




## Managing Loan Repayment

FFEL & DL Programs  
Undergraduate 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.ibriinfo.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
\$30,000	\$172	\$14,875
\$35,000	\$235	\$20,350
\$40,000	\$297	\$25,750
\$45,000	\$360	\$31,200



### 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/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
  - Relocation
  - Job hunt
  - Graduate school exams / applications
- 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 - Kaitlyn

- Refer to Profile Handouts




## Portfolio #1 - Kaitlyn

- Looking “beyond the numbers”
  - Need to help w/ family debt – business, childcare, other?
    - ➔ minimize or eliminate loan payments
  - Loans will be eligible for deferment if returning to school later for MBA (subject to at least half-time enrollment)
  - Probably eligible for economic hardship deferment
  - Could apply now for IBR (probably \$0 payment), but doing so would initiate 36-month subsidy “clock”
    - “clock” suspends during economic hardship, but not during in-school periods
    - consider likelihood of initial IBR eligibility based on post-MBA salary (need to establish eligibility before attending graduate school?)



## Portfolio #1 - Kaitlyn

- Strategy options
  - Probably eligible for HRD for first year (possibly two, depending on bonus eligibility & pay-out timeframe) based on starting salary and family size
    - 150% of poverty line is – \$33K for family of 4
  - Probably qualifies for \$0 IBR payment initially which would yield full subsidy (at least initially), and ~\$150 payment if/when income increases with bonuses
    - minimal to \$0 IBR forgiveness is likely, especially if AGI increases above current projection



### Portfolio #2 - Len

- Refer to Profile Handouts



### Portfolio #2 – Len

- Looking “beyond the numbers”
  - Sketchy income projections between projects
    - need to budget for no-income spans, or prepare to minimize or eliminate monthly payments as needed
  - Relocating out-of-state
    - relocation expenses
    - need to prepare for L.A. housing expenses
  - Will fiancé impact relocation on permanent basis?
  - Significant credit card debt might affect funds available to repay student loans, especially between projects



### Portfolio #2 - Len

- Strategy options
  - Should work on repaying other debt (private loan, credit card, etc.)
  - IBR offers lowest payment option & would probably offer at least partial subsidy for 3 years
  - Potential availability of IBR loan forgiveness after 25 years of payments
    - Note that total amount paid would be about the same as under graduated or standard, although stretched over 25-year term
    - Current tax rules would create tax liability for forgiveness amount



### Portfolio #3 - Madison

- Refer to Profile Handouts



### Portfolio #3 - Madison

- Looking “beyond the numbers”
  - Needs to establish career path
  - Temporary / part-time job during job hunt?
  - Military service?
    - repayment program & interest rate reduction
  - Budget for relocation costs?
  - Private loan may not have deferral options



### Portfolio #3 - Madison

- Strategy options
  - Unemployment deferment option if actively seeking full-time employment
  - IBR offers \$0 pmt for low-income situations & would also cover all subsidized interest in a \$0 pmt situation
  - Military
    - if pursuing PSLF and current loans are FFEL, student would need to consolidate into DL before service
    - potential availability of partial loan forgiveness
    - military service may also create interest cap of 6.0% on FFEL/DL loans as well as private loans



### Portfolio #4 - Nikko

- Refer to Profile Handouts



### Portfolio #4 - Nikko

- Looking "beyond the numbers"
  - Lack of extraneous debt might allow for aggressive loan repayment
  - Finalize career decision
    - ➔ would local position include comparable salary?
  - Relocation plans affected by child?
  - Teaching position eligible for teacher loan forgiveness?



### Portfolio #4 - Nikko

- Strategy options
  - Standard repayment is likely affordable unless there are other significant expenses (child support?)
  - Not eligible for IBR unless accepted position has significantly lower salary (~\$25K)
    - check Grad / ICR / ISR if payment relief needed
    - depending on school position, might have very small balance eligible for PSLF (loans must be DL)
  - Check whether he and teaching position meet criteria for teacher loan forgiveness (esp for \$17,500 benefit)
    - ➔ if so, consider forbearance to maximize forgiveness



### 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

