



# Graduation, 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
  - Financial literacy and debt management including:
    - Budgeting
    - Loan repayment & consolidation
    - Loan forgiveness
    - Loan Repayment Assistance Program/LRAP (Lacey)



# Today's Agenda

- Loan Types and Rates
- Locating Your Loans
- Repayment Types
- Loan Forgiveness
- Loan Consolidation
- Bar Study Loans
- Special Consolidation (May 2012 Grads only)

# 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**

# Loan Interest Rates & Grace Periods

- **Stafford/Direct subsidized**
  - Fixed @ 6.8% for loans after 7/2006
    - For *undergraduate loans* borrowed between 7/2008 and 7/2012, the rate was reduced to 3.4-6.0% (year depending)
  - Variable for loans prior to 7/2006
  - 6 month grace period after your last day of enrollment
- **Stafford/Direct unsubsidized**
  - Fixed @ 6.8% for loans after 7/2006
  - Variable for loans prior to 7/2006
  - 6 month grace period after your last day of enrollment
- **(FFEL) Graduate PLUS**
  - Fixed @ 8.5%
  - 6 month deferment after your last day of enrollment (for loans borrowed after 7/2008)
- **Direct Graduate PLUS**
  - Fixed @ 7.9%
  - 6 month deferment after your last day of enrollment (for loans borrowed after 7/2008)
- **Perkins**
  - Fixed @ 5%
  - 9 month deferment after your last day of enrollment
- **Bar Loan and other Private Ed. Loans**
  - Generally variable, tied to LIBOR or Prime
  - Grace period varies from loan to loan; often 6-9 months

# Where are my loans? How much do I owe?

Answering these questions should be your first priority.

- Visit the National Student Loan Data System, [www.nslds.ed.gov](http://www.nslds.ed.gov)
  - Use FAFSA PIN to access ([www.pin.ed.gov](http://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
- If you borrowed private loans, you can check your credit report for lender contact information ([www.annualcreditreport.com](http://www.annualcreditreport.com))

# 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
- **Graduated Repayment**
  - 10 or 25 year repayment options.
  - Monthly loan payments start off lower and increase every 2 years (or so)
  - No single payment will be more than 3x larger than any other payment
- **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
- **Income- Contingent Repayment (ICR)/Income Sensitive Repayment**
  - Loan payments are calculated based off of your annual income
  - Income Sensitive repayment requires that your payment cover at least the interest accruing on the loan(s)
  - Generally results in a higher payment than Income Based Repayment

# Income Based Repayment

- Monthly loan payments can be reduced significantly for borrowers selecting the IBR option
  - Payments can be as low as \$0
  - Payments don't have to cover accruing interest
- Pay until balance is repaid OR until 300 payments have been made (25 years)
  - Remaining balance is cancelled
  - For those working in Public Service jobs, debt can be forgiven after 120 payments (10 years)
- Which loans are eligible?
  - All federally guaranteed student loans, except Parent PLUS loans and Federal Perkins Loans (except those Perkins Loans that have been consolidated)
- Are there employment requirements to qualify for IBR?
  - No. IBR is available to anyone, regardless of their type of employment



# IBR – 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 300 IBR payments is considered taxable income
  - *The first borrowers won't be eligible for forgiveness until 2034, so this could change!*
- You have to submit documentation (typically your tax forms) to your servicer every year, to qualify for IBR

# 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*

## Income Based Repayment Monthly Payment Amounts

AGI		\$50,000	\$60,000	\$70,000	\$80,000	\$90,000	\$100,000
Family Size:	1	\$421	\$546	\$671	\$796	\$921	\$1,046
	2	\$349	\$474	\$599	\$724	\$849	\$974
	3	\$278	\$403	\$528	\$653	\$778	\$903
	4	\$206	\$331	\$456	\$581	\$706	\$831

# 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 Repayment Plan

## *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, 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](http://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: \$422
- Assuming a 5% increase in income per year:
  - IBR Payment after 10 years: \$705
  - IBR Payment after 25 years: \$1,603
- Amount repaid:
  - Standard 10-Year Repayment: \$214,604
  - Extended 25-Year Repayment: \$335,480
  - IBR (10 Year): \$66,400
  - IBR (25 Year): \$273,615
- Amount forgiven (unpaid interest and principal):
  - IBR 10 Years: \$197,600
  - IBR 25 Years: \$154,505

# Perkins Loan Cancellation

- For those who have borrowed a Perkins Loan and are employed full time in:

- Law enforcement (DA and PDs)
- Some forms of education
- Military
- Peace Corps or Americorps

- Postpones payments AND cancels a percentage of the loan each year of service (up to 5 years when 100% is cancelled)

- Submit Postponement/Cancellation Form with the school where you borrowed the Perkins Loan

- For DU borrowers: [www.du.edu/bursar/forms.html](http://www.du.edu/bursar/forms.html).

- Must NOT consolidate the Perkins Loan into a Direct Loan Consolidation to take advantage of this option.**

# 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 each January online
  - Deadline is the 4<sup>th</sup> Friday of January each year (**January 25, 2013**)
- Applicants are encouraged (though not required) to be enrolled in IBR
  - LRAP awards will not exceed your annual IBR payment amount
- Website:
  - [www.law.du.edu/financial-aid/continuing-students-and-alumni/lrap](http://www.law.du.edu/financial-aid/continuing-students-and-alumni/lrap)



# Federal Loan Consolidation

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

1. Take advantage of 10-year federal public service forgiveness program
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](http://www.nslds.ed.gov)
  - Make spreadsheet of all loans
    - Loan type
      - Stafford Sub, Stafford Unsub, Direct Sub, Direct Unsub, Consolidation, Perkins\*, etc
      - *For Grad PLUS list as "Federal PLUS Loan" (Letter Code: S)*
    - Loan amount
    - Interest rate
    - Servicer name and address/phone
    - Account number

\* If you are going into law enforcement, you may not want to consolidate your Perkins Loans as you may qualify for another loan forgiveness program.

# Consolidation, con't:


- Consolidate *after* you finish school
- Go to [www.LoanConsolidation.ed.gov](http://www.LoanConsolidation.ed.gov)
  - You request your repayment plan through the consolidation process
- Consolidation takes at least 4-6 weeks to process and often closer to 8 weeks
  - Once you consolidate, your grace period ends and repayment begins
    - May graduates should consolidate in September/October
    - December graduates should consolidate in April/May

# Special Consolidation

- Special Consolidation Loans
  - Mostly a benefit for students who have already graduated or are graduating by May 2012
  - Available to students who have at least one loan serviced by a commercial lender (i.e. Citibank) and one loan serviced by the Department of Education.
    - Commercially serviced loans – most likely, these will be loans borrowed in 07-08 and earlier
    - ED servicers include: SallieMae, Nelnet, Great Lakes, PHEAA/Fed Loan Servicing, ACS



# Special Consolidation

- Borrowers can “consolidate”/transfer qualifying loans to the department between 01/01/2012 and 06/30/2012
    - Will keep same repayment terms on your loan you had previously
    - Will receive a .25% rate reduction for moving your loans and an additional .25% if you sign up for auto-debit
    - Students who are eligible for this special consolidation will be contacted by their ED servicer in early 2012
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# 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 with variable interest
  - Borrowed through private lender
  - NOT eligible for IBR or federal forgiveness
  - Cannot be combined or consolidated with your federal loans
- Federal loans can only cover the cost of the bar itself
  - Complete budget adjustment with Financial Aid Office (deadline is April 20<sup>th</sup>)
    - Bar exam fee must be paid for while you are still a student and prior to submitting a budget adjustment

# Helpful Websites

## Student Financial Management:

- [www.law.du.edu/financial-aid](http://www.law.du.edu/financial-aid)
- [www.law.du.edu/financial-aid/graduating-students-and-alumni](http://www.law.du.edu/financial-aid/graduating-students-and-alumni)

## Budget Adjustment Form:

- [www.du.edu/financialaid/forms/budget\\_adj\\_grad.html](http://www.du.edu/financialaid/forms/budget_adj_grad.html)

## Income-Based Repayment, Public Interest Forgiveness, Federal Perkins Cancellation

- [www.studentaid.ed.gov/publicservice](http://www.studentaid.ed.gov/publicservice)
- [www.ibrinfo.org](http://www.ibrinfo.org)
- [www.equaljusticeworks.org](http://www.equaljusticeworks.org)
- [www.askheatherjarvis.com](http://www.askheatherjarvis.com)
- [www.du.edu/bursar/forms.html](http://www.du.edu/bursar/forms.html)

## Loan Repayment Calculators:

- [www.finaid.org/calculators](http://www.finaid.org/calculators)
- [www.edfund.org/loancalculator/](http://www.edfund.org/loancalculator/)
- [www.ibrinfo.org/calculator.php](http://www.ibrinfo.org/calculator.php)

## Loan Consolidation:

- [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)

## Federal Student Loan History:

- [www.nslds.ed.gov](http://www.nslds.ed.gov)
- [www.pin.ed.gov](http://www.pin.ed.gov)

## Other Websites:

- [www.ombudsman.ed.gov/about/contactus.html](http://www.ombudsman.ed.gov/about/contactus.html)
- [http://askheatherjarvis.com/uploads/images/PSLF\\_QAs\\_final\\_02%2012%2010.pdf](http://askheatherjarvis.com/uploads/images/PSLF_QAs_final_02%2012%2010.pdf)

# Questions?

## Contact us:

- Email: [FinancialManagement@law.du.edu](mailto:FinancialManagement@law.du.edu)  
Phone: 303.871.6557  
Web: [www.law.du.edu/financial-aid](http://www.law.du.edu/financial-aid)

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

## Current students, to set up an appointment with Lacey McFall:

- Login to your [TWEN account](#)
- Under *My Courses* select “Financial Management Advising”
- Under *Navigation* select “Appointments With Lacey”
- Select the week you would like to make an appointment (there are usually 2 up at a time)
- Select Sign-up for the time slot that works for you (these are typically 30 minute increments, if you need more time, sign up for additional time slots)