

I graduated with  
student loans.  
NOW WHAT?

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*Forbearance ends  
in January.*  
NOW WHAT?

*Public Service Loan  
Forgiveness Limited  
Time Waiver.*

What do I need to do?

## 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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All URLs posted at  
<https://karenchanfinancial.com/resources/student-loans/>

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## Agenda

- Types of (federal) student loans
- Pandemic suspension
- Public Service Loan Forgiveness Limited-Time Waiver
- Repayment Plans
- Consolidation vs Refinancing

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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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## Observation:

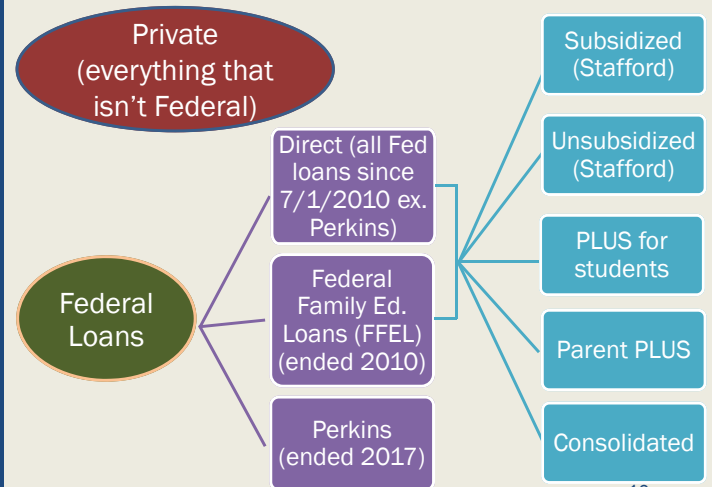
Suspended payments during pandemic & overhaul of PSLF are two examples of why NOT to refinance into private loans.

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# TYPES OF STUDENT LOANS

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## Types of student loans



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## What types of loans do you have?

- Federal
  - Log in at [StudentAid.gov/login](https://StudentAid.gov/login) with FSA ID.
  - Go to [StudentAid.gov/aid-summary/](https://StudentAid.gov/aid-summary/). Scroll down to the [Loan Breakdown section](#).
    - Not listed: PLUS loan in parent's name

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Who owns your student loans?  
This is often different from who services your loan.

Federal Loans		
Direct loans (William D. Ford Federal Direct)	Federal Family Educational Loans (FFEL)	Perkins Loans
Always owned by Education Dept.	May be owned by Education Dept.	Awarded & managed by your school. But may be owned by Education Dept.

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## Who services your loan?

- Listed on your statements.
- You can have a private company servicing your loan, and still have a federal loan.
- Some companies, including Nelnet, act as a servicer for both Federal and private loans.

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## Watch for notices that your servicer has changed.

- Maximus ( operating under the name Aidvantage) will be taking over servicing of Fed-owned loans from Navient as of “this winter.”
- Loans serviced by FedLoan Servicing (PHEAA, Pennsylvania Higher Education Assistance) will be transferred to other servicers in 2022

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# SUSPENSION OF PAYMENTS DURING THE PANDEMIC

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## Which loans were suspended?

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

ED = US Dept. of Education

Source: <https://studentaid.gov/announcements-events/coronavirus> 16

## Suspended payments count as on-time payments for:

- Reporting to credit reporting agencies
- 120 payments toward Public Service Loan Forgiveness
- 20/25 years of payments to complete income-driven repayment plans and forgiveness of the balance.
- Curing a default.

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## What happens when suspension ends?

- First payment due AFTER Jan. 31, 2022
- Interest begins to accumulate again.
- Collections may begin.
- Recertifications for income-driven loans required.

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## 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)

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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## Politico: possibility of accommodations during restart period

- Grace period
- Easier enrollment in income-based repayment plans
- “Fresh start” for borrowers in default

[https://bit.ly/studentloans\\_KC](https://bit.ly/studentloans_KC)

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## PUBLIC SERVICE LOAN FORGIVENESS LIMITED TIME WAIVER (aka PSLF Overhaul)

Deadline: Oct. 31, 2022

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## Sources re: Limited Time Waiver for PSLF

- Fact Sheet: Public Service Loan Forgiveness (PSLF) Program Overhaul  
– <https://bit.ly/PSLFFactSheet>
- Public Service Loan Forgiveness Limited Waiver Opportunity  
– <https://studentaid.gov/announcements-events/pslf-limited-waiver>

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## New Rules for Qualifying Payments

...any prior payment made will count as a qualifying payment, regardless of loan type, repayment plan, or whether the payment was made in full or on time. **All you need is qualifying employment.**

This change will apply to student loan **borrowers with Direct Loans**, those who have **already consolidated** into the Direct Loan Program, and those who **consolidate into the Direct Loan Program by Oct. 31, 2022.**

*Parent Plus loans are not eligible under the limited PSLF waiver.*

<https://studentaid.gov/announcements-events/pslf-limited-waiver>

Emphasis added.

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## Rules for (PSLF)

- 120 payments
  - Made after Oct. 1, 2007
  - Do not have to be consecutive
- Forgiven amount is NOT taxable
- Qualifying:
  - Employment
  - Loan(s)
  - Payments
  - Repayment plan

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## Who can benefit? (1)

- You consolidated and lost credit for previous payments that would have qualified for PSLF.
  - Apply for PSLF and certify employment.
- You made payments on a FFEL or Perkins loan while working in a qualifying job.
  - Consolidate by Oct. 31, 2022.
- You made prior payments in Standard, Extended, or Graduated repayment program while working in a qualifying job.
  - Apply for PSLF and certify employment for payments prior to Oct. 31, 2022.

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## Who can benefit? (2)

- Under the new rules, you have made more than 120 qualifying payments.
  - You will receive a refund.
- You have 120 payments under the new rules, but your current employer isn't qualified.
  - Apply for forgiveness by Oct. 31, 2022.
- You previously applied but were denied forgiveness.
  - Your application will automatically be reviewed.

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## Who is not helped?

- You already received forgiveness, and some disqualified payments would count under the waiver.
- You already refinanced into a private loan.

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## ASAP: Verify/update contact info with Dept. of Education

- Register for an FSA ID at [studentaid.gov/fsa-id/create-account/](https://studentaid.gov/fsa-id/create-account/)
- Update StudentAid.gov contact information by logging in and visiting [StudentAid.gov/settings](https://StudentAid.gov/settings).

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## By Oct. 31, 2022:

- Consolidate Federal loans that are not Direct loans (i.e., FFEL, Perkins – not Parent Plus).
- If not already done, use the PSLF Help tool at <https://studentaid.gov/pslf/to>:
  - *Certify all qualifying employment*
  - *Submit a PSLF form*
- Apply for forgiveness if 120 payments but current employer not qualified.
- Switch to qualifying repayment plan [kitces.com](http://kitces.com)
  - *Income-driven plans*

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## Certify employment by Oct. 31, 2022 to get automatic credit for past payments...

- On non-qualifying loans that have been consolidated.
- While in a non-qualifying payment plan.
- That “...were off by a penny or two or late by only a few days”  
<https://bit.ly/PSLFFactSheet>

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## Qualifying employment (1)

- Government – any level, entity
- 501(c)3 nonprofit
- Some other nonprofits
- AmeriCorps and Peace Corps volunteer
- Check the employer database using PSLF Help tool at <https://studentaid.gov/pslf/>.

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## Qualifying employment (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*
    - *Waived if 120 payments and apply by Oct. 31, 2022*

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## Qualifying loans

- Direct Federal Loans
- **Other loans consolidated into a Direct Loan prior to Oct. 31, 2022**
  - *FFEL, Perkins*
- Not in default
  - *Unclear whether this requirement applies during the waiver period.*

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## After Oct. 31, 2022

- If you consolidate, you will lose credit for any prior qualifying payments.
- Payments on FFEL, Perkins, etc. will not qualify.
- According to [kitces.com](http://kitces.com), payments in standard, extended, or graduated repayment plans will not count.

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## Military

- Active duty months will count, even if on deferment or forbearance.
  - <https://www.ed.gov/news/press-releases/fact-sheet-public-service-loan-forgiveness-pslf-program-overhaul>

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## Federal employees including military

- In 2022, “the Department will begin automatically giving federal employees credit for PSLF by matching Department of Education data with information held by other federal agencies...”
  - <https://www.ed.gov/news/press-releases/fact-sheet-public-service-loan-forgiveness-pslf-program-overhaul>

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## How can I figure out which of my payments now qualify for PSLF under the limited-time waiver?

- See FAQs at [studentaid.gov/announcements-events/pslf-limited-waiver](https://studentaid.gov/announcements-events/pslf-limited-waiver)

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## 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 \*

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# REPAYMENT PLANS

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## Types of repayment plans for Federal loans

- Balance-based
  - Can be fixed (like a car loan) or graduated (increasing over time)
  - You will pay back the amount your borrowed plus interest
- Income-based
  - You may or may not pay back the entire amount you borrowed.
  - Your payments may not cover the interest that is accruing.

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## Comparing repayment plans

- 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 will you pay in total?
- Will any portion of the loan be forgiven?
  - *Income-driven plans only*
  - *Public Service Loan Forgiveness or remaining balance*

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

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## Balance-Based Repayment Plans

All borrowers and all types of Federal loans, including Parent PLUS, are eligible.

- 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 to 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.

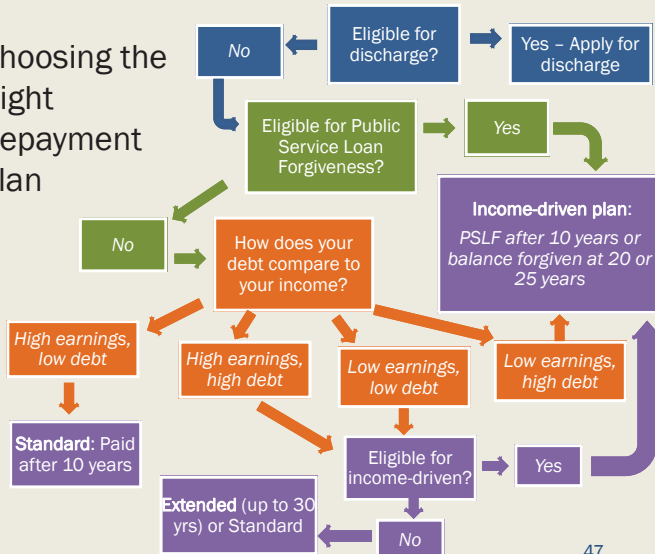
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# CHOOSING THE RIGHT REPAYMENT PLAN

*Balance based or income driven?*

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## Choosing the Right Repayment Plan



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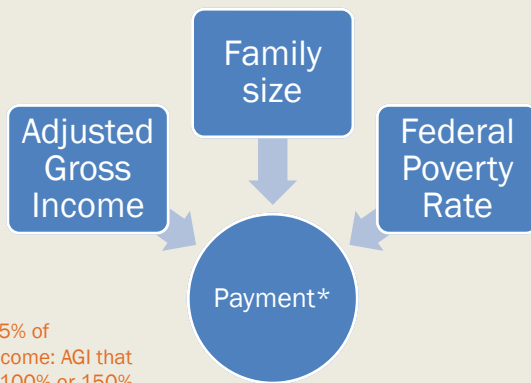
## Discharge

- Permanent, total disability
- Death
- Problems with the school
  - *Fraud, etc.*

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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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## Features shared by all income-driven plans

- Must apply and must recertify annually.
  - *Payments may change. If income drops or family size increases, submit info ASAP*
- Balance forgiven after either 20 or 25 years
  - *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, 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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## How income-driven plans differ (1)

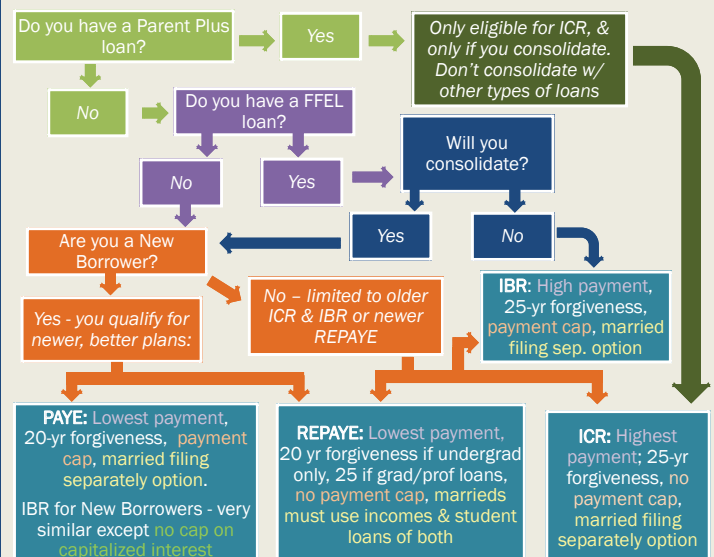
- Payment calculation
  - *Discretionary income: Total income less either 100% or 150% of poverty level*
  - *10, 15 or 20% of discretionary income*
- Loan term/forgiveness at either 20 or 25 years
- Cap on payments: can they be more than payments on standard plan?
- Limits on capitalized interest

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## How income-driven plans differ (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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## PAYE: Must be a New Borrower

- **Bottom line: If you took out your first student loan on or after Oct. 1, 2011, you're a New Borrower for both PAYE and IBR-New Borrowers.**
- 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*
- **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

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.

## 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"> <li>• Can be consolidated with other, non-direct loans; will remain a Direct loan.</li> <li>• Can be refinanced into a Private loan; you lose all Federal loan protections.</li> </ul>	<ul style="list-style-type: none"> <li>• Can be consolidated into a Direct loan.</li> <li>• Can be refinanced into a Private loan; you lose all Federal loan protections.</li> </ul>	<ul style="list-style-type: none"> <li>• Can be consolidated with other Federal loans, but you lose special Perkins loan protections.</li> <li>• Can be refinanced into a Private loan; you lose all Federal loan protections</li> </ul>	<ul style="list-style-type: none"> <li>• Can be refinanced into a new private loan.</li> <li>• Cannot be consolidated into a Federal loan.</li> </ul>

## 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.

# Karen Chan

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

[KarenChanFinancialEd.com](https://KarenChanFinancialEd.com)

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