Student Loan Repayment Strategies

Ana Vucetic
Health Sciences Financial Aid
TOPICS

- KNOW YOUR LOAN PORTFOLIO
- HOW TO POSTPONE PAYMENTS
- REPAYMENT PLANS
- OTHER CONSIDERATIONS
- CREDIT & BUDGETING
- QUESTIONS
KNOW YOUR LOAN PORTFOLIO
FINDING YOUR LOANS

www.nslds.ed.gov

Financial Aid Office
## Loans

Please click on number in first column to see details

<table>
<thead>
<tr>
<th>Type of Loan</th>
<th>Loan Amount</th>
<th>Loan Date</th>
<th>Disbursed Amount</th>
<th>Canceled Amount</th>
<th>Outstanding Principal</th>
<th>Outstanding Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>FFEL CONSOLIDATED</td>
<td>$6,432</td>
<td>07/08/2005</td>
<td>$6,432</td>
<td>$0</td>
<td>$4,038</td>
<td>$3</td>
</tr>
<tr>
<td>FFEL CONSOLIDATED</td>
<td>$16,422</td>
<td>07/08/2005</td>
<td>$16,422</td>
<td>$0</td>
<td>$10,308</td>
<td>$8</td>
</tr>
<tr>
<td>Stafford Unsubsidized</td>
<td>$272</td>
<td>11/10/2004</td>
<td>$272</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Stafford Subsidized</td>
<td>$2,610</td>
<td>10/22/2004</td>
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<td>$0</td>
<td>$0</td>
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<tr>
<td>Stafford Subsidized</td>
<td>$7,576</td>
<td>08/12/2004</td>
<td>$7,095</td>
<td>$481</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Stafford Unsubsidized</td>
<td>$6,000</td>
<td>07/21/2004</td>
<td>$6,000</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Federal Perkins</td>
<td>$4,000</td>
<td>08/25/2003</td>
<td>$4,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>Stafford Subsidized</td>
<td>$8,500</td>
<td>08/19/2003</td>
<td>$8,500</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td><strong>Total FFEL CONSOLIDATED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$14,346</strong></td>
<td><strong>$11</strong></td>
</tr>
<tr>
<td><strong>Total Stafford Unsubsidized</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
</tr>
<tr>
<td><strong>Total Stafford Subsidized</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
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<tr>
<td><strong>Total Federal Perkins</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
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<tr>
<td><strong>Total All Loans</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>$14,346</strong></td>
<td><strong>$11</strong></td>
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</table>
# Knowing Your Servicer

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone number</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Loan Servicing</td>
<td>(800) 848-0979</td>
<td><a href="http://www.dl.ed.gov">www.dl.ed.gov</a></td>
</tr>
<tr>
<td>Great Lakes</td>
<td>(800) 686-6919</td>
<td><a href="http://www.mygreatlakes.org">www.mygreatlakes.org</a></td>
</tr>
<tr>
<td>Navient</td>
<td>(888) 272-5543</td>
<td><a href="http://www.navient.com">www.navient.com</a></td>
</tr>
<tr>
<td>NelNet</td>
<td>(888) 486-4722</td>
<td><a href="http://www.nelnet.com">www.nelnet.com</a></td>
</tr>
<tr>
<td>SallieMae</td>
<td>(800) 722-1300</td>
<td><a href="http://www.saliemae.com">www.saliemae.com</a></td>
</tr>
<tr>
<td>PHEAA</td>
<td>(800) 655-3813</td>
<td><a href="http://www.myfedloan.gov">www.myfedloan.gov</a></td>
</tr>
<tr>
<td>ACS**</td>
<td>(800) 826-4470</td>
<td><a href="http://www.acs-education.com">www.acs-education.com</a></td>
</tr>
<tr>
<td>ECSI***</td>
<td>(888) 549-3274</td>
<td><a href="http://www.ecsi.net">www.ecsi.net</a></td>
</tr>
</tbody>
</table>

**For Perkins, Pharmacy University Loan and HPSL Only**

***For Perkins, Pharmacy University Loan and HPSL Only starting July 1, 2017***
### Interest Rates

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Federal Unsubsidized</th>
<th>Federal Grad Plus</th>
<th>Perkins, HPSL, University</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 - 2017</td>
<td>5.31%</td>
<td>6.31%</td>
<td>5%</td>
</tr>
<tr>
<td>2015 - 2016</td>
<td>5.84%</td>
<td>6.84%</td>
<td>5%</td>
</tr>
<tr>
<td>2014 - 2015</td>
<td>6.21%</td>
<td>7.21%</td>
<td>5%</td>
</tr>
<tr>
<td>2013 - 2014</td>
<td>5.41%</td>
<td>6.41%</td>
<td>5%</td>
</tr>
</tbody>
</table>
REPAYMENT STRATEGY

Prioritize repayment efforts – pay the most expensive debt FIRST!
CAPITALIZATION

Addition of unpaid interest to the principal

$160,000 + $22,670 = $182,670

Principal + Interest = Larger Principal
REPAYMENT STRATEGY

Pay the interest on unsubsidized loans PRIOR to capitalization!
HOW TO POSTPONE PAYMENTS
GRACE PERIOD

- A period after graduation when payments are not required

- Automatically granted on sub and unsub loans and Direct PLUS Loans disbursed on or after July 1, 2008

- Interest does not accrue on subsidized loans

- Sub and Unsub loans – 6 month period

- Perkins Loan & Pharmacy University Loan – 9 month period
DEFERMENT

- A period when payments are not required
- Must apply and qualify
- Interest does not accrue on subsidized loans
- Unsubsidized loans continue to accrue interest
FORBEARANCE

- A period when payments are not required
- Must request from the lender/servicer
- Interest accrues on sub and unsub loans
- Many types (administrative, discretionary, mandatory)
REPAYMENT PLANS
REPAYMENT PLANS

TRADITIONAL

Determines the payment amount and interest cost

INCOME DRIVEN
TRADITIONAL PLANS

STANDARD

EXTENDED

GRADUATED

Payment amount based only on the amount of debt!
STANDARD PLAN

- The same monthly payment throughout repayment
- 10 year repayment period
- Automatically selected if you don’t choose another plan

**Advantages**
Typically yields the lowest overall loan cost

**Considerations**
Higher payment may be more difficult to manage if starting income is low

**Best Option For**
Borrowers whose primary goal is to minimize the repayment time period and the total interest cost of their loan debt
EXTENDED PLAN

• Allows up to 25-year repayment term
• Low monthly payment
• Total loans must be more than $30,000

**Advantages**
Provides a lower monthly payment for the entire repayment term

**Considerations**
Higher overall interest costs

**Best Option For**
Borrowers who need long-term relief
GRADUATED PLAN

• Monthly payment adjusted at one or more predefined intervals
• Payment must cover accruing interest
• Number of intervals and frequency of adjustment can vary by lender

**Advantages**
Low initial monthly payment; predictable payment increases

**Considerations**
Higher interest costs

**Best Option For**
Borrowers seeking short-term repayment relief from high loan payments but expect an increase in their income in the next few years
Monthly payments determined based on your annual income
INCOME DRIVEN PLANS

**Income** – Adjusted Gross Income Reported on your Tax Return

**“Protected” Income** – income protected for paying your most basic living expenses, based on the poverty guideline for your family size.

**“Discretionary” Income** – The remainder of your income that is not “protected” income

**“Affordable” Payments** – A defined percentage of your discretionary income.

Information obtained from www.eriseducation.com
PARTIAL FINANCIAL HARDSHIP

The PFH test for entering IBR or PAYE:

Is your Standard monthly payment
(the 10-year monthly payment amount determined when entering the plan)
greater than the monthly payment in IBR or PAYE
(whichever plan you are applying for)

If “yes,” you have a PFH.

For example ...
If you compare the monthly payments for a borrower with $183,000 of federal student loans, and a PGY-1 salary of $53,300* ...

- the Standard monthly payment would be $2,370
- the IBR monthly payment would be $440
- or
- the PAYE monthly payment would be $300

... you will see that the borrower has a PFH and meets the requirement to qualify for IBR or PAYE since their Standard monthly payment would be greater than their payment under IBR or PAYE.
# Income-Driven Plans Compared

<table>
<thead>
<tr>
<th>Eligibility</th>
<th>IBR</th>
<th>PAYE</th>
<th>Repayee- New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Loans</td>
<td>Direct &amp; FFELP</td>
<td>Direct Loans</td>
<td>Direct Loans</td>
</tr>
<tr>
<td>Must be a “New Borrower”*</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Partial Financial Hardship</td>
<td>Required</td>
<td>Required</td>
<td>Not Required</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Payment Formula</th>
<th>IBR</th>
<th>PAYE</th>
<th>Repayee- New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Income</td>
<td>15% of disc. income</td>
<td>10% of disc. income</td>
<td>10% of disc. income</td>
</tr>
<tr>
<td>Monthly Payment Limits</td>
<td>Min: $0 Max: Standard 10 yr</td>
<td>Min: $0 Max: standard 10 yr</td>
<td>Min: $0 Max: no cap</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benefits</th>
<th>IBR</th>
<th>PAYE</th>
<th>Repayee- New</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partial Interest Subsidy</td>
<td>Yes (first 3 yrs)</td>
<td>Yes (first 3 yrs)</td>
<td>N/A</td>
</tr>
<tr>
<td>Loan Forgiveness</td>
<td>Remaining balance after 25 yrs</td>
<td>Remaining balance after 20 yrs</td>
<td>Remaining balance after 25 yrs</td>
</tr>
</tbody>
</table>

*New Borrower – no loans prior to 10/01/2007 and a Direct Loan disbursement on or after 10/1/2011
EXAMPLES

JULIE, MAX & NIK
### Facts

- Borrowed max unsubsidized each year
- Total debt $135k (does not include accrued interest)
- Going into residency – salary $50,000
- Single, living in CA
- No undergrad loans (prior to 7/1/2014)

### Payment Plans

<table>
<thead>
<tr>
<th>Plan</th>
<th>Monthly Payment</th>
<th>Total repayment</th>
<th>Repayment period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$1475</td>
<td>$176,950</td>
<td>10 YRS</td>
</tr>
<tr>
<td>Extended</td>
<td>$873</td>
<td>$252,603</td>
<td>25 YRS</td>
</tr>
<tr>
<td>Graduated</td>
<td>$840 – $2521</td>
<td>$275,230</td>
<td>25 YRS</td>
</tr>
<tr>
<td>IBR</td>
<td>$399</td>
<td>--</td>
<td>25 YRS</td>
</tr>
<tr>
<td>PAYE</td>
<td>$266</td>
<td>--</td>
<td>20 YRS</td>
</tr>
<tr>
<td>REPAYE</td>
<td>$266</td>
<td>--</td>
<td>25 YRS</td>
</tr>
</tbody>
</table>
### Facts

- Borrowed max Unsub each year & $40k in G.Plus
- Total debt $175K (does not include accrued interest)
- Full time pharmacist position - $117k salary ($9750/mo)
- Single, living in CA
- No undergrad loans

### Payment Plans

<table>
<thead>
<tr>
<th>Plan</th>
<th>Monthly Payment</th>
<th>Total Payment</th>
<th>Repayment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$1939</td>
<td>$232,639</td>
<td>10 YRS</td>
</tr>
<tr>
<td>Extended</td>
<td>$1124</td>
<td>$337,196</td>
<td>25 YRS</td>
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<tr>
<td>Graduated</td>
<td>$1108 – $3325</td>
<td>$248,119</td>
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<tr>
<td>IBR</td>
<td>$1236</td>
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<td>25 YRS</td>
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<tr>
<td>PAYE</td>
<td>$824</td>
<td>--</td>
<td>20 YRS</td>
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<tr>
<td>REPAYE</td>
<td>$824</td>
<td>--</td>
<td>25 YRS</td>
</tr>
</tbody>
</table>
**FACTS**

- Borrowed $60K Unsub during Pharm School
- Total debt $80K (does not include accrued interest)
- No job, no residency - $0k salary 😞
- Single, living in CA
- $20k undergrad loans

**PAYMENT PLANS**

<table>
<thead>
<tr>
<th>PLAN</th>
<th>MONTHLY PAYMENT</th>
<th>TOTAL</th>
<th>REPAYMENT PERIOD</th>
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<tbody>
<tr>
<td>Standard</td>
<td>$890</td>
<td>$106,821</td>
<td>10 YRS</td>
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<tr>
<td>Extended</td>
<td>$518</td>
<td>$155,368</td>
<td>25 YRS</td>
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<tr>
<td>Graduated</td>
<td>$403 – $777</td>
<td>$168,988</td>
<td>25 YRS</td>
</tr>
<tr>
<td>IBR*</td>
<td>N/A</td>
<td>--</td>
<td>25 YRS</td>
</tr>
<tr>
<td>PAYE*</td>
<td>N/A</td>
<td>--</td>
<td>20 YRS</td>
</tr>
<tr>
<td>REPAYE</td>
<td>$0</td>
<td>--</td>
<td>25 YRS</td>
</tr>
</tbody>
</table>

*Does not qualify for IBR or PAYE since he is not a ‘new borrower’ - has student loans prior to 7/1/2014
Different individuals have different priorities!

You may want to:

- Lower your monthly payments for a few years while you get your career on track

- Postpone payments temporarily while you are paying for relocation expenses after graduation

- Repay your loans as quickly and cheaply as possible

- Tie your monthly payments to your income so that you can take a lower paying but personally rewarding job
REPAYMENT FACT

The lower the monthly payment, the higher the total interest cost!
REPAYMENT CALCULATORS

Studentloans.gov

Find out your student loan repayment options here

Undergraduate Students
Graduate/Professional Students

Direct Consolidation Loans
Income-Driven Repayment
Repayment Estimator
Repayment Plans & Calculators
Trouble Making Payments?
Loan Discharge
Public Service Loan Forgiveness
Teacher Loan Forgiveness
Loan Servicers
REPAYMENT STRATEGY

To reduce the cost of student loans – make extra payments!
OTHER CONSIDERATIONS
CONSORTIUM

- When a new loan pays off existing loans and carries new terms
- Interest rate becomes fixed
- Combines payments to multiple lenders/servicers into one payment
SHOULD YOU CONSOLIDATE?

**YES, when...**

- You have multiple loan servicers
- You have non-Direct Loans and you are interested in PSLF
- You want to lock-in your variable rate loans

**No, when...**

- You have one loan servicer
- You have no interest in PSLF
- You are interested in PSLF but you have no non-Direct Loans
LOAN FORGIVENESS

Public Service Loan Forgiveness

Eligible loans

Qualifying payments

Qualifying work
Eligible Loans

- Federal Direct Sub and Unsubsidized Stafford
- Federal Direct Consolidation
- Federal Direct Grad PLUS
- Federal Perkins
PUBLIC SERVICE LOAN FORGIVENESS

Qualifying Payments

120 payments to Direct Loans made under

- Income-Driven Plans (ICR, IBR, PAYE, REPAYE)
- Standard 10-year Repayment

While simultaneously working in public service
PUBLIC SERVICE LOAN FORGIVENESS

Qualifying work: Full-time (30+hours/week)

- Non-profit, tax exempt, 501(c)(3) organization*
- Federal, state, local or tribal government
- Military Service
- Private organization providing public service

*Includes most medical schools and teaching hospitals
PRIVATE LOANS

- Typically unsubsidized for life of loan
- A grace period/forbearance may be available
- Cannot be included in Income Driven Plans or PSLF
- Be cautious when consolidating private loans
CREDIT & BUDGETING
YOUR CREDIT SCORE

What?

• An indicator of the creditworthiness of an individual
• Numerical value that represents the probability of a person to repay their debt
• FICO score ranging from a low of 300 to a high of 850

How?

Why?

• Better loan offers
• Lower interest rates on credit cards
• Faster credit approval
• Increased leasing and rental options
• Reduced security deposits
• Reduced premiums on auto, home and renter’s insurance
KEEP AN EYE ON YOUR CREDIT REPORT

• Late payments, going over credit limits and having too many open accounts will lower your credit score
• Protect yourself from mistakes and identity theft
• Review each of your credit reports annually

Free Credit Report
www.annualcreditreport.com
BUDGETING

Benefits of BUDGETING

- Identify leaks in your cash flow
- Avoid credit card debt
- Track and control your spending
- Reduce your educational debt
# BUDGETING WORKSHEET

## MONTHLY BUDGET WORKSHEET

**INCOME:**
- Salary (after deductions)
- Spouse salary (after deductions)
- Investment income
- Gifts
- Other

**Total Fixed Income**

**VARIABLE OR FLEXIBLE EXPENSES:**
- Food/household supplies
- Dining out
- Clothes
- Laundry/dry cleaning
- Gas, oil, auto maintenance
- Parking
- Medical/dental/eye care
- Entertainment
- Travel/vacation
- Pets, supplies, food
- Personal care
- Subscriptions
- Cable TV & internet
- Gifts
- Charity/Contributions
- Savings for interviews/relocation
- NAPLEX prep classes
- NAPLEX
- Other

**Total Variable Expenses**

**FIXED EXPENSES:**
- Rent/mortgage
- Utilities
- Telephones (home and/or cell)
- Vehicle payments
- Other transportation
- Credit card payments
- Personal loans
- Educational loans
- Insurance (life and health)
- Home/renter insurance
- Auto Insurance
- Auto registration taxes
- Other

**Total Fixed Expenses**

**Total Fixed Expenses + Total Variable Expenses = Total Monthly Expenses**

**Tips**
1. Review Periodically
2. Make necessary adjustments
3. Be honest in your planning

**Total Discretionary Income = (or Deficit)**

**Spending Plan Steps**
1. Put it in writing
2. Review it periodically
3. Make necessary adjustments

**Expenses**

- **FIXED**
  - Rent
  - Car payment
  - Insurance
  - Student loan payment

- **VARIABLE**
  - Groceries
  - Entertainment
  - Clothing
  - Dining out
  - Credit cards (debt)
STUDENT LOANS AND TAXES

Student Loan Interest Tax deduction

Deductible up to $2500 annually

<table>
<thead>
<tr>
<th></th>
<th>Full Deduction</th>
<th>Partial Deduction</th>
<th>No Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$65,000 or less</td>
<td>$65,001 to $80,000</td>
<td>$80,001 or more</td>
</tr>
<tr>
<td>Married filing jointly</td>
<td>$130,000 or less</td>
<td>$130,001 to $160,000</td>
<td>$160,001 or more</td>
</tr>
</tbody>
</table>

Lifetime Learning Tax credit

A maximum of $2000 in tax credits for qualifying educational expenses

Reduces the amount of taxes owed

www.irs.gov - IRS Publication 970
Tax Benefits for Higher Education
DELINQUENCY & DEFAULT

• Call your lender as soon as you know you are in “trouble”
• Federal Student Loans **DO NOT** qualify for bankruptcy
• Federal Student Loans are forgiven only in the case of death or permanent disability

Always stay in touch with your lender, loan servicer, or collection agency!