

# TAKE CHARGE OF LOAN REPAYMENT!

Strategies for Managing  
Your Debt Successfully

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# Loan Repayment

## “Top Ten” Vocabulary List

### Do you now know what these mean?

- Grace
- FFELP
- Direct
- Servicer
- NSLDS
- Standard
- Extended
- IBR
- Consolidation
- Prepayment

# Take charge of ...

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- Planning for repayment
- Selecting a payment plan
- Preparing for contingencies



# Taking Charge

## Planning for Repayment

# Plan for Loan Repayment

- Know what loans you have borrowed, who you must repay and how much you owe
- Determine what happens to your loans after you graduate
- Understand your loan repayment options
- Define your financial goals
- Estimate how much you can afford to pay each month on your student loan debt
- Select your repayment plan
- Take advantage of loan forgiveness if you qualify
- Be prepared for contingencies
- Keep good records



**What, who and how much  
do you owe?**

# NSLDS

## An Important Resource

### To access, enter:

- ❑ SSN
- ❑ First two letters of last name
- ❑ Birthdate
- ❑ Dept. of Ed PIN

 **START HERE  
GO FURTHER**  
FEDERAL STUDENT AID™

National Student Loan Data System (NSLDS) for Students

[Financial Aid Review](#) [Glossary of Terms](#) [Browser Information/Setup](#) [FAQs](#) [Contact Us](#)

[Hurricane Assistance](#)

## NSLDS STUDENT ACCESS

National Student Loan Data System

### Retrieve Your Loan Information

The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED's) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

[FINANCIAL AID REVIEW](#)

# Your Credit Report

- Another source for information about your debt is your credit report from a consumer reporting agency (e.g., Equifax, Experian, TransUnion)
- You can obtain a FREE copy of your credit report at: ***AnnualCreditReport.com*** once every 12 months



The screenshot shows the homepage of AnnualCreditReport.com. At the top, the logo "AnnualCreditReport.com" is displayed in blue and red. Below the logo is a navigation bar with links for "AnnualCreditReport.com", "Frequently Asked Questions", "Contact Us", "About Us", and "Fraud Alert". The main content area features a large blue box with the text "Request your free annual credit report. It's QUICK, EASY and SECURE." and "START HERE to view and print your credit report now." Below this text is a "Select Your State" dropdown menu and a red "Request Report" button. To the right of the main content is a sidebar with a section titled "What is AnnualCreditReport.com?" containing text about requesting a free credit file disclosure and a section titled "We guard your privacy." with information about the site's security and privacy policies. At the bottom left, there is a small section for "This site is sponsored by:" with a logo for the U.S. Department of Justice.

# What loans have you borrowed?

## **FFEL or Direct Loans (Federal)**

- ❑ Federal Stafford Loan (subsidized/unsubsidized)
- ❑ Federal PLUS Loan (Grad PLUS)
- ❑ Federal Consolidation Loan

## **Other Federal Loans**

- ❑ Federal Perkins Loan
- ❑ Health Professions Student Loan (HPSL)
- ❑ Primary Care Loan (PCL)

## **Other Loans**

- ❑ Private/alternative loans
- ❑ Institutional (school-funded) loans

# FFEL vs. Direct

## Federal Family Education Loan Program (FFEL)

- Lender was private institution
- FFEL loans can be sold to another entity
- Loans may be serviced by lender or 3<sup>rd</sup> party
- FFEL loans sold to Dept. of Education do not become Direct Loans—must be consolidated in Direct Program to be eligible for Public Service Loan Forgiveness

## Federal Direct Loan Program (Direct)

- Lender was U.S. Department of Education (ED)
- Direct loans won't be sold
- Loans currently are serviced by one of five federal contractors
- Only Direct Loans are eligible for Public Service Loan Forgiveness

# Who must you repay?

## **You repay current loan holder/servicer**

- You could have multiple loan holders/servicers
- One or more of your original lenders may no longer be in business
- Your original lender may have sold your FFEL loan(s) to another lender including the U.S. Department of Education
- You could have both FFEL and Direct Loans

**Use NSLDS for current information about your federal student loans**

# Who is your lender?

## Stafford and Grad PLUS Loans

### It could be:

- Original lender
- Secondary market loan holder
- U.S. Department of Education
  - ▣ FFEL Loans
  - ▣ Direct Loans

# How much do you owe?

## Depends on:

- Amount borrowed (original principal)
- Whether loan(s) were subsidized or unsubsidized
- Interest rate(s)
- Amount of accrued interest on unsubsidized loan(s) that capitalized at repayment

# How much do you owe?

## A Medical Student Example

UCSF Medical School	End of Grace 12/1/2011	End of 3-Year Residency 7/1/2014	End of 5-Year Residency 7/1/2016
Estimated total medical school loan borrowing	\$115,000	\$115,000	\$115,000
Estimated capitalized interest	\$14,500	\$34,700	\$50,300
Estimated total debt at repayment	\$129,500	\$149,700	\$165,300
Estimated monthly loan payment - 10 yrs	\$1,490	\$1,723	\$1,902
Estimated monthly loan payment - 25 yrs	\$899	\$1,039	\$1,147
<p><u>Assumptions:</u> Subsidized Federal Stafford Loan (SFSL) = \$34,000</p> <ul style="list-style-type: none"> <li>• Fixed monthly payments @ 6.8% interest rate</li> </ul> <p>Unsubsidized Federal Stafford Loan (UFSL) = \$81,000</p> <ul style="list-style-type: none"> <li>• Fixed monthly payments @ 6.8% interest rate</li> </ul>			

# How much do you owe?

## A Dental Student Example

UCSF Dental School	End of Grace 12/1/2011
Average total dental school student loan borrowing	\$165,000
Estimated capitalized interest	\$23,400
Estimated total debt at repayment	\$188,400
Estimated monthly loan payment - 10 yrs	\$2,168
Estimated monthly loan payment - 25 yrs	\$1,308
<u>Assumptions:</u> Subsidized Federal Stafford Loan (SFSL) = \$34,000 <ul style="list-style-type: none"><li>• Fixed monthly payments @ 6.8% interest rate</li></ul> Unsubsidized Federal Stafford Loan (UFSL) = \$131,000 <ul style="list-style-type: none"><li>• Fixed monthly payments @ 6.8% interest rate</li></ul>	

# Interest Accrual Case Scenarios

Unsubsidized Stafford Loan	1-Year Program	2-Year Program	3-Year Program
Annual amount borrowed	\$12,000	\$12,000	\$12,000
Total years borrowed	1	2	3
Total Amount borrowed	\$12,000	\$24,000	\$36,000
Accrued interest capitalized at repayment	<b>\$919</b>	<b>\$2,645</b>	<b>\$5,191</b>
Total debt at repayment	\$12,919	\$26,645	\$41,191



**What happens to your loans  
after you graduate?**

# What happens to your federal loans after graduation?

## Stafford, Perkins, HPSL, LDS, NSL, PCL

- GRACE period begins *automatically*
  - ▣ Stafford = 6 months
  - ▣ Perkins, NSL = 9 months
  - ▣ HPSL, LDS, PCL = 12 months
- Repayment begins
  - ▣ Start payments
  - ▣ Postpone repayment

## Grad PLUS, Consolidation Loans

- NO grace period-- repayment begins
  - ▣ Select payment plan and start payments
  - ▣ Postpone repayment
- Exception for Grad PLUS:
  - ▣ Grad PLUS Loans first disbursed on/after 7/1/2008 have **automatic 6-month post-enrollment deferment**

# What are your options during residency?

## Start making payments

- What is your goal?
- What can you afford to pay each month?
- What plan is best for you?

Income-Based Repayment (IBR) plan probably most affordable

## Postpone payments

- Mandatory forbearance likely the only option

# Postponing Repayment

- Options include:
  - Deferment
    - Temporary postponement of your monthly student loan payments
  - Forbearance
    - Temporary postponement or reduction of your monthly student loan payments
- IBR also may provide needed payment relief for Stafford, Grad PLUS and Consolidation Loans
- Contact your loan servicer for more information and to apply

# Mandatory Forbearance

## During Medical and Dental Residency

- Temporary suspension of loan payments
- Interest accrues — can be capitalized at end of approved forbearance period
- Available during entire residency
- May qualify during GME fellowship
- Must be requested from loan servicer
- Must be renewed on annual basis



# **Loan Repayment Options**

# Federal Loan Repayment Options

## **Stafford, Grad PLUS, Consolidation:**

- Standard (Fixed) Repayment
- Graduated Repayment
- Extended Repayment
- Income-Sensitive Repayment (FFEL)/  
Income-Contingent Repayment (Direct)
- Income-Based Repayment

# Comparison of Federal Student Loan Repayment Plans

Options	Payment Structure	Maximum Payment Period
Standard	Fixed	10 years
Graduated	Tiered	10 years
Extended	Fixed or tiered	25 years
Income Sensitive – FFEL	Adjusted annually based on: - Total gross income	15 years
Income-Contingent – Direct	Adjusted annually based on: - Household AGI - Household size - Total amount of Direct Loans	25 years
Income Based (IBR)	Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	25 years

# IBR Basics

- Must have “Partial Financial Hardship” (PFH) to enter IBR
- PFH exists when:
  - the annual amount paid under the Standard Payment plan is greater than 15% of your “disposable income”
  - “Disposable income” is that portion of your household’s adjusted gross income (AGI) that exceeds 150% of the federal poverty guideline for your household size and state of residence
  - **In essence, borrowers who have total federal student loan debt in excess of their household AGI likely have PFH**
- Payment while in PFH is based on:
  - Household AGI
  - Household size
  - HHS Federal Poverty Guideline for your state

# IBR Definitions

- Household Adjusted Gross Income (AGI)
  - Your AGI
  - Your spouse's AGI (if married) only if filing a joint federal tax return
  
- Household size
  - You
  - Your spouse (if married)
  - Dependent children residing in household
  - Other dependents living in household who receive at least 50% of their support from borrower

# IBR

## What happens when you no longer have PFH?

- You can remain in IBR paying the original 10-year amortization amount until the debt is repaid
- You can exit IBR
  - ▣ If you do, you initially must be placed on the Standard Repayment Plan
  - ▣ Your new monthly payment is based on the debt remaining amortized over the number of months remaining in the 10 year period that began when your loan(s) first entered repayment
  - ▣ You must remain on this plan for at least one billing period and then you can switch to a different plan (e.g., Extended Repayment)

# IBR

## Loan Cancellation After 25 Years

- Any outstanding eligible FFEL or Direct loan balance (other than Parent PLUS) is cancelled after 25 years.
- To qualify, you must have been “economically challenged” during ALL of the 25-year repayment period.
- To be “economically challenged,” you must have used IBR during a portion of the repayment period, AND when not in IBR:
  - Made payments using ICR, or
  - Made payments at least equal to the original 10-year amortization amount when you entered IBR, or
  - Were in an Economic Hardship deferment.
- Any loan amount that is cancelled may be taxable in the calendar year when it is cancelled.

# Plan Comparison

**\$50,000 Federal Stafford Loan Debt**

**\$40,000 Household AGI (HH size = 1)**

Estimated Values	Standard	Graduated	Extended		Income Sensitive	Income Based
Initial Monthly Payment	<b>\$575</b> (all)	<b>\$283</b> (1-24)	<b>\$347</b> (all)	<b>\$283</b> (1-24)	<b>\$283</b> (1-12)	<b>\$296</b> (1-12)
Subsequent Monthly Payments		<b>\$677</b> (25-120)		<b>\$359</b> (25-300)	tbd	tbd
Total Paid	\$69,048	\$71,765	\$104,111	\$105,815	tbd	tbd

All estimates shown here are merely for illustrative purposes only. The actual monthly payment required for each payment plan will be calculated by your loan servicer at the time the loan enters repayment.

# Plan Comparison

**\$100,000 Federal Stafford Loan Debt**

**\$125,000 Household AGI (HH size = 1)**

Estimated Values	Standard	Graduated	Extended		Income Sensitive	Income Based
Initial Monthly Payment	<b>\$1,151</b> (all)	<b>\$567</b> (1-24)	<b>\$694</b> (all)	<b>\$567</b> (1-24)	<b>\$567</b> (1-12)	<b>Not Eligible</b>
Subsequent Monthly Payments		<b>\$1,353</b> (25-120)		<b>\$718</b> (25-300)	tbd	
Total Paid	\$138,097	\$143,530	\$208,222	\$211,631	tbd	

All estimates shown here are merely for illustrative purposes only. The actual monthly payment required for each payment plan will be calculated by your loan servicer at the time the loan enters repayment.

# Plan Comparison

**\$129,500 Federal Stafford Loan Debt**

**\$50,000 Household AGI (HH size = 1)**

Estimated Values	Standard	Graduated	Extended		Income Sensitive	Income Based
Initial Monthly Payment	<b>\$1,490</b> (all)	<b>\$734</b> (1-24)	<b>\$899</b> (all)	<b>\$734</b> (1-24)	<b>\$734</b> (1-12)	<b>\$421</b> (1-12)
Subsequent Monthly Payments		<b>\$1,753</b> (25-120)		<b>\$929</b> (25-300)	tbd	tbd
Total Paid	\$178,835	\$185,872	\$269,647	\$274,062	tbd	tbd

All estimates shown here are merely for illustrative purposes only. The actual monthly payment required for each payment plan will be calculated by your loan servicer at the time the loan enters repayment.

# Plan Comparison

**\$188,400 Federal Stafford Loan Debt**

**\$150,000 Household AGI (HH size = 1)**

Estimated Values	Standard	Graduated	Extended		Income Sensitive	Income Based
Initial Monthly Payment	<b>\$2,168</b> (all)	<b>\$1,068</b> (1-24)	<b>\$1,308</b> (all)	<b>\$1,068</b> (1-24)	<b>\$1,068</b> (1-12)	<b>\$1,671</b> (1-12)
Subsequent Monthly Payments		<b>\$2,550</b> (25-120)		<b>\$1,352</b> (25-300)	tbd	tbd
Total Paid	\$260,174	\$270,411	\$392,290	\$398,712	tbd	tbd

All estimates shown here are merely for illustrative purposes only. The actual monthly payment required for each payment plan will be calculated by your loan servicer at the time the loan enters repayment.

# Initial Monthly Payments

## Standard vs. Extended Plans

Stafford Loan Debt	Standard	Extended
		Fixed
\$25,000	\$288	Not eligible
\$50,000	\$575	\$347
\$75,000	\$863	\$521
\$100,000	\$1,151	\$694
\$125,000	\$1,438	\$868
\$150,000	\$1,726	\$1,041
\$175,000	\$2,014	\$1,215
\$200,000	\$2,302	\$1,388
\$225,000	\$2,589	\$1,562
\$250,000	\$2,877	\$1,735

# Sample IBR Payments

Household AGI	2011 Monthly PFH Payment in 48 states		
	HH Size = 1	HH Size = 2	HH Size = 3
\$0	\$0	\$0	\$0
\$10,000	\$0	\$0	\$0
\$20,000	\$46	\$0	\$0
\$30,000	\$171	\$99	\$28
\$40,000	\$296	\$224	\$153
\$50,000	\$421	\$349	\$278
\$60,000	\$546	\$474	\$403
\$70,000	\$671	\$599	\$528
\$80,000	\$796	\$724	\$653
\$90,000	\$921	\$849	\$778
\$100,000	\$1,046	\$974	\$903

# Sample IBR Payments, cont.

Household AGI	2011 Monthly PFH Payment in 48 states		
	HH Size = 1	HH Size = 2	HH Size = 3
\$100,000	\$1,046	\$974	\$903
\$110,000	\$1,171	\$1,099	\$1,028
\$120,000	\$1,296	\$1,224	\$1,153
\$130,000	\$1,421	\$1,349	\$1,278
\$140,000	\$1,546	\$1,474	\$1,403
\$150,000	\$1,671	\$1,599	\$1,528
\$160,000	\$1,796	\$1,724	\$1,653
\$170,000	\$1,921	\$1,849	\$1,778
\$180,000	\$2,046	\$1,974	\$1,903
\$190,000	\$2,171	\$2,099	\$2,028
\$200,000	\$2,296	\$2,224	\$2,153

# Loan Prepayment

- You have the right to make prepayments on your federal student loan(s) without penalty
- Will reduce total amount paid on loan
- When prepaying a loan:
  - ▣ Verify where prepayment should be mailed and include written explanation as to how it's to be applied
  - ▣ Request that prepayment be applied to principal
  - ▣ Target prepayment at loans having highest interest rate

# Loan Repayment Calculators

**Calculators are available online, e.g.,**

- *StudentLoans.gov*
- *FinAid.org*
- *SallieMae.com*
- *IBRinfo.org*
- *MappingYourFuture.org*
- *AAMC.org/FIRST (Medloans Organizer and Calculator)*

# Taking Charge

## Selecting a Payment Plan

# Choosing Your Option

## **Suggested planning steps:**

1. Define your financial goals
2. Determine how much you can afford to pay each month
3. Evaluate how your other debt (e.g., credit cards) impacts repayment of student loans
4. Select loan repayment option that best meets your needs

# Setting Goals

## **Consider answering following questions:**

- How quickly do you want to be debt-free?
- What do you want/need to buy once you graduate?
- What kind of lifestyle do you want and what will it cost?
- What are your hopes/plans for a family?
- How hard do you want to work?
- How much do you need saved for emergencies?
- When do you want to retire and how much will you need to have saved?

# Budgeting for Repayment

## **You need to calculate your budget:**

- Quantify monthly earnings and other resources
- Estimate monthly expenses without your loan payment
- Subtract expenses from earnings to determine how much is available to pay your loans each month

**What if nothing is left to pay your loans?**

# Balancing Trade-offs

- You may choose to pay off debt ...
  - ▣ as fast as possible, OR
  - ▣ more slowly based solely on what is affordable given all other expenses, OR
  - ▣ more slowly to maximize ability to save and/or invest for the future
- When prepaying debt, **ALWAYS** prepay your highest cost debt(s) first



# Taking Charge

## **Preparing for Contingencies**

# What if you can't afford to make your loan payments?

If you are experiencing increased or unexpected financial hardship and can't make your federal student loan payments – options are available:

- Temporarily postpone repayment using deferment or forbearance, if eligible
- Consider repaying loan(s) using the Income-Based Repayment (IBR) Plan
  - If household AGI is less than 150% of the federal poverty guideline for their household size/state, their initial monthly loan payment in IBR will be \$0 (that's \$16,335 for HH size =1)

# Consolidation

## A Refinancing Option

- You can refinance one or more eligible federal student loan by borrowing a Federal Direct Consolidation Loan
- All federal student loans except the Primary Care Loan (PCL) are eligible for federal loan consolidation
- Only available from Federal Direct Loan Program at: ***[LoanConsolidation.ed.gov](http://LoanConsolidation.ed.gov)***

# Reasons to Consolidate

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- ❑ To have single statement billing
- ❑ To take advantage of fixed interest rate of Federal Consolidation Loan by refinancing eligible federal loans with variable rates
- ❑ To reduce monthly payment on federal student loan debt
- ❑ To refinance FFEL debt into Direct Program so that you can take advantage of Public Service Loan Forgiveness Program



# **Public Service Loan Forgiveness Program (PSLF)**

# Key Points

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- DIRECT Loans only
- Full-time public service employment for 10 years
- IBR or ICR payment option

# PSLF

## To qualify for loan forgiveness:

- Eligible DIRECT Loans cannot be in default, **AND**
- Must have worked full-time for 120 months\* in qualifying public service position, **AND**
- Must have made 120 qualifying loan payments on DIRECT Loans during period of qualifying employment.

**\*Months do not need to be consecutive**



# **Final Words**

# What is your Action Plan?

- Check your loan history at *NSLDS.ed.gov*
- Notify your loan servicer(s) of address changes whenever you move (e.g., for your residency)
- Develop your loan timeline
  - ▣ When do your loans enter repayment?
  - ▣ When do you need to request forbearance, if applicable?
  - ▣ Are you going to consolidate? If so, when?
- Select the repayment plan that best meets your needs for each of your loans

# Selecting Your Plan

## Consider the following ...

- If you want to pay the lowest amount of total interest, choose:
  - ▣ **Standard Repayment plan**
- If you want the lowest possible monthly loan payment, choose:
  - ▣ **Extended Repayment** (fixed or graduated), OR
  - ▣ **Income-Based Repayment** (IBR) plan
- You have the right to make prepayments on your loans at any time without penalty

# Remember ...

## Plan for Loan Repayment

- Know what loans you have borrowed, who you must repay and how much you owe
- Determine what happens to your loans after you graduate
- Understand your loan repayment options
- Define your financial goals
- Estimate how much you can afford to pay each month on your student loan debt
- Select your repayment plan
- Take advantage of loan forgiveness if you qualify
- Be prepared for contingencies
- Keep good records

# For more information ...

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- Federal Student Loan portal: *StudentLoans.gov*
- National Student Loan Data System: *NSLDS.ed.gov*
- Equal Justice Works: *EqualJusticeWorks.org*
- Loan repayment calculators: *StudentLoans.gov*, *FinAid.Org/calculators*, *SallieMae.com*, *MappingYourFuture.org*, *IBRinfo.org*
- “Project on Student Debt” has created a special Website specifically about IBR at: *IBRinfo.org*

# Loan Repayment

## “Top Ten” Vocabulary List

### Now do you now know what these mean?

- Grace
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