

Welcome John Carroll University Graduates! Exit Interview Counseling Session

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Exit Counseling Agenda:

- Loan Borrowers - Rights and Responsibilities
- Repayment Options/Loan Consolidation
- Deferment and Forbearance Options
- Delinquency & Default Consequences
- Credit Score Impact and Why Credit Matters

Student Loan Borrower Rights

- To be provided with clear & concise loan information
- Notification of any changes in lender/servicer
- Loan prepayment without penalty
- Deferment and Forbearance options available

Student Loan Borrower Responsibilities

- Repay loans at specified terms & rates
(Full details - outlined on loan promissory note)
- Notify lender/servicer of any change in status
- Notify lender/service of any change in address



Different Loan Types Different Responsibilities

Federal Student Loans are loans made by the United States Department of Education.

Private Student Loans are any other type of student loans that are not federal student loans.



Federal Direct PLUS

The loan is in a parent's name and remains in the parent's name for the life of the loan. Loan cannot be transferred to a student. Keeps debt out of student's name. Parent is solely responsible for repayment.



Federal Direct (Subsidized/Unsubsidized)

Student takes out a loan in own name not the parents'. Student is individually accountable for paying back these loans. Making on-time payments are important steps in building stronger credit.



Private Student Loans

Student takes loan out with a creditworthy cosigner if student has not yet built a strong credit history. Both parties' credit is impacted. Both student and cosigner are equally responsible for repayment.

Student Loan Repayment Options:

- **Standard Repayment**
 - An installment amount that remains the same for the life of the loan
 - Annual minimum \$600; \$50.00 per month
 - 10 year standard maximum repayment period
 - Typically yields the lowest overall loan cost due to ten year repayment period.

Graduated Repayment Plan

Graduated Plan

- Offers a schedule of payments that will change periodically, your payments will start out low and increase every two years
- Payment must at least cover accruing interest and is up to ten years long
- Advantage is that it provides a lower initial monthly payment, with payment rising at defined increments (helps borrowers who need short-term payment relief)
- Good option for those starting with lower salary but expect salary jump in a few years

Extended Repayment Plan

Extended Repayment

- You will pay a fixed annual or graduated repayment amount over a period not to exceed 25 years
- Total loans under that program must be > \$30,000 all loans for this program were disbursed on or after 10/7/98
- Provides a lower monthly payment for the entire repayment term, but longer repayment term typically results in higher overall interest costs

Income-Related Repayment Plans

Income-Based Repayment (IBR)

- Your maximum monthly payments will be 15% 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). To qualify for this you must initially show that you have a financial hardship. If you have not repaid your loan in full after making the equivalent of 25 years of qualifying monthly payments, any outstanding balance on your loan will be forgiven. **You may have to pay income tax on any amount that is forgiven.**
- To apply complete the Income-Driven Repayment Plan Request on [StudentLoans.gov](https://studentloans.gov) and provide requested information.
- Reapply annually

Income-Related Repayment Plans

Pay As You Earn Repayment Plan

- Generally maximum monthly payments will be 10 percent of discretionary income and based on your family size and state of residence (other conditions apply). Your payments change as your income changes. Up to 20 years.
- You must be a new borrower on or after Oct. 1, 2007, and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011.
- You must have a partial financial hardship
- You'll pay more for your loan over time than you would under the 10-year standard plan.
- If you have not repaid your loan in full after you made the equivalent of 20 years of qualifying monthly payments, any outstanding balance on your loan will be forgiven under undergrad studies. After 25 years for graduate or professional study
- You may have to pay income tax on any amount that is forgiven.

Income-Related Repayment Plans

Income-Contingent Repayment Plan (ICR)

- Payments are calculated each year and are based on your adjusted gross income, family size, and the total amount of your Direct Loans
- Under ICR Plan, your payments change as your income changes.
- Payments will not exceed 20% of discretionary income
- Balance forgiven after 25 years of payments (under current tax law). **You may have to pay income tax on amount forgiven.**

Selecting a Repayment Plan

- Each plan has advantages and considerations and is based on your personal situation
- Evaluate which plan best fits your personal goals
- Consider:
 - Initial monthly payment amount and later monthly payment amounts
 - Total interest costs
 - Possible tax consequence

Repayment Plan Summary

John Smith has \$35,000 in Direct Loan debt at an interest rate of 4.66%. His income is \$30,000, he is single, and he lives in Indiana. His income increases at a rate of 5% per year.

| Repayment Plan | Initial Payment | Final Payment | Total Paid | Total Paid in Interest | Total Time in Repayment | Forgiveness |
|--------------------|-----------------|---------------|------------|------------------------|-------------------------|-------------|
| 10-Year Standard | \$366 | \$366 | \$43,934 | \$8,934 | 10 years | - |
| Graduated | \$206 | \$619 | \$46,212 | \$11,212 | 10 years | - |
| Extended | \$199 | \$199 | \$59,561 | \$24,561 | 25 years | - |
| Extended Graduated | \$137 | \$332 | \$65,102 | \$30,102 | 25 years | - |
| Income-Based | \$156 | \$366 | \$53,706 | \$18,706 | 15 yr., 5. mo. | \$0 |
| Pay As You Earn | \$104 | \$361 | \$50,699 | \$28,620 | 20 years | \$12,920 |
| Income-Contingent | \$240 | \$315 | \$49,347 | \$14,347 | 15 yr., 5. mo. | \$0 |

Federal Consolidation - Another Repayment Option

Consolidation is an option for borrowers who have Federal Education Loans that are:

- In grace, repayment, deferment or forbearance status
- Serviced by multiple servicers
- Are not in default

Considering Consolidation?

- Advantages:
 - Often lowers monthly payment amount by extending the repayment term
 - Helpful to borrowers with multiple servicers who are seeking a single payment
 - Replaces interest rates on multiple current loans with a single interest rate on the consolidation loan
- Federal Consolidation Repayment Term
 - Ranges from 10 to 30 years based on total education debt
 - Interest rate is based on weighted average of current rates rounded to the nearest one-eighth of 1%
 - For more information visit <https://studentaid.ed.gov>
 - Click on “How to Repay Your Loans” then “Loan Consolidation”

Direct Consolidation - Eligible Loans

- Most Federal student loans, including the following, are eligible:
 - Direct Subsidized Loans and Direct Unsubsidized Loans
 - Subsidized Federal Stafford Loans and Unsubsidized Federal Stafford Loans
 - Direct PLUS Loans
 - PLUS loans from the Federal Family Education Loan (FFEL) Program
 - Supplemental Loans for Students (SLS)
 - Federal Perkins Loans
 - Federal Nursing Loans
 - Health Education Assistance Loans
 - Some existing consolidation loans
- Private education loans are not eligible for consolidation under any Federal option
- PLUS loans made to a parent cannot be combined with a dependent student's loans through consolidation

More Options for Consolidation

Federal Debt

- The Federal Direct Consolidation Loan Program offers borrowers the opportunity to consolidate existing Federal loans at a weighted average of their current interest rates, rounded to the nearest $1/8^{\text{th}}$ of 1percent.
- This program is not credit based, and continues to offer the federal loan benefits.

Private Debt

- Private Debt can be consolidated with a number of banks, local credit unions, peer lending networks
- Private loan consolidation may offer more attractive rates for well qualified borrowers. Applications are typically credit based and you may be charged origination or applications fees.

Federal and Private

- Few options currently exist for combining BOTH federal and private debt.
- Some banks and credit unions may offer some ability to consolidate all student debt, though may be limited by degree type, school attended or other criteria.
- Approval is based on credit.
- Fixed and variable rate options may be available

Deferment and Forbearance

- Postpone making payments or lowering monthly payments
- All deferments have eligibility criteria
- Some forbearances have eligibility criteria; others are at the lender's discretion
- Most have time limits
- Unpaid interest capitalizes at end
- Interest does not accrue on subsidized loans during deferments
- Time does not count against repayment period

Deferment & Forbearance Reasons

Deferment

- Unemployment (up to 3 yrs)
- Economic hardship (up to 3 yrs)
- Graduate fellowship
- Rehabilitation training program
- Military
- In-school

Forbearance

- Medical/dental internship residency
- Student loan debt burden
- AmeriCorps
- Teacher Loan Forgiveness
- DOD Student Loan Repayment Program
- National Guard
- Medical/other acceptable reasons

Discharge, Forgiveness, Cancellation

Death (DL, FFEL, Perkins)

Disability (DL, FFEL, Perkins)

Public Service (DL)

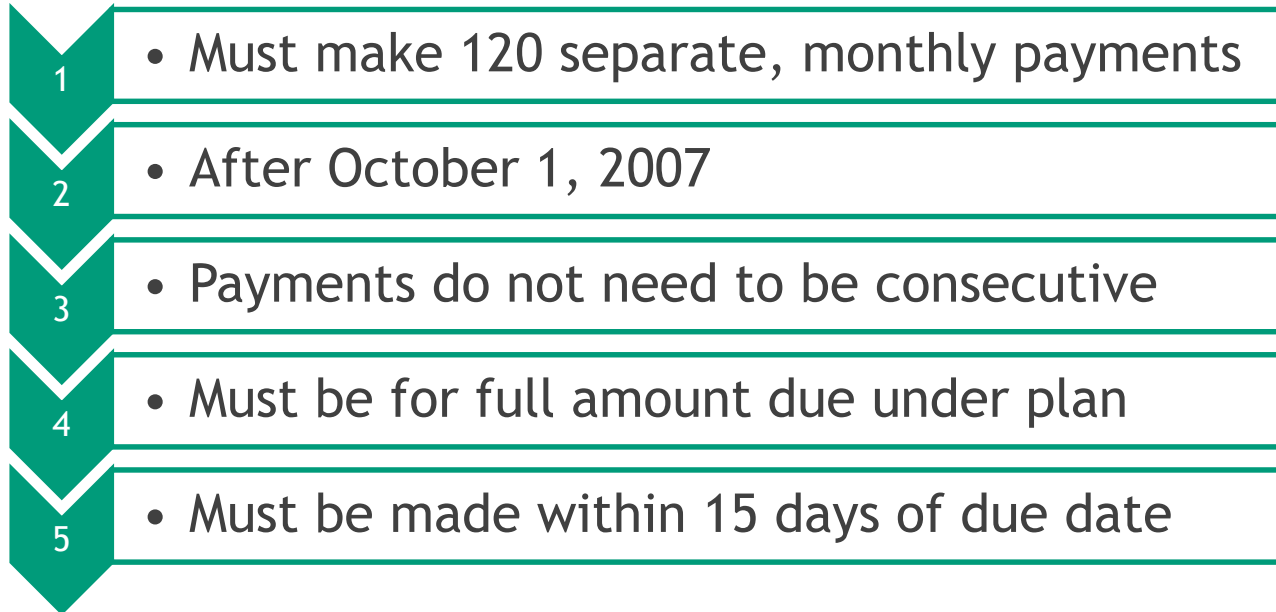
Teaching (DL, FFEL, Perkins)

Public Service Loan Forgiveness



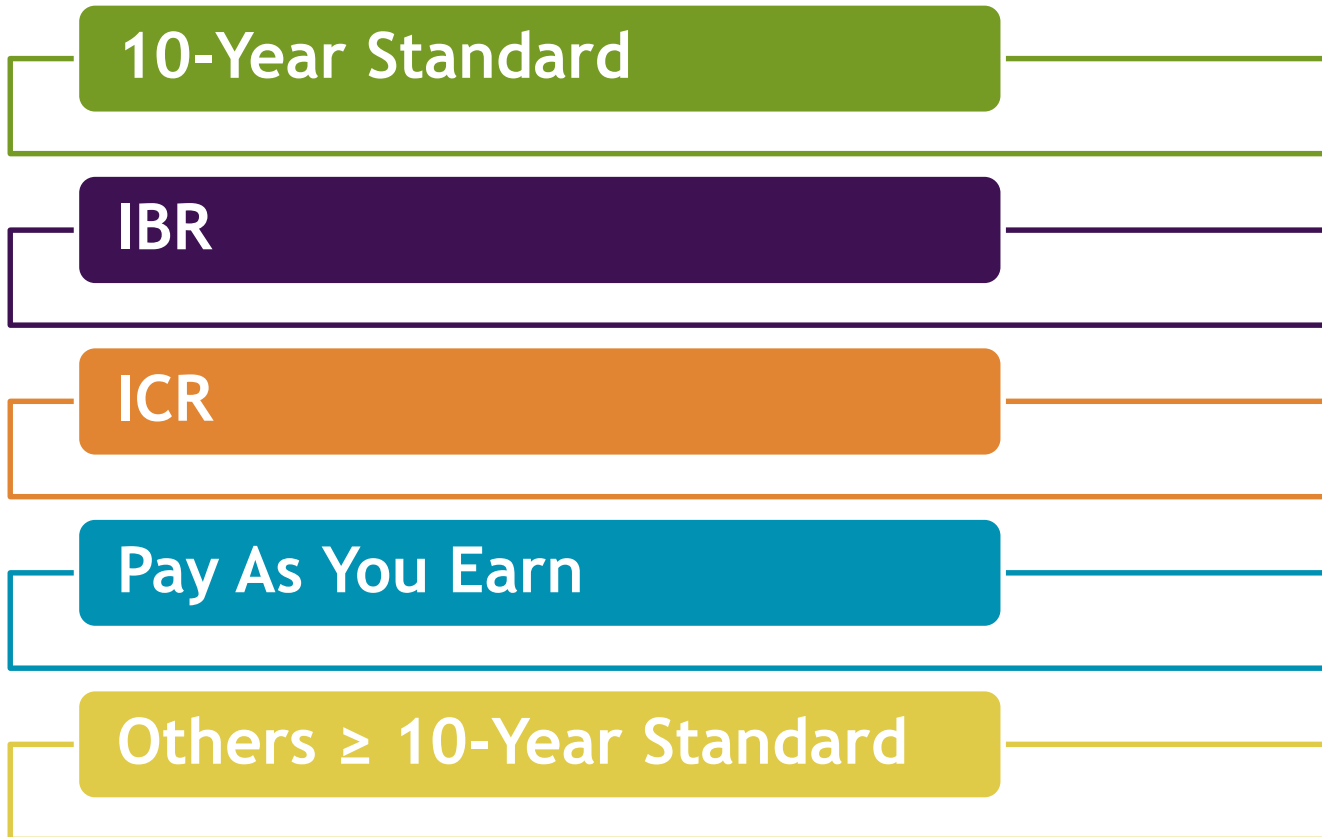
- Borrower must also be employed by a qualifying organization at the time that the borrower applies for and receives PSLF
- According to the IRS, the forgiven amount is *not* treated as taxable income
- Details about the program: [StudentAid.gov/public service](https://studentaid.gov/public-service)

PSLF - Qualifying Payments



- Multiple, partial payments during the borrower's monthly billing cycle will qualify if they add up to equal or exceed the borrower's monthly payment amount
- A borrower will not receive credit for more than one payment toward PSLF if the borrower makes a lump sum payment (e.g., makes a single payment equal to two or more full monthly payments)
 - Exception for AmeriCorps and Peace Corps borrowers who make lump sum payments using education award or transition payment

PSLF - Qualifying Repayment Plan



Income-driven plans are most likely to leave a remaining balance for forgiveness after 120 qualifying payments

PSLF - Qualifying Employment

1

- Any government organization

2

- 501(c)(3) not-for-profit organization

3

- Other not-for-profit organizations providing specific qualifying services

- Doesn't matter what the borrower's job duties are
- Borrower can work at multiple organizations while making the required 120 payments

Additional Resources - StudentAid.gov

Federal Student Aid

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Repay Your Loans

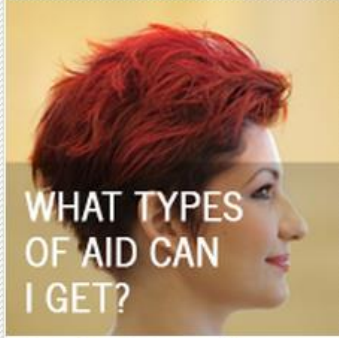
Minds can achieve anything. We make sure they get to college.

At Federal Student Aid, we make it easier to get money for higher education.



HOW DO I
PREPARE FOR
COLLEGE?

Learn about exploring careers, choosing and applying to schools, and taking required tests. Use checklists to help get ready.



WHAT TYPES
OF AID CAN
I GET?

Read about the types of financial aid available from the government and other sources: grants, scholarships, loans, and work-study.



DO I
QUALIFY
FOR AID?

Most people are eligible for financial aid. Find out who gets aid, how to stay eligible, and how to get eligibility back if you've lost it.



HOW DO I
APPLY FOR
AID?

Learn how to submit your *Free Application for Federal Student Aid* (FAFSASM), how aid is calculated, and how you'll get your aid.



HOW DO I
MANAGE
MY LOANS?

Choose a repayment plan, pay on time, avoid default, and get help with problems.

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[WELCOME TO STUDENTAID.GOV!](#)

Remember.....



If experiencing payment difficulties, consider your options:

- Change Repayment Plan to reduce monthly payments
- Deferment
- Forbearance
- Communicate with your servicer if you are having any financial difficulties

Delinquency & Default Consequences

- **Delinquency**
 - If you are late on a payment
 - Over 90 days - credit bureaus notified
- **Default**
 - If you are 270 days late on a payment
 - Reported to credit bureaus - remains on credit history for 7 years
 - May affect ability to obtain other forms of credit

Most Common Reasons for Default

- Deferments were not filed
- Address changes were not reported
- Loans not repaid in accordance to terms
- Borrower does not respond to mailings/emails

Delinquency & Default

- **Preventive Measures**
 - **Communicate with your lender/servicer!**
 - Know your options
 - Maintain good records of correspondence
 - Know the holder of your loans
 - Notify lender/servicer of any changes

- **Default Consequences**
 - Loans may become immediately due
 - State and Federal tax refunds may be withheld
 - Litigation may be initiated
 - College records may be withheld
 - Wages garnished & liens placed on properties

Impact On Your Credit Score Rating

- Your credit score will be damaged (lower credit scores)
- Difficulty qualifying for credit cards, car loans, mortgage, or renting an apartment
- Difficulty securing a job, getting a cell phone plan, and car insurance

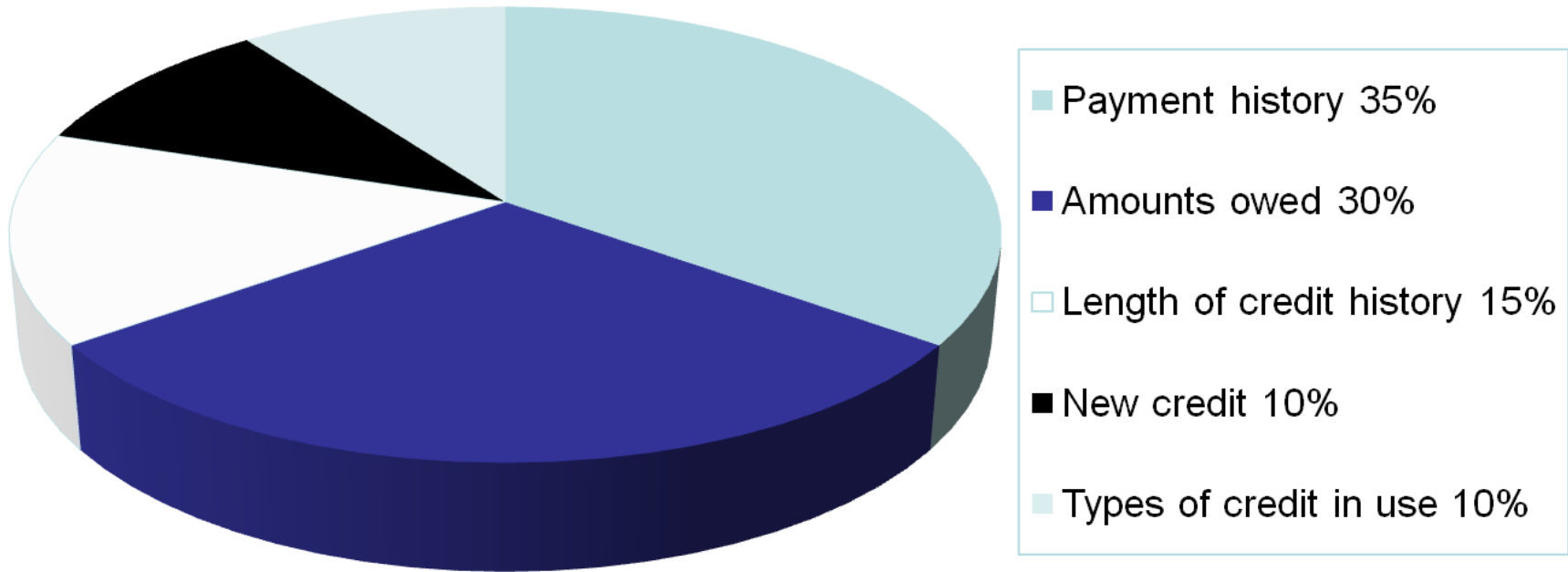


So What's a Credit Score, Anyway?

- Using information that appears on a credit report, a rating is calculated to indicate to potential lenders how credit worthy an applicant is.
- Used by lenders, insurance companies, landlords, insurers, employers, and other businesses to evaluate your applications for credit, insurance, employment, or renting a home.




Factors Behind Each Score



Why Credit Scores Matter!

| 30-year fixed mortgage Loan amount \$200,000 | | |
|-------------------------------------------------|----------------------------------------------|-----------------|
| Credit score | Annual percentage rate (national average) | Monthly payment |
| 760-850 | 4.093% | \$966 |
| 700-759 | 4.315% | \$992 |
| 680-699 | 4.492% | \$1,012 |
| 660-679 | 4.706% | \$1,038 |
| 640-659 | 5.136% | \$1,091 |
| 620-639 | 5.682% | \$1,159 |



(\$193 more than the lowest monthly payment or \$69,480 over the life of the loan)

Source: myfico.com - rates as of 1/21/14; for illustrative purposes only

Where to Begin - Find Out What You Owe

The National Student Loan Data System (NSLDS):

- Centralized national database
- Stores information on federal grants and loans in one place (not private student loans)

Access NSLDS at www.nsls.ed.gov



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National Student Loan Data System (NSLDS) for Students

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NSLDS STUDENT ACCESS

National Student Loan Data System

Retrieve Your Loan Information

The National Student Loan Data System (NSLDS) is the U.S. Department of Education's (ED's) central database for student aid. NSLDS receives data from schools, guaranty agencies, the Direct Loan program, and other Department of ED programs. NSLDS Student Access provides a centralized, integrated view of Title IV loans and grants so that recipients of Title IV Aid can access and inquire about their Title IV loans and/or grant data.

[Financial Aid Review](#)

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Additional Resources - StudentAid.gov

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Getting out of Default

Resolving Disputes

Getting Prepared Before Seeking Help

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Choose a repayment plan, pay on

Helpful Resources

- Citizens Bank: <http://www.citizensbank.com/student-services/>
- National Student Loan Data System (NSLDS):
https://www.nsls.ed.gov/nsls_SA/
- Federal Student Aid Information: www.studentaid.ed.gov
- Federal Student Aid, Account Management:
<https://studentloans.gov/myDirectLoan/index.action>

Federal Loan Consolidation Information:

- StudentLoans.gov
- Federal Loan Consolidation Information Call Center 1-800-557-7392
- <https://studentaid.ed.gov/sa/repay-loans>

Questions?

