

STUDENT LOAN REPAYMENT, AND CONSOLIDATION

Office of Student Financial Management

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WHO WE ARE AND WHAT WE DO

- We advise prospective, current, and former Denver Law students on:
 - General financial aid questions
 - *We do not process student loans, that's the Office of Financial Aid in University Hall*
 - Denver Law scholarship opportunities
 - We manage the Named and Endowed Scholarship Process
 - Scholarship applications will next be available in February 2013
 - Financial literacy and debt management including:
 - Budgeting
 - Loan repayment & consolidation
 - Loan forgiveness
 - Loan Repayment Assistance Program/LRAP

TODAY'S AGENDA

- **Locating Your Loans**
- **Loan Types and Rates**
- **Repayment Options**
- **Loan Forgiveness**
- **Loan Consolidation**
- **Bar Study Loans**

WHO DO I PAY? HOW MUCH DO I OWE?

Answering these questions should be your first priority.

- Visit the National Student Loan Data System, www.nslds.ed.gov
 - Use FAFSA PIN to access (www.pin.ed.gov)
 - Provides information about all federal student loans including:
 - Loan types borrowed
 - Loan balances
 - Lender/servicer contact information
 - **Does not provide information about your interest rate**
 - You can download your loan information from the website using the “My Student Data Download” button
- If you borrowed private loans, you can check your credit report for lender contact information (www.annualcreditreport.com)

LOANS YOU MAY HAVE BORROWED:

- (FFEL) Subsidized/ Unsubsidized Loan
 - Originally borrowed from a private lender such as Wells Fargo or CollegeInvest
 - Loans borrowed during the 08-09 and 09-10 academic years were likely sold to the Dept. of Ed.
- (FFEL) Graduate PLUS Loan
 - Originally borrowed from a private lender such as Wells Fargo or CollegeInvest
 - Loans borrowed during the 08-09 and 09-10 academic years were likely sold to the Dept. of Ed.
- Direct Subsidized/Unsubsidized Loan
 - Borrowed directly from the Dept. of Ed.
 - All loans borrowed during and after the 10-11 academic year are Direct
- Direct Graduate PLUS Loan
 - Borrowed directly from the Dept. of Ed.
 - All loans borrowed during and after the 10-11 academic year are Direct
- Perkins Loan
 - Borrowed directly from a school
- Bar Study Loan – **not a federal loan**
- Private Educational Loan (SallieMae Smart Options, Wells Fargo Collegiate, CitiAssist) – **not a federal loan**

WHEN DOES REPAYMENT START?

- Most of your student loans will have a grace period associated with them during which you do not need to make payments.
- The grace period will start the day after the end of the semester (or from the time you stop being a ½-time student – 4 credits are required to be considered a ½-time student at DU)

Grace Periods

- All **Stafford subsidized** and **unsubsidized** loans: **6 months**
 - Interest is not charged to you during the grace period on *subsidized* loans
- All **Graduate PLUS** loans: **6 months** (not an official grace period, just a deferment that is automatically granted for loans borrowed after 7/2008)
- **Perkins** loans: **9 months**
- **Private** and **Bar Study** loans: **varies by lender; typically 6-9 months**

LOAN INTEREST RATES

- **Stafford/Direct subsidized**
 - Fixed @ 6.8% for loans after 7/2006
 - For *undergraduate loans* borrowed between 7/2008 and 6/2013, the rate was reduced to 3.4-6.0% (year depending)
 - Variable for loans prior to 7/2006
- **Stafford/Direct unsubsidized**
 - Fixed @ 6.8% for loans after 7/2006
 - Variable for loans prior to 7/2006
- **(FFEL) Graduate PLUS**
 - Fixed @ 8.5%
- **Direct Graduate PLUS**
 - Fixed @ 7.9%
- **Perkins**
 - Fixed @ 5%
- **Bar Loan and other Private Ed. Loans**
 - Generally variable, tied to LIBOR or Prime

STUDENT LOAN REPAYMENT OPTIONS

- **Standard Repayment**

- 10 year repayment (120 payments)
- Repay a fixed amount each month until your loans are paid in full.
- Monthly payment of, at least, \$50

- **Extended Repayment**

- 25 year repayment (300 payments)
- To qualify, you must have, at least \$30,000 in federal student loan debt
- Repay a fixed amount each month until your loans are paid in full

- **30 – Year Repayment (Consolidation)**

- Available only to students who have consolidated their loans
- Pay a fixed amount each month until your loans are paid in full

- **Graduated Repayment**

- Available for all the different repayment plan lengths
- Monthly loan payments start off lower and increase every 2 years
- No single payment will be more than 3x larger than any other payment

INCOME BASED AND THE 'PAY AS YOU EARN' REPAYMENT PLANS

	Income Based Repayment (IBR)	Pay As You Earn Repayment (PAYE)
General:	<ul style="list-style-type: none"> Monthly payments are based on your income and family size Don't have to cover accruing interest 	<ul style="list-style-type: none"> Payments can be as low as \$0 Any remaining balance is cancelled at the end of the repayment term
Repayment Term:	<ul style="list-style-type: none"> 25 Years - 300 payments 	<ul style="list-style-type: none"> 20 Years (240 payments)
Payment Amount:	<ul style="list-style-type: none"> 15% of your <i>discretionary income</i>* 	<ul style="list-style-type: none"> 10% of your <i>discretionary income</i>*
Eligible Loans:	<ul style="list-style-type: none"> All Federal loans are eligible except Federal Perkins loans and Parent PLUS loans. 	<ul style="list-style-type: none"> Only Direct loans are eligible; Parent PLUS loans are not eligible.
Other:		<ul style="list-style-type: none"> You must not have borrowed a federal student loan prior to October 1st, 2007

*Discretionary income is AGI minus 150% of the poverty line for your family size and location

IBR/PAYE – THINGS TO KEEP IN MIND

- For married borrowers, the AGI used to calculate the monthly payment is whatever is reported to the IRS
 - This could be significantly higher than the borrower's income alone
 - A borrower can file “married filing separately” to use only his/her income
 - However, this may have other tax implications (increased tax rate, limited deductions, etc.)
- Under current tax laws, any amount forgiven at the end of the IBR/PAYE plan is considered taxable income
 - *The first borrowers won't be eligible for forgiveness until 2029, so this could change!*
- You have to submit documentation (typically, prior year taxes) to your servicer every year, to qualify for IBR/PAYE
 - A new data retrieval tool allows you to import your tax information from the IRS and electronically submit it to your loan servicer.
 - www.studentloans.gov -> “IBR Application”
 - In the first year (or two) of repayment, you will need to submit alternative documentation (paystubs, etc), since your prior year taxes will likely not be a good indicator of your current income

COMPARING REPAYMENT PLANS

Standard, Extended and Graduated Repayment

Loan Balance @ Repayment		Standard	Extended	Graduated	Extended Graduated
\$65,000	Initial Monthly Payment	\$748	\$451	\$513	\$368
	Amount Repaid	\$89,762	\$135,345	\$94,611	\$146,601
\$100,000	Initial Monthly Payment	\$1,171	\$719	\$711	\$598
	Amount Repaid	\$140,484	\$215,587	\$151,774	\$240,023
\$150,000	Initial Monthly Payment	\$1,774	\$1,101	\$1,081	\$927
	Amount Repaid	\$212,940	\$330,304	\$230,660	\$368,215

Interest rate assumption: 6.8% for first \$65,000; 7.9% for any amount above \$65,000)

IBR/PAYE Monthly Payment Amounts

AGI		\$30,000		\$40,000		\$50,000		\$60,000		\$75,000		\$100,000	
		IBR	PAYE	IBR	PAYE	IBR	PAYE	IBR	PAYE	IBR	PAYE	IBR	PAYE
Family Size:	1	\$166	\$110	\$291	\$194	\$416	\$277	\$541	\$360	\$728	\$485	\$1041	\$694
	2	\$91	\$61	\$216	\$144	\$341	\$228	\$466	\$311	\$654	\$436	\$966	\$644
	3	\$17	\$11	\$142	\$95	\$267	\$178	\$392	\$261	\$580	\$386	\$892	\$595
	4	\$0	\$0	\$68	\$45	\$193	\$129	\$318	\$212	\$505	\$337	\$818	\$545

Based on the 2012 federal poverty guidelines for the 48 contiguous states

PUBLIC SERVICE LOAN FORGIVENESS

- Designed to assist borrowers who want to work in, typically lower-paying, public service positions by offering loan forgiveness after 10 years of service.
 - Pairs very well with the Income Based and Pay As You Earn Repayment Plans

Who Qualifies?

- Individuals **working full-time in public service**, and repaying their **eligible loans** under specific repayment plans can qualify to have their remaining debt (interest and principal) forgiven after 120 payments (10 years).

What does that mean...?

QUALIFYING FOR PUBLIC SERVICE LOAN FORGIVENESS

■ Working full-time

- Employers definition or 30 hours (whichever is more)

■ In public service

- Government & and 501(c)(3); *can't be contract employee*

■ Repaying eligible loans

- Direct Stafford (sub & unsub), Direct Grad PLUS, Direct Consolidation

■ Under specific repayment plans

- Income Based Repayment, Pay as You Earn, Income Contingent Repayment, Standard 10-Year Repayment

■ After 120 payments

- No partial cancellations
- You must be able to prove that your payments qualified
- Keep good records of your employment – Employment Certification Form
 - An employment certification form is available online at www.studentaid.gov/publicservice
 - Filling out the form will help you keep track of how many payments have been made that count toward the 120 required payments
 - Not required but strongly recommended; can fill out as often as 1x per year
 - When you fill out the form for the first time, your loans will be transferred to the loan servicer who handles all PSLF eligible loans – FedLoan Servicing (PHEAA).

EXAMPLE:

- John graduates with \$150,000 in loan debt with an interest rate of 7.6% and gets a job that pays \$50,000 to start
 - Standard 10-Year Payment: \$1,788
 - Extended 25-Year Payment: \$1,118
 - Initial Payment under IBR: \$416
 - Initial Payment under PAYE: \$277
- Assuming a 5% increase in income per year:
 - IBR Payment after 10 years: \$705
 - IBR Payment after 25 years: \$1,603
 - PAYE Payment after 10 Years: \$464
 - PAYE Payment after 20 Years: \$808
- Amount repaid:
 - Standard 10-Year Repayment: \$214,604
 - Extended 25-Year Repayment: \$335,480
 - IBR 10 Years: \$66,400
 - IBR 25 Years: \$273,615
 - PAYE 10 Years: \$43,682
 - PAYE 20 Years: \$120,308
- Amount forgiven (unpaid interest and principal):
 - IBR 10 Years: \$197,600
 - IBR 25 Years: \$154,505
 - PAYE 10 Years: \$220,318
 - PAYE 20 Years: \$257,691

PERKINS LOAN CANCELLATION

- Perkins Loans have their own cancellation provisions
 - Up to 100% of the loan can be cancelled for those employed in/as:
 - Law Enforcement (including District Attorneys)
 - Public Defenders
 - Some forms of education
 - Military (service in area of hostilities)
 - Peace Corps or Americorps
 - Certain other professions (see the Cancellation form below for a full list)
 - Loans will have a certain percentage forgiven for each year of service. For full cancellation, you need to complete 5 years of service.
 - Loans are deferred (no payment is due), while you complete your eligible service.
 - You can submit Postponement/Cancellation Form to the school from which you received your Perkins Loan
 - For DU borrowers: www.du.edu/bursar/forms.html
- If you consolidate your Perkins Loan, you lose these benefits

FEDERAL LOAN CONSOLIDATION

There are a few common reasons people consolidate federal student loans:

1. Take advantage of 10-year Federal Public Service Loan Forgiveness program or the new Pay As You Earn Repayment Plan
2. Preference of having all loans in one place
3. Have federal loans with a variable interest rate (issued before July 1, 2006 and were not consolidated)
4. Have a Grad PLUS Loan that required a co-signer

Common Misconception: Consolidating will not give you a lower rate on your federal loans.

CONSOLIDATION: HOW TO

■ Organize your loans

- Identify your federal loans: www.nslds.ed.gov
- You can download your loan data by using the “My Student Data Download” button
- You will need the following information about each loan:
 - Loan type
 - Stafford Sub, Stafford Unsub, Direct Sub, Direct Unsub, Consolidation, Perkins*, etc
 - Loan amount
 - Interest rate (see previous slide, as this will not be on NSLDS)
 - Dates borrowed
 - Servicer name and address/phone
 - Account number (use your SSN, if you're not sure of your account numbers)

* If you consolidate your Perkins loan, you will lose the benefits described on the “Perkins Loan Cancellation” slide

CONSOLIDATION, CON'T:

- Consolidate *after* you finish school
- Consolidation often takes 6-8 weeks to process:
 - Once you consolidate, your grace period ends and repayment begins
 - May graduates should consolidate by September/October
 - December graduates should consolidate by April/May
 - If your loans are in a grace period, you can tell the Dept of Ed not to process your application until 45 days prior to the end of your grace period.
- Go to www.LoanConsolidation.ed.gov. There are 4 steps to consolidation:
 - Enter your personal information (name, address, email, etc)
 - Enter the names and contact information for 2 references who do not live with you
 - List the loans that you want to consolidate
 - Select your repayment plan (if selecting IBR or PAYE, additional income information will be required)

PRIVATE LOANS: BAR STUDY LOANS

- Bar study loans are loans from private lenders for the purpose of paying for bar study courses and living expenses while you study for the Bar.
 - Private loan, usually with variable interest
 - NOT eligible for IBR or federal forgiveness
 - Cannot be combined or consolidated with your federal loans
 - Credit check is required, a co-signer may be necessary
 - More info at: www.law.du.edu/financial-aid/graduating-students-and-alumni
- Federal loans can only cover the cost of the bar exam itself
 - Complete budget adjustment with Financial Aid Office
 - www.du.edu/financialaid/forms.html
 - Bar exam fee must be paid for while you are still a student and prior to submitting a budget adjustment

DENVER LAW LOAN REPAYMENT ASSISTANCE PROGRAM (LRAP)

■ Purpose:

- To enable and encourage committed students to accept lower paying public interest legal positions by providing forgivable loans to help repay those students' law school debt.

■ Requirements:

- 501(c)(3); government (Clerkships do not qualify)
- Must be position that utilizes grad's legal skills
- AGI of \$75,000 or less
- Graduated after May 2003

DENVER LAW LOAN REPAYMENT ASSISTANCE PROGRAM (LRAP)

- Awards are renewable for up to 5 years if still in qualifying employment
- Awards are competitive and an application must be submitted
 - Application is available late in December to SCOL JD alums online
 - Deadline is the 4th Friday of January each year (January 25, 2013)
- Applicants are encouraged (though not required) to be enrolled in IBR or PAYE
 - LRAP awards will not exceed your annual IBR/PAYE payment amount
- Website:
 - www.law.du.edu/financial-aid/continuing-students-and-alumni/lrap

HELPFUL WEBSITES

Student Financial Management:

- www.law.du.edu/financial-aid
- www.law.du.edu/financial-aid/graduating-students-and-alumni

Budget Adjustment Form:

- www.du.edu/financialaid/forms

Income-Based Repayment, Pay As You Earn, Public Service Loan Forgiveness

- www.studentaid.ed.gov/publicservice
- www.ibrinfo.org
- www.equaljusticeworks.org

Federal Perkins Loan Cancellation/Deferment (DU)

- www.du.edu/bursar/forms.html

Loan Repayment Calculators:

- www.finaid.org/calculators
- www.edfund.org/loancalculator/
- www.ibrinfo.org/calculator.php
- www.studentaid.ed.gov

Loan Consolidation:

- www.loanconsolidation.ed.gov

Federal Student Loan History:

- www.nslds.ed.gov
- www.pin.ed.gov

Other Websites:

- www.askheatherjarvis.com

QUESTIONS?

Contact Information:

■ Email: FinancialManagement@law.du.edu

Phone: 303.871.6557

Web: www.law.du.edu/financial-aid

Location: Ricketson Law Building, Suite 115

Hours: Monday – Friday, 8:00am – 4:30pm

Appointment Scheduling:

■ Go to the “*Law Student*” tab in [webCentral](#)

■ Look under the “*Calendars and Announcements*” section

■ Click on “*Schedule an Appointment with Law School Financial Management*”