Federal Loan Exit Counseling
Topics

• Federal Student Loan Basics
• Your Lender or ‘Servicer’
• Repayment options & Loan Forgiveness
• Consolidation
• Deferment and Forbearance
• Budgeting
• Consequences of Default
The student loan payment pause is extended to 60 days after the U.S. Department of Education debt relief program litigation is resolved OR June 30th 2023

....making 9/1/23 the expected new end date for the pause

The pause includes the following relief measures for eligible loans:

- a suspension of loan payments
- a 0% interest rate
- stopped collections on defaulted loans
Federal Student Loan Interest Rates

- Interest rates are fixed for the life of your loan.

<table>
<thead>
<tr>
<th>Year</th>
<th>Direct Loan Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019-20</td>
<td>UG: 4.53%   Grad: 6.08%</td>
</tr>
<tr>
<td>2020-21</td>
<td>UG: 2.75%   Grad: 4.3%</td>
</tr>
<tr>
<td>2021-22</td>
<td>UG: 3.73%   Grad: 5.3%</td>
</tr>
<tr>
<td>2022-23</td>
<td>UG: 4.9%    Grad:6.54%</td>
</tr>
</tbody>
</table>
Subsidized Loans do not accrue interest while you are in school. Interest will begin to accrue at graduation.

Unsubsidized Loans begin to accrue interest at disbursement.

If you attend graduate school and are enrolled at least “half time” your loan payments are automatically deferred.

Your Direct Unsubsidized Loan eligibility as a graduate student is $20,500 per year. You may borrow a Graduate PLUS loan if you need more than $20,500.
Your Loan Holder & Servicer

• For Direct Loans, your loan holder is the U.S. Department of Education.

• You are assigned a loan servicer by the Department.

• Find out details about your loan including who your servicer is by using your Federal Student Aid ID (FSA ID) to log in to https://studentaid.ed.gov

• Stay in contact with your servicer. Let them know if you change your name, address or phone number.
Studentaid.gov Dashboard
**FSA Loan Detail**

- **Debt Servicer**: DEPT OF ED/FEDLOAN SERVICING(PHEAA)
- **Total Balance**: $18,986
- **Next Payment On**: 10/30/20

### Loan Details

<table>
<thead>
<tr>
<th>Subsidized Loan</th>
<th>Loan Date</th>
<th>Loan Status</th>
<th>Repayment Plan</th>
<th>Interest Rate</th>
<th>Total Balance</th>
</tr>
</thead>
<tbody>
<tr>
<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>
</tr>
<tr>
<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>
</tr>
</tbody>
</table>
Private Education Loans

• These loans will NOT appear on studentaid.ed.gov.

• The terms of these loans vary lender to lender. Ensure you have an understanding of your rights and responsibilities.

• If you do not have an online account with your loan provider, contact them to set up your access.

• You can also view these loans on your credit report.
Repayment

- Repayment begins 6 months after you drop below half time enrollment or graduate.

- The “default” repayment plan is the standard 10 year repayment.

- If you borrowed the ‘standard’ full eligibility in Federal Subsidized/Unsubsidized loans each year, you owe $27,000.

- On the standard 10 year repayment plan your monthly payment would be about $275.
Repayment Plans

• **Standard**
  - Up to 10 years to fully repay
  - Highest initial monthly payment & lowest total interest paid

• **Graduated**
  - Starts with interest only payments, payments gradually increase every 2 years
  - Tiered payment structure
  - Up to 10 years to fully repay

• **Extended**
  - You must have borrowed at least $30,000 to qualify
  - Allows repayment term of up to 25 years depending on how much you borrow
  - Lowest monthly payment without considering income
Income-Driven Repayment Plan

- The remainder of your loan is forgiven (but taxable) if you make all of your payments on time during the repayment term for your Income Driven repayment plan.
- Documentation of income must be submitted annually to determine your monthly payment.
- Discretionary Income – The difference between your income and 150% of the poverty line for your family size and state of residence.
# Income Driven Repayment Options

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Payment Amount</th>
<th>Payment Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Based Repayment (IBR)</td>
<td>10% or 15% of your discretionary income. 15% if you borrowed for the first time after July 1\textsuperscript{st} 2014</td>
<td>20 or 25 Years. 25 years if you borrowed for the first time after July 1\textsuperscript{st} 2014</td>
</tr>
<tr>
<td>Income Contingent Repayment (ICR)</td>
<td>20% of your discretionary income</td>
<td>25 Years</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>10% of your discretionary income</td>
<td>20 Years</td>
</tr>
<tr>
<td>Revised Pay As You Earn (REPAYE)</td>
<td>10% of your discretionary income</td>
<td>20 years if all of your loans were used for undergraduate study. 25 years otherwise.</td>
</tr>
</tbody>
</table>
Applying for An Income Driven Repayment Plan

- Contact your Loan Servicer now if you plan to apply
- You will generally be asked to provide documentation of your income at least 30 days before you begin repayment
- You will be asked for the number of people in your household and your most recent tax return. If you did not file a tax return, your servicer will ask for most recent pay stubs.
- You must apply and provide documentation of your income annually
## Sample Repayment Chart

**Assumptions:**
- $50,000 Adjusted Gross Income with no dependents
- Living in New York State

<table>
<thead>
<tr>
<th>Amount Borrowed</th>
<th>Standard Plan (10 Years) Monthly Payment</th>
<th>Standard Plan (10 Years) Total Interest</th>
<th>Graduated Plan (10 Years) Monthly Payment</th>
<th>Graduated Plan (10 Years) Total Interest</th>
<th>Extended Plan (25 Years) Monthly Payment</th>
<th>Extended Plan (25 Years) Total Interest</th>
<th>Pay As You Earn (PAYE) Monthly Payment</th>
<th>Pay As You Earn (PAYE) Total Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$102</td>
<td>$2,264</td>
<td>$57 up to $171</td>
<td>$2,830</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>$15,000</td>
<td>$153</td>
<td>$3,396</td>
<td>$85 up to $256</td>
<td>$4,245</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>$20,000</td>
<td>$204</td>
<td>$4,528</td>
<td>$115 up to $344</td>
<td>$5,660</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>$25,000</td>
<td>$256</td>
<td>$5,660</td>
<td>$143 up to $430</td>
<td>$7,075</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>$27,000</td>
<td>$276</td>
<td>$6,112</td>
<td>$155 up to $464</td>
<td>$7,641</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>$30,001</td>
<td>$307</td>
<td>$6,791</td>
<td>$172 up to $516</td>
<td>$8,490</td>
<td>$162</td>
<td>$18,506</td>
<td>N/A</td>
<td>$7,184</td>
</tr>
<tr>
<td>$35,000</td>
<td>$358</td>
<td>$7,923</td>
<td>$202 up to $602</td>
<td>$9,905</td>
<td>$189</td>
<td>$21,589</td>
<td>N/A</td>
<td>$9,396</td>
</tr>
<tr>
<td>$40,000</td>
<td>$409</td>
<td>$9,055</td>
<td>$229 up to $688</td>
<td>$11,320</td>
<td>$216</td>
<td>$24,673</td>
<td>N/A</td>
<td>$12,162</td>
</tr>
</tbody>
</table>
Loan Forgiveness Possibilities

• 10 Year Public Service Loan Forgiveness (PSLF)
  o If you work full-time for a qualifying public service organization and have reduced payments under an income based repayment plan the balance remaining after 120 qualifying payments could be forgiven.

• Teacher Loan Forgiveness
  o If you teach full-time for five complete and consecutive academic years in certain elementary and secondary schools and educational service agencies that serve low-income families, and meet other qualifications, you may be eligible for forgiveness of up to a combined total of $17,500 on your Federal Direct Loans
Consolidation

• Combines all of your outstanding federal student loans into a single new loan with one servicer.

• There is no application fee to consolidate your federal education loans into a Direct Consolidation Loan.

• You will be assigned a fixed interest rate based on the weighted average interest rate of the loans you are consolidating.

• Outstanding interest becomes part of the original principal balance on your consolidation loan, which means that interest may accrue on a higher principal balance than might have been the case if you had not consolidated.
## Postponing Loan Payments

<table>
<thead>
<tr>
<th>Deferment</th>
<th>Forbearance</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Must prove:</td>
<td>● Granted at servicer’s discretion</td>
</tr>
<tr>
<td>○ Economic hardship</td>
<td>● Illness or financial hardships</td>
</tr>
<tr>
<td>○ You are In-school</td>
<td>● Interest still accrues</td>
</tr>
<tr>
<td>○ Unemployment (Up to 3 years)</td>
<td>● Doesn’t affect credit</td>
</tr>
<tr>
<td>○ Military deployment OR Peace Corps/AmeriCorps</td>
<td>● Makes sure you receive a confirmation from your loan servicer</td>
</tr>
<tr>
<td>● Doesn’t affect credit</td>
<td></td>
</tr>
<tr>
<td>● No interest accrual for Subsidized Federal Loans</td>
<td></td>
</tr>
</tbody>
</table>
Capitalization

• Unpaid interest that has been added to the principal balance of a federal student loan.

• If you borrowed a $2,000 Unsubsidized Loan at Fordham all 4 years as an Undergrad, you would have accrued about $325 that could be capitalized (not including the “pause”.)

• Interest is charged on the increased principal balance increasing the total amount you repay over the life of the federal student loan.

• Interest accrued is capitalized at repayment and at the end of a deferment/forbearance.
Budgeting

- Create your own unique monthly budget
- Know when all of your monthly payments are due
- Revise your budget over time
  - Some items you created may not be realistic
  - Your financial goals may change
- Use an App or Google Sheet
  - Mint is a great free budgeting app that helps you plan your expenses and even warns you if you are about to go over budget on a category.
  - Good Budget & PocketGuard are also great apps
Mint

ACCOUNTS
Cash
$26,578
Credit Cards
-$16,390

BUDGETS October

CASH FLOW
October
-$2,661
Earned $5,721
Spent $8,381

ALERTS
Bill Reminder
8

ADVICE
Make sure you have a health insurance plan that works for you

SPENDING
October

Home
$2,662

October 2013
$2,166 of $3,990

TODAY

AUTO & TRANSPORT
Gas & Fuel
$144 Left
$486 of $630

ENTERTAINMENT
Movies & DVDs
$65 Over
$115 of $50

FOOD & DINING
Alcohol & Bars
$220 Left
$0 of $220

Coffee Shops
$14 Left
$36 of $50

Fast Food
$11 Over
$162 of $160

Groceries
$883 Left
$317 of $1,250

3 transactions
Default

• If you are more than 60 days delinquent on payments you may be put into default.

• The entire unpaid balance, including interest and collection fees will become due immediately.

• Requesting deferment or forbearance either online or with one phone call removes the risk of default if you fall behind on payments.
Consequences of Default

- Defaults are reported to national credit bureaus and remain in your file for seven years.
- The federal government may collect the unpaid balance from federal and state income tax refunds and garnish your wages or state lottery winnings.
- Federal education loans are usually exempt from bankruptcy.
- You may be subject to legal action.
- You become ineligible to receive additional federal or state financial aid.
Points to Remember

• Stay in contact with your servicer. Do NOT avoid their calls. Just tell them you want a deferment/forbearance if you can’t make your payment.

• Create a realistic monthly budget that includes all of your bill due dates and stick to it.

• You can change your repayment plan at any time and however many times you’d like.

• Log in to studentaid.gov to get personalized loan details and to find out who your servicer is.
Questions?

• Please complete an online exit counseling session

• You can reach our office and send any questions to financialaid@fordham.edu