Upon Graduation

You’re ready to move on. You’re done with school (temporarily or permanently) and ready for the “real world.” Part of that means preparing for your student loan repayment.

Today we’ll cover some things that are good to know, and some things that are “must-do’s.”

The information covered in today’s session is subject to change and should serve as background information.
Must-do
Validate


Provides data on your federal direct student loans:

- Federal Direct Subsidized/Unsubsidized
- Federal Direct Graduate PLUS
- Federal Perkins
- FFELP Loans
- Consolidation
- Must know your Federal PIN number (you can obtain a PIN number at www.pin.ed.gov)
- Federal Student Aid: studentaid.ed.gov
- Provide contact information for federal loan servicers

Private loans:

- You may have multiple private loans from multiple lenders, so it’s important to check your documents.

Make a list of all your loans and lenders and if you are unsure, check with The Office of Student Services – College of Dentistry.
Required action

**Keep in touch with your servicer**

Contact them via email, or sign up for their online billing or servicing center. Make sure they know that you’re done with school and that they have your current address, and phone number.

If you had a private loan with a cosigner, invite them to sign up as well. He or she has a vested interest in keeping track of your student loan.

**Payment is required**

When you have signed your consumer credit agreement or promissory note, you made a legally binding agreement to repay your loan.
Nice to know
Federal Direct Stafford loan details

Federal Direct Stafford Loans

Types:

• **Subsidized** - Need-based; accruing interest paid by the government while the borrower is in school, in a grace period and during eligible deferment periods*

• **Unsubsidized** - Not need-based with accruing interest paid by borrower or capitalized at repayment

Loan Features

• Fixed interest rate

• Repayment begins six months after you graduate, leave school, or drop to less than half-time status

• Up to 10 year repayment term (up to 25 years for federal loan debts over $30,000)

• No pre-payment penalties

*As of July 1, 2012 the Federal Government ceased subsidized Stafford loans for graduate students.

Federal Direct PLUS loan details

**Graduate PLUS Loans**

Credit-based loan, may cover up-to the cost of education minus all other financial aid

- Fixed interest rate
- Enters repayment once your loan is fully disbursed; however there are some exceptions granted for graduate and professional student loan deferments
- Up to 10 year repayment term (up to 25 years for federal loan debts over $30,000)
- No pre-payment penalties

Private student loan details

• Credit-based loan, may cover up-to the cost of education minus all other financial aid

• Interest rates may be fixed or variable

• Repayment begins 6 to 9 months after graduation or leaving school depending on the lender

• Typically the repayment term is 10 to 25 years depending on the lender

• No pre-payment penalties

• Borrower benefits vary by lender that can reduce repayment amounts
Helpful information

Get organized
• Get copies of your credit agreements/promissory notes and read them again
• Keep a record of the following:
  – Where to send payments
  – Where to send correspondence
  – Your lender’s website and customer service number

Open your mail
You might not be used to paying attention to “snail mail”, but it’s critical that you open and read everything that comes from your lender
• If you signed up for electronic statements, make sure the emails from your lender don’t go to ‘junk’ — add the lender to your address book
• You’ll be getting a repayment schedule before your first payment is due. For most lenders, it will typically show your:
  1. Loan balance and estimated total interest
  2. Number of monthly payments and the amount of each payment
  3. Date that your first payment is due
Get interested

Let’s look at a repayment example.

Assume total debt of $472,790 comprised of the following loan programs paid on a standard repayment plan:

- Unsubsidized loan amount of $182,000 at an interest rate of 6.21% and GradPLUS loan amount of $290,790 at 7.21% interest rate

<table>
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<th>Unsubsidized Loan</th>
<th>GradPLUS</th>
<th>Total</th>
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<tr>
<td>Interest rate</td>
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<td>Loan amount</td>
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<td>Number of payments</td>
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<tr>
<td>Total amount repaid</td>
<td>$286,580</td>
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Let’s look at a repayment example.

Assume total debt of $132,270 comprised of the following loan programs paid on a standard repayment plan:

- Subsidized loan amount of $8,000 at 4.66%, unsubsidized loan amount of $4,000 at an interest rate of 4.66% and private loan amount of $132,270 at 7.50% interest rate

<table>
<thead>
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<th>Subsidized Loan</th>
<th>Unsubsidized Loan</th>
<th>Private Loans</th>
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<tr>
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<td>plan)</td>
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<tr>
<td>Number of payments</td>
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Borrower Benefits

Borrower benefits are money-saving incentives that borrowers may receive as a reward for making on-time payments and making payments via auto-debit. Additional benefits may exist and vary by lender.

- Visit your lender’s website or call your servicer to determine which benefits are available to you

- While there aren’t many borrower benefits, most loans offer 0.25% interest rate reduction for ACH payments from a checking or savings account
**Grace period**

**Grace Period:** Set period of time after you graduate, leave school or drop below half-time enrollment before you must begin repayment on student loans

- Typically there is a six to nine month grace period; however, it will vary depending on the type of loan you have borrowed and the lender.

- Grace period is a period of time when the lender doesn’t require payment.

- Make sure you know the length of your grace period.

- For most loans types, interest will accrue during your grace period.
Federal loan repayment options

**Standard (Level)**
- Same amount each month for up to 10 years

**Graduated**
- Lower initial payments, and the payment increases every two years
- Payments are made up to 10 years
- Will not be less than the amount of interest that accrues between your monthly payments
- Will not be more than three times greater than any other payment

**Extended**
- Generally lower monthly payments than the standard or graduated payment plans
- Up to 25 year repayment (Direct Loan borrower must have more than $30,000 outstanding in Direct loans and Federal Family Education Loan Program borrowers must have more than $30,000 outstanding in FFEL Programs)
Federal loan repayment options

- **Income-sensitive (Federal Family Education Loan Program only)**
  - Monthly payments increase or decrease depending on annual income
  - Repayment up to 10 years

- **Income-contingent (Direct loans only)**
  - Payments are calculated each year based on your Adjusted Gross Income, family size, and total amount of your direct loans.
  - Your payments change as your income changes.
  - Up to 25 years to repay. After 25 years of qualifying monthly payments, unpaid portion will be forgiven. May have to pay income tax on amount that is forgiven.

- **Income-Based Repayment (IBR)**
  - For economic hardship or partial economic hardship
  - Your maximum monthly payments will be 15 percent of discretionary income: the difference between your adjusted gross income and 150 percent of the poverty guideline for your family size and state of residence (other conditions apply).
  - Your payments change as your income changes.
  - Up to 25 years to repay
Federal Loan Repayment Options

Pay as you earn

• For economic hardship or partial economic hardship
• Your maximum monthly payments will be 10 percent of discretionary income: the difference between your adjusted gross income and 150 percent of the poverty guideline for your family size and state of residence (other conditions apply)
• Your payments change as your income changes
• Up to 20 years. After 20 years of qualifying monthly payments, any outstanding balance will be forgiven. You may have to pay income tax on the forgiven amount.

Consolidation

• One loan, one rate, one servicer and extended repay
• Borrower benefits from your original loan, which may include interest rate discounts, principal rebates, or some loan cancellation benefits might be lost if you consolidate.
Private student loan interest rates & repayment

**Interest rates**

- Credit-based rates are variable or fixed
  - Variable: rate can change (sometimes frequently)
  - Fixed: remains the same for the life of the loan
- Usually based on an index plus a spread
  - LIBOR
  - Prime
    - Example: Prime (3.25%) + spread (.50%) = 3.75%
- Spread (tiers) and fees

**Repayment**

- Usually longer than 10 years, but some can be less
- Usually you are granted a 6 month grace period and limited deferment
- Know your borrower benefits and take advantage of them
Federal loan deferments

Deferment allows you to temporarily suspend payment on your federal student loans

- Government pays interest on subsidized loans during periods of eligible deferment
- Interest continues to accrue for unsubsidized loans during deferment
- If you don’t pay the interest on your loan during deferment, it may be capitalized
- Check with your servicer for more information

Some Private lenders may offer deferment options

Types
- In-school
- Unemployment (maximum 3 years)
- Economic hardship (maximum 3 years)
- Approved fellowship/rehabilitation training programs
- Military

Federal loan forbearance

A forbearance is an agreement with your lender that allows you to postpone student loan payments for a predetermined length of time when you are not eligible for deferment.

- It is typically granted in 12-month intervals.
- You are responsible for interest as it accrues, regardless of loan type.
- You may pay interest as it accrues.
- Any unpaid interest may be added to your principal balance at the end of the forbearance period (capitalization).

Some private lenders may offer forbearance options.

Common Types

**Discretionary:**
- Economic hardship
- Disability

**Mandatory:**
- Medical/dental internship/residency
- Student loan payments that are 20% or more of your total monthly gross income
- Payments being made by the Department of Defense

Federal loan discharge and cancellation

• Total and permanent disability
• You cannot complete your course of study because your school closed
• False certification, including identity theft
• Employment in certain designated public school service professions
• Death
• Note that in most cases, student loans are not dischargeable in bankruptcy (in rare cases)

Some Private lenders may offer discharge and cancellation options
Federal loan delinquency and default

**Delinquency**

- Failure to make payment(s) when due
- Reported to credit bureaus, it affects borrower’s credit history

**Default**

- Default occurs when you fail to make a payment for 270 days
- The entire unpaid balance on the loan and any interest is immediately due
- Loan holder can take legal action against you
- Collection agencies may take over – adds to cost
- Lose eligibility for deferment, forbearance and repayment plans
- Student loans rarely discharged in bankruptcy
- Consequences of default on a federal loans can include wage garnishment and could result in an offset of federal tax refunds
Where to turn for help with student loan repayment

Who to reach out to for help with repayment

Your servicer is available if you have trouble making a payment on your student loans. Call them and explain your situation and they will work with you to determine your options.

Not making a payment can impact your credit. Find out what your options are — never ‘skip’ a payment.

If you’re having trouble making payments, your servicer may offer a forbearance (a period of time when payments can be suspended, but interest continues to accumulate) or a period when you can make interest-only payments. Be sure to check with your servicer on available options.
Resources

Federal Student Aid:  studentaid.ed.gov

U.S. Department of Education:  ed.gov

U.S. Small Business Administration:  sba.gov

Free credit report:  annualcreditreport.com
Questions?

Best of luck to you.