Agenda

- Key Loan Terminology
- Borrower’s Rights and Responsibilities
- Knowing Your Loans
- Repayment
- What do I do now?
Master Promissory Note (MPN)

- Promissory Note- this document is a legal agreement between the student borrower and the student loan lender
- The MPN is a simplified contract for all forms of federal direct loans
- Contact your lender/servicer for a copy of your MPN
Other Key Terminology

• Grace Period
  • Time between the borrower graduating/leaving school/dropping below half-time enrollment and entering repayment
  • No payments required during grace period

• 6 months-Federal/Institutional loans (if applicable based on program)
• 9 months- Perkins/Nursing loans (if applicable based on 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

\[
\begin{align*}
\text{Principal} & \quad + \quad \text{Interest} & \quad = \quad \text{Larger Principal} \\
$180,000 & \quad + \quad $30,000 & \quad = \quad $210,000
\end{align*}
\]
Lenders vs Servicers

• **Lender**
  - Institutions that funds your student loans
  - Examples: Discover, Federal Government, Rush University

• **Servicer**
  - Institution that administers and collects student loan payments
  - Examples: Great Lakes, Sallie Mae, Nelnet, Heartland ECSI
  - The servicer is your #1 contact for your loan and repayment information

• Read **all mail from your lenders and servicers**
Finding Loan Information

- Visit the Federal Student Aid
  - https://studentaid.gov/
- Federal & Perkins loans
- Loan Servicer
- Login with your FSA ID
- Updated by Servicers
Dashboard Summary Screen
# FSA Loan Detail

**DEPT OF ED/FEDLOAN SERVICING (PHEAA)**

- **Total Balance:** $18,986
- **Next Payment On:** 10/30/20

### Sort By
- Loan Date

#### Subsidized Loan

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>University</th>
<th>Loan Date</th>
<th>Loan Status</th>
<th>Repayment Plan</th>
<th>Interest Rate</th>
<th>Total Balance</th>
</tr>
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<tbody>
<tr>
<td>Subsidized Loan</td>
<td>UNIVERSITY OF ILLINOIS AT CHICAGO</td>
<td>9/3/08</td>
<td>Forbearance</td>
<td>Income-Contingent Repayment Plan (ICR)</td>
<td>6.00%</td>
<td>$3,342</td>
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<tr>
<td>Subsidized Loan</td>
<td>UNIVERSITY OF ILLINOIS AT CHICAGO</td>
<td>9/10/10</td>
<td>Forbearance</td>
<td>Income-Contingent Repayment Plan (ICR)</td>
<td>4.50%</td>
<td>$482</td>
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</table>
Private Loans

• Contact your servicer for loan information

• Will appear on credit reports [not on Federal Student Aid Webpage]

• You can obtain a copy of your free annual credit reports online to check your private loans at: www.annualcreditreport.com

• There are three credit reporting agencies, so you want to request a report for each one: 1) Equifax, 2) Experian, and 3) Transunion
Now
Later
Postponement

- Contact your servicer to (re)apply and receive approval in writing.

**Deferment**

- Must prove:
  - Economic hardship
  - In-school
  - Unemployment (Up to 3 years)
  - Military deployment OR
  - Peace Corps/AmeriCorps
- Does not negatively affect your credit
- No interest accrual for subsidized loans such as Federal or Perkins loans

**Forbearance**

- Granted at servicer’s discretion
- Illness or financial hardships
- Interest still accrues and you may need to make interests only payments
- Does not negatively affect your credit

- Continue making payments until postponement is finalized/approved!!
Borrower

Rights

- To seek deferment, forbearance, loan discharged/ forgiven if eligible
- Prepayment without penalty
- Request written loan statements
- Alternative repayment schedule and plans

Responsibilities

- Repayment of all loans
- Entrance & Exit Counseling
- Providing servicers with notification of:
  - Name, address, phone number, or Social Security change [10 days]
  - Late payment
  - Change in ability to pay
Debt Fact

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

#### Standard
- If no plan is elected, then repayment is on standard plan
- Fixed monthly payment for 10 years
- Relatively higher monthly payments = Paying less interest
- Least expensive
- Generally, not a qualifying repayment plan for PSLF

#### Extended
- Fixed monthly payment for 25 years
- Must have ≥ $30,000 in loans in outstanding Direct Loans
- Relatively smaller monthly payments = paying more in interest
- Not a qualifying repayment plan for PSLF
GRADUATED REPAYMENT PLAN
Repayment Plans

**Graduated**

- Loan term=up to 10 or 30 years
- Initial lower payments, increases every 2 years
- Borrowers who may not be able to afford higher monthly payments (standard plan) but foresee income increasing.
- Generally, not a qualifying repayment plan for PSLF
Income Driven Repayment Plans
Pay As You Earn (PAYE)

- Eligibility 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 successful payments
- Capitalization will not exceed 10% of original loan amount
Payment Plan-Revised Pay As You Earn (REPAYE)

• Established Oct 27, 2015
• All Direct Loan borrowers can enroll in plan
  • Does not matter when first loan was borrowed
  • PFH is not required
  • 10% of discretionary income above 150% of poverty level for your family size
• Loan forgiven after 25 years (may be taxable)
• Combines AGI of borrower and spouse (regardless of filing status)
• No capitalization cap on interest
Income Based Repayment (IBR)

• Monthly payments are based on student’s adjusted gross income (and spouse if married), family size, and total amount of eligible loan debt
• Payments are calculated based on 10-15% of student’s income
• Loan forgiveness is granted after 20-25 years of qualifying payments (may be taxable)
• Payments are recalculated annually
• Good option for PSLF
## Income Based Repayment (IBR)

<table>
<thead>
<tr>
<th>Family Size</th>
<th>1</th>
<th>2</th>
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<th>4</th>
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<td>$1,030</td>
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<tr>
<td>$130,000</td>
<td>$1,420</td>
<td>$1,350</td>
<td>$1,280</td>
<td>$1,210</td>
<td>$1,140</td>
</tr>
</tbody>
</table>
Income Contingent Repayment Plan (ICR)

• Monthly payments are based on student’s adjusted 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 is granted after 20 years of qualifying payments (may be taxable)
• Payments are recalculated annually
• Good option for PSLF
Student Loan Simulator

• Use the online student loan simulator to calculate your estimated monthly payment and review the various available repayment plans:

https://studentaid.gov/loan-simulator
Direct Loan Consolidation

• Consolidation is the merging of multiple loans into ONE new loan
  • You will have a new Master Promissory Note (MPN)
  • New interest rate that will be the weighted average of all the interest rates from the loans being consolidated

• Qualifying loans
  • FFEL, Federal Direct Loans (PLUS loans, Unsub loans), Federal Perkins, Federal Nursing

• You can choose which loans to consolidate

• It is not recommended to consolidate federal loans with a private lender as you lose many of the perks and benefits associated with federal loans

Additional information about consolidation can be found here: https://studentaid.gov/manage-loans/consolidation
Other Types of Loan Forgiveness/Repayment

The federal government may cancel portions/all of a student loan

- Medical
  - National Health Service Corps – serving areas with inadequate medical care
  - National Institutes of Health (NIH) – clinical research
- AAMC lists programs:
  - services.aamc.org/fed_loan_pub
- Volunteer work
  - AmeriCorps
  - Peace Corps
  - VISTA
Thinking Public Service Loan Forgiveness
Public Service Loan Forgiveness (Federal loans only)

- Must make 120 qualifying loan payments in an eligible repayment plan
  - Income Based-Repayment (IBR)
  - Pay As You Earn Repayment
  - Income Contingent Repayment (ICR)
  - 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 for an approved employer
- Full-time employment (as defined by employer)
- Payments made after October 1, 2017 count toward the 120 qualifying payments
- Encouraged to submit PSLF certification on an annual basis
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)
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 FedLoan Servicing at 
  https://myfedloans.org
Public Service Loan Forgiveness

- Must be employed full-time by a public service or non-profit organization for 10 years

- Need to make 120 qualifying payments on Direct loans
  - ICR, IBR, PAYE, and REPAYE repayment plans

- Eligible Loans
  - Direct Sub and Unsub loan
  - Parent PLUS and Grad PLUS
  - Consolidated loans including FFEL & Perkins
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 attached to your name and Social Security Number
Unable to Make Your Payments?

- Contact loan servicer right away so that they can assist you with one of the following options:
  - 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
• Defaulted loans no longer qualify for deferment/forbearance
• Ineligible for more federal student aid until default resolved
• Entire balance due
  • Loan + interest + additional costs of collection
• May result in garnished wages and/or withheld tax refund
• May result in damaged credit score
• **Professional license could be revoked depending on state agency requirements**
Discharge

There are certain situations where a federal loan can be discharged.

• Death
• Total and permanent disability
• Student loan fraud
  • School closing,
  • False certification, and/or
  • Unpaid refund
• Bankruptcy [Extremely rare and subject to court order]
Loan Repayment Strategies/Goals

• Create folder for ALL loan information (paper or via computer)
• Organize debt
  • Decide on a debt management strategy
  • Be aware of when loans enter repayment? What is your grace period?
  • Loan servicer–One or Multiple?
• What are my student loan repayment goals?
  • Minimize interest– auto pay
  • Reduce/increase monthly payments
  • Participate in loan forgiveness/repayment programs
• Build your monthly budget
  • Build in a safety cushion
  • Rework your numbers
• Choose shortest repayment plan you can afford
  • Use federal loan simulated calculator
Tax Benefits

- Hope Scholarship
- Lifetime Learning Tax Credit
- Deduction for Student Loan Interest
  - Subsidized loans
- Tuition and Fees Deduction
  - Cannot be combined with Hope/Lifetime Learning
- Employer Education Assistance
Additional Tips & Information

- 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
- If you receive conflicting information from lenders & servicers you can contact the following agency:
  - US Dept. Of Ed’s Ombudsman
    - [https://studentaid.gov/feedback-ombudsman/disputes/prepare#ombudsman-help](https://studentaid.gov/feedback-ombudsman/disputes/prepare#ombudsman-help)
    - 1-877-557-2575
Complete Exit Counseling

- All students who are graduating are required to complete within 30 days of graduating

- Provides important information you need to prepare to repay your federal student loan(s).

https://studentaid.gov/app/counselingInstructions.action?counselingType=exit
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
Questions
Office of Financial Aid
600 S Paulina St, Suite 440
Chicago, IL 60612
312-942-6256
Financial_Aid@rush.edu
Thank you!