

I graduated with student loans.
NOW WHAT?

Karen Chan
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Forbearance ends in January.
NOW WHAT?

About Karen Chan

- 28 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

- Understanding loan suspension during coronavirus, and the end of suspension
- Types of Loans
 - *Figuring out what you have*
- Federal loans
 - *Types of repayment plans*
 - *How to choose the right repayment plan (Decision trees)*
 - *Loan forgiveness programs*
 - *Curing a default*

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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.gov/h/manage-loans> to find answers to almost anything related to Federal student loans.
 - <https://studentaid.gov/announcements-events/coronavirus>
- <http://studentaid.gov/login> to take action such as consolidating, applying for an income-driven repayment plan, or locating forms.

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If your loan payments were automatically suspended...

Your loan is most likely owned by the U.S. Dept. of Education.

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What happened during the suspension? (1)

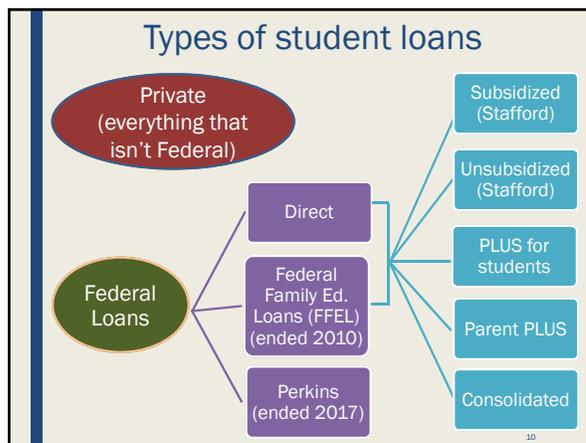
- March 13, 2020 – Jan. 31, 2022
 - *The due date for your first payment will be AFTER Jan. 31.*
- Most Federal loans.
- Loan payments were suspended

What happened during the suspension? (2)

- Suspended payments counted as on-time payments made by you for:
 - *Reporting to credit reporting agencies*
 - *Counting as payments toward Public Service Loan Forgiveness*
 - *Reaching the end of income-driven repayment plan and receiving forgiveness of the balance.*
 - *Curing a default.*

What happened during the suspension? (3)

- The interest rate was set to 0%.
 - *Including loans for current students.*
- Collections on defaulted loans were stopped.
- Recertifications for income-driven repayment plans were suspended.



Who Owns Your Student Loans?

| Federal Loans | | | Private loans |
|--|---|---|--|
| Direct loans (William D. Ford Federal Direct) | Federal Family Educational Loans (FFEL) | Perkins Loans | Anything other than Federal loans |
| Always owned by Education Dept. | May be owned by Education Dept. | Awarded & managed by your school. But may be owned by Education Dept. | Never owned by Dept. of Ed. |
| All Federal loans since 7/1/2010 (except Perkins). | No new loans after 7/1/2010. | No new loans after 9/30/2017. | Commercial lenders (banks, Sallie Mae, Navient,) colleges & universities |

Which loans were suspended?

| Eligible | Ineligible |
|---|--|
| <ul style="list-style-type: none"> • Direct Loans <ul style="list-style-type: none"> • Defaulted and nondefaulted • FFEL Program loans owned by ED <ul style="list-style-type: none"> • Defaulted and nondefaulted • Defaulted FFEL Program loans not owned by ED • Federal Perkins Loans owned by ED <ul style="list-style-type: none"> • Defaulted and nondefaulted • Defaulted HEAL loans | <ul style="list-style-type: none"> • Nondefaulted FFEL Program loans not owned by ED • Federal Perkins Loans not owned by ED <ul style="list-style-type: none"> • Defaulted and nondefaulted • Nondefaulted HEAL loans • Private student loans |

ED = US Dept. of Education
 Source: <https://studentaid.gov/announcements-events/coronavirus>

StudentAid.gov suggests the following steps to prepare for payments to resume.

Go to <https://studentaid.gov/announcements-events/coronavirus> for details and links.

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Prepare to resume payments

1. Update your contact information in your profile on your [loan servicer](#)'s website and in your [StudentAid.gov profile](#).
2. Check out <https://studentaid.gov/loan-simulator/> to find a repayment plan that meets your needs and goals or to decide whether to consolidate.
3. Consider applying for an [income-driven repayment \(IDR\) plan](#). An IDR plan can make your payments more affordable, depending on your income and family size.

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Prepare to resume payments (2)

- Check whether you are (still) set up for auto-debit payments.
- Contact your loan servicer to ask what your payment amount will be.
- Watch for your billing statement or notice. You should receive it at least 21 days before the due date.

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You can have a private company servicing your loan, and still have a federal loan.

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

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What types of loans do you have?

- Federal
 - Log in to "My Federal Student Aid" at [StudentAid.gov/login](#)
 - FSA ID
 - Not listed: PLUS loan in parent's name
- Private
 - www.annualcreditreport.com
 - One report per year free from each of the 3 major credit reporting agencies
 - Free weekly until April 30, 2022.

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Private loans

- Loan terms are governed by the 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; rate based on credit history
- Can be privately refinanced but not consolidated into Federal Direct Loan.

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Types of repayment plans

- Balance-based
- Income-based

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Comparing repayment plans

* The interest rate will be the same, whichever plan you choose.

- 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?
 - Only income-driven plans

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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

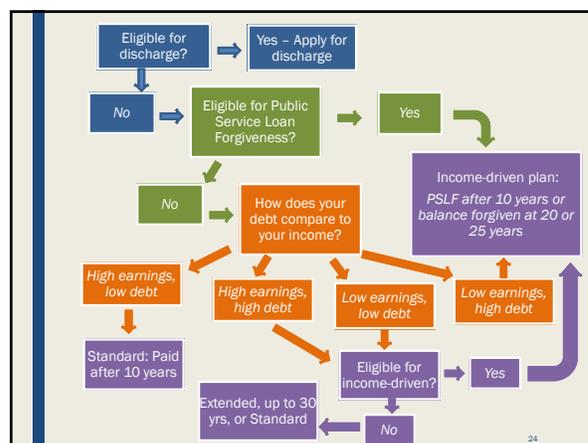
- Most beneficial if low income compared to student loan debt, and student loan debt is high
- Remaining balance at end of loan period is forgiven.
- Forgiven amount is taxable income.

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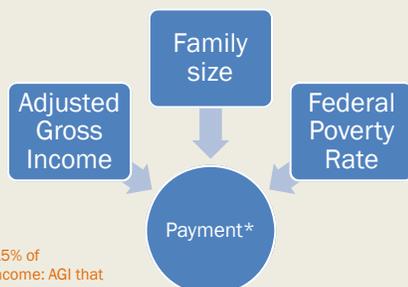
Choosing the Right Repayment Plan

- Eligible for discharge?
 - Permanent, total disability, death, problems with school
- Eligible for Public Service Loan Forgiveness?
 - Income-driven plan
- How does your debt compare to your income?
 - Eligible for income-driven plan?

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Income-driven plans



*Either 10 or 15% of discretionary income: AGI that is above either 100% or 150% of the national poverty exemption, which is adjusted for family size.

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Other features shared by income-driven plans

- Must apply and must 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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Four income-driven plans vary as to... (1)

- Payment is a % of discretionary income
 - *10, 15 or 20% of income*
 - *Total income less either 100% or 150% of poverty level*
- Loan term/forgiveness at either 20 or 25 years
- Cap on payments: can they be more than payments on standard plan?
- Limits on capitalized interest

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Four income-driven plans vary as to... (2)

- Whether married couples can file taxes separately to limit whose incomes & student loans are considered
 - *REPAYE: Always considers both spouses' incomes*
 - *PAYE, IBR, ICR: Considers spouse's income and loans only if file jointly*

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Income-driven plans, from best to worst terms for most

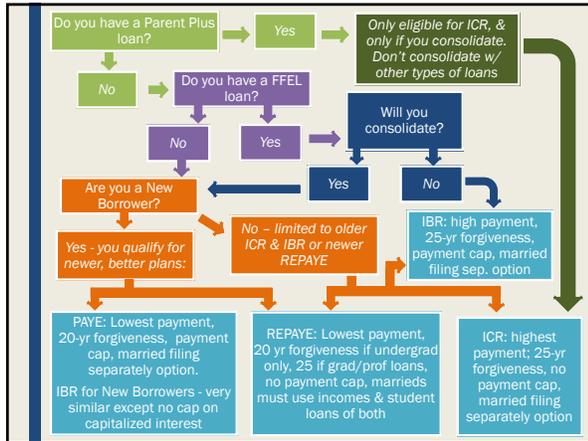
- Pay As You Earn (**PAYE**) – must qualify
- Revised Pay As You Earn (**REPAYE**)
- Income-Based Repayment Plan (**IBR**) & Income-Contingent Repayment Plan (**ICR**)
 - *FFEL must use IBR unless you consolidate.*
 - *Parent PLUS only eligible for ICR, and only if consolidate*
 - *IBR for New Borrowers – choose PAYE instead*

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PAYE: Must be a New Borrower

- No outstanding balance on a Direct or FFEL loan when you received a Direct or FFEL loan on or after Oct. 1, 2007, and...
 - *Received a disbursement of a Direct Sub., Unsub., or student PLUS loan on or after Oct. 1, 2011, or Direct Consolidation Loan on application received on or after Oct. 1, 2011*
- **Bottom line: If you took out your first student loan on or after Oct. 1, 2011, you're a New Borrower.**
- **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, and PAYE is almost always a better option

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Compare repayment plans including payments, time to pay off, etc. at <https://studentaid.gov/loan-simulator/>

Use your actual loan info, or click "Start from scratch" to add info manually or use national averages.

Personal Information

Tax Filing Status: Single

Family Size: 1

Adjusted Gross Income: \$ 42000

State of Residence: ILLINOIS

My Loans

Use my loan data

Use loan data for a specific school

Use national loan data

School Type: 4-year, Public

Average Loan Balance: \$26,946

Average Interest Rate: 3.9%

My Spouse's Loans

Don't include my spouse's loans

Include my spouse's loans

Repayment Goals

What is your repayment goal?

Fastest payoff

Lowest monthly payment

Lowest total paid over time

Monthly payment I chose

Total paid by a certain date

Show payment estimated under **Public Service Loan Forgiveness (PSLF)**

On

No PLSF, lowest payment

Consolidated Graduated Repayment Apply For Consolidation

Lowest Monthly Payment Total Paid Over Time Is High

Payments start low and gradually increase every two years. You will repay your loans over 10 years (for most loans, but it is usually longer for consolidation loans). NOT a good option for PSLF.

| Monthly Payment | Total To Be Paid | Paid Off By | Forgiveness Amount |
|-----------------|------------------|-------------|--------------------|
| \$96 - \$289 | \$42,517 | Aug 2041 | \$0 |
| First Last | | | |

[VIEW DETAILS](#)

[View and Compare My Options \(6\)](#)

With PLSF, lowest total paid over time

Income-Contingent Repayment (ICR) with Public Service Loan Forgiveness Apply For Plan

Lowest Total Paid Over Time

Based on your income and family size, your monthly payments are generally limited to 20% of your discretionary income. Good option for those seeking PSLF.

| | | | |
|---------------------------|------------------|-------------|-------------|
| Monthly Payment | Total To Be Paid | Paid Off By | PSLF Amount |
| \$196 - \$200 | \$23,748 | Aug 2031 | \$10,811 |
| <small>First Last</small> | | | |

[VIEW DETAILS](#)

[View and Compare All Plans \(6\)](#)

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[Compare](#)

Graduated Repayment with Public Service Loan Forgiveness

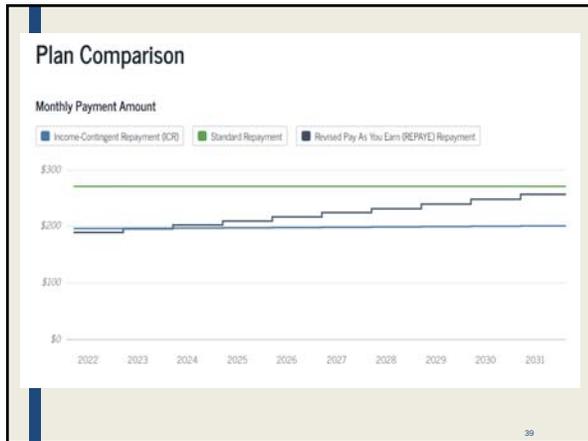
Payments start low and gradually increase every two years. You will repay your loans over 10 years (for most loans, but it is usually longer for consolidation loans). NOT a good option for PSLF.

| | |
|---------------------------|------------------|
| MONTHLY PAYMENT | TOTAL TO BE PAID |
| \$152 - 455 | \$33,979 |
| <small>FIRST LAST</small> | |

| | |
|--------------|-------------|
| PAY OFF DATE | PSLF AMOUNT |
| August 2031 | \$0 |

[VIEW DETAILS & APPLY](#)

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| | Standard Repayment | Income-Contingent Repayment (ICR) | Revised Pay As You Earn (REPAYE) Repayment |
|-------------------------|--------------------|-----------------------------------|--|
| Monthly Payment (Start) | \$272 | \$196 | \$189 |
| Monthly Payment (Max) | \$272 | \$200 | \$257 |
| Total Paid | \$32,585 | \$23,748 | \$26,563 |
| Paid Off By | August 2031 | August 2031 | August 2031 |
| PSLF Amount | \$0 | \$10,811 | \$7,707 |

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Other Options to Consider

Want to Pay Off Your Loans Faster?

See how a one-time payment or even as little as \$10 extra a month can shorten the length of your repayment and save you money.

Interested in Public Service Loan Forgiveness? RECOMMENDED

Can't Afford This?

Change your repayment goal to "Lowest Monthly Payment" to see if your results change.

Pay Less in Interest! RECOMMENDED

Talk to your servicer to enroll in automatic payments to get a 0.25%-point reduction on your interest rate.

[Contact Your Servicer](#)

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LOAN FORGIVENESS PROGRAMS

Public Service Teacher Perkins Loan Forgiveness

Income-driven plans: balance after 20 or 25 years

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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
 - *Part-time totaling 30 hrs with 2 qualifying employers will count*
- 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 (1)

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

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Qualifying payments(2)

- For full amount
- Made 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 for PSLF, be denied, then apply for Temp Expanded Program

Tips

- If you consolidate, you will lose credit for any prior qualifying payments
- Submit application ASAP & whenever change employers to verify that payments will count
 - Keep verification docs
 - Keep W2s

Other loan forgiveness programs

- Income-driven repayment plan completion
- Teacher Loan Forgiveness Program
- Nursing – national and state programs
- Medical School – numerous programs
- Perkins Loan Forgiveness for qualify jobs

* Taxable income *

CONSOLIDATION & REFINANCING

| | Federal Loans | | Private loans |
|---|--|--|---|
| Direct loans (William D. Ford Federal Direct) | Federal Family Educational Loans (FFEL) | Perkins Loans | Anything other than Federal loans |
| <ul style="list-style-type: none"> • Can be consolidated with other, non-direct loans; will remain a Direct loan. • Can be refinanced into a Private loan; you lose all Federal loan protections. | <ul style="list-style-type: none"> • Can be consolidated into a Direct loan. • Can be refinanced into a Private loan; you lose all Federal loan protections. | <ul style="list-style-type: none"> • Can be consolidated with other Federal loans, but you lose special Perkins loan protections. • Can be refinanced into a Private loan; you lose all Federal loan protections | <ul style="list-style-type: none"> • Can be refinanced into a new private loan. • Cannot be consolidated into a Federal loan. |

Direct Consolidation Loan

- Uses a weighted average of the interest rates of consolidated loans
 - Variable will become fixed
- Unpaid interest is capitalized, which may increase the payment amount.
- 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

Refinance with a private loan

- Interest rate based on your credit history
- **Consumer Financial Protection Bureau:**
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, consider if you don't need protections, income-driven repayment plans, or debt forgiveness offered by Federal Direct loans.

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SMART ACTIONS

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Smart Actions to Consider

- 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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