Intermediate Counseling Module – “Plan for Success” – Script

Slide 1: Title slide

Slide 2: Prepare for successful repayment

Borrowing money to pay for your education can greatly impact your quality of life today and after you graduate.

Taking out a loan enables you to meet your college expenses without working excessively while in school.

Federal student loans, which are borrowed through your school, even give you the option to delay repayment until after you graduate (#1 WB). They are also generally less costly than private education loans, which are borrowed from a bank or credit union. That is why it’s important to take private education loans only as a last resort. Federal student loans should be your first option if you need to borrow money. Talk to your school and/or potential lender about the terms of any loan you consider borrowing.

Another thing worth noting about borrowing is that consistent repayment of a student loan begins building your credit history, which can help you later in life to buy a house, purchase a car, and even get the job that you want.

There’s another side to it, though. NOT managing your loans well can have a negative impact on your life, hurting your credit and bringing other consequences.

In this presentation, you will learn key information that will help you prepare for successful repayment of your federal student loans. You will learn about the details concerning the various repayment plans that will become available to you once you begin paying back your federal student loan. Also, you will learn about your options if you run into financial trouble. Further, you will be reminded of your obligations during moments of critical decision-making in your college years.

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**Slide 3: Repayment plans**

When you begin paying back your federal student loans, you will have a number of repayment plan options. Most are available to all borrowers, while others have specific criteria to qualify. Selecting the right plan is very important and deserves careful consideration.

However, when you first go into repayment, your loan servicer will most likely place you on the standard repayment plan. But keep in mind that you have the right to change repayment plans at any time. (#2, True)

Federal student loan borrowers may choose from the following plans. Depending on the loan balance and other eligibility factors, not all plans may be available for all borrowers. The plans include the: 1) Standard 2) Graduated 3) Extended 4) Income-Based 5) Income-contingent 6) Income-sensitive and 7) Pay as you earn

In the following slides, we will learn about each of these plans.

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**Slide 4: Repayment plans**

*The standard repayment plan is the least expensive option. That’s because, compared to the other plans, you pay less in interest, thereby lowering the total amount that you pay over the life of the loan. (#3, True)* For example, a ten-thousand dollar student loan paid under another repayment plan will cost more overall than an equal loan paid under the standard plan.

With the standard plan, when you enter repayment, you receive a repayment schedule with a fixed monthly payment that will allow you to repay your loan within 10 years. The payments themselves are higher than under other plans, but by repaying the loan more quickly, you lower the total amount you repay.

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**Slide 5: Repayment plans**

The graduated plan allows you to make smaller payments at the beginning of your loan term. The payment amount gradually increases over time (usually every 2 years) so that your loan will be repaid within 10 years.

Comparing apples to apples, on a ten-thousand dollar student loan, the total amount paid in interest under a graduated plan will be greater than it would be under the standard repayment plan, but the payment structure allows you to make smaller ones at first, while you’re getting established in your career.

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Slide 6: Repayment plans

The extended repayment plan is available only if your federal student loan balance is at least $30,000. Under this plan, you repay your loan over a period of 12 to 25 years, depending on whether your payments are fixed or graduated.

Also, in comparison to the standard repayment plan, your payments will be smaller. However, since you will make payments for a longer period, you will pay more interest over the life of the loan.

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Slide 7: Repayment plans

The Income-Based Repayment plan, or IBR, allows you to make smaller payments for an extended period of time. However, you must have a partial financial hardship to qualify to repay your loan under this plan. The formula for determining if you have a partial financial hardship takes into consideration your income, your family size, and the amount of your federal student loan debt. Your eligibility is re-evaluated every year so your monthly payments may change as your income changes.

If you qualify for the IBR plan, you will likely make smaller payments for a portion of your repayment period, which could last as long as 25 years; therefore, you’ll pay more interest under IBR than under the standard repayment plan.

The big benefit of this plan is that if you’re struggling, your payments are adjusted to make them more affordable. And, if your loan is not paid off after you’ve made 25 years worth of qualifying payments, any outstanding interest and principal will be forgiven. However, be aware that the amount forgiven under this program may be taxable. Be sure to consult a tax professional if and when this applies to you.

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Slide 8: Repayment plans

The income-contingent plan is available to students under the Federal Direct Loan Program only. (#4)

The income-contingent plan, or ICR, also allows you to make smaller payments for an extended period of time. However, you do not have to meet any special qualifications as you would under the Income-Based Repayment plan, which requires a determination of partial financial hardship to qualify.

The factors that determine your monthly payments are your adjusted gross income (AGI), your family size, your spouse's income if you're married, and the total amount of your Federal Direct Loans. You have to resubmit your income information annually, so your monthly payments may change as your income changes.
If you haven’t fully repaid your loans after 25 years (not counting time spent in deferment or forbearance), the unpaid portion will be forgiven. The amount forgiven may be taxable. It’s a good idea to discuss any tax implications with a tax professional.

Slide 9: Repayment plans

The income-sensitive plan is offered only to borrowers under the former Federal Family Education Loan Program.

It is similar to the income-contingent plan in that the monthly payment varies according to your annual income, but you will repay your loan in up to 10 years.

Other differences with the income-contingent plan include that this plan does not look at factors other than income (such as family size) in determining the monthly payment amount, and this plan does not provide the possibility of loan forgiveness after a certain period of repayment.

And again, the total interest paid under this plan is greater than it would be under the standard repayment plan.

Slide 10: Repayment plans

The Pay As You Earn plan is offered only to Federal Direct Loan Program borrowers who borrowed their first loan on or after Oct. 1, 2007, and who received at least one disbursement of a Direct Loan on or after October 1, 2011.

The Pay As You Earn plan is similar to the Income-Based Repayment plan — you have to have a partial financial hardship to qualify for the plan. Under this plan, the monthly payment amount is the lesser of 10% (versus 15% under IBR) of your discretionary income or what you would have paid under the 10-year standard repayment plan.

You have to resubmit your income information annually, so your monthly payments may change as your income changes.

Also, under the Pay As You Earn plan, your remaining balance is forgiven after 20 years of qualifying payments (versus 25 years under IBR).
Slide 11: Make wise choices with your money

As a college student, you may know first-hand what living on a tight budget means.

While in school, your two main concerns are most likely studying and stretching your dollars so that there’s enough money to cover your tuition, books, and living expenses.

That’s one of the reasons why people take out student loans in the first place: to help pay for current expenses with dollars that can be repaid in the future, with payment delayed until after graduation.

While graduation may seem far away, it’s important to track your loans while you’re in school. Are you going to live like a college student, pinching your pennies, for years after graduation? Or will you live a comfortable life? The choices you make now may affect your budget later.

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Slide 12: Financial hardships may occur

In an ideal world, college graduates would all find great jobs immediately. However, in today’s job market, it may take some time to find a job that meets your expectations and financial needs.

If that process takes longer than six months, your student loans may come due before you have much of an income.

Other complications can arise. What if you find, for example, the exact teaching job you have been preparing for, and then realize that teaching is not for you, and you’d like to go back to school to study something else?

These types of situations can lead to financial hardships, because you still owe your loan holders, even if you don’t find a job, or decide to switch professions. In situations like these, the worst decision that you can make is to avoid making arrangements to repay your student loans. Ignoring your loan correspondence isn’t a step on the path to success!

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Slide 13: What are my options if I can’t pay?

Your loan debt will not go away because you decide to ignore it. In fact, the debt could grow quickly. If you’re having trouble paying, you have much better options than hoping it disappears.

Besides the different repayment plans we discussed, you may also seek deferment or forbearance. These options can help you avoid defaulting on your student loan.

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**Slide 14: Deferment**

*A deferment allows you to postpone payment if, for example, you are experiencing economic hardship, or are unemployed, in graduate school, or in the military. (#5)*

In the case of subsidized loans, deferments provide a unique benefit: the government pays the interest that accrues during the deferment period.

To request a deferment, contact your loan servicer.

You can probably find the contact information for your loan servicer on your repayment schedule. If not, check the National Student Loan Data System (NSLDS) to get the name of your servicer for your specific federal student loans. Keep in mind that you may have more than one servicer for your federal student loans. Once you’ve identified your loan servicer(s), you can also visit [www.studentloans.gov](http://www.studentloans.gov) to learn more about each of the federal servicers’ process and services.

Now, back to deferments. Your eligibility will depend on the type of loan you borrowed and when you first borrowed a federal student loan. Your loan servicer can determine your eligibility once you have submitted all the documentation.

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**Slide 15: Forbearance**

*A forbearance allows you to postpone or reduce your payments for an approved period of time.*

*However, interest will continue to accrue while your loan is in forbearance, regardless of whether the loan is subsidized or unsubsidized. (#6)*

In comparison to a deferment and if you are eligible, a deferment is usually a better option than a forbearance because, as we mentioned earlier, the government pays accruing interest for subsidized loans in the case of a deferment.

You may request a forbearance from your loan servicer, but remember to ask if you qualify for a deferment first.

There is a forbearance calculator in the tips section of the student guide. It can help you make an informed decision on whether to pursue a forbearance by estimating how much interest would accrue during the forbearance period.

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Slide 16: What other options can I take advantage of?

- **Loan Consolidation**
  - Combine federal education loans
  - New loan with fixed interest rate
  - [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)

- **Tax Benefits** –
  - **Deductions:**
    - Tuition and Fees
    - Student Loan Interest
  - **Credits:**
    - American Opportunity
    - Lifetime Learning

Now let’s talk about some other options that are available to you. Once you get ready to start paying on your loans, you have the option to combine your federal student loans into one loan. This new consolidation loan will have a new fixed interest rate that is calculated by taking the weighted average of the interest rates of all of your qualifying federal student loans. You will learn more about loan consolidation in your exit counseling session.

Other options that are available to student borrowers and their families are tax deductions and credits. These deductions and credits can help offset the amount of taxes you and/or your parents pay.

For instance, you can take a tax deduction for the interest paid on student loans. This benefit applies to all loans used to pay for higher education expenses, inclusive of private education loans. Also, a deduction can also be taken for the tuition and fees that you pay.

Additionally, there are two tax credits that can help offset your costs for tuition, fees, books, and supplies. These credits include the [American Opportunity Credit](http://www.irs.gov) and the [Lifetime Learning Credit](http://www.irs.gov). You can learn more about these credits by visiting the Internal Revenue Service (IRS) website at [www.irs.gov](http://www.irs.gov).

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**Slide 17: Important steps during critical points**

Now let’s move on to talk about changes in your life that could affect your federal student loans. Sometimes due to unforeseen situations in our life, we must make changes to our class schedule or graduation plans. While we cannot avoid unforeseen situations, we can certainly prepare so that we stay on track with our education and avoid defaulting on our student loans.

Here are some examples of changes about which you should contact the appropriate offices at your school along with your loan servicer.

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**Changes in personal information**
When you move to another location, you must notify your school’s financial aid office and your loan servicer. That’s so correspondence regarding your loan will reach you. Otherwise, you may not know when your first payment is due, and your loan may become delinquent.

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**Dropping or adding classes**
*One of the requirements of your federal student loan is that you be enrolled at least half time.*
*Dropping or adding classes can change your enrollment status.* (#7) For example, if you drop below half time, your loan will go into repayment (generally within six months of the date you dropped below half time). You may not have enough income to begin making payments yet. Consult with your financial aid office if this happens.

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**Changing graduation date**
Some decisions that could affect your graduation date include changing majors, pursuing a double major, or studying abroad. Decisions like this can result in additional expenses that might require you to borrow more money. Be mindful of the additional debt you may incur and the purpose for which you are borrowing.

Will your change in major yield a higher salary when you graduate? Could you accomplish the same thing by taking advantage of an internship with pay, allowing you to avoid additional debt?

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**Withdrawing from school**
*Consult with your academic advisor and your financial aid advisor before you withdraw from school.*
*Stopping classes without notifying the financial aid office can seriously affect your student loan.* Learn more about timeframes, and attend an exit counseling session. (#8) This way, you’ll minimize the probability of loan delinquency and default.

It’s also a good idea to visit your academic advisor to avoid lost credit for work completed.

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**Transferring schools**
If you transfer to a different school, consider the amount of money that you have already borrowed at your current college. There are borrowing limits under the federal student loan program. Loan limits are per borrower, not per school, and this affects how much you can borrow for your overall school expenses. Again, consult with your financial aid and academic advisors.

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Paying interest on your loan
When you take out a federal student loan, pay attention to the type of loan that you take out, and especially the total expected interest accrual.

For instance, there is a major difference between a subsidized and an unsubsidized loan.

For subsidized loans, the federal government will pay the interest on the loan while you are enrolled at least half time in school.

However, if you do not qualify for a subsidized loan and take out an unsubsidized Direct loan, you are responsible for interest that accrues on the loan while you’re enrolled. (#9) While you have the option to defer its payment, you may want to seriously consider paying the interest while you are in school, because you’ll avoid the interest accrual.

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Attending exit counseling
One of your borrower responsibilities is to attend an exit counseling session before you graduate or drop below half-time enrollment.

These sessions provide key information about repayment plans, loan forgiveness programs, and some debt management resources that can help you manage your loan. (#10)

Failing to attend means that you’ll know less about available resources, and may even result in your school withholding your transcript or degree until you complete a session.

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Slide 18: Resources

To determine if you qualify for the Income-Based Repayment plan, go to the Adventures in Education website; a calculator is available at www.AIE.org/ibr.

To determine how much interest will accrue on your loan if you choose a forbearance, use the forbearance calculator on the TG Online website at www.TG.org (www.TG.org/borrowers/forbearance/calculate.cfm).

The Federal Student Aid website contains a wealth of information pertaining to the repayment of your student loans. Loan calculators are available for calculating payments under each repayment plan. Also, once you start paying back your student loan, you can go to www.studentloans.gov to request the income-based repayment plans, including IBR, ICR, and Pay As You Earn.

NSLDS can help you keep track of your federal loans and provide you with pertinent information such as: amounts, loan types, loan servicers, and much more.

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Slide 19: Closing slide (TG and Council logos)