Repayment of Your Student Loan Debt
Agenda

- What are my rights and responsibilities?
- How do I choose a repayment plan?
- What are consequences of default?
- Where can I find help if I cannot pay?
What are my rights?

- Borrowers have the right to know the:
  - Amount borrowed
  - Interest rate
  - Date repayment begins
  - Servicer
  - Fees (if any) associated with loan
Know how much you owe

- National Student Loan Data System (NSLDS)
  - [www.NSLDS.ed.gov](http://www.NSLDS.ed.gov)
  - 1-800-4-FED-AID
- Use your FSA ID (username and password) to access this information
## Types of Federal Student Loans

<table>
<thead>
<tr>
<th>Types of Federal Student Loans</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidized Direct Federal Stafford Loans</td>
<td>Loans based on financial need.</td>
</tr>
<tr>
<td>Unsubsidized Direct Federal Stafford Loans</td>
<td>Loans not based on financial need.</td>
</tr>
<tr>
<td>Federal PLUS Loans: Parent PLUS Grad PLUS</td>
<td>Loans borrowed by an undergraduate student’s parents or by a graduate or professional degree-seeking student. In order to qualify, the borrower must not have adverse credit or must obtain a credit-worthy endorser.</td>
</tr>
<tr>
<td>Federal Consolidation Loans</td>
<td>Multiple student loans consolidated or merged into one new loan.</td>
</tr>
<tr>
<td>Federal Perkins Loans</td>
<td>Loans for which you make repayment to the school.</td>
</tr>
</tbody>
</table>
Interest: Simple Daily Basis

Example: a $10,000 Direct Loan balance at 6.8% interest would be calculated for the month of July as:

\[ \text{Interest} = \text{Outstanding Principal Balance} \times \frac{\text{Interest Rate}}{365} \times \text{# days in billing cycle} \]

\[ $10,000 \times \left( \frac{0.068}{365} \right) \times 31 = \$57.75 \]
Life cycle of a student loan

In School  Grace  Repayment
What are my responsibilities?

- Borrowers have the responsibility to:
  - Repay the amount borrowed plus interest
  - Update personal contact information when it changes
  - Seek help when unable to pay
Repayment

- Borrowers must repay EVEN IF you:
  - Are dissatisfied with school or services
  - Are not able to secure employment
  - Do not complete your program of study
Repayment Plan Choices

- Standard
- Graduated
- Extended
- Income-Based
  - (IBR, PAYE, REPAYE, ICR, ISR)
Standard

- Maximum repayment period of 10 years
- Minimum monthly payment is $50 but may be higher depending on balance
- Fixed monthly payment
Graduated

- Maximum repayment period of 10 years
- Begins with lower payments that increase every two years
- More interest accrues over the life of the loan because principal decreases at a slower rate
Extended

- Must have balance of $30,000 or more in federal student loans
- Payments can be fixed or graduated
- Maximum repayment term of 25 years
- Longer loan payment period means more interest accrues and principal decreases at a slower rate
Income-Based Repayment Plans (IBR, PAYE, REPAYE, ICR, ISR)

- Payments adjust annually based:
  - Income
  - Family Size
  - Poverty Guidelines
- Some qualify for forgiveness of remaining debt
- Must certify income annually
Income-Based (IBR)

- Payment will be lesser of:
  - 15% of discretionary income OR
  - 10-year Standard Plan amount
- Forgiveness of remaining debt after 25 years
- [www.IBRinfo.org](http://www.IBRinfo.org)
Pay As You Earn (PAYE)

- Payment will be lesser of:
  - 10% of discretionary income OR
  - 10-year Standard Plan amount

- Remaining balance forgiven after 20 years and MAY be taxable
Revised Pay As You Earn (REPAYE)

- Payment can be more than 10-year Standard Plan amount
- Spouse’s income/student loan debt considered whether taxes are filed jointly or separately
- Remaining balance forgiven after 20 or 25 years and MAY be taxable
Income-Contingent (ICR)

- Payment will be the lesser of:
  - 20% of discretionary income OR
  - 10-year Standard Plan multiplied by a % based on income
- Forgiveness of remaining debt after 25 years and MAY be taxable
Income Sensitive (ISR)

- Adjusted payment amount based on annual income
- Payments change as income changes
- For Federal Family Education Loans (FFEL) ONLY
- Payment period up to 10 years
## Sample Comparison: Single/Household size=1/AGI $20,000
### $26,946 Total Student Loan Debt @ 3.9%

<table>
<thead>
<tr>
<th>Plan</th>
<th>Payment</th>
<th>Projected Loan Forgiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard (120 months = 10 yrs)</td>
<td>$272/month</td>
<td>$0</td>
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<tr>
<td></td>
<td>$32,585 total</td>
<td></td>
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<tr>
<td>Graduated (120 months = 10 yrs)</td>
<td>$152 to $455/month</td>
<td>$0</td>
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<tr>
<td></td>
<td>$33,979 total</td>
<td></td>
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<tr>
<td>Pay As You Earn** (240 months = 20 yrs)</td>
<td>$18 to $191/month</td>
<td>$26,389</td>
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<tr>
<td></td>
<td>$21,572 total</td>
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</tr>
<tr>
<td>Revised Pay As Your Earn** (300 months = 25 yrs)</td>
<td>$18 to $278/month</td>
<td>$11,352</td>
</tr>
<tr>
<td></td>
<td>$36,048</td>
<td></td>
</tr>
<tr>
<td>Income Based Repayment** (299 months)</td>
<td>$27 to $272/month</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$48,067 total</td>
<td></td>
</tr>
<tr>
<td>Income Contingent Repayment ** (251 months)</td>
<td>$135 to $184/month</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td>$40,203</td>
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</tbody>
</table>
Staying on Track

- Use a Repayment Estimator to compare and select a plan that best fits your budget:
  - [www.StudentAid.ed.gov](http://www.StudentAid.ed.gov)
  - [www.FinAid.org](http://www.FinAid.org)

- Make monthly payments ON TIME
- Sign up for automatic withdrawal if option is offered
Delinquency

- If payment is made ONE day late, the borrower is considered delinquent
- Make sure payments arrive on or BEFORE the due date
Default

- If no payments are made for 270 days (or 9 months), borrowers are classified in “default status”
- There are many consequences to defaulting on a student loan
Consequences of Default

- Owe entire balance immediately
- Ineligible for interest rate reductions
- Ineligible for deferments/forbearances
- Ineligible for additional financial aid
- Lose positive rating on credit report
Consequences of Default

- Potentially assigned to a collection agency which will incur additional costs and fees
- State/federal income tax refunds may be withheld (offset)
- Part of wages may be withheld (garnished)
- Florida Lottery winnings may be withheld (offset)
Consequences of Default

- Potential denial of a professional license (medical, legal, etc.)
- Florida students:
  - Academic transcripts will be held as required by Florida Statute 1009.95
Where to find help

- Contact the servicer IMMEDIATELY if unable to make a scheduled payment
- Options include:
  - Repayment plan change
  - Deferment
  - Forbearance
  - Consolidation
Options Available

**Deferment**
- Special circumstances

**Forbearance**
- Determined by the lender

**Consolidation**
- Merging all loans into one new loan
Communicating with the Servicer

- Program servicer contact information into your cell phone for easy access
- Notify of any changes to address, employment, e-mail address, cell number
- Keep a folder of all loan records in a safe place
- Document each communication with servicer for reference
Resolving Disputes

- Self-Resolution Checklist
  - www.StudentAid.ed.gov
- Common Issues and How to Resolve
  - www.StudentAid.ed.gov/repay-loans/disputes
- Ombudsman Office
  - 1-877-557-2575
  - www.StudentAid.ed.gov/repay-loans/disputes/prepare
Cancellation of student loan debt

- Death
- Disability (total and permanent)
- School Closure
- Identity Theft
- False Loan Certification
- Failure of school to pay a refund if student withdraws
- Bankruptcy (in rare cases)
Saving Money

- Tax Deductions
  - American Opportunity Tax Credit
  - Lifetime Learning Credit
  - [www.IRS.gov/publications/p970](http://www.IRS.gov/publications/p970)

- Loan Forgiveness Programs
  - [www.StudentAid.ed.gov](http://www.StudentAid.ed.gov)
  - [www.FinAid.org](http://www.FinAid.org)
Mapping Your Future (MYF)

- MYF is a non-profit organization dedicated to combining person-to-person financial counseling with online resources to help students plan for the future
  - College preparation
  - School selection
  - Career exploration
  - Money management

www.mappingyourfuture.org
Navigating Your Financial Future (NyFF)

- Financing higher education
- Managing day-to-day money
- Career planning
- School/Life management

www.navigatingyourfuture.org
Contact us

- E-mail: osfa@fldoe.org
- Telephone: 1-800-366-3475
- OSFA Outreach:
  - Representative Name
  - Representative Number
  - Representative E-mail