


Engage. Educate. Empower.   
2010 Access Group Graduate and Professional Financial Aid Conference

## Engaging, Educating and Empowering Students about Loan Repayment

Presented by:  
Jeffrey E. Hanson, Ph.D.  
Access Group



© Copyright 2010 by Access Group, Inc. All rights reserved.

---

---

---

---

---

---

---

---

Engage. Educate. Empower.   
2010 Access Group Graduate and Professional Financial Aid Conference

## How can you engage, educate and empower your students?



---

---

---

---

---

---


---

---

### Engaging Your Students

Try using the “**HEAR**” Principle

- H** – Approach them **HONESTLY**
- E** – Evoke **EMOTION**
- A** – Make it **APPLICABLE**
- R** – Use **REPETITION**



---

---

---

---

---

---

---

---

## Educating 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?



---

---

---

---

---

---

---

---

## Empowering 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 more information
- Other ideas?



---

---

---

---

---

---

---

---

*Engage. Educate. Empower.* 

2010 Access Group Graduate and Professional Financial Aid Conference

## What are they worried about?



---

---

---

---

---

---

---

---

### 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



---

---

---

---

---

---

---

---

Engage. Educate. Empower.   
2010 Access Group Graduate and Professional Financial Aid Conference

### Loan Repayment Strategies: Picking Your Plan



---

---

---

---

---

---

---

---

### Loan Repayment "Top Ten" Vocabulary List

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



---

---

---

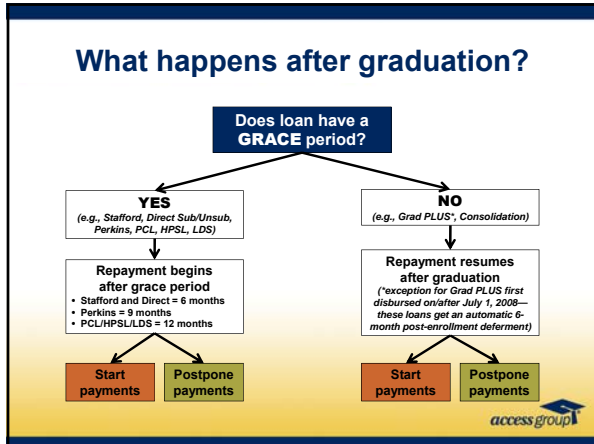
---

---

---

---

---




---

---

---

---

---

---

---

---

---

---

---

---

**Engage. Educate. Empower.**

2010 Access Group Graduate and Professional Financial Aid Conference

## “What if I can’t afford to make my loan payments?”

access group

---

---

---

---

---

---

---

---

---

---

---

---

## “What if I can’t afford to make my loan payments?”

**Borrower may be experiencing increased or unexpected financial hardship and can’t pay make federal student loan payments – what can they do?**

- Temporarily postpone repayment using deferment or forbearance, if eligible
- Consider repaying loan(s) using the Income-Based Repayment (IBR) Plan
  - If household AGI is less than 150% of the federal poverty guideline for their household size/state, their initial monthly loan payment in IBR will be \$0 (that’s \$16,245 for HH size =1)

access group

---

---

---

---

---

---

---

---

---


---

---

---

## Deferment and Forbearance Options to Postpone Payments

- **Options include:**
  - **Deferment**
    - Temporary postponement of your monthly student loan payments
  - **Forbearance**
    - Temporary postponement or reduction of your monthly student loan payments
- **Contact lender/servicer for more information and to apply**




---

---

---

---

---


---

---


---

---

---

Engage. Educate. Empower.   
2010 Access Group Graduate and Professional Financial Aid Conference

## Repaying Loans Developing a Strategy




---

---

---

---

---

---

---

---

---

---

## Loan Repayment Strategy

- Know how much is owed and to whom
- Understand terms and conditions of loans
- Define goals
- Develop an affordable budget
- Select a plan
- Be aware of loan forgiveness programs
- Keep good financial records




---

---

---

---

---

---

---

---

---

---

## Repayment Realities

How much will they  
have to repay?

Who must they repay?

---

---

---

---

---

---

---

---

### How much have they borrowed and what will it cost to repay?

Sample Case – Law School	Direct	FFELP
<b>Average student loan borrowing</b> <small>Sub = \$25,500; Unsub = \$36,000; Grad PLUS = 38,500</small>	\$100,000	\$100,000
<b>Estimated capitalized interest</b> <small>Sub = \$0; Unsub = \$5,200; Grad PLUS = \$6,400/\$6,900</small>	\$11,600	\$12,100
<b>Estimated total debt at repayment</b> <small>Sub = \$25,500; Unsub = \$41,200; Grad PLUS = \$44,900/\$45,400</small>	\$111,600	\$112,100
<b>Estimated monthly loan payment</b> <small>Standard 10-year fixed Repayment Plan</small>	\$1,310	\$1,330
<b>Estimated monthly loan payment</b> <small>Extended 25-year fixed Repayment Plan</small>	\$807	\$828
<b>Assumptions:</b> Sub/Unsub Loan interest rate = 6.8% Grad PLUS = 7.9% (Direct); 8.5% (FFELP)		

---

---

---

---

---

---

---

---

### How much have they borrowed and what will it cost to repay?

Sample Case – Dental/Medical/Vet School	
<b>Average student loan borrowing</b> <small>Sub = \$34,000; Unsub = \$146,000</small>	\$180,000
<b>Estimated capitalized interest</b> <small>Sub = \$0; Unsub = \$26,000</small>	\$26,000
<b>Estimated total debt at repayment</b> <small>Sub = \$34,000; Unsub = \$172,000</small>	\$206,000
<b>Estimated monthly loan payment</b> <small>Standard 10-year fixed Repayment Plan</small>	\$2,371
<b>Estimated monthly loan payment</b> <small>Extended 25-year fixed Repayment Plan</small>	\$1,430
<b>Assumptions:</b> Sub/Unsub Loan interest rate = 6.8%	

---

---

---

---

---

---


---

---



## Who must borrowers repay? A Challenging Reality

- They could have student loans from multiple lenders
- One or more of the lenders they used may no longer be in business
- Their original lender may have sold their loan(s) to another lender including the U.S. Department of Education
- Loans could be serviced by multiple servicers
- For current information about their federal loans, borrowers should go to the National Student Loan Data System (NSLDS) at: [nslds.ed.gov](http://nslds.ed.gov)




---

---

---

---

---

---


---

---

## Who must borrowers repay? Stafford/Grad PLUS/Consolidation Loans

- Original lender
- Secondary market loan holder
- U.S. Department of Education
  - FFELP Loans
  - Direct Loans

Where can borrowers go to find out who to repay?




---

---

---

---

---

---


---

---


## Federal Student Loan Database National Student Loan Data System (NSLDS)

Information about Direct, Stafford, Grad PLUS, Federal Consolidation and Perkins Loans is stored in the NSLDS

- Toll-free telephone:  
800 - 4FED - AID
- Web site:  
[nslds.ed.gov](http://nslds.ed.gov)



Borrowers can access NSLDS using their SSN, first 2 letters of their last name, birth date and Dept. of Educ. PIN




---

---

---

---

---

---

---

---

## Repayment Plans

- Standard (Fixed) Repayment
- Graduated Repayment
- Extended Repayment
- Income-Sensitive Repayment (*FFELP*);  
Income-Contingent Repayment (*Direct*)
- Income-Based Repayment

– Choice of a plan may depend on eligibility for it  
 – Can change plans if borrower qualifies for new plan




---

---

---

---

---

---

---

---

---

---

## Comparison of Plans – FFELP

Options	Payment Structure	Maximum Payment Period	Additional Features
Standard	Fixed	10 years	- Highest initial payment - Lowest total interest - No negative amortization
Graduated	Tiered	10 years	- Interest only payments initially - Payments increase incrementally - No negative amortization - Monthly payments can't be more than three times greater than any other payment ("3 times rule")
Extended	Fixed or tiered	25 years	- Lowest initial payment without considering income - No negative amortization - To qualify in FFELP: - FFELP debt must be > \$30,000 - New FFELP borrower ≥ 10/7/98 - No negative amortization
Income Sensitive	Adjusted annually based on: - Total gross income	15 years	- Subject to "3 times rule" - No negative amortization - Eligibility/payment amount re-evaluated annually
Income Based (IBR)	Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	25 years	- Payment is 15% of "disposable" income if experiencing "partial financial hardship" at time you request IBR - Eligibility/payment amount re-evaluated annually - Negative amortization allowed

---

---

---

---

---

---

---

---

---

---

## Comparison of Plans – Direct

Options	Payment Structure	Maximum Payment Period	Additional Features
Standard	Fixed	10 years	- Highest initial payment - Lowest total interest - No negative amortization
Graduated	Tiered	10 years	- Interest only payments initially - Payments increase incrementally - No negative amortization - Monthly payments can't be more than three times greater than any other payment ("3 times rule")
Extended	Fixed or tiered	25 years	- Lowest initial payment without considering income - No negative amortization - To qualify in FDLP: - FDLP debt must be > \$30,000 - New FDLP borrower ≥ 10/7/98 - No negative amortization
Income Contingent (ICR)	Adjusted annually based on: - Household AGI - Household size - Total amount of Direct Loans	25 years	- Monthly payment is lesser of: - Amt. needed to repay loan in 12 yrs multiplied by income % factor that varies with your AGI, or - 20% of monthly "discretionary" income - Payment re-evaluated annually - Negative amortization allowed
Income Based (IBR)	Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	25 years	- Payment is 15% of "disposable" income if experiencing "partial financial hardship" at time you request IBR - Eligibility/payment amount re-evaluated annually - Negative amortization allowed

For more information about these plans, visit: [StudentLoans.gov](http://StudentLoans.gov)

---

---

---

---

---

---

---


---

---

---

## Comparison of Federal Student Loan Repayment Plans

Options	Payment Structure	Maximum Payment Period
Standard	Fixed	10 years
Graduated	Tiered	10 years
Extended	Fixed or tiered	25 years
Income Sensitive – FFELP	Adjusted annually based on: - Total gross income	15 years
Income-Contingent – Direct	Adjusted annually based on: - Household AGI - Household size - Total amount of Direct Loans	25 years
Income Based (IBR)	Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	25 years




---

---

---

---

---

---

---

---


---

---

---

---

### Income-Contingent Repayment Direct Loans

- Eligibility based on:
    - Household AGI
    - Household size
    - Total amount of Direct Loans
  - Monthly payment is **lesser** of:
    - Amount needed to repay loan in 12 years multiplied by income % factor that varies with AGI, or
    - 20% of monthly “discretionary” income
  - Payment can be less than the accrued interest
  - Reviewed and adjusted annually
  - Maximum repayment period is 25 years
  - Results in lower monthly payment, but higher total interest cost
- 

---

---

---

---

---

---

---

---


---

---

---

---

### Income-Based Repayment (IBR)

- Can be used to repay most Direct and FFELP loans:
    - Subsidized/Unsubsidized (Stafford) Student Loans
    - Grad PLUS Loans (*not Parent PLUS*)
    - Consolidation Loans (*not including payoff of Parent PLUS*)
  - Must have “Partial Financial Hardship” (PFH) to enter IBR Plan
    - Can remain in IBR even if PFH no longer exists at some point
  - Payment while in PFH is based on:
    - Household AGI
    - Household size
    - HHS Federal Poverty Guideline for state of residence
- 

---

---

---

---

---

---

---

---

---

---

---

---



## Loan Repayment Calculators

- FFELP Loan payment calculators available at:
  - [AccessGroup.org/calculators](http://AccessGroup.org/calculators)
  - [MappingYourFuture.org](http://MappingYourFuture.org)
  - [FinAid.org/calculators](http://FinAid.org/calculators)
- Direct Loan payment calculators available at:
  - [StudentAid.ed.gov](http://StudentAid.ed.gov)
  - [StudentLoans.gov](http://StudentLoans.gov)
  - [FinAid.org/calculators](http://FinAid.org/calculators)




---

---

---

---

---

---

---

---

---

---

Comparing Payment Plans					
Loan Debt = <b>\$112,100 (FFELP)</b>					
Household AGI = <b>\$42,800<sup>a</sup>; \$72,000<sup>b</sup>; \$160,000<sup>c</sup></b>					
Law Case	Standard	Graduated	Extended	ISR	IBR
Monthly Payment	\$1,330	\$700 (yrs 1-2) \$1,556 (yrs 3-10)	\$828 (fixed) OR \$700 (yrs 1-2) \$853 (yrs 3-25)	\$700 <sup>a,b,c</sup> (yr 1)	\$322 <sup>a</sup> (yr 1) \$697 <sup>b</sup> (yr 1) Not Elig. <sup>c</sup> (yr 1)
Maximum Payment Period	10 yrs	10 yrs	25 yrs	n/a	n/a
Total Paid	\$159,597	\$166,140	\$248,271 or \$252,134	n/a	n/a
<b>Assumptions:</b> - DEBT (includes interest thru Grace Period): Sub = \$25,500; Unsub = \$41,200; Grad PLUS = \$45,400 - Interest rate: Sub/Unsub = 6.8% ; Grad PLUS = 8.5% (FFELP) - No payment incentives - For ISR: Household (HH) AGI = \$42,800 <sup>a</sup> , 72,000 <sup>b</sup> and 160,000 <sup>c</sup> in year 1 - For IBR: - Household (HH) AGI = \$42,800 <sup>a</sup> , 72,000 <sup>b</sup> and 160,000 <sup>c</sup> in year 1 (2010 Poverty Guideline for HH size of 1 = \$10,530)					

---

---

---

---

---

---

---

---

---

---

Comparing Payment Plans					
Loan Debt = <b>\$206,000 (Direct)</b>					
Household AGI = <b>\$50,000<sup>a</sup>; \$100,000<sup>b</sup>; \$200,000<sup>c</sup></b>					
Med/Dent Case	Standard	Graduated	Extended	ICR	IBR
Monthly Payment	\$2,371	\$1,628 (yrs 1-2) \$1,979 (yrs 3-4) \$2,406 (yrs 5-6) \$2,925 (yrs 7-8) \$3,556 (yrs 9-10)	\$1,430 (fixed) OR \$1,167 (yrs 1-2) (increases every 2 yrs) \$2,042 (yr 25)	\$653 <sup>a</sup> (yr 1) \$1,486 <sup>b</sup> (yr 1) \$3,153 <sup>c</sup> (yr 1)	\$422 <sup>a</sup> (yr 1) \$1,047 <sup>b</sup> (yr 1) \$2,297 <sup>c</sup> (yr 1)
Maximum Payment Period	10 yrs	10 yrs	25 yrs	n/a	n/a
Total Paid	\$284,478	\$299,844	\$428,937 or \$404,613	n/a	n/a
<b>Assumptions:</b> - TOTAL DEBT (includes accrued interest thru Grace Period): Sub = \$34,000; Unsub = \$172,000 - Interest rate: Sub/Unsub = 6.8% - No payment incentives - For ICR: Household (HH) AGI = \$50,000 <sup>a</sup> , 100,000 <sup>b</sup> and 200,000 <sup>c</sup> in year 1; HH size = 1 - For IBR: - Household (HH) AGI = \$50,000 <sup>a</sup> , 100,000 <sup>b</sup> and 200,000 <sup>c</sup> in year 1 (2010 Poverty Guideline for HH size of 1 = \$10,530)					

---

---

---

---

---

---

---

---

---

---

## For more information on IBR and Public Service Loan Forgiveness

- Student Aid on the Web at: [StudentAid.ed.gov](http://StudentAid.ed.gov)
- Equal Justice Works at: [EqualJusticeWorks.org](http://EqualJusticeWorks.org)
- Calculators available at: [StudentAid.ed.gov](http://StudentAid.ed.gov), [FinAid.Org/calculators](http://FinAid.Org/calculators), [IBRinfo.org](http://IBRinfo.org)
- “Project on Student Debt” has created a special Website specifically about IBR at: [IBRinfo.org](http://IBRinfo.org)



---

---

---

---

---

---

---

---

Engage. Educate. **Empower.**   
2010 Access Group Graduate and Professional Financial Aid Conference

## Federal Loan Consolidation



---

---

---

---

---

---

---

---

## Consolidation is ...

- Paying off one or more eligible federal education loans by borrowing a new federal education loan
- All federal student loans except the Primary Care Loan (PCL) are eligible for federal loan consolidation
- Currently only available from Federal Direct Loan Program at: [loanconsolidation.ed.gov](http://loanconsolidation.ed.gov)



---

---

---

---

---

---

---

---

## Reasons to Consolidate

- To reduce monthly loan payment
  - Increases monthly cash flow, but increases total cost of student loan debt
- To have single statement billing
- To take advantage of fixed interest rate structure of Consolidation Loan by consolidating loans with variable rates
- To refinance FFELP debt so that borrowers can take advantage of Public Service Loan Forgiveness Program



---

---

---

---

---

---

---

---

## Consolidation May NOT Be Right

- If any of the following are true for borrower:
  - Only has eligible federal loans with FIXED rates
  - Qualifies for Extended Repayment or IBR
  - Qualifies for on-time payment incentives on their Federal Stafford/PLUS Loans
- Then, borrower might be better off financially by NOT consolidating
  - Monthly payment could be less without consolidating
  - Total interest cost of debt likely will be less if they do not consolidate



---

---

---

---

---

---

---

---

## Consolidation may be right, if ...

### Borrower:

- Has eligible federal loans with VARIABLE interest rates and wants to fix the rate on those loans
- Does NOT qualify for Extended Repayment or IBR but needs to reduce monthly loan payments
- Has multiple loan holders/servicers and wants to pay federal student loans with a single monthly payment
- Needs to refinance FFELP debt to take advantage of Public Service Loan Forgiveness Program

### But note:

- Timing is important – Why?



---

---

---

---

---

---

---

---

Engage. Educate. Empower.   
 2010 Access Group Graduate and Professional Financial Aid Conference

## Choosing the Right Federal Student Loan Repayment Plan



---

---

---

---

---

---

---

---

### 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



---

---

---

---

---

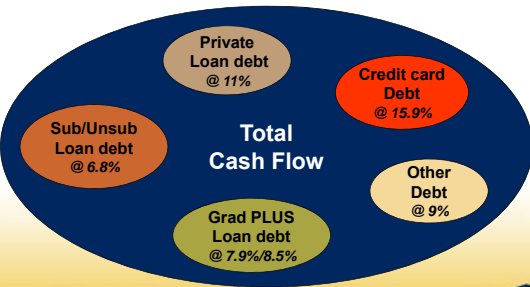
---


---

---

### Typical Debt Portfolio

Managing Cash Flow to Repay Debt





---

---

---

---

---

---

---

---

Engage. Educate. Empower.   
 2010 Access Group Graduate and Professional Financial Aid Conference

## A Few Final Comments...



---

---

---

---

---

---


---

---

### When Choosing a Plan

Borrowers should consider the following ...

- If they want to pay the lowest amount of total interest over the life of repayment, choose:
  - Standard Repayment plan
- If they want lower or the lowest possible federal student loan monthly payments, choose:
  - Extended Repayment (*fixed or graduated*), or
  - Income-Based Repayment (IBR)



---

---

---

---

---


---

---

---

### 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



---

---

---

---

---

---

---

---

## 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



---

---

---

---

---

---

---

---

## 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



---

---

---

---

---

---

---

---

## Loan Repayment "Top Ten" Vocabulary List

### Do they now know what these mean?

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



---

---

---


---

---


---

---

---

*Engage. Educate. Empower.*   
2010 Access Group Graduate and Professional Financial Aid Conference

**Questions?**

  
© Copyright 2010 by Access Group, Inc. All rights reserved.

---

---

---

---

---

---

---

---