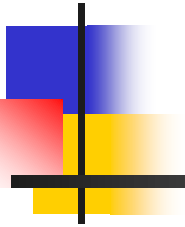


# Widener University School of Law



Exit Interview Counseling Presentation  
Managing your student loan repayment

# Types Of Education Debt

## Three Types

- Federal Loans
  - Stafford Subsidized/Unsubsidized
  - Federal Direct Subsidized/Unsubsidized
  - GradPLUS (FFELP/Direct)
- Institutional Loan
  - Widener Scholar Loan (merit based)
- Private Loans
  - New Jersey Class
  - Citi Assist, Wells Fargo, Sallie Mae





# Stafford/Direct Loan Terms

## Subsidized and Unsubsidized

---

- Interest rate:

For loans disbursed *after* 07/01/2006:

**Fixed at 6.8%**

For Loans Disbursed *prior* to 07/01/2006:

**Variable, capped at 8.25%**

Variable Interest based on the last auction of the 91 T-Bill held in the month of May + 1.7% during in school and grace periods, 91 Day T-Bill held in the month of May + 2.3% during repayment



# Stafford/Direct Loan Terms

## Subsidized and Unsubsidized

---

- Grace period: **6 months**
- Repayment term: **10 years**
- Lender: **Bank or Department of Education**
- Holder: **Department of Education or original lender**
- Maximum amount per academic year: **\$20,500.00**



# Subsidized Stafford Loan Terms

---

- Interest is paid by the government while in school, during grace periods and during deferments.
- Maximum amount per academic year is 8,500.00



# Unsubsidized Stafford Loan Terms

---

- Interest accrues from the date of disbursement and is the student's responsibility. It can be paid by the student while in school on a quarterly basis or can be capitalized at repayment.
- Capitalization is when the amount of accrued interest is added to the principal of the loan.
- Maximum amount is 12,000 in an academic year



# Perkins Loan Terms

---

- No interest accrues while in school, during grace periods and during deferment.
- Interest rate: **Fixed 5%**
- Grace period: **9 months**
- Repayment term: **10 years**
- Lender: **School**

**Widener's Perkins loans are serviced by  
UAS (University Accounting Services)**



# Widener Scholars Loan

---

- No interest accrues while in school, during grace periods and during deferment.
- Interest rate: **Fixed 5%**
- Grace period: **6 months**
- Repayment term: **10 years**
- Lender: **School**

**Widener Deferred Tuition loans are serviced by  
UAS (University Accounting Services)**





# Federal Graduate Plus Loan

---

07/01/2006 to 06/30/2010

- Fixed 8.5% Interest Rate (lender incentives during 06-07 and 07-08 academic year may have reduced this rate)
- Fees: prior to 7/1/10 - 3% Origination Fee and 1% Default fee charged at disbursement.

07/01/2010 to present

- Fixed 7.9% Interest Rate
- Fees: after 7/1/10 – 4% Origination Fee, however Direct GradPLUS loans have a immediate fee rebate of 1.5% applied at disbursement. Borrowers who make their first twelve required payments on-time will retain this rebate for the remaining term of the loan.



# Federal Graduate Plus Loan

---

- Repayment begins 60 days after the loan is fully disbursed or the student ceases at least half time enrollment for loans disbursed *prior to July 1, 2008*.
  - Postpone repayment for up to 6 months after you leave school by requesting a forbearance. Some servicers call it an alignment forbearance; others will require that you request an economic hardship forbearance.
- Loans disbursed after July 1, 2008 carry a six month post half-time enrollment deferment period (grace)
- Repayment = 10 years. Options exist to extend repayment term.

# Federal Direct Graduate Plus Loan



- Direct GradPLUS loan servicers may or may require you to request that you be put into your “Post half-time enrollment deferment”
- Check NSLDS 30 days after June 18, 2012 to make sure you are not in repayment and if you are-Contact your servicer!



# Private Loan Terms

---

- Interest rate: **Varies by program**
- Fees: **Vary by program**
- Repayment term: **Options and incentives vary by program**
- Check with your lender for your loan's specific details
- NJ Class Loans are state sponsored private loans. You made choices regarding interest rates and repayment option when you applied for the loan. Check your records to determine your terms.



# Know Your Loan's Grace Period

---

A **grace period** is a specified period after you graduate or leave school during which you do not have to make payments on your loan. Be sure you know it!

- It differs from loan to loan (loan-specific) and can vary from six months to several years
- It is included as part of the loan terms; you do not have to apply for it



# Deferments

---

A deferment is a specified period when a borrower may temporarily suspend loan payments if certain criteria are met.

- You must apply for it – contact your lender or servicer
- May be either loan-specific or borrower-specific
- Interest on subsidized loans does not accrue when in a deferment



# There Are Many Types Of Deferments

---

For Federal Stafford and GradPlus loans, the following deferments are available:

- In-School
- Unemployment
- Graduate Fellowships
- Rehabilitation Training
- Economic Hardship
- Military Service (vary by type and timing of service)

\*\* Deferments also apply to Federal Consolidation Loans



# What Is Forbearance?

---

- Forbearance is an agreement to temporarily suspend or reduce loan payments for a limited period of time. Use it wisely, as it could cost you more in the long run.
  - Helps avoid delinquency and default
  - Will not adversely affect credit reports
  - Must be applied for on an annual basis
  - Carries a 3-year maximum time limit
  - Loan interest will continue to accrue and must be paid or be capitalized





# Temporary Hardship Forbearance

---

- Lenders offer a temporary hardship forbearance.
- Up to 12 months on your signature.
- May use to align repayment of your loans



# “Traditional Consolidation” Can Work To Your Benefit or Not

---

- With Whom
  - William D. Ford Direct Lending Program
- Why
  - Convenience of one lender/servicer
  - Lower monthly payments (will result in a larger total payment over time)
  - **Fixed** Low interest rate capped at 8.25%
  - Ability to participate in Public Service Loan Forgiveness Program with Direct Consolidation Loans



# Consolidation Drawbacks

---

- Why Not
  - Loss of borrower benefits associated with current loans
  - Variable vs. fixed interest rate loans
  - Fixed Interest Rate loans rounded to next  $1/8\%$



# Federal Loans Eligible For Consolidation

---

- Federal Family Education Loan Program (FFELP) (Stafford, PLUS, and Consolidation Loans)
- William D. Ford Federal Direct Loan Program (Stafford, PLUS and Consolidation Loans)
- Federal Perkins Loans



# Federal Loan Repayment Options

---

Many repayment options are available

- **Standard**- 10-year repayment term
- **Graduated** - Payments start low, then increase after two years, and then after five.
- **Extended** - Up to 30-year repayment term, depending on total amount borrowed.
- **Income Sensitive/Income Contingent** - Payments tied to your income.
- **Income Based Repayment** - payments based on a percentage of Adjusted Gross income after adjusted by federal formula.



# Federal Loan Repayment Options

---

- **Standard** (only option available for Perkins)
  - 10 years, level payments
  - Least expensive option
- **Graduated**
  - Interest Only payments the first two years, then payment will increase to interest and small principal payment and then straight repayment
  - Viable option if cash flow is a concern in the early years of repayment
  - Up to 30 years for repayment depending on loan amount



# Federal Loan Repayment Options

---

- **Income Sensitive/Income Contingent**
  - Payments tied to your income
  - Payments usually start low and increase as income increases
  - Up to 30 years for repayment depending on loan amount
  - Will ultimately be replaced by Income Based Repayment
- **Extended - available to borrowers with an outstanding principal of \$30,000 or more**
  - Level payments, maximum of up to 30 years to repay
  - Most expensive option
  - Consider this option if experiencing cash flow problems in early years of repayment



# Income Based Repayment

---

- Must have a “partial financial hardship”
- Partial Financial hardship is defined as when the annual amount due on their total eligible federal student loan debt in repayment, when calculated using the Standard Repayment Plan based on a 10-year repayment schedule, exceeds 15% of that portion of their household AGI that is above 150% of the poverty line for their family size.
- Monthly payments are set to 15% of monthly income after subtracting 150% of the family size poverty level income
- Adjusts annually
- If balance remains after 25 years, it is forgiven. Legislation pending would reduce the 15% to 10% and 25 years to 20.





# Repayment Examples

---

Debt - \$122,444

Stafford - \$61,500

GradPLUS – \$60,944

Standard

Payment - \$1,444 for 120 months

Total Payments - \$173,273

Total Interest – \$50,829



# Repayment Examples

---

Standard 20 year

Payment - \$975 for 240 months

Total Payments - \$234,103

Total Interest – \$111,659



# Repayment Examples

---

Extended – 30 years

Payment - \$843

Total Payments – 303,803

Total Interest - \$181,359



# Income Based Repayment Example

---

- Total Loan Debt - \$122,444
  - Stafford – \$61,500
  - Grad Plus – \$60,944
  
- Estimated Monthly Loan Payment  
\$ 1444 ( 120 Months)



# Income Based Repayment Example

---

**Total Annual Payment (10 year repayment) - \$17,328**

<b>Household size -</b>	<b>1</b>
<b>Household Adjusted Gross Income -</b>	<b>\$55,000</b>
<b>HHS Poverty line for Household size -</b>	<b>\$10,830</b>
<b>150 % of Poverty Line -</b>	<b>\$16,745</b>

<b>Household AGI – 150% of the Poverty line -</b>	<b>\$38,255</b>
<b>15% of AGI above the Poverty Line -</b>	<b>\$ 5,738</b>

**Eligible for Income Based Repayment - YES**



# Income Based Repayment Example

---

<b>15% of AGI above the Poverty Line -</b>	<b>\$5,738</b>
<b>Standard Monthly Payment -</b>	<b>\$1,444</b>
<b>Income Based Monthly Payment - (5,813 divided by 12 months)</b>	<b>\$ 478</b>



## Monthly maximum payments (2012)

---

- AGI - (assumes family size of 1)
  - \$30,000 \$166
  - \$40,000 \$291
  - \$50,000 \$416
  - \$60,000 \$541
  - \$70,000 \$666
  - \$80,000 \$791
  - \$90,000 \$916
  - \$100,000 \$1,041



# Income Based Repayment

---

- Positives

- Allows borrower to have reasonable payment tied to income
- Any payment on a loan is better than paying nothing (forbearance)

- Pitfall

- Negative Amortization- when required loan payment does not cover accruing interest





# Public Service Loan Forgiveness

---

- Effective 10/01/2007
- Must have loans in a Direct Loan
- Can consolidate FFELP into Direct for this program
- Must make 120 qualifying payments while in a qualifying position.
- A zero payment counts as a payment



# Public Service Loan Forgiveness

---

## **To qualify for public service loan forgiveness, a borrower must:**

- Make 120 qualifying monthly payments on an eligible Federal Direct Loan on or after Oct. 1, 2007;
  - • Be employed in a public service job as defined in the CCRAA during the time he or she makes the qualifying monthly payments;
  - • Be employed in a public service job as defined in the CCRAA at the time the Secretary of Education forgives the loan; and
  - • Make qualifying payments under one (or a combination of) the following:
    - o Income contingent repayment plan;
    - o Income-based repayment plan
    - o Standard repayment plan with a 10 year repayment period; or
    - o One of the other Direct Loan repayment plans under which the borrower paid a monthly amount that is not less than what the borrower would pay under a 10 year repayment plan.



# Public Service Loan Forgiveness

---

- Employer Certification form now available – allows borrower to have eligible employment certified and on file with DOE servicer.
- By submitting form, borrower can register intent to participate in PSLF and loans will be moved to one servicer, FedLoan Servicing, that will keep track of eligible payments.



# Federal Loan Repayment Etc.

---

- Borrowers can prepay their federal loans with no penalty.
- Payments with a shorter repayment period save money.
- Borrowers can move between the various repayment schedules without penalty.



# Private Loan Repayment Options

---

- Standard, Graduated and Extended.
- Depending on your lender, length or repayment can range from 10 to 25 years.
- Timing of repayment begin date will depend on your lender and terms of your loan.

*Check with your lender!*



# Delinquency

---

**Delinquency** is the failure to make payments when due.

- Reflects adversely on your credit report.
- Once you are delinquent for 240 days, you go into default.
- Contact your lender immediately to explore payment options if you become delinquent.



# Default

---

- Default** is the failure to repay educational loans.
- Reflects adversely on your credit report
  - Wages may be garnished
  - May lose federal and/or state income tax refunds
  - Suspends future borrowing ability
  - May lose professional licenses
  - Must repay the entire loan immediately
  - May be referred to a collection agency

# Tips For Success

- Be organized!
- Read and understand all correspondence from lenders and servicers.
- Save copies of all student loan records, correspondence and payment receipts (paper or electronic).
- Contact your lender or servicer to request a deferment, apply for a forbearance, or with any questions you may have.
- No penalty for pre-payment on Student Loans







# NSLDS – National Student Loan Database System

---

- To find Federal Stafford, Perkins or GradPLUS loan information, visit [www.nsls.ed.gov](http://www.nsls.ed.gov)
- The website will provide information on:
  - Loan Amounts
  - Lender Addresses
  - Loan Periods
  - Interest Rates
- You'll need your four-digit PIN from the FAFSA to access your records. If you cannot remember your PIN, you can request a reminder
- For information on private/alternative loans, please check your records or visit your lender's website.

# Tax & Borrower Benefits!



---

*Consult your tax advisor for details*

- Lifetime Learning Credit
- Student Loan Interest Deduction
- Tuition/Fees Deduction

*Repayment Incentives for Federal/Private Loans*

- On Time Incentive
- Direct Withdrawal
- Co-signer release

Consult your lender for details



# Contact Information

---

Eleanor Kelly

Director of Financial Aid

302-477-2272

[lawfinaidde@mail.widener.edu](mailto:lawfinaidde@mail.widener.edu)

Questions now or anytime in the future