

May 2013

CONGRATULATIONS UPON YOUR GRADUATION FROM THE LAW SCHOOL!

The Financial Aid Staff wishes you success and much happiness as you embark upon your new career at the Bar.

Inside

- 1 Reminders
- 2 Postponing Loan Repayment
- 2 Choosing a Repayment Plan
- 3 Public Interest/Government Employment
- 3 Federal Loan Consolidation

We can't promise that this is the last you will hear from us, as there are always new developments in the area of loan repayment. We will be sending out a Newsletter in early September with any updated loan repayment, loan forgiveness or loan repayment assistance information. So be sure to check your Fordham e-mail around that time if you are interested in the updates.

Just a few reminders:

By now, you should have heard from your Federal loan servicer(s). If not, I suggest you make the contact. Be sure to provide your servicer(s) with your mailing address, telephone number and e-mail address. If you move between now and the time you will be expected to begin repayment of your Federal, private or institutional loans, be sure to notify your lenders/servicers of your new contact information.

For Grad PLUS Loans borrowed after July 1, 2008 that do not have a grace period, your lender should automatically align repayment of those loans with the beginning of repayment of your Stafford/Direct Loans which have a six-month grace period.

Similarly, if you borrowed loans as an undergraduate and deferred repayment while you were in Law School, you most likely used up the grace period on those loans. If so, repayment of those loans will become due this month or next. If you have not heard from that servicer, make the contact.

Your Fordham Revolving Loans have a six-month grace period, and your first payment will not become due until January 1, 2014.

Your private loans have either a six or nine-month grace period, depending upon the lender.

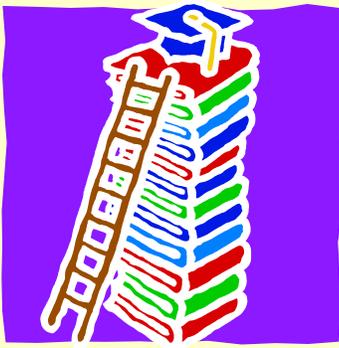
Your Law School Federal loans will go into repayment status in October/November, making the first payment due in November/December. At that point, all the interest that has accrued on your loans while you were in Law School will be added to your principal balance. It is this new principal balance upon which future interest will accrue. See www.nsls.ed.gov for a complete listing of your Federal loans.

If you start your employment earlier than October and can afford to begin repayment of your loans before they actually become due, consider making lump sum payments toward the interest on your loans before it is capitalized—added to principal. This will prevent interest accruing on previously capitalized interest. Repay the interest on the highest interest rate loans first!

Remember, the staff of the Financial Aid Office is here to help you even beyond graduation. Please don't hesitate to contact us at lawfinaid@law.fordham.edu

Postponing Federal Loan Repayment

Use the eApplication at www.studentloans.gov to apply for PAYE, IBR, ICR or the lowest monthly payment available to you. You can choose a repayment plan at any time.



Under the Direct Loan Program, you can change repayment plans at any time as long as the repayment period under the new plan is longer than the time your loans have been in repayment.

What do you do if you are not in a position to begin repayment of your loans when they become due? Under certain circumstances, you can obtain a deferment on your Federal loans. A deferment is a period of time during which no payments are required. To qualify for a deferment, you must apply for it and meet specific eligibility requirements. If you are ineligible for a deferment, your servicer may offer a forbearance. Be sure to distinguish between the two.

During periods of **deferment**, the government pays the interest that accrues on the **Subsidized portion of your debt** (\$8,500 first 2 years of Law School; 3 for evening students, and maybe some undergraduate debt), but you are responsible for the interest that accrues on all Unsubsidized and PLUS Loans.

During **forbearance**, you are responsible for the interest that accrues on all Subsidized, Unsubsidized and PLUS Loans. If unpaid, the interest will be capitalized, *i.e.*, added to principal. **Always ask for a deferment first.**

If you are ineligible for a deferment, request one of the Income Driven Repayment Plans: Pay As You Earn (PAYE), Income Based Repayment (IBR) or Income Contingent Repayment (ICR).

- If you have no income, your payment will be zero
- Unpaid interest on the subsidized portion of your debt will be paid by the government for the first three consecutive years of PAYE and IBR, if your payments do not cover the interest.
- You will not use up future eligibility for deferment. (Max. 3 years)

If all else fails, ask for a forbearance. **DO NOT IGNORE YOUR STUDENT LOAN BILLS.** Although your credit history was not taken into account when you received your federal loans, how you pay your loans will be reported monthly to the major credit reporting agencies. Each month that you miss a payment, a late fee will be assessed on your loan account and an unfavorable report will be sent to the credit reporting agencies. Needless to say this will have an adverse affect on your ability to obtain future credit.

Choosing a Repayment Plan

When choosing a Federal loan repayment plan, consider the following:

- If you want to pay the least amount of interest over the life of your loans and can afford a large monthly payment, choose the ten-year **Standard Repayment Plan**.
- If you want to pay off your loans within a ten year term, but need a lower payment for the first few years, choose the **Graduated Repayment** option.
- If you want the lowest monthly payment, choose **Income Based Repayment (IBR) or Pay As You Earn (PAYE), if eligible**. PAYE may provide the lowest monthly payment for those who qualify—even lower than IBR. But both could result in negative amortization which will increase the total amount to be repaid. For a description of each plan, log on to <http://studentaid.ed.gov/repay-loans/understand/plans>.

- Or, choose the **Extended Repayment Plan** with a 25-year repayment term which will result in a lower monthly payment than the Standard Repayment Plan and a higher monthly payment than an Income Driven Plan, but without the possibility of negative amortization.

There's a Fixed Extended or a Graduated Extended. You will pay more in interest over the life of the loan on the Graduated Extended. The lower monthly payment under either Extended Plan allows you to use the savings you incur each month to pay off higher cost debts, such as credit card debt, or invest for the future. Since there is no penalty for prepaying your Federal loans, you can pay more during the months you have extra money, thereby shortening the repayment term. The Extended Plan may provide just the flexibility you need as a recent graduate to no longer live like a student.

Remember:

- ✓ Open and read all your mail and e-mails pertaining to your student loans
- ✓ Keep all student loan documents in a file until the loans are paid
- ✓ Make all regularly scheduled payments on time
- ✓ Ask your loan servicer for help if you are having difficulty making your payments



Public Interest/Government Employment

If you are planning to practice in public interest or government service or if you accept a judicial clerkship, be sure to contact K. Keenan at 203-746-0163 or at kkeen@law.fordham.edu to discuss Fordham's loan forgiveness/loan repayment assistance and clerkship loan repayment assistance programs. Mrs. Keenan may also assist you with any questions you might have concerning the Federal Public Service Loan Forgiveness Program.

If you were unable to attend the Loan Repayment Sessions and need information concerning repayment of your education loans, check the Law School's Website under Loan Repayment for the Loan Repayment Class of 2013 Power Point or contact kkeen@law.fordham.edu.

Federal Loan Consolidation

Consolidation is the combination of multiple federal loans into one new federal loan. It is available through the Department of Education at www.loanconsolidation.ed.gov. The interest rate on a Federal Direct Consolidation Loan is the weighted average of the interest rates of the loans to be consolidated, rounded up to the nearest one-eighth of a percentage point, **not to exceed 8.25%**.

The reasons prior graduates considered consolidating their federal loans, *i.e.*, locking in the low interest rate on variable rate federal loans and extending the repayment period beyond the maximum ten year term, no longer exist. But consolidation may be right for you if you

- have FFELP loans and want to take advantage of the Federal Public Service Loan Forgiveness Program—only Direct Loans and Direct Consolidation Loans are eligible for Federal Loan Forgiveness.
- have FFELP loans and want to repay those loans under the new Pay As You Earn Plan—only Direct Loans and Direct Consolidation Loans can be repaid under this Plan.
- borrowed variable interest rate loans as an undergraduate—consolidating those loans will lock in the interest rate for the life of the loan.

Be very wary of a private consolidation loan. You will lose all the federal loan benefits if you cash in all your federal loans to take out a private consolidation loan.

CONGRATULATIONS AGAIN! CALL US IF YOU NEED US!