

2011 Access Group Graduate and Professional Financial Aid Conference



Shifting Sands Discovering the Foundation

Loan Repayment Strategies: Pick Your Plan


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Picking the ~~Right~~ Plan For You







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Educate Your Students

Consider the following:

- Give them information when they need it
- Focus on the essential information
- Avoid unnecessary details
- Present information in their "voice"
- Assign homework or test them
- Other ideas?





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Loan Repayment "Top Ten" Vocabulary List

Do they now know what these mean?


- Grace
- FFELP
- Direct
- Servicer
- NSLDS
- Standard
- Extended
- IBR
- Consolidation
- Prepayment




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Empower Your Students

- Acknowledge what they're worried about
- Suggest how they can overcome their concerns
- Give them options so they can manage on their own
- Provide resources on where to turn for additional information
- Other ideas?



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What are they worried about?



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What students may worry about ...

- Finding a job
- Facing the reality of their debt
- Repaying that debt
- Figuring out where to start
- All the jargon
- How to manage when funds are limited




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Getting Your Loan Portfolio In Order



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Federal Student Loan Database



www.nsls.ed.gov

Or call Toll free:
800-4FED-AID



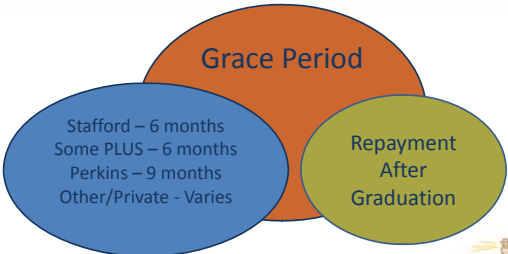
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Loan Repayment Strategies: Picking Your Plan



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Repayment Reality



Grace Period

Stafford – 6 months
Some PLUS – 6 months
Perkins – 9 months
Other/Private - Varies


Repayment After Graduation



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Can't afford to make loan payments?


- Options include:
 - Deferment
 - Temporary postponement of your monthly student loan payments
 - Forbearance
 - Temporary postponement or reduction of your monthly student loan payments
 - Income Based Loan Repayment



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Deferment Types


- In-school (*at least half-time*)
- Education-related
 - Graduate fellowship program (*full-time*)
 - Rehabilitation training program (*full-time*)
- Unemployment
- Economic hardship
- Military
- Post-enrollment (*Grad PLUS only*)



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Forbearance

- Responsible for all accrued interest
- Must request forbearance
- Must provide all requested documentation
- Mandatory forbearance may be available



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Repaying Your Loans

Know Your Options



```
graph TD; RO((Repayment Options)) --> S((Standard)); RO --> G((Graduated)); RO --> IC((Income Contingent)); RO --> IB((Income Based)); RO --> IS((Income Sensitive)); RO --> E((Extended));
```




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IBR Plan: Est. PFH Monthly Payment in 2011

AGI	Monthly Payment HH Size = 1	Monthly Payment HH Size = 2
\$0	\$0	\$0
\$10,000	\$0	\$0
\$20,000	\$46	\$0
\$30,000	\$171	\$99
\$40,000	\$297	\$224
\$50,000	\$422	\$349
\$60,000	\$547	\$474
\$70,000	\$672	\$599
\$80,000	\$797	\$724
\$90,000	\$922	\$849
\$100,000	\$1,047	\$974

Assumes borrower resides in 48 contiguous states



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Getting Started

Job?

- Salary?
- Jump in Salary?

Evaluate

- Income vs. Expenses



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Setting Goals



- When - Debt Free?
- Immediate Purchases?
- Lifestyle?
- Retirement - When?




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Loan Prepayment

You have the right to make prepayments without penalty

Will reduce total amount paid on loan





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Loan Repayment Calculators

Access Group offers online interactive calculators at:
AccessGroup.Org/calculators

Other loan repayment calculators:
MappingYourFuture.org
Studentloans.gov
Studentaid.ed.gov




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Federal Loan Consolidation

Paying off one or more eligible federal education loans by borrowing a new federal education loan

Currently only available from Federal Direct Loan Program at:
loanconsolidation.ed.gov


All federal student loans except the Primary Care Loan (PCL) are eligible for federal loan consolidation



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Reasons to Consolidate

- To reduce monthly loan payment
- To have single statement billing
- To have a fixed interest rate
- To qualify for Public Service Loan Forgiveness



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Consolidation May NOT Be Right

- All eligible federal loans have FIXED rates
- Extended Repayment or IBR
- You qualify for on-time payment incentives on your Federal Stafford/PLUS Loans



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Special Consolidation

- From January 2012 to 06/30/2012
- Federal Servicers to notify eligible borrowers
- Must have one FFEL loan and one DL loan
- Only FFEL loans can be consolidated
- Borrowers receive .25% discount



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Choosing the Right Federal Student Loan Repayment Plan




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Choosing A Repayment Plan

Steps to consider ...

Borrower should:


1. Define financial goals
2. Develop an affordable budget plan
3. View debt as a portfolio
4. Select the loan repayment plan that best satisfies steps 1-3



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Managing Cash Flow


Fed Student Loan	6.8%	\$100,000
Other	9.0%	\$12,000
Credit Card	15.9%	\$5,000
Fed PLUS Loan	8.5%	\$25,000
Private Loan	11.0%	\$30,000



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Managing Cash Flow

Credit Card	15.9%	\$5,000
Private Loan	11.0%	\$30,000
Other	9.0%	\$12,000
Fed PLUS Loan	8.5%	\$25,000
Fed Student Loan	6.8%	\$100,000



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A Few Final Comments...





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When Choosing a Plan

Borrowers should consider the following ...


- To pay the least amount of interest over the life of repayment, choose:
 - Standard Repayment plan
- To pay lower or the lowest possible federal student loan monthly payments, choose:
 - Extended Repayment
 - Income-Based Repayment (IBR)




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Loan Prepayment

- Borrowers have the right to make prepayments on federal student loan(s) without penalty
- Reduces total interest paid on loan
- Does not jeopardize eligibility for:
 - Grace period
 - Repayment plans
 - Deferments
 - Forbearance




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When prepaying a loan ...

Borrowers should:

- Verify where prepayment should be mailed and include written explanation on how to apply it
- Request that prepayment be applied to principal, if permitted
- Target prepayment at loans having highest interest rate




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Payment Incentives

- **Lender may offer incentives:**
 - On-time payments
 - Payment using auto-debit process
- **Direct Loan Interest Rebate**
 - Borrower must make first 12 required monthly payment to retain rebate
 - Failure to do so causes amount of rebate to be added to principal





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Questions?



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