

LAFAYETTE

Student Loan Exit Counseling

Presented by:

Office of Financial Aid

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Why are you here?



As a Federal Stafford Loan recipient, you are required to attend an exit counseling session prior to leaving school or becoming enrolled on a less than half-time basis. We are here to tell you about:

- Getting organized and creating a budget
- Your rights and responsibilities as a borrower
- Student loan repayment options
- Deferment and forbearance
- Consequences of default
- Who to call if you need help during repayment

Getting Organized



- Getting organized before you enter repayment will make managing your monthly payments easier. Here are some helpful tips:
 - Maintain a file of all loan records.
 - Know who services and holds your loan.
 - Notify your loan holder or servicer when you move.

- When you enter repayment:
 - Mail your check on time – it should arrive before the payment due date.
 - Sign your payment check and be sure to include the payment coupon.
 - Write your account number on all loan-related correspondence and checks.
 - Make your payment electronically.

Creating a Budget



- Create a budget to help you manage your student loan repayment and select a repayment plan that works best for you.
- When setting up a budget follow these steps:
 - Estimate your income -- ask your college's career office for guidelines on starting salaries
 - Allocate your monthly expenses and include items like rent, utilities, clothing, car or commuting expenses and entertainment
 - Pay yourself first and set aside 5-10% of your income for a savings/emergency fund so you can plan for future financial goals
- Consider how much debt you can afford, either in the form of credit cards or new loans for cars, etc. A good guideline is somewhere in the area of 5 to 10% of your gross starting salary.

Your Responsibilities as a Borrower



- You must repay your loans on time even if you do not complete your education, are unable to find employment after graduation or are dissatisfied with the education you received.
- You must notify your loan holder or servicer immediately if you:
 - Change your name, address, telephone number or SSN
 - Leave, re-enroll or transfer to another school
 - Change your graduation date
- If you request a deferment or forbearance you must continue to make your payments until you receive written confirmation that the deferment or forbearance was applied to your account.

Your Rights as a Borrower



- Before you begin repayment, your loan holder is required to give you a repayment schedule and detailed loan information including:
 - interest rates
 - fees
 - the balance you owe
 - repayment options available to you
- You may prepay your loan in whole or part at any time without penalty
- You must be notified in writing if your loans are sold or transferred and to have the name, address and phone number of the new holder.

Your Rights as a Borrower



- You have the right to defer repayment for certain defined periods after the grace period, if you qualify.
- You have the right to request forbearance (a temporary postponement or reduction of monthly payment due to financial hardship).
- You may be eligible to repay your student loans under a Graduated, Income-Sensitive or Extended Repayment schedule.
- If you have questions about the terms of your loan you have the right to receive a copy of your promissory note.

Repayment Options



- Most lenders offer several repayment options to make repaying your Federal Stafford Loan easier and more affordable.
 - Standard Repayment
 - Graduated Repayment
 - Income Sensitive Repayment
 - Extended Repayment
 - Loan Consolidation
- Again, you should check with your lender/servicer to see if they offer a plan to withdraw your monthly payments automatically from a bank account.

Repayment Options



Let's review the different options to determine which one may fit your needs.

- **Standard or Level Plan** – you pay the same amount every month for the duration of your 10-year repayment period. It's the least expensive plan in the long run.
- **Graduated Repayment Plan** – offers lower, more affordable payments for up to four years with higher payments later. Your loan is repaid in the same time frame as the Standard Plan. The amount of interest paid is slightly higher than the level payment plan.

Repayment Options (cont.)



- **Income Sensitive Plan** – your monthly payment rises and falls on an annual basis with your estimated income. The monthly payment has to be at least equal to the monthly accrued interest. This is the most flexible plan, but it can be the most expensive in the long run, and you must reapply annually.
- **Extended Repayment Plan** – available if your first federal loan was received on or after 10/07/98 and your accumulated loan balance exceeds \$30,000. This plan provides you with a repayment term of up to 25 years.

Estimating Your Monthly Loan Payment



- Your monthly payment is based on the following terms of the Federal Stafford Loan:
 - You will have a six-month grace period before repayment begins.
 - The interest rate is variable and reset annually each July 1. Your lender/servicer will send you a new coupon book or statement with the new rate.
 - In repayment, the rate is equal to the 91 day Treasury Bill + 2.30%.
 - Your interest rate will never be higher than 8.25%.
 - You have 10 years to repay your loan.
 - The minimum monthly payment is \$50 (unless a lower amount is agreed to by you and your lender/holder).

Sample Monthly Loan Payments



Loan Amount	Interest Rates			
	3.25%	5.00%	7.00%	8.25%
\$3,500	\$50	\$50	\$50	\$52
\$5,500	\$54	\$58	\$64	\$67
\$6,625	\$65	\$70	\$77	\$81
\$8,500	\$83	\$90	\$99	\$104
\$10,000	\$98	\$106	\$116	\$127
\$15,000	\$147	\$160	\$174	\$190
\$20,000	\$195	\$212	\$232	\$190
\$25,000	\$244	\$265	\$290	\$253
\$30,000	\$293	\$318	\$348	\$317
\$40,000	\$391	\$424	\$464	\$368
\$50,000	\$489	\$530	\$581	\$491
\$75,000	\$733	\$795	\$871	\$920
\$100,000	\$977	\$1061	\$1161	\$1227
\$150,000	\$1466	\$1591	\$1742	\$1840
\$200,000	\$1,954	\$2121	\$2322	\$2453

The minimum monthly loan payment is \$50.

Loan Consolidation



- **Loan Consolidation** can help you simplify loan repayment by consolidating multiple loans with various repayment schedules or servicers into one new loan.

- **The benefits** of loan consolidation include:
 - One monthly payment
 - An extended repayment term that makes repayment more manageable for borrowers with high debt
 - Flexible repayment options

- **Things to consider:**
 - More interest may be paid over the life of the loan (compared to standard 10-year term) if the repayment term is extended
 - There may be a loss of certain deferment and forbearance eligibility

Deferment



- A deferment allows you to postpone payment of the principal and/or interest on a student loan after the repayment period begins.
- If you are on an unsubsidized deferment and postpone your interest payments, the interest will be capitalized (added to the principal) when you re-enter repayment.
- Types of deferments
 - In-school
 - Graduate Fellowship
 - Rehabilitation Training
 - Unemployment
 - Economic Hardship

Forbearance



- A forbearance is an agreement with your lender that allows you to postpone student loan payments for a predetermined length of time. It's used when you are not eligible for a deferment.
- With forbearance:
 - Only the payment of principal is deferred; the interest continues to accrue
 - You can postpone the interest while in forbearance, but the interest will be added to the principal balance of your loan before you begin repayment.

Important Details about Deferment and Forbearance



Keep in mind these important details:

- You must apply for a deferment or forbearance – they are not automatically granted.
- Your original payment schedule will remain in effect until a decision has been made on your deferment or forbearance and it has been processed.
- It's best to file at least 30 days before you want the deferment or forbearance to start.
- The maximum length of your deferment/forbearance will depend on your situation. Ask your lender/servicer about what applies to you.

Consequences of Default



- Generally, if you are more than 30 days past due on a payment national credit bureaus will be notified of your delinquency. Default occurs when you become more than 270 days past due on your payments or you fail to meet other terms of your promissory note.
- There are serious consequences to default, and any of the following may result.
 - The delinquency and default will be reported to one or more credit bureaus and your credit history may be damaged for up to 7 years.
 - The entire loan amount, including interest, may be due immediately.
 - Your wages may be garnished.
 - You may not be able to get additional federal or state student loans.
 - You may no longer be eligible for revised payment scheduled or deferments.
 - The loan may be referred to a collection agency and you may be held liable for collection costs.
 - Your federal and state tax refunds may be withheld.

It's Important to Communicate



- **Open and read your mail.** If you're living away from home, make sure all loan documents are forwarded to you.
- **Notify your lender or servicer** if you move, change your name, telephone number or e-mail address.
- **Ask questions.** If you're unsure of your responsibilities as a borrower, contact your lender or servicer for information and answers.
- **Communicate** with your lender or servicer if you think you may run into problems during repayment – they can help. Most lenders and servicers realize that there are legitimate reasons for payment difficulties and can help. Keep a record of dates that you called and who you spoke with.

It's Important to Communicate



- **The Department of Education's** SFA Ombudsman's Office may also be a resource to you – visit their website at <http://ombudsman.ed.gov> or call 1-877-557-2575.
- **National Student Loan Data System (NSLDS)** – The borrower's loan history can be viewed online at the Web site for the National Student Loan Data System (PIN required for access). Students without Internet access can identify their loan holder by calling 1-800-4-FED-AID. However, the borrower should be aware that the information on the NSLDS site is updated by lenders and guarantors and may not be as current as the latest information from those loan holders. Visit their website at <http://www.nsls.ed.gov>