TAKE CHARGE OF LOAN REPAYMENT!

Strategies for Managing Your Debt Successfully

Spring 2012

Jeffrey Hanson
Education Services

University of California
Hastings College of the Law
Your Action Plan

4 Steps

1. Take stock of your loan portfolio
2. Determine when repayment begins
3. Pick your repayment plan
4. Prepare for contingencies
Step 1

Take stock of your loan portfolio
What do you need to know?

For each loan in your portfolio:

- Type of loan
- Interest rate
- Amount owed
- Who to repay
What types of 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

**Non-Federal Loans**
- Private Loans
- Institutional Loans
- Personal Loans
# FFEL vs. Direct

<table>
<thead>
<tr>
<th><strong>Federal Family Education Loan Program (FFEL)</strong></th>
<th><strong>Federal Direct Loan Program (Direct)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Original lender was commercial entity</td>
<td>☐ Original lender was U.S. Department of Education (ED)</td>
</tr>
<tr>
<td>☐ FFEL loans can be sold to another entity</td>
<td>☐ Direct loans currently cannot be sold</td>
</tr>
<tr>
<td>☐ FFEL loans must be consolidated in Direct Program to be eligible for Public Service Loan Forgiveness (PSLF)</td>
<td>☐ Only Direct Loans are eligible for PSLF</td>
</tr>
</tbody>
</table>
Who do you repay?

You should know:

- Roles of lender/holder and servicer
  - You will be working with the SERVICER
- How to contact them
- Value of NSLDS
NSLDS
An Important Resource

To access, enter:

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

Hurricane Assistance

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.
NSLDS
Information Provided

Summary
- Type/name of loan
- Application amount
- Date processed
- Disbursed amount
- Cancelled amount
- Current principal
- Accrued interest
- Totals

Details
- School attended
- Date repayment begins
- Interest rate structure
- Loan status
- Current lender
- Current servicer
- Current guarantor
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?

An Example

University of California Hastings College of the Law
Class of 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average student loan borrowing</td>
<td>$101,519</td>
</tr>
<tr>
<td>Estimated capitalized interest</td>
<td>$11,900</td>
</tr>
<tr>
<td>Estimated total debt at repayment</td>
<td>$113,419</td>
</tr>
</tbody>
</table>

Assumptions: DSL/UDSL interest rate = 6.8%
PLUS interest rate = 7.9%
# Loan Portfolio Chart

## Sample Worksheet

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Interest Rate</th>
<th>Lender/Holder</th>
<th>Servicer</th>
<th>Amount Owed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example</strong></td>
<td>6.8%</td>
<td>ABC Bank (888) 555-5555</td>
<td>XYZ Servicer (888) 555-5678</td>
<td>$60,000</td>
</tr>
</tbody>
</table>

- **Example Stafford**
- **Amount Owed**
Determine when repayment begins
### Timing is complicated!

<table>
<thead>
<tr>
<th>Loans with GRACE PERIOD</th>
<th>Loans without GRACE PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automatic benefit</td>
<td>Enter repayment when funds are disbursed</td>
</tr>
<tr>
<td>Grace period begins when you drop below ½-time enrollment</td>
<td>Eligible for in-school deferment while enrolled</td>
</tr>
<tr>
<td>Repayment begins after grace period</td>
<td>Repayment resumes after deferment</td>
</tr>
<tr>
<td>Interest is subsidized on subsidized loans in grace</td>
<td></td>
</tr>
</tbody>
</table>
### What loans have a grace period?

<table>
<thead>
<tr>
<th>Loans with GRACE PERIOD</th>
<th>Loans without GRACE PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Stafford = 6 months</td>
<td>☐ Consolidation</td>
</tr>
<tr>
<td>☐ Perkins = 9 months</td>
<td>☐ Grad PLUS</td>
</tr>
<tr>
<td>☐ Private = depends</td>
<td>☐ Grad PLUS Loans first disbursed on/after 7/1/2008 have an</td>
</tr>
<tr>
<td></td>
<td>☐ automatic 6-month post-enrollment deferment</td>
</tr>
</tbody>
</table>

Grad PLUS Loans first disbursed on/after 7/1/2008 have an automatic 6-month post-enrollment deferment.
When repayment begins ...

You must:

- Start making payments,
  **OR**
- Postpone repayment.

**Action is required!**
Postponing Repayment

- **Deferment**
  - Interest is subsidized on subsidized loans; accrues on unsubsidized loans

- **Forbearance**
  - Interest accrues on ALL loans

Should contact servicer and explain why payment relief is needed
# Repayment Timetable

## Year 1

<table>
<thead>
<tr>
<th>Loan</th>
<th>Grace Period</th>
<th>Payment Start Date</th>
<th>Action Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example</strong> Stafford</td>
<td>6 months</td>
<td>12/1/2012</td>
<td>Request Forbearance</td>
</tr>
</tbody>
</table>


Step 3

Pick your repayment plan
Picking Your Plan

**Suggested steps:**

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

Understanding your options
Federal Student 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 Stafford, Grad PLUS and Consolidation Plans

<table>
<thead>
<tr>
<th>Options</th>
<th>Payment Structure</th>
<th>Maximum Payment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>Fixed</td>
<td>10 years</td>
</tr>
<tr>
<td>Graduated</td>
<td>Tiered</td>
<td>10 years</td>
</tr>
<tr>
<td>Extended</td>
<td>Fixed or tiered</td>
<td>25 years</td>
</tr>
<tr>
<td>Income Sensitive – <strong>FFEL</strong></td>
<td>Adjusted annually based on:</td>
<td>15 years</td>
</tr>
<tr>
<td></td>
<td>- Total gross income</td>
<td></td>
</tr>
<tr>
<td>Income-Contingent – <strong>Direct</strong></td>
<td>Adjusted annually based on:</td>
<td>25 years</td>
</tr>
<tr>
<td></td>
<td>- Household AGI</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Household size</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Total amount of Direct Loans</td>
<td></td>
</tr>
<tr>
<td>Income Based (IBR)</td>
<td>Adjusted annually based on:</td>
<td>25 years</td>
</tr>
<tr>
<td></td>
<td>- Household AGI</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Household size</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Poverty guideline</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- State of residence</td>
<td></td>
</tr>
</tbody>
</table>
# Initial Monthly Payments

## Standard vs. Extended Plans

<table>
<thead>
<tr>
<th>Total Debt</th>
<th>Standard Plan (10 yrs)</th>
<th>Extended Plan-Fixed (25 yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate = 6.8%</td>
<td>Rate = 7.9%</td>
</tr>
<tr>
<td>$10,000</td>
<td>$115</td>
<td>$121</td>
</tr>
<tr>
<td>$25,000</td>
<td>$288</td>
<td>$302</td>
</tr>
<tr>
<td>$50,000</td>
<td>$575</td>
<td>$604</td>
</tr>
<tr>
<td>$75,000</td>
<td>$863</td>
<td>$906</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,151</td>
<td>$1,208</td>
</tr>
<tr>
<td>$125,000</td>
<td>$1,438</td>
<td>$1,510</td>
</tr>
<tr>
<td>$150,000</td>
<td>$1,726</td>
<td>$1,812</td>
</tr>
<tr>
<td>$175,000</td>
<td>$2,014</td>
<td>$2,114</td>
</tr>
<tr>
<td>$200,000</td>
<td>$2,302</td>
<td>$2,416</td>
</tr>
<tr>
<td>$225,000</td>
<td>$2,589</td>
<td>$2,718</td>
</tr>
</tbody>
</table>
Borrowers:

- Needing more affordable payments
- With high loan debt relative to income
- Pursuing a public service career
IBR
What loans are eligible?

FFEL and Direct Loans:

- Federal Stafford Loans
- Federal Grad PLUS Loans
- Federal Consolidation Loans
  (cannot include payoff of a Parent PLUS Loan)
IBR

How do you qualify?

To enter IBR, you must have:

PARTIAL FINANCIAL HARDSHIP (PFH)
Partial Financial Hardship
A Technical Definition

“You have a partial financial hardship if the monthly amount you would be required to pay on your IBR-eligible loans under a Standard Repayment Plan with a 10-year repayment period (based on the greater of the amount you owed on those loans when they initially entered repayment or the amount you owe when you request IBR) is higher than the monthly amount you would be required to repay under IBR.” (U.S. Department of Education, IBR Program Q&As, February 7, 2011)
A simpler view ...

Partial financial hardship exists when:

- Standard 10-year payment $$$$$$ > IBR payment $$
PFH generally exists when:

Total eligible debt at start of repayment exceeds Household AGI
IBR

How is monthly payment calculated?

When PFH exists, IBR payment is based on:

- Household AGI
- Household size
- HHS Poverty Guidelines
IBR

“Household AGI”

- Your AGI
- Spouse’s AGI, only if joint federal tax return was filed

NOTE: Household’s eligible debt in PFH determination will include spouse’s eligible debt, if spouse’s AGI is included
IBR

“Household Size”

- You
- Spouse
- Dependent children in household
- Other dependents in household who receive ≥ 50% support from you
Annual amount paid in IBR is 15% of “disposable income”

Household AGI

“Disposable” Income

Annual IBR payment
(15% of disposable income)

Remainder of “disposable” income

AGI protected to cover basic needs
(150% of poverty line)
## Sample IBR Payments

### 15% Formula

<table>
<thead>
<tr>
<th>Household AGI</th>
<th>2011 Monthly PFH Payment in 48 states</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH Size = 1</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$10,000</td>
<td>$0</td>
</tr>
<tr>
<td>$20,000</td>
<td>$46</td>
</tr>
<tr>
<td>$30,000</td>
<td>$171</td>
</tr>
<tr>
<td>$40,000</td>
<td>$296</td>
</tr>
<tr>
<td>$50,000</td>
<td>$421</td>
</tr>
<tr>
<td>$60,000</td>
<td>$546</td>
</tr>
<tr>
<td>$70,000</td>
<td>$671</td>
</tr>
<tr>
<td>$80,000</td>
<td>$796</td>
</tr>
<tr>
<td>$90,000</td>
<td>$921</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,046</td>
</tr>
</tbody>
</table>
Interest Subsidy in IBR

Unpaid interest accruing on subsidized Stafford loan debt is paid by government for up to first 3 consecutive years in IBR plan.
Maximum Loan Period and Loan Cancellation in IBR

- IBR repayment period can extend to maximum of 25 years
- Debt remaining after 25 years in IBR is forgiven (taxable benefit)
## Plan Comparison

$113,419 Federal Student Loan Debt  
$100,000 Household AGI (Median-All jobs)

<table>
<thead>
<tr>
<th>Options</th>
<th>Payment Structure</th>
<th>Maximum Payment Period</th>
<th>Sample Monthly Payment</th>
<th>Payment #</th>
<th>Est. Total Amount Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>Fixed</td>
<td>10 years</td>
<td>$1,332</td>
<td>All (1-120)</td>
<td>$159,808</td>
</tr>
<tr>
<td>Graduated</td>
<td>Graduated</td>
<td>10 years</td>
<td>$686</td>
<td>1-24</td>
<td>$166,275</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1,561</td>
<td>25-120</td>
<td></td>
</tr>
<tr>
<td>Extended</td>
<td>Fixed</td>
<td>25 years</td>
<td>$820</td>
<td>All (1-300)</td>
<td>$246,008</td>
</tr>
<tr>
<td></td>
<td>Graduated</td>
<td>25 years</td>
<td>$686</td>
<td>1-24</td>
<td>$249,907</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$846</td>
<td>25-300</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>Adjusted annually</td>
<td>25 years</td>
<td>$1,485</td>
<td>1-12</td>
<td>tbd</td>
</tr>
<tr>
<td>Contingent</td>
<td></td>
<td></td>
<td>tbd</td>
<td>13+</td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>Adjusted annually</td>
<td>25 years</td>
<td>$1,046</td>
<td>1-12</td>
<td>tbd</td>
</tr>
<tr>
<td>Based (IBR)</td>
<td></td>
<td></td>
<td>tbd</td>
<td>13+</td>
<td></td>
</tr>
</tbody>
</table>
Picking Your Plan

- Setting goals
- Budgeting for repayment
- Balancing trade-offs
- Comparing payments
Loan Prepayment

- You can make prepayments on your federal student loan(s) without penalty
- Will reduce total interest paid on loan
When prepaying a loan ...

- Verify where payment should be mailed
- Include written explanation about how to apply payment
- Target prepayment at loan(s) with highest interest rate
Step 4

Prepare for contingencies
Payment relief may be available, including:

- Deferment
- Forbearance
- Changing payment plans to lower your monthly payment, e.g., IBR

Contact your loan servicer immediately!
Traditional Consolidation
A Refinancing Option

- You can refinance one or more eligible federal student loans 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
Reasons to Consolidate

- To simplify repayment by reducing number of your loans/lenders/servicers
- To convert Stafford Loans with variable interest rate(s) into Consolidation Loan with fixed interest rate
- To refinance FFEL loan(s) into Direct Program to make debt eligible for Public Service Loan Forgiveness Program
- To reduce monthly payment on federal student loan debt
Special Direct Consolidation Program

- Available January 1-June 30, 2012
- Must have at least one:
  - Student loan held by ED (Direct or FFEL loan); AND
  - FFEL loan held by a private lender
- Only FFEL loan(s) held by private lender can be consolidated (must be in grace, repayment, deferment or forbearance)
- Fixed interest rate will be reduced by 0.25%; repayment period will not change
- Wait to be contacted by ED servicer
Final words ...
An “Action Plan”

- Check your loan history at NSLDS.ed.gov
- Notify loan servicer(s) of address changes whenever you move
- Develop your loan timeline
- Select plan that best meets your needs
- Request payment relief when needed
Options for Public Interest/Public Sector Employment

- **Public Service Loan Forgiveness Program**
  - Can apply to have remaining Federal Direct Loan debt forgiven once you:
    - Work full-time for 120 months (months do not need to be consecutive) in qualifying public service position,
    - Make 120 qualifying loan payments during period of qualifying employment.
  - For more information visit: StudentAid.ed.gov and EqualJusticeWorks.org

- **UC Hastings PICAP Program**
For more information ...

- Federal student loan repayment: StudentLoans.gov
- Federal Direct Consolidation Loans: LoanConsolidation.ed.gov
- National Student Loan Data System: NSLDS.ed.gov
- Federal loan repayment calculator: StudentLoans.gov
- IBR repayment calculator: FinAid.org/calculators
- Public service: StudentAid.ed.gov/PublicService
- Annual free credit report: AnnualCreditReport.com
YOU CAN TAKE CHARGE!

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Additional Information
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
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.
55

Additional Information

Deferment and Forbearance
Current Deferment Types

- In-school
- Education-related
  - Graduate fellowship
  - Rehabilitation training
- Unemployment
- Economic hardship
- Military
- Post-enrollment *(for Grad PLUS made on/after 7/1/2008)*
Forbearance

Temporary postponement or reduction of monthly payments, or extension of time for making payments

- You’re responsible for all accrued interest
- Discretionary forbearances may be available
- Must request a forbearance from your current loan servicer
- Must provide whatever documentation is requested
- **Mandatory forbearance** may be available in certain cases including periods of economic hardship, or medical/dental internship or residency
Additional Information

IBR
Income-Based Repayment

Important Questions to Answer

- Who can benefit?
- What loans are eligible?
- How do you qualify?
- How is payment calculated?
- What else do I need to know?
## 2011 HHS Federal Poverty Guidelines

<table>
<thead>
<tr>
<th>Household Size</th>
<th>48 Contiguous States and D.C.</th>
<th>Alaska</th>
<th>Hawaii</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$10,890</td>
<td>$13,600</td>
<td>$12,540</td>
</tr>
<tr>
<td>2</td>
<td>14,710</td>
<td>18,380</td>
<td>16,930</td>
</tr>
<tr>
<td>3</td>
<td>18,530</td>
<td>23,160</td>
<td>21,320</td>
</tr>
<tr>
<td>4</td>
<td>22,350</td>
<td>27,940</td>
<td>25,710</td>
</tr>
<tr>
<td>5</td>
<td>26,170</td>
<td>32,720</td>
<td>30,100</td>
</tr>
<tr>
<td>6</td>
<td>29,990</td>
<td>37,500</td>
<td>34,490</td>
</tr>
<tr>
<td>7</td>
<td>33,810</td>
<td>42,280</td>
<td>38,880</td>
</tr>
<tr>
<td>8</td>
<td>37,630</td>
<td>47,060</td>
<td>43,270</td>
</tr>
<tr>
<td>For each added person, add</td>
<td>3,820</td>
<td>4,780</td>
<td>4,390</td>
</tr>
</tbody>
</table>

## Sample AGI Thresholds to Qualify for IBR in 2011

**Assumptions:** Interest rate = 6.8% and borrower resides in 48 contiguous states

<table>
<thead>
<tr>
<th>Stafford Loan Debt</th>
<th>Household AGI (15% formula)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH size = 1</td>
</tr>
<tr>
<td>$10,000</td>
<td>$25,541</td>
</tr>
<tr>
<td>$15,000</td>
<td>$30,145</td>
</tr>
<tr>
<td>$20,000</td>
<td>$34,748</td>
</tr>
<tr>
<td>$25,000</td>
<td>$39,351</td>
</tr>
<tr>
<td>$30,000</td>
<td>$43,954</td>
</tr>
<tr>
<td>$50,000</td>
<td>$62,637</td>
</tr>
<tr>
<td>$75,000</td>
<td>$85,383</td>
</tr>
<tr>
<td>$100,000</td>
<td>$108,399</td>
</tr>
<tr>
<td>$150,000</td>
<td>$154,431</td>
</tr>
<tr>
<td>$200,000</td>
<td>$200,464</td>
</tr>
</tbody>
</table>
Sample IBR Payments, cont.

15% Formula

<table>
<thead>
<tr>
<th>Household AGI</th>
<th>2011 Monthly PFH Payment in 48 states</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HH Size = 1</td>
</tr>
<tr>
<td>$100,000</td>
<td>$1,046</td>
</tr>
<tr>
<td>$110,000</td>
<td>$1,171</td>
</tr>
<tr>
<td>$120,000</td>
<td>$1,296</td>
</tr>
<tr>
<td>$130,000</td>
<td>$1,421</td>
</tr>
<tr>
<td>$140,000</td>
<td>$1,546</td>
</tr>
<tr>
<td>$150,000</td>
<td>$1,671</td>
</tr>
<tr>
<td>$160,000</td>
<td>$1,796</td>
</tr>
<tr>
<td>$170,000</td>
<td>$1,921</td>
</tr>
<tr>
<td>$180,000</td>
<td>$2,046</td>
</tr>
<tr>
<td>$190,000</td>
<td>$2,171</td>
</tr>
<tr>
<td>$200,000</td>
<td>$2,296</td>
</tr>
</tbody>
</table>
IBR

What happens if PFH ends?

- Remain in IBR
  - Pay initial original 10-year amortization amount
- Exit IBR
If exiting IBR ...

- Must switch to Standard Repayment Plan

- New monthly payment is based on:
  - Total eligible debt remaining
  - Amortized over number of months remaining in original 10-year period when loan(s) first entered repayment

- Must remain on Standard plan for up to 12 months before switching to another plan
IBR

Negative Amortization

- IBR payment can be less than accrued interest
- Unpaid interest accrues
- Debt increases
IBR Repayment Calculators

Available online, e.g.,

- StudentLoans.gov
- IBRinfo.org
- FinAid.org
- MappingYourFuture.org
## IBR Eligibility and Payment Calculation Steps

<table>
<thead>
<tr>
<th>Step #</th>
<th>Calculation</th>
<th>Example #1</th>
<th>Example #2</th>
<th>Example #3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Determine total eligible debt</td>
<td>$113,419</td>
<td>$113,419</td>
<td>$113,419</td>
</tr>
<tr>
<td>2</td>
<td>Calculate 10-year monthly payment for debt</td>
<td>$1,332</td>
<td>$1,332</td>
<td>$1,332</td>
</tr>
<tr>
<td>3</td>
<td>Determine household AGI</td>
<td>$36,000</td>
<td>$100,000</td>
<td>$165,000</td>
</tr>
<tr>
<td>4</td>
<td>Determine household size</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Determine HHS poverty guideline</td>
<td>$10,890</td>
<td>$10,890</td>
<td>$10,890</td>
</tr>
<tr>
<td>6</td>
<td>Calculate 150% of HHS poverty guideline</td>
<td>$16,335</td>
<td>$16,335</td>
<td>$16,335</td>
</tr>
<tr>
<td>7</td>
<td>Calculate “disposable” income <em>(AGI - 150% of poverty guideline)</em></td>
<td>$19,665</td>
<td>$83,665</td>
<td>$148,665</td>
</tr>
<tr>
<td>8</td>
<td>Calculate annual IBR payment <em>(15% of “disposable” income)</em></td>
<td>$2,950</td>
<td>$12,550</td>
<td>$22,300</td>
</tr>
<tr>
<td>9</td>
<td>Calculate monthly IBR payment <em>(1/12th of Step 8 result)</em></td>
<td>$246</td>
<td>$1,046</td>
<td>$1,858</td>
</tr>
<tr>
<td>10</td>
<td>Does partial financial hardship exist? YES, if Step 9 result &lt; Step 2 result</td>
<td>YES, borrower can enter IBR</td>
<td>YES, borrower can enter IBR</td>
<td>NO, borrower cannot enter IBR</td>
</tr>
</tbody>
</table>
“Pay As You Earn” Proposal (10%)

- Annual IBR payments would be equal to 10% of household’s “disposable” income (rather than current 15% rate)
- IBR debt forgiveness would occur after 20 years of eligible payments (rather than current 25 years period)
- Final details subject to “Negotiated Rulemaking”
IBR

“Pay As You Earn” Eligibility

- “New borrowers since 2008”
- “Must have a loan in 2012”
Picking Your Plan
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 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
Public Service Loan Forgiveness Program (PSLF)
Key Points

- DIRECT Loans only
- Work full-time in public service for 10 years
- Repay loans using IBR
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
Qualifying Employment

Must be FULL-TIME employment in:

- 501(c)(3) organization exempt from taxation under section 501(a) of the IRS Code of 1986, **OR**

- Government (federal, state, local, tribal) agency in U.S.

Full-time employment is defined as greater of:

- 30 hours/week, or
- Employer’s definition of full-time
Qualifying Payments

Payments must be made using:

- Income Based Repayment (IBR)
- Income Contingent Repayment (ICR)
- Standard Repayment (10-year fixed plan)

OR

- Amount paid each month must be no less than payment based on a 10-year loan period
Suggested Steps to Participate in PSLF

- Consolidate any FFEL program loans in the Federal Direct Loan Program at: www.LoanConsolidation.ed.gov
- Use IBR to repay your eligible loan(s)
- Make 120 payments (on-time) while working full-time in qualifying public service position(s)
- Keep good records regarding all qualifying employment
- Apply for PSLF after 120 months of qualifying activity has been completed
Suggested Employment Records for PSLF

- Documentation that you worked full-time every month you made a qualifying payment on your Federal Direct Loan debt
- Documentation of what your employer(s) consider “full-time” employment
- Documentation that your employer(s) is/are an eligible employer
### Assumptions

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Eligible federal student loan debt</td>
<td>$113,419</td>
</tr>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; year Household Adjusted Gross Income (AGI)</td>
<td>$39,000</td>
</tr>
<tr>
<td>Assumed annual increase in AGI</td>
<td>3%</td>
</tr>
<tr>
<td>Assumed annual increase in poverty guideline</td>
<td>3%</td>
</tr>
<tr>
<td>Assumed AGI in 10&lt;sup&gt;th&lt;/sup&gt; year</td>
<td>$50,886</td>
</tr>
</tbody>
</table>

### IBR Payment Information

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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>IBR monthly payment in 1&lt;sup&gt;st&lt;/sup&gt; month</td>
<td>$284</td>
</tr>
<tr>
<td>IBR monthly payment in 120&lt;sup&gt;th&lt;/sup&gt; month (max)</td>
<td>$371</td>
</tr>
<tr>
<td>Total amount paid in IBR over 10 years</td>
<td>$39,129</td>
</tr>
</tbody>
</table>

### Estimated Loan Forgiveness

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<table>
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<tbody>
<tr>
<td>Total accrued interest forgiven after 10 years</td>
<td>$40,157</td>
</tr>
<tr>
<td>Total principal forgiven after 10 years</td>
<td>$113,419</td>
</tr>
<tr>
<td>Total amount forgiven after 10 years</td>
<td>$153,576</td>
</tr>
</tbody>
</table>

*Calculations made using 2010 poverty guideline and IBR calculator at: FinAid.Org/calculators*
Final Comments
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

- Remember, you have the right to make prepayments on your loans at any time without penalty
Loan Repayment
“Top Ten” Vocabulary List

Make sure you know these terms!

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