Master Promissory Note (MPN)

- Legal agreement between the student and lender
- The MPN is a simplified contract for Federal Direct Student Loans
- Contact your lender/servicer for MPN copies
Grace Period

- Time between when the borrower graduates/leaves school/drops below half-time enrollment and enters repayment
- No payment required during this time
- Timeline
  - 6 months for federal and institutional loans
  - 9 months Federal Perkins Loans, Federal Nursing Loans, and Nurse Faculty Loan Program
Capitalization

- Interest begins to accrue when your loan disburses
- At the end of the year, all unpaid interest is added to the outstanding principal
- Occurs initially when you enter repayment, and every year after that

\[
\text{Principal} + \text{Interest} = \text{Larger Principal}
\]

\[\begin{align*}
\$180,000 & \quad \text{Principal} \\
\$30,000 & \quad \text{Interest} \\
\$210,000 & \quad \text{Larger Principal}
\end{align*}\]
Lender vs Servicer

• Lender
  ▪ Institutions that funds your student loans
  ▪ Examples: Discover, Direct loans, Rush

• Servicer
  ▪ Institution that administers and collects loan payments
  ▪ Examples: Great Lakes, Sallie Mae, Nelnet, Heartland ECSI
  ▪ #1 contact for your loan and repayment information

Read all mail / emails from your Lender and Servicers
Finding Loan Information

- Visit the Federal Student Aid
  - [https://studentaid.gov/](https://studentaid.gov/)
- Federal & Perkins loans
- Loan Servicer
- Login with your FSA ID
- Updated by Servicers
Dashboard Summary Screen
Private Loans

• Contact your lender for details on your loan information
• Will appear on credit reports [not on Federal Student Aid]
  ▪ Pull a free annual credit reports online at: www.annualcreditreport.com
    ➢ Equifax
    ➢ Experian
    ➢ TransUnion
Institutional Loans

Loan Servicer: Heartland ECSI
Heartland ECSI Customer Servicer: 888-549-3274

• Types of Loans
  • Federal Perkins
  • Federal Nursing Loans
  • Health Professions Loans
  • Loans for Disadvantaged Students
  • Primary Care Loans
  • Berner Foundation
  • Nurse Faculty Loans and Institutional Loans

Contact Information
Loan Lender: Rush University
Contact: Mirielle Ulhoa
Mirielle_ulhoa@rush.edu
Financial_affairs@rush.edu
1700 West Van Buren Suite 283
Chicago, IL 60612
Postponement
Contact your servicer to (re)apply

Deferment
• Must prove:
  ▪ Economic hardship
  ▪ In-school
  ▪ Unemployment (Up to 3 years)
  ▪ Military deployment [QR]
  ▪ Peace Corps/AmeriCorps
• Doesn’t affect credit
• No interest accrual for subsidized Federal or Perkins loans

Forbearance
• Granted at servicer’s discretion
• Illness or financial hardships
• Interest still accrues
  ▪ May be required to pay
• Doesn’t affect credit
• Get it in writing

• Continue making payments until postponement is finalized!!
Borrower R & R

<table>
<thead>
<tr>
<th>Rights</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• To seek deferment, forbearance, loan discharged/ forgiven if eligible</td>
<td>• Repayment of all loans</td>
</tr>
<tr>
<td>• Prepayment without penalty</td>
<td>• Entrance &amp; Exit Counseling</td>
</tr>
<tr>
<td>• Request written loan statements</td>
<td>• Providing servicers with notification of:</td>
</tr>
<tr>
<td>• Alternative repayment schedule and plans</td>
<td>▪ Name, address, phone number, or Social Security change [10 days]</td>
</tr>
<tr>
<td></td>
<td>▪ Late payment</td>
</tr>
<tr>
<td></td>
<td>▪ Change in ability to pay</td>
</tr>
</tbody>
</table>
Debt Fact

“The lower the monthly payment, the higher the overall cost.”
Standard Repayment Plans
Repayment Plans

**Standard**
- Fixed monthly payments for 10 years (120 payments)
- Relatively higher monthly payments - Paying less interest over time
- Least expensive plan overall
- Not a good repayment plan for PSLF

**Extended**
- Fixed monthly payment for 25 years
- Must have \( \geq 30,000 \) in outstanding Federal Direct Student Loans
- Relatively smaller monthly payments = paying more in interest
- Not a good repayment plan for PSLF
Repayment Plans (cont’d)

Graduated

- Loan term ranges from 10 or 30 years
- Initial lower payments, increases every 2 years
- Good for borrowers who may not be able to afford higher monthly payments initially (standard plan) but foresee income increasing.
- Not a good repayment plan for PSLF
Income Driven Repayment Plans
Pay As You Earn (PAYE)

- Requirements:
  - **New borrower** (October 1, 2007)
  - Loan disbursement after October 1, 2011
  - **Partial financial hardship**
- Only applies to Direct Loans
- Monthly payments based on 10% of discretionary income & family size only
- Remaining balance forgiven after **20 years** of successful payments
- Capitalization will not exceed 10% of original loan amount

Revised Pay As You Earn (REPAYE)

- All Direct Loan borrowers can enroll in plan
  - Does not matter when first loan was borrowed
  - **Partial financial hardship** is not required
  - Monthly payments based on 10% of discretionary income above 150% of poverty level for your family size
- Loans forgiven after 25 years
- Combines AGI of borrower and spouse (regardless of filing status).
- No capitalization cap on interest
Income Based Repayment (IBR)

- Available under FFEL and Direct Loan Program
- Must demonstrate Partial financial hardship (PFH)
  - *Annual amount due under Standard plan exceeds 15% of your discretionary income*
- Monthly payments based on 15% of income & family size only
- No capitalization cap on interest
- Maximum loan term = 25 years
  - *Balance discharged*

Income Contingent Repayment Plan (ICR)

- Monthly payments are based off on student’s gross income (and spouse if married), family size, and total amount of eligible loan debt
- Payments are calculated based on 20% of student’s income
- Loan forgiveness granted after 20 years of qualifying payments (may be taxable)
- Payments are recalculated annually
- Good option for PSLF
Income-Sensitive Repayment Plan

Eligible Borrowers
• Available only for FFEL Program loans, which are not eligible for PSLF.

Monthly Payment and Time Frame
• Your monthly payment is based on annual income, but your loan will be paid in full within 15 years.

Eligible Loans
• Subsidized and Unsubsidized Federal Stafford Loans
• FFEL PLUS Loans
• FFEL Consolidation Loans
## Advantages & Disadvantages

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Monthly IDR payment ( \leq ) monthly Standard payment</td>
<td>• Accrue &amp; pay more interest</td>
</tr>
<tr>
<td>• Payments can be $0</td>
<td>• Recertify income and family size annually</td>
</tr>
<tr>
<td>• Remainder forgiven after 20 or 25 years</td>
<td>▪ Otherwise, revert to standard payment plan</td>
</tr>
<tr>
<td>▪ Public Service (10 years)</td>
<td></td>
</tr>
</tbody>
</table>
Repayment Estimator

• Calculate estimated monthly payments across several repayment options

  - https://studentaid.gov/loan-simulator/
How to Apply for the Repayment Plan

• Early applications will be rejected
  ▪ Contact loan servicer about 30-days before loans go into repayment

• Information needed to apply
  ▪ Submit tax and household size information as requested on the application
  ▪ 30-60 days worth of pay stubs may be requested if you did not file taxes

• Electronic applications available on studentaid.gov

• (Re)Apply annually
Direct Loan Consolidation

• Consolidation - merging each loan into ONE new loan
  ▪ New Master Promissory Note (MPN)
  ▪ New weighted average interest rate
    ➢ Rounded UP to the nearest 1/8%
• Qualifying loans for consolidation
  ▪ FFEL, Direct, Perkins, Nursing
• Able to choose which loans to consolidate
• Please **DO NOT** consolidate privately
  ▪ Lose federal loan rights including loan forgiveness options, etc.
Public Service Loan Forgiveness

What is considered Public Service?

• Non-profit, tax exempt, 501(c)(3) organizations
• Federal, state, local or tribal government
• Private organizations providing a public service
• Direct questions to Mohela: https://www.mohela.com/
• For repayment plans that qualify for Public Service Loan Forgiveness: https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service
Public Service Loan Forgiveness

- Must make 120 loan payments to Direct Loans in an eligible repayment plan
  - Income Based-Repayment (IBR)
  - Pay As You Earn Repayment
  - REPAYE Plan
  - Standard 10-year Repayment (normally loans will be paid off before they are forgiven if you stay in this plan for all 120 payments)
- Must work 10 years in Public Service
- Full-time employment (as defined by employer)
  - Does not have to be continuous work
- Payments made after October 1, 2017 count toward the 10-year repayment
Public Service Loan Forgiveness

Eligible loans include:

- Federal Direct Sub and Unsub loans
- Federal Direct Consolidation loans (excluding any FFEL spousal consolidation amounts)
- Federal Direct PLUS loans
- Federal Perkins loans (when consolidated into the Direct loan program)
- Bank-based FFEL loans (when consolidated into the Direct loan program)

The PSLF Program was created by Congress and the program is subject to change or discontinuation based on new laws that are passed

- Keep ALL records of monthly payments, screenshots, e-mails, etc.
Other Types of Loan Forgiveness/Repayment

• Medical Institutions
  ▪ National Health Service Corps – serving areas with inadequate medical care
  ▪ National Institutes of Health (NIH) – clinical research

• Volunteer work
  ▪ AmeriCorps
  ▪ Peace Corps
  ▪ VISTA

• AAMC lists programs:
  ▪ services.aamc.org/fed_loan_pub
Understanding Repayment Obligation

• You must repay all loans even if you:
  ▪ Didn’t complete the program
  ▪ Didn’t complete the program within the normal time frame
  ▪ Can’t find employment
  ▪ Are dissatisfied with the quality of your program
  ▪ Don’t receive a bill

• Loans are attached to your name and Social Security Number
Discharged Loans

• Death
• Total and permanent disability
• Student loan fraud
  ▪ School closing
  ▪ False certification
  ▪ Unpaid refund
• Bankruptcy [RARE]
  ▪ Must "impose undue hardship on the debtor and the debtor’s dependents"
Can’t Make Payments?

• Contact loan servicer right away
  ▪ Alternative repayment plan
  ▪ Deferment
  ▪ Forbearance
  ▪ Reduced payment
Consequences of Default

- Loans become delinquent on 1st day of missed payment
- Default occurs when you fail to make a payment for 270 days
- No longer qualify for deferment/forbearance
- Ineligible for more federal student aid
  - Contact your servicer for eligibility requirements
- Entire balance due
  - Loan + interest + additional costs of collection
- Garnished wages, withheld tax refund
- Damaged credit score
- **Professional license could be revoked**
• Maintain contact with your servicers
• If you initiate contact, the lender must provide:
  ▪ Repayment options & how to change plans
  ▪ Requirements & costs of postponement
  ▪ Options to avoid default
• Conflicting information from lenders & servicers
  • US Dept. Of Ed’s Ombudsman
    ▪ https://studentaid.gov/feedback-ombudsman/disputes/prepare#ombudsman-help
    ▪ 1-877-557-2575
Complete Exit Counseling

- [https://studentaid.gov/app/counselingInstructions.action?counselingType=exit](https://studentaid.gov/app/counselingInstructions.action?counselingType=exit)
- Complete within 30 days of graduating
- Provides important information you need to prepare to repay your federal student loan(s).
- Useful information to have
  - Loan debt information
  - Current or expected income
  - Living expenses
Questions
Office of Financial Aid
600 S Paulina St, Suite 440
Chicago, IL 60612
312-942-6256
Financial_Aid@rush.edu
Thank you!