

**TG™**

# The Ins and Outs of Student Loan Repayment:

Understanding your options

**Cindy Marrs**  
*Default Aversion Consultant*

**SOLID FOUNDATION FOR STUDENT SUCCESS**

## The Ins and Outs of Student Loan Repayment **TG™**

- Learning objectives
  - Take inventory your federal student loans
  - Explore repayment plans available
  - Understand the basics of consolidation
  - Learn about deferment, forbearance, discharge, and forgiveness options

**SOLID FOUNDATION FOR STUDENT SUCCESS**

## Taking inventory

---

### The Ins and Outs of Student Loan Repayment



- Where can I obtain information on my federal loan(s)?
  - National Student Loan Data System (NSLDS)
    - <http://www.nsls.ed.gov/>
  - Provides loan amount(s), loan holder(s), and loan servicer(s)

## The Ins and Outs of Student Loan Repayment



- What is the current status of my federal student loan(s)?
  - If you are enrolled at least half time, your loan(s) is in an in-school or deferment status

**SOLID**  
**FOUNDATION FOR**  
**STUDENT SUCCESS**

## The Ins and Outs of Student Loan Repayment



- What happens to my loan(s) when I leave school?
  - A FFELP or Direct Stafford loan either:
    - Will enter a 6-month grace period
    - Will enter repayment
  - A Perkins loan either:
    - Will enter a 9-month grace period
    - Will enter a 6-month post-deferment grace period

**SOLID**  
**FOUNDATION FOR**  
**STUDENT SUCCESS**

## The Ins and Outs of Student Loan Repayment



- What happens to my loan(s) when I leave school?
  - A Grad PLUS loan either:
    - Will enter a 6-month deferment
    - Will enter repayment
  - A federal consolidation loan:
    - Will enter repayment
  - A private or alternative loan
    - Contact the lender



## The Ins and Outs of Student Loan Repayment



- What should I expect from my loan holder/servicer?
  - Repayment disclosure notice(s)
    - Outlines the terms of the loan(s) borrowed
    - Provides the repayment options available
    - Establishes the first payment due date



## The Ins and Outs of Student Loan Repayment



- What does my loan holder/servicer expect from me?
  - To select a repayment plan
  - To make timely payments on your loan(s)
  - To provide updated contact information whenever it changes
  - To contact the loan holder whenever you are having difficulty managing repayment

**SOLID**  
**FOUNDATION FOR**  
**STUDENT SUCCESS**

## The Ins and Outs of Student Loan Repayment



- Can I prepay on my loan?
  - Yes
    - If sending in a prepayment, make sure you inform the lender to apply the prepayment to the principal of the loan balance
    - There is no prepayment penalty

**SOLID**  
**FOUNDATION FOR**  
**STUDENT SUCCESS**

## Overview of repayment plans

---

### The Ins and Outs of Student Loan Repayment



- What repayment plans are available?
  - Standard
  - Graduated
  - Extended
  - Income-sensitive (FFELP only)
  - Income-contingent (FDLP only)
  - Income-based



## The Ins and Outs of Student Loan Repayment



- How do the repayment plans work?
  - Standard
    - Equal monthly payments
  - Graduated
    - Payments increase over time
  - Extended
    - Available for borrowers with over \$30,000 in debt
    - Allows up to 25 years to repay loan



## The Ins and Outs of Student Loan Repayment



- How do the repayment plans work?
  - Income-sensitive (FFELP)
    - Based on expected gross monthly income
    - Adjusted annually
  - Income-contingent (FDLP)
    - Based on adjusted gross income, family size, and loan debt
      - Payment is calculated by multiplying a 12 yr repayment term by an income percentage factor that varies with borrower's annual income, or
      - 20 percent of borrower's monthly discretionary income
    - Debt can be forgiven after 25 yrs in repayment



## The Ins and Outs of Student Loan Repayment



- Sample monthly payment for \$15,000 loan @ 6.8%
  - Under a standard repayment plan (10-yr term)
    - Monthly payment: \$172.62
    - Interest paid: \$5,714.46
    - Total cost of loan: \$20,714.46



## The Ins and Outs of Student Loan Repayment



- Sample monthly payment for \$35,000 loan @ 6.8%
  - Under a standard repayment plan (10-yr term)
    - Monthly payment: \$402.78
    - Interest paid: \$13,333.74
    - Total cost of loan: \$48,333.74
  - Under an extended repayment plan (25-yr term)
    - Monthly payment: \$242.93
    - Interest paid: \$37,877.57
    - Total cost of loan: \$72,877.57



## The Ins and Outs of Student Loan Repayment



- Sample monthly payment for \$55,000 loan @ 6.8%
  - Under a standard repayment plan (10-yr term)
    - Monthly payment: \$632.94
    - Interest paid: \$20,953.02
    - Total cost of loan: \$75,953.02
  - Under an extended repayment plan (25-yr term)
    - Monthly payment: \$381.74
    - Interest paid: \$59,521.90
    - Total cost of loan: \$114,521.90



## The Ins and Outs of Student Loan Repayment



- Sample monthly payment for \$100,000 loan @ 6.8%
  - Under a standard repayment plan (10-yr term)
    - Monthly payment: \$1150.08
    - Interest paid: \$38,096.40
    - Total cost of loan: \$138,096.40
  - Under an extended repayment plan (25-yr term)
    - Monthly payment: \$694.07
    - Interest paid: \$108,221.63
    - Total cost of loan: \$208,221.63



## The Ins and Outs of Student Loan Repayment



- Sample monthly payment for \$150,000 loan @ 6.8%
  - Under a standard repayment plan (10-yr term)
    - Monthly payment: \$1,726.20
    - Interest paid: \$57,144.59
    - Total cost of loan: \$207,144.59
  - Under an extended repayment plan (25-yr term)
    - Monthly payment: \$1,041.11
    - Interest paid: \$162,332.45
    - Total cost of loan: \$312,332.45



## The Ins and Outs of Student Loan Repayment



- What is income-based repayment (IBR)?
  - IBR is designed to help borrowers experiencing a “partial financial hardship”
  - Available to Stafford, Grad PLUS, and certain consolidation borrowers



## The Ins and Outs of Student Loan Repayment TG™


### Illustration of partial financial hardship (PFH)

The annual loan amount due under a Standard 10-year Repayment Plan

$\rangle$


15% of the difference between the borrower's (AGI) and 150% of the poverty guideline for the borrower's family size

- Based on income and family size
- Differs from ICR by using annual loan amount due rather than total loan debt




## The Ins and Outs of Student Loan Repayment TG™

Eligible federal loan debt	\$40,000	\$80,000	\$120,000	
Estimated monthly payment (standard plan @ 6.8%, 10 yrs.)	\$460	\$921	\$1,381	[1]
Annual amount due ([1] x 12)	\$5,521	\$11,052	\$16,572	[2]
Household size	1			
Household AGI	\$35,000			[3]
Poverty line for household size	\$10,830			[4]
150% of poverty line ((1.5) x [4])	\$16,245			[5]
AGI-150% of poverty line ([3]-[5])	\$18,755			[6]
15% of (AGI-150%) value (.15x[6])	\$2,813			[7]
Partial Financial Hardship (PFH)				
•Yes, if [2] is greater than [7]	YES	YES	YES	
•No, if [2] is equal or less than [7]				
IBR monthly payment ([7] / 12)	\$234	\$234	\$234	




## The Ins and Outs of Student Loan Repayment TG™

IBR examples	Single borrower with no dependents	Married borrower with two children (and no spousal income or spousal student loan debt)	Married borrower with no other dependents
Eligible student loan debt	\$40,000	\$80,000	\$40,000
Interest rate	6.8%	6.8%	6.8%
Adjusted Gross Income	\$15,000	\$33,400	\$22,500
10-year Standard plan monthly payment	\$460	\$920	\$460
Estimated monthly payment under IBR plan	\$0	\$0 (PFH result was \$4)	\$10 (PFH result was \$8)
<b>Reduction in monthly payment amount</b>	<b>\$460</b>	<b>\$920</b>	<b>\$450</b>




## The Ins and Outs of Student Loan Repayment TG™


IBR examples	Single borrower with no dependents	Married borrower with two children (and no spousal income or spousal student loan debt)	Married borrower with no other dependents
Eligible student loan debt	\$40,000	\$80,000	\$40,000
Interest rate	6.8%	6.8%	6.8%
Adjusted Gross Income	\$30,000	\$60,000	\$25,000
10-year Standard plan monthly payment	\$460	\$920	\$460
Estimated monthly payment under IBR plan	\$170	\$340	\$40
<b>Reduction in monthly payment amount</b>	<b>\$290</b>	<b>\$580</b>	<b>\$420</b>



## The Ins and Outs of Student Loan Repayment TG™

IBR examples	Single borrower with no dependents	Married borrower with two children (and no spousal income or spousal student loan debt)	Married borrower with no other dependents
Eligible student loan debt	\$150,000	\$200,000	\$150,000
Interest rate	6.8%	6.8%	6.8%
Adjusted Gross Income	\$40,000	\$60,000	\$50,000
10-year Standard plan monthly payment	\$1,726	\$2,301	\$1,726
Estimated monthly payment under IBR plan	\$297	\$337	\$351
<b>Reduction in monthly payment amount</b>	<b>\$1,429</b>	<b>\$1,964</b>	<b>\$1,375</b>



- ## The Ins and Outs of Student Loan Repayment TG™
- How long is the repayment term?
    - The repayment term can exceed 10 years regardless of the amount of the borrower's loan debt
    - After 25 years (300 eligible payments), any remaining balance and accrued interest will be forgiven
- 

## The Ins and Outs of Student Loan Repayment



- How do I apply?
  - Contact loan holder/servicer and request an IBR plan
  - IBR forms available at:  
<http://www.tgslc.org/borrowers/repay/ibr.cfm>
  - Borrower must:
    - Apply annually (payment amount may fluctuate)
    - Provide permission for IRS to disclose AGI "and other tax return information"
    - Certify family size



## The basics of consolidation

---

## The Ins and Outs of Student Loan Repayment



- Overview
  - Consolidation enables you to bundle one or more federal student loans into a single new loan
  - At time of consolidation, your consolidating loan holder pays off the outstanding balances of the loans you include in the consolidation
  - No fees

SOLID  
FOUNDATION FOR  
STUDENT SUCCESS

## The Ins and Outs of Student Loan Repayment



- Who can consolidate?
  - Any federal student loan borrower, including:
    - Borrowers with student loans
    - Borrowers with student and parent loans

SOLID  
FOUNDATION FOR  
STUDENT SUCCESS

## The Ins and Outs of Student Loan Repayment



- How do I qualify?
  - You must be in your grace period or in repayment on each loan being consolidated\*
  - You can still obtain a Consolidation loan if you are delinquent or in default on one or more of your existing loans

**SOLID**  
**FOUNDATION FOR**  
**STUDENT SUCCESS**

## The Ins and Outs of Student Loan Repayment



- Temporary loan consolidation authority — considerations
  - A borrower who consolidates while in school may not have received exit counseling, therefore may not have enough information to make an informed decision
  - If a student continues to borrow after he or she consolidates, split-loan servicing may still be an issue

**SOLID**  
**FOUNDATION FOR**  
**STUDENT SUCCESS**

## The Ins and Outs of Student Loan Repayment



- Temporary loan consolidation authority — considerations
  - A Stafford loan borrower will lose the six-month grace period if he or she consolidates while in school
  - Parent and Grad PLUS borrowers will lose the six-month post-enrollment deferment benefit if he or she consolidates while in school

**SOLID**  
**FOUNDATION FOR**  
**STUDENT SUCCESS**

## The Ins and Outs of Student Loan Repayment



- What loans may be consolidated?
  - Federal Family Education Loans
  - Federal Direct Loans
  - Federal Perkins Loans
  - Health Professions Student Loans
  - Nursing Student Loans
  - Health Education Assistance Loans

**SOLID**  
**FOUNDATION FOR**  
**STUDENT SUCCESS**

## The Ins and Outs of Student Loan Repayment



- What loans may *not* be consolidated?
  - Private (alternative) education loans
  - Other consumer debt
- Private consolidation loans
  - Do not offer the same advantages (i.e., repayment options, deferments, etc) as a federal consolidation loan
  - Interest rate will be credit-based and likely higher than a federal consolidation loan

SOLID  
FOUNDATION FOR  
STUDENT SUCCESS

## The Ins and Outs of Student Loan Repayment



- Can I ever “reconsolidate”?
  - Generally, no
  - You may only reconsolidate if you consolidate an existing Consolidation loan with another loan outside the Consolidation loan

SOLID  
FOUNDATION FOR  
STUDENT SUCCESS

**The Ins and Outs of Student Loan Repayment** **TG™**

### Repayment periods

<b>Maximum repayment periods for Consolidation loans</b>	
Sum of Consolidation loan balance plus balances of other education loans	Maximum repayment period
Less than \$7,500	10 years
\$7,500 or more, but less than \$10,000	12 years
\$10,000 or more, but less than \$20,000	15 years
\$20,000 or more, but less than \$40,000	20 years
\$40,000 or more, but less than \$60,000	25 years
\$60,000 or more	30 years

**SOLID FOUNDATION FOR STUDENT SUCCESS**

**The Ins and Outs of Student Loan Repayment** **TG™**

- How is the interest rate calculated?
  - It is the weighted average of interest rates on loans being consolidated, rounded up to nearest 1/8 of a percent, capped at 8.25%

**SOLID FOUNDATION FOR STUDENT SUCCESS**

## The Ins and Outs of Student Loan Repayment



- Example of interest rate calculation
  - \$65,500 in Stafford loans at 6.8%
  - \$54,500 in Perkins loans at 5%

Total Consolidation loan debt  
is \$120,000



## The Ins and Outs of Student Loan Repayment



Example of interest rate calculation

$$\$65,500 \times .068 = \$4,454$$

$$\$54,500 \times .05 = \$2,725$$

$$\$4,454 + \$2,725 = \$7,179$$

$$\frac{\$7,179}{\$120,000} = .0598$$



## The Ins and Outs of Student Loan Repayment



Example of interest rate calculation

5.98% rounded up to the nearest  
1/8 of a percent =

**6.00%**



## The Ins and Outs of Student Loan Repayment



Loan Consolidation Calculator

On *Mapping Your Future*® at

<http://www.mappingyourfuture.org/paying/consolidation/calculator.cfm>

- Enter loan amounts and current interest rates
- Provides consolidation loan interest rate and expected monthly payment



## The Ins and Outs of Student Loan Repayment



- Factors to consider
  - To bring together loans with multiple loan holders
    - For convenience of one payment
  - To lower loan payments
    - By lengthening repayment period
  - \*May\* be able to lock in a more favorable interest rate



## The Ins and Outs of Student Loan Repayment



### The interest rate cycle

For loans disbursed prior to 7/1/06

- Interest rates change every July 1
- Announced the preceding May
- Gives you a chance to see what rates will be and whether to wait
- Certain (older) Stafford loan interest rates are lower during grace period and deferment
- It may be advantageous for Stafford borrowers to consolidate during one of these times



## The Ins and Outs of Student Loan Repayment



The interest rate cycle cont'd.

For loans disbursed on or after 7/1/06

- Loans have a fixed rate over the life of the loan
- These rates apply at any time: while in-school, in grace, and in periods of deferment



## The Ins and Outs of Student Loan Repayment




- Factors to consider
  - May lose some or all of grace period
  - May lose certain borrower benefits
    - Federal Perkins Loans
      - Lose their deferment subsidy when consolidated
      - Lose cancellation eligibility when consolidated



**The Ins and Outs of Student Loan Repayment** **TG™**


- Factors to consider
  - May increase total cost of loan: If you lengthen your repayment period, you will pay more interest in the long run



**The Ins and Outs of Student Loan Repayment** **TG™**

**A \$15,000 Consolidation loan @ 6.0% interest rate. . .**


... Repaid over	Monthly payment	Total amount paid	Total interest paid
5 years	\$289.99	\$17,399.52	\$2,399.52
10 years	\$166.53	\$19,983.69	\$4,983.69
15 years	\$126.58	\$22,784.13	\$7,784.13



**The Ins and Outs of Student Loan Repayment** **TG™**

**A \$35,000 Consolidation loan @ 6.0% interest rate. . .**


... Repaid over	Monthly payment	Total amount paid	Total interest paid
10 years	\$388.57	\$46,628.61	\$11,628.61
15 years	\$295.35	\$53,162.98	\$18,162.98
20 years	\$250.75	\$60,180.21	\$25,180.21



**The Ins and Outs of Student Loan Repayment** **TG™**

**A \$100,000 Consolidation loan @ 6.0% interest rate. . .**


... Repaid over	Monthly payment	Total amount paid	Total interest paid
10 years	\$1,110.21	\$133,224.60	\$33,224.60
15 years	\$843.86	\$151,894.23	\$51,894.23
20 years	\$716.43	\$171,943.45	\$71,943.45
30 years	\$599.55	\$215,838.19	\$115,838.19



**The Ins and Outs of Student Loan Repayment** **TG™**


**A \$125,000 Consolidation loan @ 6.0% interest rate. . .**

... Repaid over	Monthly payment	Total amount paid	Total interest paid
10 years	\$1,387.76	\$166,530.75	\$41,530.75
15 years	\$1,054.82	\$189,867.79	\$64,867.79
20 years	\$895.54	\$214,929.32	\$89,929.32
30 years	\$749.44	\$269,797.74	\$144,797.74



**The Ins and Outs of Student Loan Repayment** **TG™**

- Consolidating lender
  - You may consolidate with the Department of Education
  - [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)



## Deferment, forbearance, discharge, and forgiveness options

---

### The Ins and Outs of Student Loan Repayment



- Deferment
  - A period of time during repayment in which the borrower, upon meeting certain conditions, is not required to make payments of loan principal
  - Borrower is liable for all interest that accrues on an unsubsidized loan
  - There are many deferments available to borrowers of any loan type, such as:
    - In-school, economic hardship, unemployment, military

## The Ins and Outs of Student Loan Repayment



- How do I request a deferment?
  - Contact your loan holder
    - Some deferment types require an application
    - Applications available online:  
<http://www.tgslc.org/borrowers/deferment/index.cfm> and  
[www.dl.ed.gov](http://www.dl.ed.gov)



## The Ins and Outs of Student Loan Repayment



- Forbearance
  - A period of time during which the borrower is permitted to temporarily cease making payments or reduce the amount of the payments
  - Borrower is liable for all interest that accrues on the loan



## The Ins and Outs of Student Loan Repayment



- How do I request forbearance?
  - Contact your loan holder
    - Forbearance can be requested verbally or in writing
    - Online resource available at:  
<http://www.tgslc.org/borrowers/forbearance/index.cfm>



## The Ins and Outs of Student Loan Repayment



- Discharge
  - The release of a borrower or any comaker from all or a portion of his or her loan obligation
  - Types of FFEL and Direct loan discharges
    - Total and Permanent Disability
    - Death
    - Unpaid Refund
    - False certification by the school
    - False certification due to identity theft
    - Closed School
    - Parents and spouses of September 11, 2001, victims
    - Bankruptcy



## The Ins and Outs of Student Loan Repayment



- How do I request loan discharge?
  - Contact your loan holder/servicer
    - Online resources available at:
      - [www.tgslc.org/borrowers](http://www.tgslc.org/borrowers)
      - [www.ifap.ed.gov](http://www.ifap.ed.gov)
      - [www.studentloans.gov](http://www.studentloans.gov)



## The Ins and Outs of Student Loan Repayment



- Forgiveness
  - The release of a borrower or any comaker, as applicable, from all or a portion of his or her loan obligation as a result of public service provided by the borrower or comaker
  - FFEL/Direct Loan forgiveness programs available for
    - Teachers
    - Service in areas of national need
    - Civil legal assistance attorneys
    - Public service



## The Ins and Outs of Student Loan Repayment



### What is public service loan forgiveness?

- Public Service Loan Forgiveness (PSLF)
  - Available for Direct Stafford, PLUS, or Consolidation Loan
  - Outstanding balance of principal and accrued interest forgiven after borrower makes 120 monthly payments after 10/1/2007 under one of the following types of repayment plans:
    - Standard (10 yr term)\*
    - Income-based
    - Income-contingent



## The Ins and Outs of Student Loan Repayment



- What if I have other federal student loans?
  - The following types of federal loans can be consolidated into the Direct Loan program to take advantage of Public Service Loan Forgiveness
    - Federal Family Education Loans
      - Subsidized and Unsubsidized Stafford loans
      - Federal PLUS loans
      - Federal Consolidation loans
    - Federal Perkins Loans
    - Certain Health Professional and Nursing Loans



## The Ins and Outs of Student Loan Repayment



- PSLF eligibility criteria:
  - Borrower must be working full-time for a public service organization, for example:
    - Federal, state, or local government organization or agency
    - Public child or family service agency
    - Non-profit organization under Section 501(c)(3) of IRS code
    - A tribal college or university
    - Certain private organizations (see handout)



## The Ins and Outs of Student Loan Repayment



- Application process:
  - The U.S. Department of Education is responsible for developing the application form for public service loan forgiveness
  - Expect more guidance in the future since the first forgiveness will not occur until after 10/1/2017



## The Ins and Outs of Student Loan Repayment



- Other forgiveness programs
  - Peace Corp
  - AmeriCorps
  - VISTA (Volunteers in Service to America)
  - National Guard
  - U.S. Departments of Defense, Health and Human Services, and Agriculture



## The Ins and Outs of Student Loan Repayment



- How do I request loan forgiveness?
  - Contact your loan holder/servicer or sponsoring organization
    - Online resources available at:
      - [www.tgslc.org/borrowers](http://www.tgslc.org/borrowers)
      - [www.studentloans.gov](http://www.studentloans.gov)



## The Ins and Outs of Student Loan Repayment



- Helpful resources
  - [www.federalstudentaid.ed.gov/students.html](http://www.federalstudentaid.ed.gov/students.html)
  - [www.studentloans.gov](http://www.studentloans.gov)
  - [www.nsls.ed.gov](http://www.nsls.ed.gov)
  - [www.dl.ed.gov](http://www.dl.ed.gov)
  - [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)
  - [www.finaid.org](http://www.finaid.org)
  - [www.tgslc.org/borrowers](http://www.tgslc.org/borrowers)
  - [www.aie.org](http://www.aie.org)



## Questions?

This presentation is available for download at

[www.tgslc.org/tgconference](http://www.tgslc.org/tgconference).



**TG can help.**

© 2011 Texas Guaranteed Student Loan Corporation  
To order additional copies, or to request permission to reproduce any of the information provided,  
please call TG Communications at (800) 252-9743.