

I graduated with
student loans.

NOW WHAT?

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About Karen Chan

- 25 years providing unbiased financial education
- A Certified Financial Planner™ who does not practice but uses that knowledge to educate
- Does not sell any financial products or services.

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Today's plan

- Types of Loans
 - *Figuring out what you have*
- Types of repayment plans
- How to choose the right repayment plan (Decision trees)
- Loan forgiveness programs
- Curing a default

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Notes

- "k" in place of 000
- Brown is NOT in your handout

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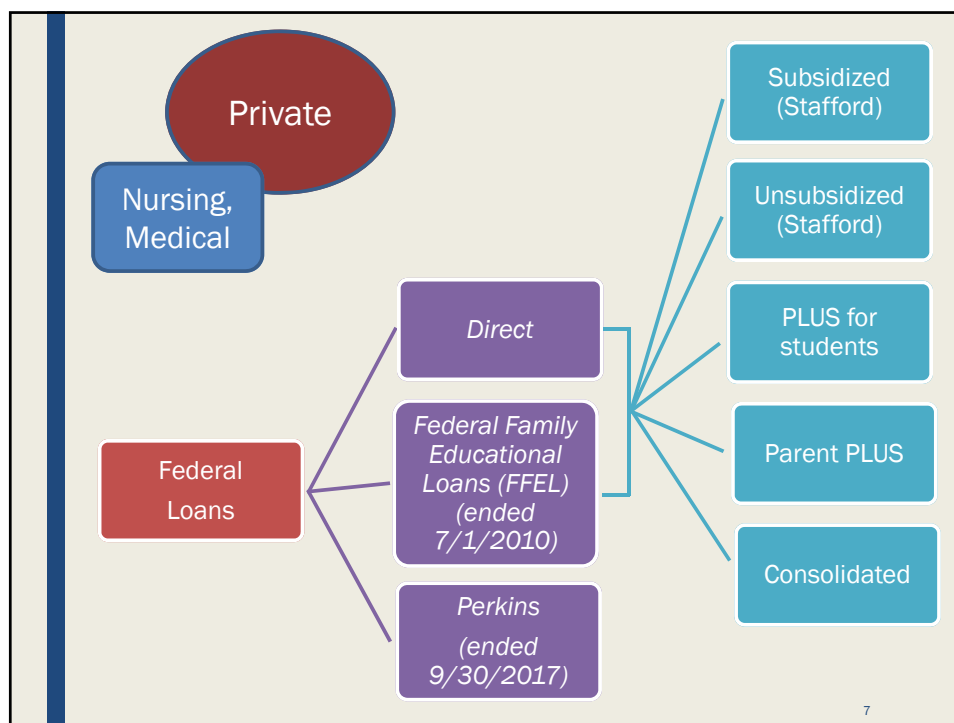
General resources

These are your “go-to” sources for information about student loans. Use the search tools to find answers to your questions.

- <https://studentaid.ed.gov/> to find answers to almost anything related to Federal student loans.
- <https://studentloans.gov> to take action on your loans, such as consolidating, applying for an income-driven repayment plan, or locating forms.

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Federal Loans			Private loans
Direct loans (William D. Ford Federal Direct Loan)	Federal Family Educational Loans (FFEL))	Perkins Loans	Anything other than Federal loans
Sole source of Federal loans since 7/1/2010 (except Perkins).	No loans made after 7/1/2010	No new loans after 9/30/2017.	Commercial lenders (bank, Sallie Mae, Navient,), colleges & universities
<ul style="list-style-type: none"> • Direct Subsidized • Direct Unsubsidized • Direct PLUS loans made to students • Direct PLUS loans made to parents • Direct Consolidation loans 	<ul style="list-style-type: none"> • Subsidized Federal Stafford • Unsubsidized Federal Stafford • FFEL PLUS loans made to students • FFEL PLUS loans made to parents • FFEL Consolidation loans 	A federal loan awarded and managed by your school	Federal loans can be refinanced using a private loan, but you give up Federal loan protections and forgiveness programs.



KNOWING THE LOAN SERVICER DOESN'T TELL YOU WHAT TYPE OF LOAN YOU HAVE

Example: Navient could be a servicer for any type of Federal loan, or a lender for a private loan.

What loans do you have?

- Federal
 - *National Student Loan Data System for Students – NSLDS*
 - www.nslds.ed.gov
 - SSN, birthdate, PIN from FAFSA
 - Recover at www.pin.ed.gov
 - Not listed: PLUS loan in parent's name
- Private
 - www.annualcreditreport.com
 - *One report per year from each of the 3 major credit reporting agencies*

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Private loans

- Governed by agreement: Read your promissory note
- Interest: variable or fixed. Cap?
- Default in as little as 1-2 months
- No forgiveness programs, interest subsidies, etc.
- Co-signer
- Can be privately refinanced but not consolidated into Federal Direct Loan.

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Perkins loans

- School is the lender. Check with them for repayment, deferment, forgiveness plans.
- Can consolidate into Federal Direct Loan.
 - *Will lose Perkins features*

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FROM HERE ON, FOCUS
ON FEDERAL DIRECT &
FFEL LOANS

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“Loan Status”

- Deferment while a student (must request)
- Grace period after leave school
- Repayment – choice of plans
- Delinquent
- Default – 270 days

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“Loan Status” part 2

- Deferment for economic hardship, unemployed, active duty in military, etc.
 - *Perkins Loans, Subsidized (Stafford) Loans: the government **may** pay interest*
 - *Interest may be capitalized*
- Forbearance for economic hardship, medical residency program, AmeriCorps or Peace Corps volunteer, etc.
- Only a temp fix; choose plan w/ lower payment

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Comparing repayment plans

*Interest rate will not change

- How much are monthly payments?
 - *Fixed, graduated, based on income?*
- How long until the loan is paid off?
 - *Longer = smaller payments but more interest*
- How much interest you will pay in total?
- Will any remaining balance be forgiven?

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Direct Consolidation Loan

- Uses a weighted average of the interest rates of consolidated loans
 - *Variable will become fixed*
- Can consolidate only once, unless have new loans to add
- Portion of consolidation loan that came from a subsidized loan will retain some or all of those benefits

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Refinance with a private loan

- Interest rate will be based on your credit history
- **CFPB:**
If you have a secure job, emergency savings, strong credit, are unlikely to benefit from forgiveness options, then refinancing into a private student loan may be a choice worth considering.
- In other words, you don't need protections, income-driven repayment plans, or debt forgiveness offered by Federal Direct loans

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Types of payment plans

- Balance-based
- Income-based

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Balance-Based Repayment Plans

All borrowers and all types (Federal) loans, including Parent PLUS, are eligible for these plans.

- Standard – fixed payments for 10 years
 - *Pay off quickly and minimize interest owed*
- Graduated – increasing payments for up to 10 years
 - *Consolidation loans: 30 years*
 - *Will income & ability pay also increase?*
- Extended – if you owe more than \$30k, up to 25 years to pay, with either fixed or graduated payments

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Income-driven plans

- Most beneficial if:
 - *Low income compared to student loan debt*
 - *Student loan debt is high*
- Choose if hope to qualify for Public Service Loan Forgiveness
- New plans offer significantly lower payments than Standard
 - *IBR for New Borrowers, PAYE, & REPAYE*

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Determining a payoff plan

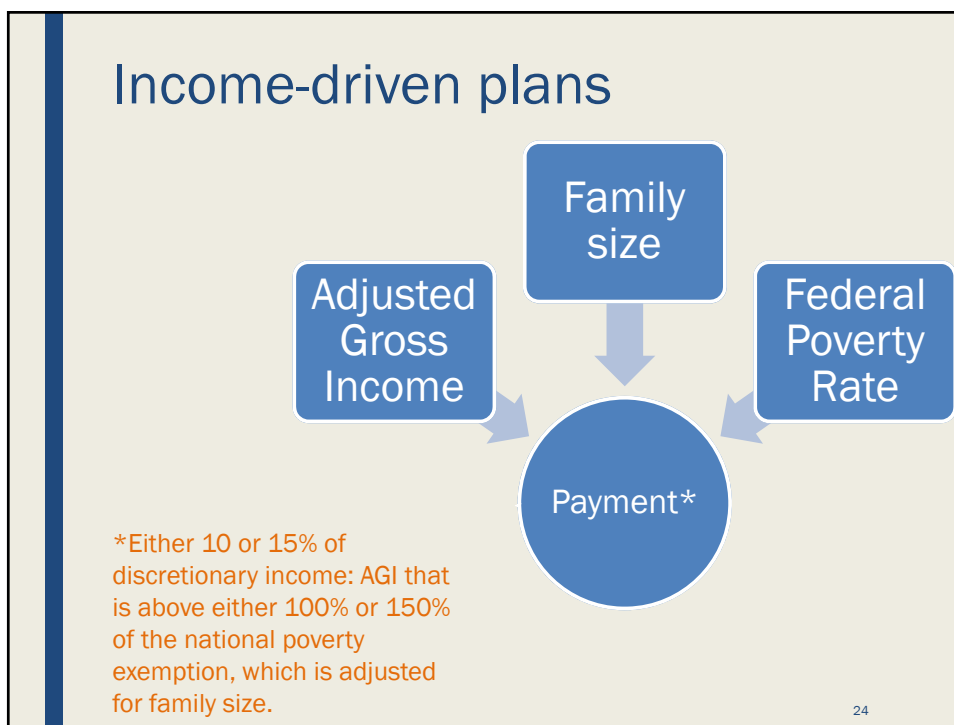
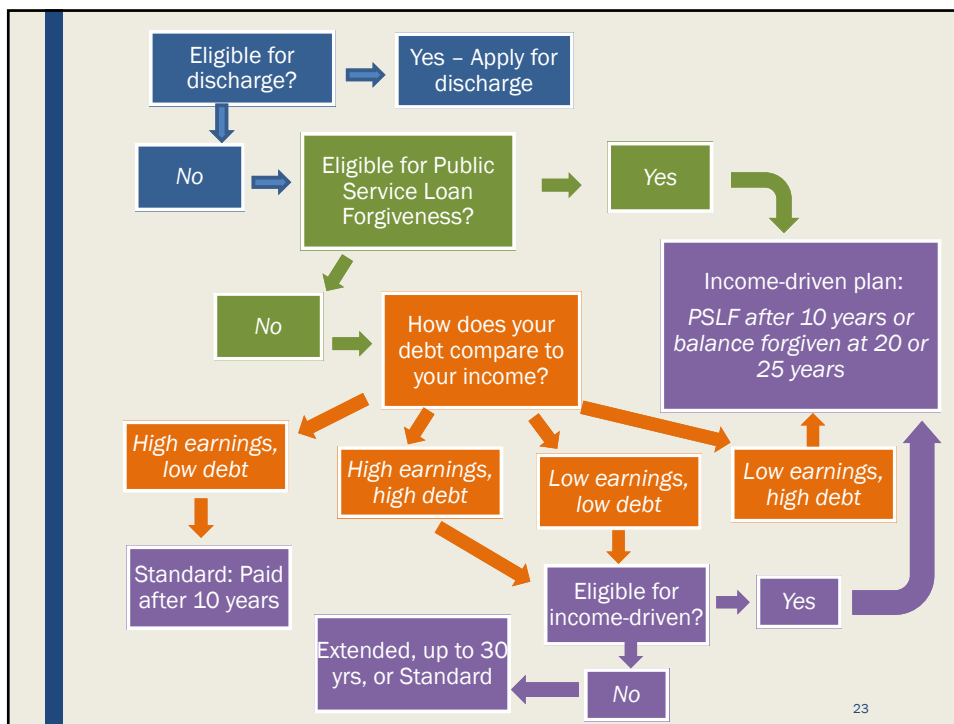
- Eligible for discharge?
- Eligible for Public Service Loan Forgiveness?
- How does your debt compare to your income?
 - *Eligible for income-driven plan?*
 - *Better alternative to deferments and forbearances, which you will eventually exhaust*

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Discharge

- Permanent total disability; death; problems with the school; fraud
- Proposed new “Borrower Defense” rules will make it more difficult to obtain discharges related to school closings and fraud, for new loans beginning July 2019

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Shared features of income-driven plans

- Must apply and recertify annually.
 - *Payments may change. If income drops or family increases, submit info ASAP*
- Balance forgiven after 20 or 25 yrs
 - *Taxable income*
- Payments may not cover interest ⇒ negative amortization
 - *Interest capitalized when loan status or plan changes; may increase payments*

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Income-driven plans

- **Income-Contingent Repayment Plan (ICR)** – oldest, least advantageous. But only choice if consolidated loan included Parent PLUS
- **Income-Based Repayment Plan (IBR)** – 2nd oldest, 2nd least advantageous
- The newer plans often have the same, low payment.
 - *IBR for New Borrowers* – choose PAYE instead
 - *Pay As You Earn (PAYE)* – generally considered most advantageous, but not everyone qualifies
 - *Revised Pay As You Earn (REPAYE)* – usually 2nd choice, depending on situation

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New borrower - PAYE

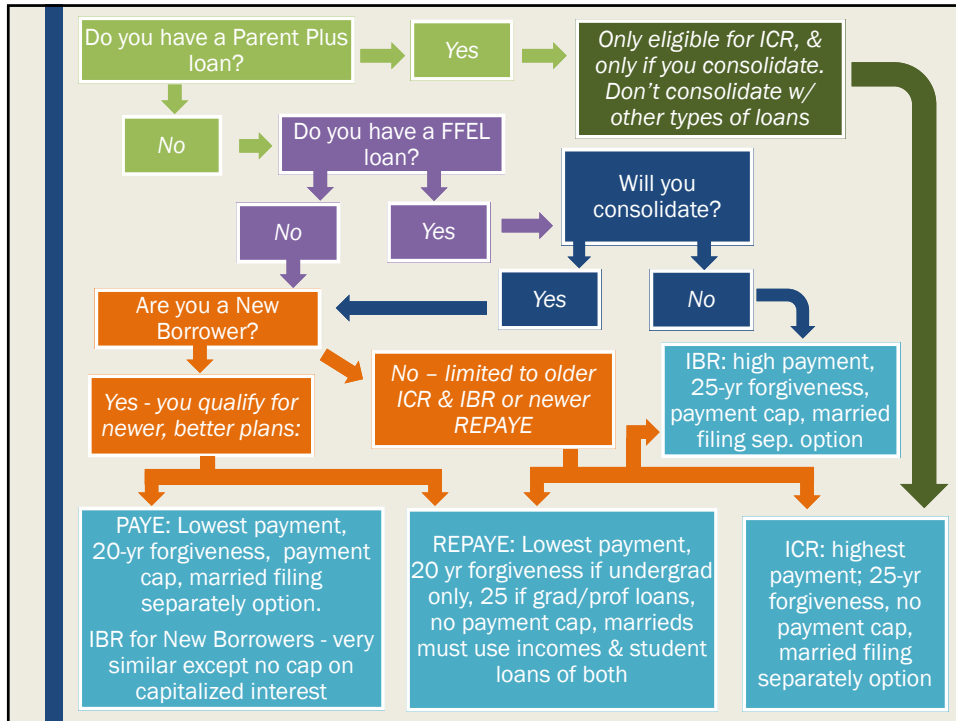
- “...you must have had no outstanding balance on a Direct Loan or FFEL Program loan when you received a Direct Loan or FFEL Program loan on or after Oct. 1, 2007, and you must have received a disbursement of a Direct Loan on or after Oct. 1, 2011.”
 - <https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven#consistent-payments>
- IBR for New Borrowers has a different definition
 - *But if you're a new borrower for IBR – New, you're also a new borrower for PAYE*
 - *PAYE is almost always a better option*

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Main differences between income-driven plans

- Payment amount: 1) 10 or 15% of income above 2) 100% or 150% of poverty level
- Time to payoff/debt forgiveness: 20 or 25 years
- Cap on payments – cannot be more than payments on standard plan
- Married couples can control whether to consider one or both incomes & debts by filing taxes separately
- Parent PLUS (consolidated) or FFEL loans eligible

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Compare payments, time to pay off, etc. at [studentloans.Gov/mydirectloan/mobile/repayment/repaymentestimator.Action](https://studentloans.gov/mydirectloan/mobile/repayment/repaymentestimator.Action)

Log in to use your actual loan info, or click “Proceed” to add loan info manually or use national averages.

Example: 4-yr public school, national average

- Single person
- Living in Illinois
- \$32,000 AGI
- \$26,946 in student loans @3.9% interest

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Repayment Plan	First Monthly Payment	Last Monthly Payment	Total Amount Paid	Projected Loan Forgiveness	Repayment Period (months)
Standard	\$272	\$272	\$32,585	\$0	120
Graduated	\$152	\$455	\$33,979	\$0	120
REPAYE	\$115	\$338	\$37,772	\$0	184
PAYE	\$115	\$272	\$37,828	\$0	188
IBR	\$172	\$272	\$34,330	\$0	143
IBR for New Borrowers	\$115	\$272	\$37,828	\$0	188
ICR	\$179	\$216	\$36,154	\$0	184

188 = 15 years 8 months

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Repayment Plan	First Monthly Payment	Last Monthly Payment	Total Amount Paid	Public Service Loan Forgiveness	Repayment Period (months)
Standard	\$272	\$272	\$32,585	\$0	120
Graduated	\$152	\$455	\$33,979	\$0	120
REPAYE	\$115	\$226	\$19,972	\$15,973	120
PAYE	\$115	\$226	\$19,972	\$15,973	120
IBR	\$172	\$272	\$28,299	\$5,809	120
IBR for New Borrowers	\$115	\$226	\$19,972	\$15,973	120
ICR	\$179	\$201	\$22,876	\$11,963	120

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Repayment Calculator: Click for loan details

Loans
Details

Unsubsidized Federal Stafford Loan
\$40,000
4.300%

Loan Type

Unsubsidized Federal Stafford Loan
▼

Balance

Interest Rate

Repayment Plan Eligibility ⓘ

Standard, Graduated	Extended (Fixed, Graduated)	Revised Pay As You Earn (REPAYE)	Pay As You Earn (PAYE)*	Income-Based Repayment (IBR)*	IBR for New Borrowers*	Income-Contingent Repayment (ICR)*
✓	✓	✗	✗	✓	✗	✗

Would consolidating give you better options?

Loans	Details					
Direct Unsubsidized Consolidation Loan	\$40,000 4.300%					
Loan Type Direct Unsubsidized Consolidation Loan						
Balance 40000						
Interest Rate 4.3						
Repayment Plan Eligibility ⓘ						
Standard, Graduated	Extended (Fixed, Graduated)	Revised Pay As You Earn (REPAYE)	Pay As You Earn (PAYE)*	Income-Based Repayment (IBR)*	IBR for New Borrowers*	Income-Contingent Repayment (ICR)*
✓	✓	✓	✓	✓	✓	✓

LOAN FORGIVENESS PROGRAMS

Public Service Teacher
Perkins Loan Forgiveness
Income-driven plans: balance after 20 or 25 years

Public Service Loan Forgiveness (PSLF)

- Forgiveness in as little as 10 years
- Forgiven amount is NOT taxable
- Qualifying:
 - *Employer(s)*
 - *Loan(s)*
 - *Payments*
 - *Repayment plan*

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Qualifying employer

- Government – any level, entity
- 501(c)3 nonprofit
- Some other nonprofits
- AmeriCorps and Peace Corps volunteer

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Qualifying employer, part 2

- Full time – at least 30 hrs/week
- Employed with a qualifying employer:
 - *At time of each payment*
 - *When apply for forgiveness*
 - *When the loan is forgiven*

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Qualifying loans

- Direct Federal Loan
 - *Not FFEL, not Perkins: consolidate to qualify*
- Not in default

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Qualifying payments

- 120 qualifying payments
- After Oct. 1, 2007
- Payments do not have to be consecutive

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Qualifying payments, part 2

- For full amount
- No later than 15 days after due date
- During a time you were required to make a payment (not in in school, grace period, deferment, forbearance)

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Qualifying repayment plan

- Make payment while in a qualifying repayment plan
 - *Any income-driven plan*
 - *Standard – qualifies but will be paid off before forgiveness!*
- Temporary Expanded PSFL Program
 - *Graduated and extended plans*
 - *Apply, denied, then apply for Temp Expanded Program*

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Tips

- If you consolidate, you will lose credit for any prior qualifying payments
- Submit application ASAP & whenever change employers verify payments will count
- If pay extra, tell servicer should NOT be used to cover future payments
 - *You want to make and get credit for each month's payment*

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Teacher Loan Forgiveness Program

- Up to \$17,500
- Subsidized & unsubsidized, including Stafford
 - *Consolidated? Sub/unsub part is eligible*
- Full time; 5 complete, CONSECUTIVE school years
- Low income school or ed service agency
- Check additional requirements
- Can also get PSLF but not for same years

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Perkins loan forgiveness

- Up to 50-100% of loan, depending on type of job
- After 4-7 years
- In qualifying jobs - extensive list
 - *Teachers, nurses, public defenders, law enforcement, military, Head Start*
- Payments may be suspended

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CURING A DEFAULT

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Rehabilitate

- Ask loan holder to calculate reasonable payment based on income
 - *Can't afford? Request alternate calculation*
- Within 10 months, make 9 payments
 - *Within 20 days of due date*
- Garnishment? Those payments may continue, and don't count toward 9
- Default will be removed from credit history

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Consolidate – two options

- Agree to pay the new loan under an income-driven plan
- Before consolidating, make 3 consecutive, voluntary, on-time payments for full amount **based on your finances**
- Default will remain on credit history

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SMART ACTIONS

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Smart Actions

- Signing up for auto payments from your checking account (ACH payment) could save 0.25% off your interest rate
 - *Check with your loan servicer*
- If you're in an income-driven plan, consider contributing to tax-deferred retirement plan
 - *Reduces AGI & payments*
- Claim Student Loan Interest Deduction
 - *Can't if Married Filing Separately*

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For links to resources or to sign up for
quarterly notices of upcoming workshops:

KarenChanFinancialEd.com

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