The Road to Successful Repayment
Presented to MGH Institute of Health Professions

FedLoan Servicing was established by the Pennsylvania Higher Education Assistance Agency (PHEAA) to support the U.S. Department of Education’s ability to service student loans owned by the federal government.

Agenda
• What You Need to Know
• Income-Driven Repayment Plans Overview
  • Income-Based Repayment Plan (IBR)
  • Income-Contingent Repayment Plan (ICR)
  • Revised Pay As You Earn Plan (REPAYE)
• Applying for an Income-Driven Plan
• Other Repayment Plans
• Public Service Loan Forgiveness
• Direct Loan Consolidation
• Resources
Successful repayment

Repayment Plans

Sometimes the right repayment plan makes all the difference in your ability to pay your student loan. The options are flexible, and there’s sure to be one that will work for you.

- Be aware that these repayment plans are not available on all loans, so check with your lender/loan servicer to find out which repayment options are available to you.
- Examine your financial situation carefully when you start repayment to make sure you use the plan that best meets your ability to pay.
- Changing your repayment plan is easy to do but usually requires that you submit your request in writing, since it is an official change to your existing agreement.

Types of Repayment Plans

- Standard
- Graduated
- Income-Based (IBR)
- Income-Contingent (ICR)
- Revised Pay As You Earn (REPAYE)
- Income-Sensitive 25-Year Loan
- Extended

Knowledge is Power!

Knowing how to track and manage your loans is the first step in successful repayment.

Successful Loan Repayment

What is a Grace Period?

- Begins when you graduate, withdraw, or drop to less than half-time status
- You only get one, and it lasts 6 months
- You will receive your repayment obligation, which includes:
  - Date payments are to begin
  - Monthly payment amount
  - Repayment terms
  - Current principal balance
  - Interest rate
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Does Every Loan have a Grace Period?

<table>
<thead>
<tr>
<th>Loans with a Grace Period</th>
<th>Loans without a Grace Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Federal Subsidized and Unsubsidized</td>
<td>• Grad PLUS</td>
</tr>
<tr>
<td>• 6 months after graduation</td>
<td>• 6 months after graduation due to automatic 6-month post-enrollment deferment</td>
</tr>
<tr>
<td>• Private</td>
<td>• Consolidation</td>
</tr>
<tr>
<td>• Contact lender</td>
<td>• At graduation</td>
</tr>
<tr>
<td></td>
<td>• Prior loans where grace period has been used</td>
</tr>
<tr>
<td></td>
<td>• At graduation</td>
</tr>
</tbody>
</table>

Does Every Loan have a Grace Period?

Understand Your Options-Postponing Repayment

Deferments and Forbearance
- If you are unable to send payments during your repayment period, call your lender/loan servicer immediately.
- You may qualify for a temporary suspension of payments.

Common Types of Deferment
- In-School
- Unemployment
- Economic Hardship

Ignoring the problem is not a solution—call for help.

Interest Capitalization

- Accrued interest added to principal balance
  - Accruing interest on interest
- Frequency of Capitalization
  - Less frequent capitalization is better
  - When does capitalization occur?
- If possible, pay down interest prior to entering repayment
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Know Who You Owe

National Student Loan Data Systems (NSLDS)

- NSLDS allows borrowers to obtain their personal information on all your federal student loans.
- The NSLDS website provides the borrowers’ balances and past attendance status and identifies the lender(s)/loan servicer(s) of their federal student loan(s).

https://nslds.gov
1-877-557-2575

Additional Resources

StudentAid.gov
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Exit Counseling Repayment Plan Selection

- The Department shares borrower’s repayment plan preference from Exit Counseling on Studentloans.gov with federal loan servicers and Federal Family Education Loan (FFEL) Program lenders, lender servicers, and guaranty agencies.
- Repayment plan selection will be considered by the servicer, and if possible, applied to the borrower’s account.

StudentLoans.gov Repayment Plan Comparison Calculator

The Repayment Estimator on StudentLoans.gov takes a student’s current loan balance and shows what her monthly and total payments would be using various repayment plans. Borrowers can use the repayment estimator tool during Exit Counseling or the Financial Awareness Counseling Tool.

Borrower Considerations

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>More manageable, lower monthly payment</td>
<td>Repayment period could be more than 10 years</td>
</tr>
<tr>
<td>Avoidance of delinquency and default</td>
<td>More interest could be paid over time</td>
</tr>
<tr>
<td>Remaining principal and interest is forgiven after 20 or 25 years of payments</td>
<td>Required annual submission of information on income and family size to prove continued eligibility for reduced payments</td>
</tr>
<tr>
<td>Possibility of Public Service Loan Forgiveness (after 10 years of qualifying payments)</td>
<td>Forgiven amount is taxable (except under PSLF)</td>
</tr>
</tbody>
</table>
Income-Based Repayment (IBR)

• Under IBR, borrowers pay the lesser of:
  • 15% of discretionary income or what they would have paid under the 10-year Standard repayment plan (Not a new borrower on/after 7/1/2014)
  • Discretionary income for this plan is the difference between the borrower's Adjusted Gross Income (AGI) and 150% of the poverty guideline amount for his/her state of residence and family size.
  • Need to demonstrate a partial financial hardship

• Loan forgiveness
  • If the borrower makes 25 years of qualifying payments and meets certain other requirements, any remaining balance will be cancelled.

IBR Payment Amounts

EXAMPLE:
Borrower’s AGI is $50,000 and they reside in 1 of the 48 contiguous states and a family size of 1.
• Poverty guideline for this example is
  $12,490 x 150% = $18,735
• Then we subtract $18,735 from $50,000 = $31,268 which is the discretionary income
• $31,268 x 15% = $4,690.20
and divide that figure by 12 = $390.85

Leaving IBR

• If borrowers leave IBR and have unpaid interest, it will capitalize to principal, increasing principle balance
• The borrower is placed into the Standard Plan based on the term remaining for their loan type
  • For example, Stafford/PLUS Loans will have 10 years minus the time in repayment. Consolidation Loans may have 10-30 years minus the time in repayment.
  • Borrowers may request a reduced payment forbearance if they cannot afford the payment amount on the standard repayment plan.
  • Borrowers who leave IBR can come back if they demonstrate "partial financial hardship".
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Pay As You Earn (PAYE)

• Who qualifies:
  • “New” borrowers who have a FFELP loan as of 10/1/2007, or have no outstanding balance on a Direct or FFELP loan when he or she obtains a new loan on/after 10/1/2007
  • Receives a disbursement of a Direct Subsidized or Unsubsidized Stafford, or Grad PLUS loan on or after 10/1/2011, or receives a Direct Consolidation Loan based on an application received on/after 10/1/2011

• Eligible Loans:
  • Direct Loans except:
    • Defaulted loans
    • Parent PLUS loans
    • Consolidation loans that repaid Parent PLUS loans

Pay As You Earn

• Under Pay As You Earn, borrowers pay the lesser of:
  • 10% of discretionary income or what they would have paid under the 10-year Standard repayment plan.
  • Discretionary income for this plan is the difference between the borrower’s AGI and 150 percent of the poverty guideline amount for his/her state of residence and family size.

• For Pay As You Earn, the remaining balance is forgiven after 20 years of qualifying repayment

Revised Pay As You Earn (REPAYE)

• Who Qualifies:
  • Any borrower with eligible federal student loans may make payments under this plan.

• Eligible Loans:
  • Direct Subsidized/Unsubsidized Loans
  • Direct PLUS Loans made to graduate or professional students
  • Direct Consolidation Loans that did not repay any PLUS loans made to parents
  • These loan types are eligible if consolidated into a Direct Consolidation Loan
  • Subsidized/Unsubsidized Federal Loans from the FFEL program
  • PLUS Loans made to graduate or professional students
  • FFEL Consolidation Loans that did not repay any PLUS Loans made to parents
  • Federal Perkins Loans
Revised Pay As You Earn

- **Payment Amounts**
  - Generally 10% of discretionary income
  - There is no cap on the payment amount (may be higher than the 10-year Standard Repayment amount)

- **Repayment Period**
  - 20 years if all loans you are repaying under the plan were for undergraduate study
  - 25 years if any loans you are repaying under the plan were for graduate or professional study

Income-Contingent Repayment (ICR)

- Does not require borrower to show PFH for eligibility
- Each year the monthly payments are recalculated based on:
  - AGI (spouse's income will only be included if they file federal taxes jointly or are repaying under joint ICR)
  - The Family size
  - Total amount of the borrower's Direct Loans
  - Lesser one of the following:
    - 10-year standard repayment schedule multiplied by income percentage factor, or
    - 20 percent of discretionary income
- Loan balance is discharged after 25 years

Interest Subsidy Benefits

<table>
<thead>
<tr>
<th>Subsidy Type</th>
<th>IBR</th>
<th>PAYE</th>
<th>REPAYE</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICR</td>
<td>Sub. Loans only</td>
<td>Sub. Loans only</td>
<td>For sub. loans</td>
<td>For sub. loans</td>
</tr>
<tr>
<td></td>
<td>Only during negative amortization</td>
<td>Only during negative amortization</td>
<td>Only during negative amortization</td>
<td>Only during negative amortization</td>
</tr>
<tr>
<td></td>
<td>Only for first 3 years under plan</td>
<td>Only for first 3 years under plan</td>
<td>For first 3 years under plan</td>
<td>For first 3 years under plan</td>
</tr>
<tr>
<td></td>
<td>100% of negative amortization</td>
<td>100% of negative amortization</td>
<td>100% of negative amortization</td>
<td>50% of negative amortization</td>
</tr>
</tbody>
</table>

**Notes:**
- **IBR:** Sub. Loans only
- **PAYE:** For sub. loans
- **REPAYE:** For sub. loans
- **REPAYE:** For unsub. loans
- **REPAYE:** For first 3 years under plan
- **REPAYE:** After 3 years, 50% of negative amortization
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### Interest Capitalization

<table>
<thead>
<tr>
<th>Plan</th>
<th>Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IBR</strong></td>
<td>While payment is income-based, normal rules are suspended.</td>
</tr>
<tr>
<td></td>
<td>Only trigger is conversion to standard plan amount.</td>
</tr>
<tr>
<td></td>
<td>Interest capitalizes when leaving the plan.</td>
</tr>
<tr>
<td><strong>ICR</strong></td>
<td>Normal rules apply upon expiration of deferment/benefits.</td>
</tr>
<tr>
<td></td>
<td>Interest accruing due to negative amortization is capitalized annually</td>
</tr>
<tr>
<td></td>
<td>Capitalization of negative amortization is limited to 10% of balance</td>
</tr>
<tr>
<td><strong>PAYE</strong></td>
<td>While payment is income-based, normal rules are suspended.</td>
</tr>
<tr>
<td></td>
<td>Only trigger is conversion to standard plan amount.</td>
</tr>
<tr>
<td></td>
<td>Interest capitalizes when leaving the plan.</td>
</tr>
<tr>
<td><strong>REPAYE</strong></td>
<td>Normal rules apply upon expiration of deferment or forbearance.</td>
</tr>
<tr>
<td></td>
<td>Interest capitalizes when leaving the plan.</td>
</tr>
</tbody>
</table>

### Income-Driven Repayment Example - Renee

Renee completed college with a total of $148,374 in Direct Loan debt. The interest rate on all of her loans is 6.8%. She is single with no dependents (family size of 1) and has an adjusted gross income of $110,000 (AGI) that rises at 5% per year. She lives in the state of Massachusetts, and also has graduate school debt from nursing school.

**Assumptions:**

- Renee qualifies for repayment under the Standard Repayment Plan, the Income-Based Repayment (IBR) Plan, the Pay As You Earn (PAYE) Repayment Plan, the Revised Pay As You Earn (REPAYE) Repayment Plan and the Income-Contingent Repayment (ICR) Plan.
- Repayment under all of the following plans would take place as each plan exists under current regulations.

### Studentloans.gov Repayment Estimator

The Studentloans.gov Repayment Estimator is a tool used to calculate monthly payments for different repayment plans. The table shows various scenarios and their respective payments.

- **Repayment Plans:** Standard, IBR, PAYE, REPAYE, ICR.
- **Scenarios:** Loans under $50,000, $50,000-100,000, $100,000-200,000, $200,000-plus.
- **Payments:** Monthly payments for different income levels are calculated accordingly.
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Pursuing PSLF – Repayment Estimator (Renee)

Income-Driven Repayment Option

Matt completed college with a total of $146,000 in Direct Loan debt. The interest rate on all of his loans is 6%. He is single with no dependents (family size of 1) and has an adjusted gross income of $85,000 (AGI) as an Occupational Therapist (AGI) that rises at 5% per year. He lives in the state of Massachusetts, and also has graduate school debt.

Assumptions:
• Matt qualifies for repayment under the Standard Repayment Plan, the Income-Based Repayment (IBR) Plan, the Pay As You Earn (PAYE) Repayment Plan, the Revised Pay As You Earn (REPAYE) Repayment Plan and the Income-Contingent Repayment (ICR) Plan.
• Repayment under all of the following plans would take place as each plan exists under current regulations.

Studentloans.gov Repayment Estimator
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Applying for IDR

Borrowers may apply for an IDR on studentloans.gov or complete a paper application.

- Can be used by borrowers with Direct Loans or FFEL Loans
- Uses IRS Data Retrieval Tool that is used on the FAFSA
- Retrieves the most recent tax information from two most recently completed tax years
- If a borrower selects a specific repayment plan that they are not eligible for, the borrower will be placed on the lowest monthly payment amount IDR plan for which they are eligible.

Income-Driven Repayment Application

Application Process: Spouses

- Almost all married borrowers provide spouse’s income documentation
- Only used by servicer when relevant
- Exception for those who are
  - Separated; or
  - Cannot access spouse’s income

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Married borrower filing jointly</th>
<th>Married borrower filing separately</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICR</td>
<td>Use joint AGI</td>
<td>Use borrower’s AGI</td>
</tr>
<tr>
<td>IBR</td>
<td>Use joint AGI</td>
<td>Use borrower’s AGI</td>
</tr>
<tr>
<td>PAFF</td>
<td>Use joint AGI</td>
<td>Use borrower’s AGI</td>
</tr>
<tr>
<td>REPAY</td>
<td>Use joint AGI</td>
<td>Combine AGI of borrower and borrower’s spouse</td>
</tr>
</tbody>
</table>
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**Applying – Avoid Application Mistakes**

The easiest way to apply for an IDR plan is online at [studentloans.gov](http://studentloans.gov).

**Common Application Mistakes on the Paper Application**

- Missing Pages
- Quoting Incorrect Income
- Missing Pay Frequency
- Skipped Items & Inconsistent Information
- Incorrect Income
- Incorrect Tax Documents
- Incorrect Pay Frequency

**Consequences of Failing to Recertify**

<table>
<thead>
<tr>
<th>IBR</th>
<th>ICR</th>
<th>PAYE</th>
<th>REPAYE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest capitalization</td>
<td>Stay in plan</td>
<td>Stay in plan</td>
<td>Interest capitalization</td>
</tr>
<tr>
<td>Payment no longer income-based; 10-year standard amount</td>
<td></td>
<td>Payment no longer income-based; 10-year standard amount</td>
<td>Kicked out of plan</td>
</tr>
<tr>
<td>Loan re-amortized over lesser of 10 years or time to forgiveness</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Standard & Graduated Repayment Plans**

**Standard Repayment**

- Assigned to borrowers automatically unless otherwise specified
- Fixed (equal) payment amount each month, although it could vary due to interest rate changes on a variable rate loan
- Monthly payments will be at least $50
- 10-year repayment term (Standard Repayment for Direct Consolidation loans is 10 to 30 years based on balance)

**Graduated Repayment**

- Payments start low and generally increase every two years
- 10-year repayment term (Direct Consol. Loans may have a term of 10 to 30 years based on balance)
- Monthly payment is never less than the amount of interest that accrues each month
- No single payment will be more than three times greater than any other payment
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**Extended Repayment Plan**

**Extended Repayment**

- Will pay a fixed or graduated payment amount
- Repayment term not to exceed 25 years
- FFEL borrowers must have more than $30,000 in outstanding FFEL Program loans (for new borrowers as of 10/07/1998)
- Direct borrower must have more than $30,000 in outstanding Direct Loans (for new borrowers as of 10/07/1998)

**Public Service Loan Forgiveness**

The Public Service Loan Forgiveness Program allows eligible borrowers to cancel the remaining balance of their Direct loans after serving full time at a public service organization for at least 10 years while making 120 qualifying monthly payments after October 1, 2007.

**Qualifying Payments**

The required 120 payments do not have to be consecutive, but must be:

- Must have been made after October 1, 2007
- Reduced and/or zero dollar monthly payments under an IDR plan qualify
- Lump sum payments that exceed the scheduled payment amount do not count as separate payments
- Must be made each month
- Must be made when the loan is not in a default status
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### Eligible Loans

Only Federal Direct loans are eligible for PSLF, only those payments made on Federal Direct loans count toward the required 120 qualifying payments -- and only these Federal Direct loans will be forgiven.

- Direct Subsidized Loans
- Direct Unsubsidized Loans
- Direct PLUS Loans (for parents and graduate or professional students)
- Direct Consolidation Loans
  - Borrowers may choose to consolidate loans to establish eligibility for PSLF
- Special Direct Consolidation Loans
- TEACH Loans

### Eligible Repayment Plans

Qualifying monthly payments must be made under these plans:

- Income-Based Repayment (IBR) Plan
- Income-Contingent Repayment (ICR) Plan
- Pay As You Earn Repayment (PAYE) Plan
- Revised Pay As You Earn (REPAYE) Plan
- Standard Repayment Plan
- Any other Direct Loan Program Repayment Plan

Extended Repayment Plans do not qualify for PSLF.

To maximize the amount forgiven, borrowers should use an Income-Driven Repayment Plan.

### Forgiveness

Eligibility for forgiveness of an outstanding balance on an eligible Direct Loan occurs if the borrower:

- Is not in default
- Makes 120 separate, full monthly payments (after 10/1/07), within 15 days of due date
- Makes payments under one or more of the eligible repayment plans (referenced on slide 13)
- Is full-time employee of public service organization while making required payments and at time forgiveness is requested and granted

Loans will not become eligible for Public Service Loan Forgiveness until AFTER 10/01/2017.
Direct Loan consolidation allows borrowers to combine one or more existing student loans into a single new loan. Consolidation may be the right option for your borrower if:

- If student loan debt is significant.
- If borrower has more than one type of student loan.
- Has trouble making the minimum monthly payments on multiple loans.

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower monthly payments</td>
<td>Longer repayment schedule</td>
</tr>
<tr>
<td>Fixed interest rate</td>
<td>More interest to pay</td>
</tr>
<tr>
<td>One bill, one payment</td>
<td>Loss of loan incentives</td>
</tr>
</tbody>
</table>

### Servicing Resources

<table>
<thead>
<tr>
<th>Servicer</th>
<th>Contact Information for Borrowers</th>
</tr>
</thead>
<tbody>
<tr>
<td>FedLoan Servicing</td>
<td>1-800-699-2908, MyFedLoan.org</td>
</tr>
<tr>
<td>Great Lakes</td>
<td>1-800-236-4300, MyGreatLakes.org</td>
</tr>
<tr>
<td>Nelnet</td>
<td>1-888-486-4722, Nelnet.com</td>
</tr>
<tr>
<td>NSLDS</td>
<td>1-800-999-8219, NSLDS.gov</td>
</tr>
</tbody>
</table>

### Additional Resources

- Income-Driven Repayment Plans: Frequently Asked Questions
- Repayment Calculators
  [http://www.finaid.org/calculators](http://www.finaid.org/calculators)
  [https://www.myfedloan.org/make-a-payment/calculators/index.shtml](https://www.myfedloan.org/make-a-payment/calculators/index.shtml)
- Federal Student Aid (FSA) Repayment Information
- Department of Health and Human Services Poverty Guidelines – 2019
  [https://aspe.hhs.gov/poverty-guidelines](https://aspe.hhs.gov/poverty-guidelines)
- PSLF Fact Sheet and Q&As
- CFPB Action Guide for Employees
Questions?