loans) can sue, and defaulter is responsible for costs
- Collection agencies may take over –adds to cost
- School can withhold records
- Student loans rarely discharged in bankruptcy
- Consequences of default on a federal loans can include wage garnishment and could result in an offset of federal tax refunds

Source for information: studentaid.ed.gov

If you run into trouble

No one is perfect.

Almost everyone runs into a financial rough spot at some point in life. Your lender is there to help. If you have trouble making a payment, **call them** and let them know.

Not making a payment can impact your credit. Find out what your options are — **never 'skip' a payment.**

If you're having trouble making payments, your lender may offer a forbearance (a period of time when payments can be suspended, but interest continues to accumulate) or a period when you can make interest-only payments. Be sure to check with your lender on available options.

Resources

Wells Fargo: [wellsfargo.com/student](https://www.wellsfargo.com/student)

Federal Student Aid: studentaid.ed.gov

U.S. Department of Education: ed.gov

Career planning, services, etc.: students.gov

U.S. Small Business Administration: sba.gov

Free credit reports: annualcreditreport.com

Questions?

Best of luck to you.