

Student Loan Repayment for UMBC Money Smart Week

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For Informational Purposes Only.



- Know the type(s) of loan you have borrowed
 - Direct, PLUS, Private

 - Know your lender(s) and servicer(s)
 - Lenders provide funds
 - Servicers collect and track repayment, provide customer service
 - You can find your federal loan information by logging in at <https://studentaid.gov/>

 - Know how much you owe

 - Know your rights and responsibilities

 - Know your repayment

 - Know your options
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- Private loans are reported to one or more of the three major credit reporting agencies
 - You won't find them in the federal loan system (Reminder: You can find your federal loan information by logging in at <https://studentaid.gov/>)

- You may obtain a free copy of your credit report every 12 months by going to www.annualcreditreport.com

- Get organized! KNOW:
 - Who you owe
 - What types of loans you have
 - When your payments are due
 - Where to send your payments
 - How to contact all of your lenders/servicers

 - Have a plan – your best action is to set a budget (your income vs. what bills you have) and stick to it
 - You can find budget calculators online, there are many apps for smart phones

 - Pay on time, and be careful with your credit
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Federal Loan Rights

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- To a grace period (typically 6 months) after separation from the school before entering repayment
 - To change your payment plan
 - To repay your loans in full at any time without penalty
 - To be notified in writing if your loan is sold
 - To receive a copy of your Master Promissory Note (MPN)
 - To receive a disclosure statement before repayment begins that includes information about interest rates, fees, the balance owed, and the number of payments
 - To defer payment under certain circumstances
 - To receive documentation when the loan has been paid in full
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Federal Loan Responsibilities

- You must repay your loan, even if you did not complete your education or were not satisfied with your school
- You must make payment on time, even if you do not receive a bill
- You must notify your lender/servicer if you change your name, your address, or your phone number
- You must contact your lender/servicer if you cannot make a payment, or cannot make a payment on time
- Refer to your promissory note (MPN), or contact your lender/servicer if you have questions
- <https://studentaid.ed.gov/sa/sites/default/files/repaying-your-loans.pdf>
- <https://studentaid.ed.gov/sa/sites/default/files/repaying-your-loans-spanish.pdf>

■ Standard Repayment

- Equal monthly payments made over the course of 10 years, minimum payment of \$50 per month
- Enrollment in standard repayment is automatic, but borrowers may choose another payment that better suits his/her her needs

■ Graduated Repayment

- Monthly payments start at a lower amount but gradually increase over 10 years, usually every two years

■ Extended Repayment – Payments that are fixed or gradually increased over 25 years. Debt must be over \$30,000

- Extended Fixed
- Extended Graduated

Federal Loan Repayment Options (Income-Driven Plans)



■ **Income-Contingent Repayment (Direct Loans)**

- For federal Direct Loan only. Based on income and family size
- Must reapply every year
- **Term:** Up to 25 years

■ **Income-Based Repayment (FFEL Loans)**

- Eligibility re-evaluated each year. After 25 years/300 payments, remaining balance may be forgiven
- **Term:** 20 years if you're a new borrower on or after July 1, 2014, 25 years if you're not a new borrower on or after July 1, 2014

Federal Loan Repayment Options (Income-Driven Plans)



■ Pay As You Earn (PAYE)

- Based on income and family size
- Must demonstrate partial financial hardship
- Adjusted each year, based on changes to annual income and family size
- **Term:** Up to 20 years

■ Revised Pay As You Earn (REPAYE)

- Applies to Direct Student Loans
 - Generally 10 percent of discretionary income
 - Not required to have partial financial hardship
 - **Term:** 20 years if all loans being repaid under the plan were received for *undergraduate* study, 25 years if any loans being repaid under the plan were received for *graduate or professional* study
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Federal Loan Repayment Options

- Find the assigned servicer for your federal loans by logging into your account at <https://studentaid.gov>
- Review information on <https://studentaid.gov> under “How Do I Manage My Loans?” for how to make payments, repayment plans, deferment/forbearance, forgiveness, etc.
- Use the “Repayment Estimator” to find the best federal loan payment plan for you
- If you qualify for forgiveness on a repayment plan, check to see if any tax implications
- You may prepay without penalty on federal loans. (Note: Most private loans also permit penalty-free prepayment, but always check your promissory note or check with the servicer for details)
- Know when each loan is due; talk to lender/servicer about changing due date to best meet your budget’s needs
- Create a budget, refine, and then stick to it

Please visit the Federal Student Aid website below for more information

- <https://studentaid.gov/manage-loans/repayment/plans/income-driven>

- Forgives any remaining student loan debt after 10 years for people who work in qualifying public service positions
 - Qualifying positions may include public education, social work, public safety, public defenders, public and school librarians, military service, and other employment types
- Other public service forgiveness is available for teachers, nurses, Americorps and Peace Corps volunteers
- Check <https://studentaid.gov> for more information
- Forgiven amount is not currently taxed; other forgiveness programs currently may carry federal (and in some cases, state) tax requirements on forgiven amount. Consult your tax advisor with any questions
- Consider: Repaying loans more quickly will reduce the amount paid over the life of the loan and may be less costly than what you are trying to achieve via loan forgiveness (do the math; use the calculators)

- Consolidation combines some/all federal loans into one loan for easier payment (i.e., Direct and former FFEL loans)
 - May reduce amount of monthly payments by increasing length of time for repayment
 - Consider the pros and cons before consolidating (especially if you may lose some benefits such as forgiveness)
 - **Remember** - the longer the repayment period, the greater the amount of interest paid over that time
 - Refinancing with a private lender – can combine federal and private; check to be sure you don't lose benefits
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Repayment examples



Repayment Plan	Repayment Period (months)	Monthly Payment Initial to Final Amounts	Projected Loan Forgiveness	Total Interest Paid	Total Amount Paid (with PSLF)
Standard	120	\$357 to \$357	\$0	\$11,810	\$42,810
Graduated	120	\$206 to \$617	\$0	\$15,066	\$46,066
Extended Fixed	300	\$215 to \$215	\$0	\$33,549	\$64,549
Extended Graduated	300	\$176 to \$307	\$0	\$38,918	\$69,918
*Income-Contingent Repayment (ICR)	120	\$297 to \$316	\$8,153	--	\$37,239
*Pay As You Earn (PAYE)	120	\$266 to \$357	\$5,681	\$2,872	\$39,553
*Repay As You Earn (REPAYE)	120	\$266 to \$460	\$2,126	\$9,620	\$42,746

Repayment Plan Without PSLF	Repayment Period (months) w/o PSLF	Monthly Payment w/o PSLF Initial to Final Amounts	Projected Loan Forgiveness w/o PSLF	Total Interest Paid w/o PSLF	Total Amount Paid without PSLF
*Income-Contingent Repayment (ICR)	149	\$297 to \$319	\$0	\$15,050	\$46,080
*Pay As You Earn (PAYE)	137	\$266 to \$357	\$0	\$14,523	\$45,523
*Repay As You Earn (REPAYE)	125	\$266 to \$488	\$0	\$13,905	\$44,905

EXAMPLE assumes Single, \$31K Unsub, MD resident, \$50K annual income

Consolidation vs. Standard Repayment

- Calculated using the FSA calculator
- EXAMPLE assumes \$24,000 loan debt (unsub), 6.8%, \$50,000 income, MD resident

Repayment Plan	First Monthly Payment	Last Monthly Payment	Total Amount Paid	Repayment Period
Standard Repayment	\$276	\$276	\$33,143	120 months
Standard Consolidation	\$183	\$183	\$43,968	240 months
Graduated Consolidation	\$136	\$279	\$48,024	240 months

- According to the Internal Revenue Service (IRS), student loan amounts forgiven under PSLF are not considered income for tax purposes. For more information, check with the IRS or a tax advisor. Public Service Loan Forgiveness – the forgiven portion in this program is currently the **ONLY** one not subject to taxation (source: Federal Student Aid website on Public Service Loan forgiveness).

- **Your loans won't just go away**
 - Loans may be forgiven for total and permanent disability (i.e., you are not expected to be able to work again) or death
 - Loans are rarely included in bankruptcy

 - If you find yourself in trouble with payments, **ALWAYS** reach out to your servicer

 - You may qualify for a **deferment** (postponement of payment) if you:
 - Are enrolled in school
 - Unemployed
 - In the military
 - Employed in a public service position
 - Unable to make payments
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- You must apply for deferment and meet the qualifying requirements
- Temporarily postpone payment of a student loan
- Subsidized loans do not accrue interest while in deferment
- Unsubsidized and GradPLUS loans accrue interest whether in repayment or deferment
- Accruing interest during deferment increases the amount repaid in the end; you may want to pay the interest during deferments
- Currently, all federal loans are in an emergency relief deferment until May 1, 2022, accruing 0% interest.

- If you don't qualify for a deferment, you may be able to request forbearance.
 - According to the Federal Student Aid website, your loan servicer decides whether or not to grant a request for a general forbearance
 - Payment is temporarily suspended or lowered
 - Interest accrues during forbearance, even on Subsidized loan
 - Circumstances that may qualify for general forbearance.
 - Financial difficulties
 - Medical expenses
 - Change in employment
 - Other reasons acceptable to your loan servicer
- Late payments are reported to the credit reporting agency/agencies
- Communicate with your lender/servicer. **You have options!**

- If you make no payments for 270 days or your delinquency reaches 270 days past due, your loan will be placed into default, per the Department of Education:
 - The entire unpaid balance of your loan may be accelerated, becoming immediately due.
 - You will lose eligibility for deferments, forbearances, and any additional federal financial aid until the default is resolved
 - Interest and fees will be applied (increasing the total loan debt owed)
 - The default will be reported to credit bureaus
 - Your tax refunds and federal benefit payments may be withheld and applied toward repayment of your defaulted federal loan (this is called “Treasury offset”).
 - Your wages may be garnished
 - Your loan holder may take you to court, and you may be charged court costs, collection fees, attorney’s fees
 - Your school may withhold academic transcripts (it is the property of the school, and the school’s decision, not that of the office of Federal Student Aid)

- If you have issues that, despite repeated attempts, you cannot resolve with your lender/servicer, there is an ombudsman to help get things resolved
- Contact the Office of the Ombudsman
 - <https://studentaid.gov/feedback-ombudsman/disputes/prepare>
 - Phone number: 1-877-557-2575
 - Fax number: 606-396-4821
- **Fax number:** 202-275-0549
- **Postal mail**
 - U.S. Department of Education
 - FSA Ombudsman Group
 - P.O. Box 1843
 - Monticello, KY 42633

- Rely on your lender/servicer for assistance
- Know your options and use them to stay in good standing with your loans and your good credit
- Use the tools and resources given to you, and always ask for help
- Your school is a useful resource if you need to ask questions, too

- Keep organized records
 - Use receipts
 - Track purchases and expenses in a journal
 - Use of calendars for tracking bill due dates
 - Keep expenditures simple until you have a handle on what your monthly finances are going to look like after several months

- Apps
 - (Not an endorsement of any particular app)
 - There are many for Smartphones
- Websites pertaining to budgeting that fit your needs
- Whatever you choose, use to set good financial habits

- Pay bills on time
- Use good judgment on credit card use
 - Don't use more than 30% of your total credit
 - Pay credit cards/revolving credit off in full each month
 - Always pay more than the minimum monthly payment
- Check your credit once per year
 - www.annualcreditreport.com

- <https://studentaid.gov>
 - www.annualcreditreport.com
 - <https://studentaid.gov/feedback-ombudsman/disputes/prepare>
 - Direct Loan Servicing Center
 - P.O. Box 5609
 - Greenville, TX 75403-5609
 - 1-800-848-0979
 - (TTY) 1-800-848-0983
 - Web Site: <https://studentaid.gov/help-center/contact>
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- <https://studentaid.gov/h/manage-loans#how-to-pay>
- Navient: <https://www.navient.com/> 1-888-272-5543
- Nelnet: <https://www.nelnet.com/> 1-888-486-4722
- FedLoan Servicing (PHEAA): <https://myfedloan.org/> 1-800-699-2908

- There are other servicers, as well. Check studentaid.gov to verify who is yours.



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