Repaying Your Student Loan

Florida Coastal School of Law
Workshop Objectives

• At the end of the workshop you will understand:
  – What options are available during repayment
  – What education-related tax incentives are available
  – What the difference is between delinquency and default
  – What the consequences of default are
  – What the most common borrower tips are
  – How to identify if consolidation is the right fit for you
Workshop Objectives

- At the end of the workshop you will understand:
  - How to contact the FSA Ombudsman
  - How to review your account information on NSLDS
  - What repayment terms are available
  - What repayment plans are available
  - How to determine your monthly repayment amount
  - What additional resources are available
Deferments

- A deferment is a period of time during which your lender temporarily suspends your regular payments if you meet certain conditions. Current deferments available:
  - At least half-time enrollment at an eligible institution
  - Graduate fellowship program
  - Approved disability rehabilitation training program
  - Military service
  - Unemployment
  - Economic hardship
Grace Period

- Subsidized and Unsubsidized – six months
- Grad PLUS – none
Forbearance

- A forbearance is also a period of time during which your lender temporarily suspends your regular payments
  - You may request a forbearance if you are willing but unable to make your full payments and do not qualify for a deferment
  - Forbearances are granted at your loan holder’s discretion
  - You are responsible for the interest that accrues during a forbearance period
Loan Cancellation or Discharge

• Your loan may be cancelled or discharged:
  – In the case of death, total or permanent disability, school closure, false certification, identity theft, or failure of the school to pay a refund if you withdraw

• Generally, federal student loans may NOT be discharged due to bankruptcy
Loan Forgiveness

- A public service loan forgiveness program was established under the College Cost Reduction and Access Act of 2007
  - The borrower may consolidate into Direct Lending in order to qualify for this loan forgiveness program on or after July 1, 2008
  - This program discharges any remaining debt (non-taxable income) after 10 years of full-time employment in public service
  - The borrower must have made 120 payments as part of the Direct Loan program in order to obtain this benefit
    - Only payments made on or after October 1, 2007 count toward the required 120 monthly payments
  - For more information on this loan forgiveness program, please visit:
    - www.finaid.org/loans/publicservice.phtml
Tax Credits

• To learn more about the following tax credits, please consult a Tax Advisor:
  – American Opportunity Credit
  – Lifetime Learning Tax Credit

• For more information, please visit:
Tax Deductions

• To learn more about the following tax deductions, please consult a Tax Advisor:
  – Tuition and Fees
  – Student Loan Interest
  – Qualified Student Loan
  – Qualified Education Expenses
  – Business Deduction for Work-Related Education
  – Qualified Work-Related Education
  – Education Required by Employer or by Law
  – Education to Maintain or Improve Skills
Delinquency

- Notify your loan holder immediately if you anticipate difficulty making a payment
- If you fail to pay all or part of a payment when it is due, your loan holder may assess late charges
- Your loan holder will report your past due status to the national credit bureaus and will initiate collection actions against you if you fail to make full, timely payments
Default

- A loan is considered in default if it becomes 270 days past due.
- A loan is also considered in default if a borrower fails to meet other terms of the Master Promissory Note (MPN) or other written agreement(s) with the lender under circumstances where the guarantor of the loan reasonably concludes that the borrower no longer intends to honor the borrower’s obligation to repay the loan.
Consequences of Default

- Defaulting on your student loan can have serious consequences
  - Damage to your credit rating
  - Referral of your account to a collection agency
  - Collection costs
  - Wage garnishment
  - Offset of your state or federal Treasury payments
  - Civil lawsuit, including court costs and legal expenses
  - Loss of financial aid eligibility
  - Loss of deferment and forbearance entitlements
  - Loss of flexible repayment options
  - Suspension of a professional license
Florida Statute 1009.95 requires ALL Florida schools to abide by the following:

- No individual borrower who has been determined to be in default in making legally required scholarship loan, student loan, or guaranteed loan repayments shall be furnished with his or her academic transcripts or other student records until such time as the loan is paid in full or the default status has been removed.
Borrower Tips

- Try to make payments while you are in school, in grace or during any deferment or forbearance period
- Only extend your repayment term if needed
- Remember that you may prepay all or part of your loan (including principal, interest and deducted fees) at any time without penalty
- Inform your loan holder of changes in your name, mailing address, telephone, SSN so that all correspondence is promptly directed to you
- Read and keep all documents you receive pertaining to your student loan and be sure to understand your loan amount and the payments that will be required
- If you are experiencing financial hardship and are unable to make your payments, call your loan holder for information regarding the options available to you
Consolidation

- If you have borrowed multiple student loans to finance your education, you may be faced with multiple monthly payments that are difficult to afford. If so, consolidation may be an option for you to consider. To determine if consolidation is the right fit for you, please visit the Mapping Your Future Web site for further information:
  - www.mappingyourfuture.org/paying/consolidation/
FSA Ombudsman

- The Federal Student Aid (FSA) Ombudsman works with student loan borrowers to resolve loan disputes and problems informally
  - Office of the Ombudsman
  - 1-877-557-2575
  - www.ombudsman.ed.gov
The National Student Loan Data System (NSLDS) is:
- 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
- NSLDS does not include information regarding private loans
- To access NSLDS online, please visit their Web site:
  - www.nslds.ed.gov
# Repayment Terms

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stafford</td>
<td>The standard repayment term is 10 years. Federal regulations require a $50 minimum monthly payment. You will have a 6-month grace period before payment begins. The grace period begins the day after you graduate, withdraw from school, or drop below half-time.</td>
</tr>
<tr>
<td>Parent PLUS</td>
<td>The standard repayment term is 10 - 25 years. Federal regulations require a $50 minimum monthly payment. Repayment normally begins 60 days after the loan is fully disbursed or not until six months after the dependent student on whose behalf the parent borrowed (if a deferment has been requested).</td>
</tr>
<tr>
<td>Grad PLUS</td>
<td>The standard repayment term is 10 years. Federal regulations require a $50 minimum monthly payment. You will have a 6-month grace period before payment begins. The grace period begins the day after you graduate, withdraw from school, or drop below half-time.</td>
</tr>
<tr>
<td>Option</td>
<td>Description</td>
</tr>
<tr>
<td>-----------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Standard</td>
<td>Payment amount will be the greater of the minimum necessary to pay the loan in full in ten years or $50.00.</td>
</tr>
<tr>
<td>Graduated</td>
<td>Payment amount starts lower than standard repayment and has periodic increases throughout repayment. Repayment period not to exceed ten years.</td>
</tr>
<tr>
<td>Extended Repayment</td>
<td>Repayment period can be extended up to 25 years if borrower's first loan was disbursed on or after October 7, 1998 and borrower's federal student loan balance totals more than $30,000.00.</td>
</tr>
<tr>
<td>Income-Contingent</td>
<td>Direct Loan repayment program based on income, family size and outstanding loan balance. Payment amount adjusted annually, as needed. Repayment period not to exceed 25 years.</td>
</tr>
<tr>
<td>Income-Sensitive</td>
<td>FFEL repayment program based on income. Each lender's formula for determining the monthly payment amount under this plan can vary. Repayment period not to exceed ten years.</td>
</tr>
</tbody>
</table>
Income Based Repayment

• Ideal for borrowers with high debt and low income
• Payments not to exceed 15% of annual income
• Eligible loans include Stafford, Grad PLUS and consolidation
  – DOES NOT INCLUDE PRIVATE LOANS
• Must renew participation on an annual basis
• Repayment program depends on family size and income
  – Married filing separately only reports borrower income and student loan debt
  – Married filing jointly reports both borrower and spouse’s income
• Under regular IBR repayment plan, balance due after 25 years is dischargeable and taxable
• Under PSLF IBR repayment plan, balance due after 10 years is dischargeable and non-taxable

www.studentaid.ed.gov/IBR/ or www.finaid.org/IBR
Income Based Repayment

• For a typical law school graduate pursuing a career as a public defender, the annual income is about $40,000 and the total federal education debt is $120,000.
  – Monthly IBR pymt = 8.9% of monthly income
  – Monthly ICR pymt = 11.9% of monthly income
  – Monthly ER pymt = 23.5% of monthly income
  – Monthly ST pymt = 41.4% of monthly income

• Under the PSLF program, after working as a public defender for ten years all the remaining debt would be forgiven, including the original $120,000 loan balance and more than $30,000 in accrued but unpaid interest.

www.studentaid.ed.gov/IBR/ or www.ibrinfo.org
Pay As You Earn Repayment

- Must be a new borrower as of Oct. 1, 2007, and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011
- Payments not to exceed 10% of annual income
- Eligible loans include Stafford, Grad PLUS and consolidation
  - DOES NOT INCLUDE PRIVATE LOANS
- Must renew participation on an annual basis
- Repayment program depends on family size and income
  - Married filing separately only reports borrower income and student loan debt
  - Married filing jointly reports both borrower and spouse’s income
- Under regular PAYE repayment plan, balance due after 20 years is dischargeable and taxable
- Under PSLF PAYE repayment plan, balance due after 10 years is dischargeable and non-taxable
# Repayment Chart

<table>
<thead>
<tr>
<th>Amount Borrowed</th>
<th># of Payments</th>
<th>6.00% Payment Amount</th>
<th>6.00% Total Interest</th>
<th>6.80% Payment Amount</th>
<th>6.80% Total Interest</th>
<th>8.25% Payment Amount</th>
<th>8.25% Total Interest</th>
<th>9.00% Payment Amount</th>
<th>9.00% Total Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>$60,000</td>
<td>120</td>
<td>$666</td>
<td>$19,935</td>
<td>$690</td>
<td>$22,858</td>
<td>$736</td>
<td>$28,310</td>
<td>$760</td>
<td>$31,207</td>
</tr>
<tr>
<td>$80,000</td>
<td>120</td>
<td>$888</td>
<td>$26,580</td>
<td>$921</td>
<td>$30,477</td>
<td>$981</td>
<td>$37,747</td>
<td>$1,031</td>
<td>$41,608</td>
</tr>
<tr>
<td>$100,000</td>
<td>120</td>
<td>$1,110</td>
<td>$33,224</td>
<td>$1,151</td>
<td>$38,097</td>
<td>$1,227</td>
<td>$47,183</td>
<td>$1,227</td>
<td>$52,011</td>
</tr>
</tbody>
</table>

To estimate your specific student loan payment use the online repayment calculator at:

http://www.mappingyourfuture.org/paying/standardcalculator.htm
## Repayment Example

<table>
<thead>
<tr>
<th>Example</th>
<th>Loan Amount</th>
<th>Estimated Total Interest</th>
<th>Estimated Monthly Payment</th>
<th>Estimated Salary Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined Loans: Undergraduate, Graduate, and Graduate PLUS <em>(based on 6.8%)</em></td>
<td>$100,000.00</td>
<td>$38,097.00</td>
<td>$1,151.00</td>
<td>$172,620.50</td>
</tr>
</tbody>
</table>

To determine the salary that you will need to afford your specific student loan debt use the online debt/salary wizard at:

http://www.mappingyourfuture.org/paying/debtwizard
Contact Us

• Pedro Hernandez, Outreach Representative
  – 850-245-1821
  – Pedro.Hernandez@fldoe.org

• Lori Auxier, Director of Outreach Services
  – 561-389-6346
  – Lori.Auxier@fldoe.org
Additional Resources

• Call us!
  – Florida Department of Education
  – Office of Student Financial Assistance (OSFA)
  – 1-800-366-3475
  – www.floridastudentfinancialaid.org