

# Direct Loan Exit Counseling



# Topic 1 of 6

## Successfully Managing Your Student Loans

# Types of Student Loans

There are several types of federal student loans.

This counseling session will focus on:

Direct  
Subsidized  
Loans

Direct  
Unsubsidized  
Loans

*We will use the term “Direct Loans” throughout this presentation to mean both subsidized and unsubsidized loans.*

# Know Your Student Loans

As a borrower, you should:

Understand the types of loans available

Know the terms of your loans

Your responsibility to repay the loans

Direct Loans are borrowed under from the federal government via the Department of Education with your school certifying your eligibility for the loans.

# Master Promissory Note

Once eligibility is certified, you must complete a Master Promissory Note or MPN.

## The MPN:

- Is a binding legal agreement to indicate your commitment to repay your student loan(s)
- Contains your Rights and Responsibilities
- May be used for multiple loans up to 10 years (depending on your school)
- Makes the borrowing process easier for borrowers and schools
- MPN may be revoked



# Loan Servicers

Hired to maintain student loan records and files

Process payments

Process deferments, forbearances



# Keep in Touch with Your Loan Servicer

Provide any changes to name, address, phone number, e-mail address, or if you:

Withdraw from school

Drop below half-time enrollment

Transfer to a new school

Graduate

Change anything that would affect your loan status

# 150% Rule

**Example:** A student enrolled in a 4 year Bachelor's program cannot borrow Direct Subsidized Loans for more than 6 years.





# Topic 2 of 6

## Repayment Begins



# Grace Period

One grace period of six months before you enter repayment.

If you were enrolled less than half-time or gone from school for six months or more, you already have used the grace period on the loans.

If you withdraw or drop below half-time status, but return to at least half-time status before the six month grace period elapses, then the grace period will not be considered as used.

# Interest Information

## Direct Subsidized Loans

- Government pays interest while in school and deferment
- Does not pay grace period interest for loans disbursed 7/1/12-6/30/14
- Six month grace period after ceasing at least half-time attendance
- Can pay interest during grace period before repayment starts
- Contact loan servicer if don't receive repayment information during grace

## Direct Unsubsidized Loans

- Government does not pay interest subsidy
- Officially enter repayment six months after cease at least half-time attendance
- Can pay interest before repayment starts
- Contact loan servicer if don't receive repayment information during grace



# Beginning Repayment

You may prepay all or part of your loan at any time without penalty

Try to pay the interest accruing on your loan

# Education Tax Benefits

American  
Opportunity  
Credit

Lifetime  
Learning  
Credit

Tuition and  
Fees  
Deduction

Student  
Loan  
Interest  
Deduction

# Repayment Tips

Keep loan records  
organized

Keep all papers  
and  
correspondence

Know the amount  
of your loan  
payments

Check about  
automatic  
payment  
withdrawal



# Topic 3 of 6

# Repayment Options

# Repayment Options

Standard  
repayment

Graduated  
repayment

Extended  
repayment

Income-  
contingent  
repayment

Pay as You  
Earn  
repayment

Income-based  
repayment

# Repayment Plans

## Standard

- Minimum payment of \$50
- Equal payment amount
- Maximum repayment of 10 years

## Graduated

- Lower payments that may increase over time
- Payment can't be lower than interest
- Maximum repayment of 10 years

## Extended

- More than \$30,000
- Maximum repayment is 25 years

## Income-Sensitive

- Adjusted payment based on gross income
- Payment can't be lower than interest
- Maximum repayment of 10 years
- Only FFEL loans

# Repayment Plans, cont.

## Income-Contingent

- Payment based on gross income and family size
- Unpaid balance may be forgiven after 25 years

## Pay As You Earn

- Payment not more than 10% of adjusted gross income that exceeds 150% of the poverty line
- Unpaid balance may be forgiven after 25 years

## Income-Based Repayment

- Payment not more than 15% of adjusted gross income that exceeds 150% of the poverty line
- Unpaid balance may be forgiven after 25 years

# Sample Payment Amounts

Amount borrowed	Monthly payments	Number of payments	Total amount paid
1,500	50	33	1,650
3,500	50	89	4,450
5,500	63.29	120	7,595.30
6,500	74.80	120	8,976.27
7,500	86.31	120	10,357.23
8,500	97.82	120	11,738.19
9,500	109.33	120	13,119.16
10,500	120.83	120	14,500.12
12,500	143.85	120	17,262.05
20,500	253.91	120	28,309.76
40,000	460.32	120	55,238.56
57,500	661.71	120	79,405.43

# Comparison of Repayment Options

Repayment Option	Maximum Repayment Period	Monthly Payment Amount	Total Interest Paid	Total Amount Paid
Standard	10 years	120 payments of \$368.25	\$12,190.84	\$44,190.84
Graduated*	10 years	24 payments of \$252.86 24 payments of \$307.41 24 payments of \$373.74 24 payments of \$454.37 24 payments of \$552.39	\$14,577.78	\$46,577.78
Income-sensitive**	10 years***	24 payments of \$184.81 120 payments of \$368.25	\$16,626.28	\$48,626.28
Income-contingent	25 years	24 payments of \$194.83 130 payments of \$328.86	\$15,427.72	\$47,427.72
Income-based	25 years	24 payments of \$31.69 140 payments of \$368.25	\$21,007.72	\$53,007.72
Extended	25 years	300 payments of \$222.10	\$34,630.92	\$66,630.92

# Repayment Questions



Contact your  
loan holder/loan servicer with  
any questions about the various  
repayment plans



## Topic 4 of 6

# Solutions for Repayment Problems

# You Must Repay Your Loans

Even if you:

Do not complete your education

Do not complete your program within the regular completion time

Are not employed upon completion of your studies

Feel that the education you received did not meet your expectations

Do not find employment in your field of study

File bankruptcy. (Generally, student loans are not cancelled or discharged.)

# Deferment

A deferment is a period of time when a loan payment is not required.

## Who pays the interest?

- Direct and Stafford Subsidized Loans: Government
- Direct and Stafford Unsubsidized Loans: You

## To request a deferment:

- Contact the loan holder/servicer
- Submit the required documentation
- Continue making payments until notified the deferment was granted

# Deferment Types

At least half-time  
enrollment at an  
eligible school

Graduate  
fellowship  
program

Rehabilitation  
training program

Military service

Unemployment

Economic  
hardship

# Forbearance

If you are unable to make your full payments and do not qualify for a deferment

A period of time during which you do not have to make full payments or make regular payments at all

You are responsible for the interest that accrues during any forbearance period

You must contact the loan holder/servicer to apply for forbearance



# Forbearance, cont.

Experiencing personal problems (health issues, financial hardship)

Affected by a local or national emergency, military mobilization, or natural disaster

Serving in a position that may qualify you for loan forgiveness, partial repayment of your loan, or a national service educational award

**REMEMBER:** You must contact the loan holder/servicer to apply for forbearance and keep making payment until it is granted.



# Loan Consolidation

Available if your loans are in grace period or in repayment

Enables you to pay your existing student loans in full with one loan, with one interest rate and repayment schedule

Typically extends your repayment period and lowers your monthly payments and interest rate

May increase the total amount of interest you pay on the loan

# Loan Consolidation, cont.

Benefits:	Drawbacks:
Extended repayment of up to 30 years based on your balance	Extra interest over the life of the loan, if you choose a longer repayment period
One monthly payment	Possible loss of eligibility for certain deferments, forgiveness, cancellation, and grace period benefits
Option to prepay or change repayment plans without penalty	Potential loss of some borrower payment incentives if you consolidate (for example, reduced interest rate for on-time payments)
Fixed interest rate	

# Consolidation Repayment Example

Loan	Balance	Interest Rate		Loan	Balance	Interest Rate
A	2,625	4.13		B	3,500	5.2
C	5,500	6.1		D	5,500	6.8

If you consolidate these loans (a total of **\$17,125**), you'll have **15 years (180 months)** to repay. The weighted average interest rate of the loans is **5.839%**. This is rounded up to the nearest 1/8th of one whole percent, resulting in your fixed interest rate of **5.875%**.

If you repay the Direct Consolidation Loan under a standard repayment plan, your monthly payment will be **\$143.36**.

In the end, you will have paid **\$25,804.18**, which includes **\$8,679.18** in interest.



# Topic 5 of 6

# Loan Cancellation



# Repaying Your Student Loans

You are generally obligated to repay your student loan, regardless of what happens

Generally, federal student loans **may not be discharged or cancelled** due to bankruptcy

There are a few situations in which your loan may be discharged

# Loan Discharge

Your loans may only be eligible for discharge if:

You die

You become totally and permanently disabled and meet certain conditions

Your school fails to pay a refund if you withdraw

Your loan was falsely certified as a result of identity theft

Your school fraudulently certified or fraudulently completed a loan application in your name without your approval

# Loan Forgiveness & Loan Repayment Programs

## Teacher Loan Forgiveness

- For teachers serving in designated low-income schools
- Must teach in a low-income school for five consecutive years to qualify

## Public Service Employee Forgiveness

- For public service employees
- Must have made 120 payments

## AmeriCorps service program

- For information, visit [www.americorps.gov](http://www.americorps.gov)

## Military repayment programs

- Contact your recruiter for more information



## Topic 6 of 6

# Delinquency and Default

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## Delinquency

When a student  
loan payment is  
missed

## Default

When a student  
loan payment is  
not made for  
270 days.



# Consequences of Default

- Damage to your credit rating
- Referral to a collection agency
- Collection costs
- Garnishment of your wages
- Withholding of your state or federal tax payments
- Civil lawsuit, including court costs & legal expenses
- Loss of repayment options
- Loss of eligibility for future financial aid
- Suspension of your professional license



# Avoid Delinquency and Default

Inform your  
school and Direct  
Loan Program of  
any changes

Read and keep  
all documents  
about your  
student loan

Call your servicer or the Direct Loan  
Program if you are having trouble  
making payments



# NSLDS

## National Student Loan Data System

- Access your loan history information using your federal PIN (go to [www.pin.ed.gov](http://www.pin.ed.gov) if you don't remember the PIN)
- Does not list your alternative or private loans
- [www.nslds.ed.gov](http://www.nslds.ed.gov)
- (800) 999-8219



# Federal Student Aid Ombudsman

## Federal Student Aid (FSA) Ombudsman

- Works with student loan borrowers informally to resolve loan disputes the borrower is unable to resolve
- Goal is to find creative alternatives
- <http://studentaid.ed.gov/repay-loans/disputes/prepare>
- (877) 557-2575

# Tips for Borrowers

Keep your loan holder/servicer informed

Keep your loan records organized

Know the amount of your loan payments and when they begin

Include student loan payments in your budget



# Financial Literacy Topic

## Important Steps to Being Financially Fit

# Personal Finance

Open up checking and savings accounts

Make your monthly payments for loans and services on time each month

Make a list of your values and set your goals to help you maintain those values

Create a spending plan that meets your "wants" as well as your "needs"

Review your credit report once a year to make sure it is accurate

Contact your creditors if you are having trouble making payments



# Savings

Pay yourself first

Use direct deposit, if possible

Start an emergency fund

Save 6 to 12 months of earnings



# Private Student Loans

Private loans are credit based and may require a co-signer

The interest rate is often based on your credit rating

Fees vary among programs

There is no federal interest subsidy

Not all private loan programs have a grace period

# Credit Cards

When selecting a credit card, look for:

A low annual  
percentage  
rate

The interest  
calculation  
method

Low or no  
annual fees

A grace period

The credit  
limit

Services and  
features

# Credit Report

Credit reports contain personal information, credit record, and repayment history

- Most negative information stays on your credit report for seven years, though some bankruptcies remain 10 years.
- Positive information stays on indefinitely. Inquiries stay on for six months to two years, depending on the type of inquiry.



# Free Credit Report

Visit [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com)

View and print one or all credit reports. There are three major credit reporting agencies:  
Equifax,  
Trans Union, and Experian.

Know when fees may apply. You may be charged a fee if you request more than one copy from the same credit reporting agencies within a year or if you request your credit/FICO<sup>®</sup> score.

# Contact

- School contact **Kathy Gayda**
- E-mail address **[kgayda@iticollege.edu](mailto:kgayda@iticollege.edu)**
- Phone number **(225)752-4233**
- Web address **[www.iticollege.edu](http://www.iticollege.edu)**