




Managing Loan Repayment

FFEL & DL Programs
Graduate Students

Agenda


- Matching Goals to Repayment Options
- Student Profiles
- Counseling Tips
- Question and Answer

**Submit questions at any time!
We will compile and address
questions at the end.**




About Today's Webinar

- Strategic view on using the options available on federal (FFEL & DL) student loans
- Focus on guiding students toward repayment management tools that best suit their needs
- Four profiles used for illustrative purposes
 - Key principle: Each student is different!
- Basic knowledge of repayment options is assumed
 - Will not discuss options in detail



Web Resources

- Income-Based Repayment Calculator
<http://www.ibrinfo.org/calculator.php>
- Public Service Forgiveness Fact Sheet
<http://studentaid.ed.gov/students/attachments/sitesources/LoanForgivenessv4.pdf>
- Teacher Cancellation
<http://studentaid.ed.gov/PORTALSWebApp/students/english/teachercancel.jsp?tab=repaying>





Repayment Management Tools

Matching Repayment Goals to Repayment Options

Repayment Management Tools *

- Repayment plan
 - Standard, graduated, extended
 - Income-related
 - Income-sensitive (FFEL), income-contingent (DL), or income-based (FFEL & DL)
- Deferment
- Forbearance
- Forgiveness & repayment programs
- Prepayment
- Consolidation

* Available options may vary by loan program or loan servicer



Economic Hardship Deferment

- Working full-time and income < (greater of 150% of applicable poverty line or minimum wage rate)

2009 HHS Poverty Guidelines	
Contiguous US *	
Persons	X 150%
1	\$16,245
2	\$21,855
3	\$27,465
4	\$33,075
5	\$38,685
6	\$44,295
7	\$49,905
8	\$55,515
Each Addtl	\$5,610

(criteria for Peace Corps service or receiving public assistance also still in effect)



Income-Based Repayment

- Must demonstrate "partial financial hardship" to initially qualify and to subsequently receive a payment associated with income & family size

Approximate debt and monthly payment required to demonstrate PFH for family of 1 within contiguous United States (based on 2009 poverty amounts)		
AGI (Annual)	FFEL/DL Monthly Pmt	FFEL/DL Repmt Balance @ 6.8%
\$25,000	\$110	\$9,500
\$45,000	\$360	\$31,200
\$60,000	\$547	\$47,500
\$80,000	\$797	\$69,200
\$100,000	\$1,047	\$90,900



Repayment Goals

- Goals vary from one student to the next
- Most students will have multiple goals
- Goals may be contradictory
- Ultimately, goals need to be prioritized, then matched to a repayment strategy



Sample Goal	Sample Management Options *
Repay loans quickly	Standard repayment Prepayments
Reduce interest costs	Standard repayment Pay accruing in-school/grace interest to avoid capitalization Prepay high interest loans aggressively
Repay specific loans more quickly than others	Use deferment, forbearance, or repayment plans to minimize or eliminate payments on some loans while prepaying others
Reduce total loan costs	Prepayments Forgiveness options
Seek loan forgiveness	Use deferments, forbearance, repayment plans to maximize forgiveness amount after confirming eligibility
Reduce long-term monthly payments	Extended repayment Income-related repayment plans
Reduce short-term monthly payments	Graduated repayment Reduced-payment-to-forbearance Income-related repayment plans
Eliminate payments short-term	Deferment Forbearance Income-contingent or income-based repayment plans
Simplify payments	Aggressively repay select loans Loan consolidation

* Available options may vary by loan program or loan servicer

Consider the Individual


- Income
- Family size / household income
- First step after graduation
 - Professional exams
 - Job hunt
 - Up-front expenses
 - relocation or private practice set-up costs
- Debts other than federal student loans
- Financial management skills
- Career goals



Conversation Starters

- Post-graduation plans
 - job waiting vs job hunt, relocating, professional exams, post-graduate schooling
- Family information
 - impact on relocation decision, income resources, dependent care expenses
- Household income
 - current & short-term projections
- Career/professional goals
 - public service, business start-up costs
- Financial management skills & goals






Student Profiles


Portfolio Examples

- Four student profiles
- Note that all information, not just career plan, is considered in developing a strategy
- See handout for student profiles and their associated portfolios




Portfolio Example Disclaimers

- All numbers are rough estimates based on specific assumptions which do not take into consideration likely annual income adjustments, inflation, and annual poverty line adjustments
- Some amounts might appear to exceed aggregate limits because totals include capped interest
- Actual servicer calculations may vary based on available options and amortization assumptions
- “Suggested” repayment strategies are not designed to cover all potential options




Portfolio #1 - Ann

- Refer to Profile Handouts




Portfolio #1 - Ann

- Looking “beyond the numbers”
 - Need to help w/ business debt? Childcare?
 - ↳ minimize or eliminate loan payments
 - Military service?
 - ↳ repayment program & interest rate reduction
 - ↳ decision shouldn't be based solely on debt
 - Skills/time for “hands-on” loan management?
 - ↳ auto-debit and/or consolidation



Portfolio #1 - Ann

- Strategy options
 - Eliminate federal loan payments temporarily to manage private loans and family debts/expenses
 - One year of HRD may be available on Grad PLUS & Consol loans (must start before 7/1/09, need to actively decline any post-enrollment deferments on Grad PLUS)
 - Residency forb available for Stafford loans and remaining residency on Grad PLUS & Consol
 - IBR payment during residency ~ \$162 and likely qualifies for 3 years partial subsidy
 - Entering military yields 7 years of public service, 3 more years provides potential for PSLF; if pursuing PSLF, student would need to consolidate into DL



Portfolio #2 - Brett

- Refer to Profile Handouts



Portfolio #2 - Brett

- Looking "beyond the numbers"
 - Finalize career decision – second bar exam?
 - increased study time & exam costs
 - relocation expenses
 - Living expenses during bar study?
 - employer stipend, loans, other
 - Living expenses & income for deferred start?
 - temporary legal aid position, other?
 - Will fiancé w/ local job influence relocation?
 - lower income = monthly pmt considerations
 - Substantial private loan may not have deferral options



Portfolio #2 - Brett

- Strategy options
 - May have HRD eligibility for 1 year on Grad PLUS debt if no/low income (must start before 7/1/09, need to actively decline any post-enrollment deferments on Grad PLUS)
 - Not eligible for UNEM deferment if not actively seeking FT employment
 - IBR offers \$0 pmt for no-income situations (e.g., deferred employment start date) & would also cover all subsidized interest in a \$0 pmt situation
 - Potential availability of substantial forgiveness (\$200K +) under PSLF
 - Extended repayment offers lower payment (along w/ longer term & higher total cost) than IBR under income at a private firm



Portfolio #3 - Caroline

- Refer to Profile Handouts



Portfolio #3 - Caroline

- Looking "beyond the numbers"
 - Need to budget for double housing costs until/unless local home sells?
 - Need to budget for relocation costs?
 - Sketchy income projections for first 1-2 years
 - probably needs to minimize or eliminate monthly payments at least for short-term
 - Facing significant business purchase / start-up costs
 - Private loan may not have deferral options



Portfolio #3 - Caroline

- Strategy options
 - IBR offers \$0 pmt for low-income situations (e.g., building client base) & would also cover all subsidized interest in a \$0 pmt situation
 - Potential availability of substantial forgiveness (\$125K +) after 25-year IBR payments (forgiveness may be taxable)
 - May have HRD eligibility for 1 year on Grad PLUS & Consol loans if no/low income, but would have to request early cessation of in-school deferment (deferment must start before 7/1/09, also need to actively decline any post-enrollment deferments on Grad PLUS)
 - Unless consol is largely subsidized, alternate options may provide equivalent relief w/ fewer logistics



Portfolio #4 - David

- Refer to Profile Handouts



Portfolio #4 - David

- Looking "beyond the numbers"
 - Finalize career decision
 - ➔ living expenses for self & dependent
 - May be facing dependent college expenses shortly
 - ➔ Does academic career help reduce costs?
 - Academic position may qualify as public service
 - ➔ if current Stafford loans are FFEL, would need to consolidate as part of eligibility for PSLF
 - Significant credit card debt might affect funds available to repay student loans, especially if job-hunting
 - Private loan lender might have minimum payment limits, so actual payment might be higher



Portfolio #4 - David

- Strategy options
 - Unemployment deferment available if unemployed while actively seeking private sector position
 - provides full subsidy on subsidized Stafford loans
 - IBR offers low payment option for low to moderate income position
 - could free-up funds to repay non-student loan debts
 - potential forgiveness of \$30K under PSLF
 - need to consolidate into DL if current loans are FFEL



Counseling Tips

Bringing It All Together

- Factors other than just FFEL/DL debt & projected income can (and will!) influence strategy decisions
- Strategies should ideally consider both short- and long-term goals
 - Establishing a repayment strategy is not a "once-and-done" process
- Students need to consider goals, preferences, and financial management skills



Bringing It All Together

- FFEL/DL repayment and postponement options can also be used to manage other (non-student loan) debts and expenses
- Career decisions do not have to be completely driven by FFEL/DL debt levels

Only the student loan borrower can ultimately make the value-judgments needed to define a successful repayment management strategy

