Student Loans
A comprehensive look at student aid and the various repayment options
According to the Bureau of Labor Statistics and the US Department of Labor, the average cost of college per year in the 2010-2011 term was:

$15,918/year for public college

$32,617/year for private college

The average tuition increases by 5.9% per year
What Type of Financial Aid is Available

• Scholarships
• Grants
• Work-Study
• Student Loans
Federal Student Loans

- Federal Perkins Loan
- William D Ford Stafford Loans (subsidized and unsubsidized)
- Direct PLUS Loans
- Direct Consolidation Loan
Federal Perkins Loan

- Undergraduate and Graduate Students
  - Based On Financial Need
- Currently 5% Fixed Annual Interest Rate
  - Undergraduate: Up to $5500/year
  - Graduate: Up to $8000/year
- $27,500 loan max for undergraduate
- $60,000 loan max for graduate (includes undergrad loans)
- Issued through the college
Direct Subsidized Stafford Loan

- Undergraduate Students
- Demonstrate financial need
- Interest rates vary depending on disbursement
- Annual loan limit is $3,500-$8,500 depending on year in school
  - Undergraduate :$23,000 loan max amount
- U.S Department of Education is the lender
- Current interest rate is 3.86% undergrad
Direct Unsubsidized Stafford Loan

- Undergraduate and Graduate
- Financial need is NOT required
- Annual loan limit $5,500-$20,500 depending on year in school and dependency status
- Maximum loan amount for dependent undergrad $31,000
- Maximum loan amount for independent undergrad $57,500
- Maximum loan amount for graduate student $138,500
- U.S Department of Education is the lender
- Current interest rate is 3.86% undergrad and 5.41% for graduate student
The Difference Between Subsidized and Unsubsidized

**Unsubsidized**
- Interest starts accruing from the time the funds are disbursed
- Student is responsible for paying all interest

**Subsidized**
- The Federal Government pays interest while you are in school and during grace and deferment periods
Direct PLUS Loans

- Parents of dependent undergraduate students
  - Graduate and professional students
    - Financial need is not required
    - May not have adverse credit history
  - 6.41% annual fixed interest rate (Current Rate)
- The annual loan limit is the student’s cost of attendance minus any other financial aid received
- There is no maximum loan amount
- Parent PLUS loans cannot be transferred to the student to become the student’s responsibility
- U.S Department of Education is the lender
Direct Consolidation Loans

- Students who would like to combine multiple federal loans into one loan
- Interest rate is based on the average interest rates of the loans being consolidated and cannot exceed 8.25%
How Do You Apply for Financial Aid

- FAFSA4caster – A calculator that allows you to get an estimate of the federal student aid you may receive
  - www.FAFSA4caster.ed.gov

- FAFSA - Free Application for Federal Student Aid
  - www.fafsa.gov
What Information Is Needed for FAFSA

• Student’s Social Security card
• Student’s driver's license
• Student’s W-2 forms and other records of money earned
• Student’s (and if married, your spouse's) 2012 Federal Income Tax Return.
• Student’s parents' 2012 Federal Income Tax Return (if they are a dependent student)
• Student’s 2012 untaxed income records
• Student’s current bank statements
• Student’s current business and investment mortgage information, business and farm records, stock, bond and other investment records
Federal vs Private Loans

<table>
<thead>
<tr>
<th>Federal Loans</th>
<th>Private Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Do not have to pay back loans until graduation, leave school or go less than half time</td>
<td>• Many loans require repayment while still in school</td>
</tr>
<tr>
<td>• Interest rates are fixed</td>
<td>• Can have variable interest rates as high as 18%</td>
</tr>
<tr>
<td>• No credit check</td>
<td>• May require an established credit record</td>
</tr>
<tr>
<td>• Entrance and Exit Counseling</td>
<td>• No counseling</td>
</tr>
<tr>
<td></td>
<td>• Can have higher fees</td>
</tr>
<tr>
<td></td>
<td>• Shorter repayment terms</td>
</tr>
</tbody>
</table>
We Graduated College!!!

NOW WHAT??????
Is This a Federal Loan?

National Student Loan Data System for Students

http://www.nslds.ed.gov/nslds_SA/
Repayment Plan Options

- Standard Repayment Plan
- Graduated Repayment Plan
- Extended Repayment Plan
- Income - Based Repayment Plan (IBR)
- Income - Contingent Repayment Plan
- Income - Sensitive Repayment Plan
- Pay as You Earn Repayment Plan
### Standard Repayment Plan

<table>
<thead>
<tr>
<th>Eligible Loans</th>
<th>Monthly Payment and Time Frame</th>
<th>Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Direct Subsidized and Unsubsidized Loans</td>
<td>- Payments are a fixed amount of at least $50 per month.</td>
<td>- You'll pay less interest for your loan over time under this plan than you would under other plans.</td>
</tr>
<tr>
<td>- Subsidized and Unsubsidized Federal Stafford Loans</td>
<td>- Up to 10 years</td>
<td></td>
</tr>
<tr>
<td>- All PLUS loans</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Eligible Loans
- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans

### Monthly Payment and Timeframe
- Payments are lower at first and then increase, usually every two years.
- Up to 10 years

### Comparison
- You'll pay more for your loan over time than under the 10-year standard plan.
Extended Repayment Plan

<table>
<thead>
<tr>
<th>Eligible Loans</th>
<th>Monthly Payment and Timeframes</th>
<th>Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Direct Subsidized and Unsubsidized Loans</td>
<td>• Payments may be fixed or graduated.</td>
<td>• Your monthly payments would be lower than the 10-year standard plan</td>
</tr>
<tr>
<td>• Subsidized and Unsubsidized Federal Stafford Loans</td>
<td>• 12-25 years</td>
<td>• Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans.</td>
</tr>
<tr>
<td>• All PLUS loans</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Eligible Loans
- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans made to students
- Consolidation Loans (Direct or FFEL) that do not include consolidated PLUS loans made to parents

### Monthly Payment and Timeframes
- Your maximum monthly payments will be 15 percent of discretionary income, the difference between your Adjusted Gross Income and 150% of the poverty guideline for your family size and state of residence (conditions apply).
- Up to 25 years

### Comparison
- You must have a partial financial hardship.
- Your monthly payments will be lower than payments under the standard plan.
- 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 making the equivalent of 25 years your loan may be cancelled.
# IBR Guidelines

## Income-based repayment guidelines

<table>
<thead>
<tr>
<th>Annual income</th>
<th>Family size</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$15,000</td>
<td></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$20,000</td>
<td></td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$25,000</td>
<td></td>
<td>$46</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$30,000</td>
<td></td>
<td>$108</td>
<td>$37</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$35,000</td>
<td></td>
<td>$171</td>
<td>$99</td>
<td>$28</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$40,000</td>
<td></td>
<td>$233</td>
<td>$162</td>
<td>$90</td>
<td>$18</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$45,000</td>
<td></td>
<td>$296</td>
<td>$224</td>
<td>$153</td>
<td>$81</td>
<td>$9</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$50,000</td>
<td></td>
<td>$358</td>
<td>$287</td>
<td>$215</td>
<td>$143</td>
<td>$72</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$55,000</td>
<td></td>
<td>$421</td>
<td>$349</td>
<td>$278</td>
<td>$206</td>
<td>$134</td>
<td>$63</td>
<td>$0</td>
</tr>
<tr>
<td>$60,000</td>
<td></td>
<td>$483</td>
<td>$412</td>
<td>$340</td>
<td>$268</td>
<td>$197</td>
<td>$125</td>
<td>$54</td>
</tr>
<tr>
<td>$65,000</td>
<td></td>
<td>$546</td>
<td>$474</td>
<td>$403</td>
<td>$331</td>
<td>$259</td>
<td>$188</td>
<td>$116</td>
</tr>
<tr>
<td>$70,000</td>
<td></td>
<td>$608</td>
<td>$537</td>
<td>$465</td>
<td>$393</td>
<td>$322</td>
<td>$250</td>
<td>$179</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$671</td>
<td>$599</td>
<td>$528</td>
<td>$456</td>
<td>$384</td>
<td>$313</td>
<td>$241</td>
</tr>
</tbody>
</table>
## Income-Contingent Repayment Plan

### Eligible Loans
- Direct Subsidized and Unsubsidized Loans
- Direct PLUS Loans made to students
- Direct Consolidation Loans

### Monthly Payment and Timeframes
- Payments are calculated each year and are based on your annual income, family size, and the total amount of your Direct Loans for up to 25 years.

### Comparison
- Your monthly payments will be lower than the standard repayment plan.
- You'll pay more for your loan over time than under the 10-year standard plan.
- If you do not repay your loan after 25 years under this plan, the unpaid portion will be forgiven.
- You may have to pay income tax on the amount that is forgiven.
Eligible Loans

- Subsidized and Unsubsidized Federal Stafford Loans
- FFEL PLUS Loans made to students
- FFEL Consolidation Loans that do not include a PLUS loan made to parents

Monthly Payment and Timeframes

- Your monthly payment is based on annual income.
- Your payments change as your income changes.
- Up to 10 years

Comparison

- Your monthly payments will be lower than payments under the 10-year standard plan.
- You'll pay more for your loan over time than you would under the 10-year standard plan.
## Pay as You Earn Repayment Plan

<table>
<thead>
<tr>
<th>Eligible Loans</th>
<th>Monthly Payment and Timeframes</th>
<th>Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Subsidized and unsubsidized loans</td>
<td>• Your max monthly payment will be 10% of discretionary income</td>
<td>• Must be new borrower after 10/1/2007</td>
</tr>
<tr>
<td>• PLUS loans made to student</td>
<td>• Payments change as income changes</td>
<td>• Partial hardship required</td>
</tr>
<tr>
<td>• Direct consolidation loans that do not include PLUS loans made to parents</td>
<td>• Up to 20 years</td>
<td>• Monthly payments lower than 10-year standard plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• More costly than 10-year standard loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• If loan is not repaid in full after making the equivalent of 20 years of payments – possible forgiveness</td>
</tr>
</tbody>
</table>
Loan Deferment

A period of time which repayment of the principal and interest of a student loan is temporarily delayed. Loans will continue to accrue interest with the exception Federal Subsidized Loans and Federal Perkins Loans.

Eligibility for Deferment

- During a period of at least half-time enrollment in college or career school
- During a period of study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled
- During a period of unemployment or inability to find full-time employment
- During a period of economic hardship
Loan Deferment Continued..

• During a period of active duty military service during war, military operation, or national emergency
• During the 13 months following the conclusion of qualifying active duty military service, or until borrower returns to enrollment on at least a half-time basis, whichever is earlier, if
  • Borrower is a member of the National Guard or other reserve component of the armed forces AND
  • Borrower was called or ordered to active duty while enrolled at least half-time at an eligible school or within 6 months or having been enrolled at least half-time
Loan Forbearance

- Able to stop making payments for a set period of time or to temporarily reduce payments. Interest **always** continues to accrue during a forbearance.
- **Discretionary Forbearance** – The lender decides to grant forbearance which can be for financial hardship or illness
- **Mandatory Forbearance** – The lender is required to grant forbearance

**Reasons for forbearance**
- Serving in a medical or dental internship or residency program
- Total amount owed each month for all student loans is 20% more than total monthly gross income
Loan Forbearance Continued..

• Serving in a national service position for which the a national service award was received
• Performing teaching service that would qualify for teacher loan forgiveness
• Qualify for partial repayment of loans through the U.S Department of Defense Student Loan Repayment Program
• Serving as a member of the National Guard and have been activated by a governor, but are not eligible for a military deferment
In 2007, Congress created the Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, borrowers may qualify for forgiveness of the remaining balance due on their eligible federal student loans after they have made 120 payments on those loans under certain repayment plans while employed full time by certain public service employers.
Loan Cancellation/Discharge

• Student attended a school that closed
• Student didn't get a refund where appropriate
• The school falsely certified that you would benefit from the education and you don't have a GED or high school diploma
• Student works in certain occupations after graduation (like teaching or some public service jobs)
• Student is disabled or died
Consequences of Student Loan Default

- The entire balance of loan is immediately due and payable
- Loss of eligibility for deferment, forbearance and repayment plans
- Loss of eligibility of additional federal student aid
- Loan account assigned to a collection agency
- Federal and state tax refund withheld through tax offset
- Loan holder can take legal action against borrower
- Student loan debt will continue to increase
- Wage garnishment
- Federal Salary Offset
- Destruction of credit
Questions