

Student Loan Repayment

Information Classification: NOT FOR CONSUMER DISTRIBUTION

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Reduce Borrower Confusion

Student Loan Extensions

Loan Servicer Changes



Spam/Fraudulent Calls

Consolidation

State Bills and Laws

Everything your students need to know about **REPAYMENT**

Understand the details of repayment on student loans

Who do they repay?

When do they repay?

What repayment options do they have?



Help students develop a plan that puts them on track to pay back their loans on time and in full



Learn what resources are available to help navigate student loan repayment



Locating Loans

Where to locate student loan information:



Federal -

- studentaid.gov



Private -

- Credit report
- Loan statements/personal records
- Financial Aid Office records
- Documents, including promissory note



Who Do They Repay?

Federal Loans

Private Loans



Students should work with the lender they borrowed the loan from



Payments may be made directly to lender or to a servicing organization



Perkins Loans - contact the school for repayment options

Defining Interest

Interest rates are fixed for federal loans but private loans may have either fixed or variable rates



Defining Capitalized Interest

Interest capitalization occurs when unpaid interest is added to the principal amount of a student loan

ORIGINAL LOAN AMOUNT	INTEREST RATE	ACCRUED INTEREST AFTER 4 YEARS AND 6-MONTH GRACE PERIOD	PRINCIPAL BALANCE AFTER 4.5 YEARS
\$15,000	5.05%	\$3,408.75	\$18,408.75
\$15,000	7.10%	\$4,792.50	\$19,792.50
\$25,000	5.05%	\$5,681.25	\$30,681.25
\$25,000	7.10%	\$7,987.50	\$32,987.50
\$50,000	5.05%	\$11,362.50	\$61,362.50
\$50,000	7.10%	\$15,975.00	\$65,975.00
\$100,000	5.05%	\$22,725.00	\$122,725.00
\$100,000	7.10%	\$31,950.00	\$131,950.00

Federal Student Loan Types

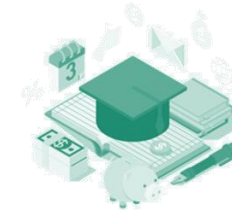
Direct
Subsidized



Direct
Unsubsidized



Parent PLUS



Grad PLUS



Perkins



Consolidation



Please note that if students took out federal loans prior to June 30, 2010 they may have taken them under the FFEL Program

Federal Student Loan Repayment Plans

- Standard
 - Graduated Repayment
 - Extended Repayment
 - Revised Pay As You Earn Repayment (REPAYE)
 - Pay As You Earn Repayment (PAYE)
 - Income-Based Repayment (IBR)
 - Income-Contingent Repayment (ICR)
 - Income-Sensitive Repayment
(only for FFEL loans awarded prior to June 30, 2010)
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Federal Student Loan Repayment Plans

Standard

- Fixed payments
- Repayment Plan
 - Up to 10 years
 - 10-30 years if consolidated
- Minimum payment \$50 per month
- Assigned payment plan



Graduated

- Gradual payments
- Repayment Plan
 - Up to 10 years
 - 10-30 years if consolidated
- If their income is low now, but they expect it to increase steadily over time



Extended

- Federal debt greater than \$30,000
- Repayment Plan
 - Up to 25 years
- Fixed or graduated payments
- Minimum payment \$50 per month



Income Driven Repayment Plans

Four Income-Driven Repayment Plans

- Revised Pay As You Earn Repayment Plan (REPAYE Plan)
- Pay As You Earn Repayment Plan (PAYE Plan)
- Income-Based Repayment Plan (IBR Plan)
- Income-Contingent Repayment Plan (ICR Plan)
- Income-Sensitive Repayment Plan (FFEL loans prior to 2010)

Payments

- % of discretionary income and family size
- Recalculated annually
- May be \$0 Loan Balance
- Forgiven after 20 or 25 years depending upon plan.
- Student may have to pay income tax on the amount forgiven.

Students should work with their loan servicer to choose what plan is right for them



Private Loans

The student is usually the borrower while a parent may apply as a co-signer.

Applying with a co-signer could increase the borrower's chance for approval and potentially lower the interest rate.

Some lenders also offer loan options for parents or sponsors to borrow on the student's behalf, like they would with a Federal Direct PLUS Loan.

Federal Direct Loans and PLUS Loans each have one standard rate for all borrowers, private loan rates are typically based on the borrowers' creditworthiness



What To Look For In A Lender:

- Fixed & Variable Rates
- Deferment options
- Co-signer release
- Forbearance options
- Multi-year approval
- Repayment options that borrowers can select (repayment length and rate type)
- No prepayment penalties
- Discounts for loyalty, automatic payments, or good academic standing
- Student death or permanent disability forgiveness



PRIVATE STUDENT LOAN REPAYMENT OPTIONS

IMMEDIATE	Make payments toward principal and interest while in school
INTEREST-ONLY	Make payments solely toward interest while enrolled in school and begin making principal and interest payments 6 months after graduation or dropping below half-time status
DEFERRED	Make payments toward principal and interest starting 6 months after graduating, dropping below half-time status or leaving school

Private Student Loan Repayment Options

Loan features - vary by loan type and servicer

Grace Period

Set period of time, typically 6 months, from school separation before repaying their student loan

Co-Signer Release

Ability to release their co-signer after making the required payments

Deferment/Forbearance

Temporarily postpone, reduce or extend time for loan payments



Deferment Examples

- Unemployment
- Graduate Fellowship
- Military
- In-school
- Medical/Dental
- Internship/Residency



Forbearance Examples

- AmeriCorps
- National Guard
- Medical/Other Acceptable Reasons
- Economic Hardship


Private Vs. Federal Cost Comparison

Borrower with a Citizens Student Loan™ for Parents		Borrower with a Federal Direct PLUS Loan	
INTEREST RATE (FIXED RATE)	5.14%	6.28%	INTEREST RATE (FIXED RATE)
NO ORIGINATION FEE	0.00%	4.228%	ORIGINATION FEE
ORIGINAL LOAN AMOUNT	\$15,000.00	\$15,000.00	ORIGINAL LOAN AMOUNT
ORIGINATION FEE \$	ZERO	\$634.20	ORIGINATION FEE \$
TOTAL LOAN AMOUNT	\$15,000.00	\$15,634.20	APPROXIMATE LOAN TOTAL TO COVER AMOUNT DUE
INTEREST PAID	\$4,215.21	\$5,459.18	INTEREST PAID
TOTAL PAYMENT	\$19,215.21	\$21,093.38	TOTAL PAYMENT

\$1,878.17 SAVINGS!


Private Refinance Vs. Federal Consolidation

Private Refinance



Combine **private** and federal payments into one payment

Possibly **lower interest rate** and/or payments



Interest is based on borrower's creditworthiness with **choice** of fixed or variable rate

Current interest rates and/or loan term can **lower** the overall cost of the loan

Pays off existing loans and may reflect a **lower monthly payment** on their credit report

Borrowers should **compare rates** and terms and apply with the lender of their choice

Federal Consolidation

Combine **federal** payments into one payment

Possibly **lower monthly payment** with longer loan term

The interest rate is the **weighted average of included loans**, rounded up to the nearest 1/8th of a percent

Borrowers will **pay more interest** over the life of the loan if the repayment period is extended

Borrowers **may lose** some benefits offered with the original loan

Apply for a direct consolidation loan at <https://studentaid.gov>

Loan Forgiveness & Discharge

Loan forgiveness releases the borrower from all or a portion of their loan obligation

Direct Loan Forgiveness and Discharge options may exist under certain conditions:

- Teacher Loan Forgiveness programs
- School Related Discharge (School Closing, Fraud, ID Theft, False Certification, Unpaid Refund)
- Public Service Loan Forgiveness
- Bankruptcy
- Cases of total and permanent disability or death

Private Loan Forgiveness options may exist under certain conditions:

- Cases of total and permanent disability or death

To verify loan forgiveness options for federal loans visit <https://studentaid.ed.gov/sa/repay-loans>

For private loans contact the lender or servicer!



Public Service Loan Forgiveness (PSLF)

Forgives the remaining balance on Federal Direct Loans

- To **qualify** for PSLF borrowers must
 - Be employed by a government organization, 501(c)(3) not for profit organization or other not-for-profit organizations providing specific qualifying services
 - Working full time for that **qualifying** employer
 - Repay the loans under an income-driven repayment plan
 - Make 120 **qualifying** payments
- To find out if they qualify, borrowers should submit the PSLF Employer Certification Form found on studentaid.gov



Avoiding Delinquency & Default

Falling behind on federal student loan payments can have major ramifications!

Delinquency



Default

- Federal loan servicer has not received payment **by the stated due date**

- If a federal student loan is delinquent for **more than 270 days**, it goes into default

Default Consequences

Loans may become due immediately (fees and collection costs)

State and Federal Income Tax Returns withheld

Wage Garnishment

Damaged Credit Score

Difficulty getting hired

Unable to renew professional license

Higher interest rates

No more federal financial aid

Lawsuits and court costs

Coronavirus/Forbearance

Borrowers experiencing financial hardship should check with their lender to see if there are emergency payment relief options available

Federal Loans- “Final” extension of relief options approved through January 31, 2022

- ✓ Payments suspended
- ✓ Stopped collections on defaulted loans
- ✓ Set interest rates to 0%

Avoid Student Loan Scams

“You never have to pay for help with your federal financial aid or student loans. Make sure you understand which companies and claims are legitimate.”
studentaid.gov

USA Today

Newsweek

Scam calls are selling student loan forgiveness. Don't fall for it.

U.S.

More Than 19,000 People 'Swindled' in Alleged \$6 Million Student Loan Debt Scam

The calls come regularly to people with a student loan, and even those without them: An unknown person is offering aid paying back loans...



Student loan forgiveness scams are on the rise costing victims money and sensitive information

FOX 8 NEWS WEATHER CLOSINGS AM SHOW NEW DAY SPORTS SEEN ON TV

NEWS

BBB warns of student loan forgiveness scams in Ohio, offers tips to avoid

BBB: "We're very certain they've increased"

California News Times

Consumers warned of surge in student loan forgiveness scams

Student loan forgiveness is not the only financial COVID-19 related scam. As we have said many times, you need to be careful and provide...



Tips for Delinquent Student Borrowers

- ✓ **Do not ignore servicer notifications**
 - ✓ Respond to legitimate messages, texts and mail notifications
- ✓ **Ask questions**
- ✓ **Document the call**
 - Write down the date and time along with the number shown on caller ID
 - Write down all the information you receive
- ✓ **Confirm and call loan servicer**
 - Find out the name of the current owner of the student loan, as well as the total balance due
 - Inquire about how the current balance is broken down between principal, interest, and collection fees
 - Verify unrecognized loans at studentaid.gov or credit report

Where To Send Borrowers For Help?

FSA Feedback System -
send a compliment or a
complaint, suggest
website improvements,
report suspicious activity

Federal Student Aid
Ombudsman Group - a
neutral, informal, and
confidential resource to
help resolve disputes
about federal student
aid

Consumer Financial
Protection Bureau -
report unfair, deceptive
or abusive acts or
practices, submit
consumer complaints



CALL TO ACTION

Steps your students should be taking

- Getting to know their loans
- Update their contact information
- Determine if consolidation or refinance is beneficial
- Figure out how much their monthly payments will be
- Make their loan payments automatic
- Determine if they qualify for Loan Forgiveness
- Pay more if they can
- Ask about employer assisted loan repayment programs
- Beware of scams
- Stay connected with their loan servicers

Resources

CitizensBank.com/faa

Studentaid.gov

Studentaid.gov/pslf/ (Help Tool)

Annualcreditreport.com

Consumerfinance.gov



THANK
YOU

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