Post-Loan (Exit) Counseling Supplement:

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Why this Presentation?

The federal online, required student loan exit counseling program covers topics such as repayment plans, grace periods, and deferment. This is a good start, but some aspects of the online program are confusing.

The Stockton Office of Financial Aid and the Center for Economic & Financial Literacy are committed to helping students become financially literate, as part of our commitment to lifelong learning.

This presentation serves as a supplement to exit counseling prior to graduation.
Introduction

• Remember, your direct loans were either subsidized or unsubsidized.
  – With unsubsidized loans, the interest on the loan began to build from Day #1, the day you took out the loan. This means you will owe more than you borrowed on graduation day.

• Federal direct loans (subsidized, unsubsidized, PLUS) have a grace period of 6 months after graduation. This means that your 1st payment is deferred (postponed) for that time.

• Students who drop out (do not graduate) still need to repay their loans after the grace period expires.
Student Loan Repayment Options (Direct Loans)

• Standard Repayment, up to 10 years
  – A fixed $ each month (at least $50) until your loans are paid in full

• Graduated payment, up to 10 years
  – Starts low & increases every 2 years
  – No single payment will be more than 3x greater than any other payment

• Extended Repayment:
  – If you owe >$30,000, you can have 25 years to pay
  – 2 payment options: fixed payment or graduated payment

• The longer you are in repayment, the more interest you will pay

• Resource:
  http://mappingyourfuture.org/paying/standardcalculator.htm
Income Contingent Repayment

- *Not available for parent PLUS Loans or private loans*
- Each year, payments are based on Adjusted Gross Income (AGI), your spouse’s income if you are married, family size, and the total about of *direct loan debt* you owe
- Up to 25 years
- You pay the lesser of:
  - The amount you would pay if you repaid in 12 years multiplied by an income percentage factor
  - 20% of your monthly discretionary income*

  * is = (AGI – poverty level $ threshold for your state & family size) ÷ 12
Deferment (Direct Loans)

- Deferment: a postponement of payment on a loan, during which interest does not accrue, on a **subsidized** loan only

- You may qualify if you are:
  - Enrolled at least half-time in an eligible post-secondary school, studying full-time in graduate school, or in an approved disability rehabilitation program
  - Unemployed or meet U.S. Department of Education rules for economic hardship (limited to 3 years)
  - You may also be able to defer if you are on qualifying active duty service in the U.S. Armed Forces or National Guard

- Complete a deferment request to apply.

- If your loan is in “default”, you are not eligible for deferment.
Forbearance (Direct Loans)

• If you can’t make your loan payments and do not qualify for deferment, you can ask for a forbearance.
• This allows you to temporarily stop making payments, temporarily make smaller payments, or extend the time making payments.
• Typical reasons: illness, financial hardship, or serving in a medical or dental internship or residency
• Under certain circumstances, approval can be automatic and quick, e.g. military mobilization, national emergency.
• But don’t just stop paying until you are approved! If you have made a payment within the last 270 days, you are not considered to be “in default.”

Education Pay$
Cancellation (Direct Loans)

- Teacher service: a full-time teacher in a low-income school for consecutive years may be able to have up to $17,500 of subsidized or unsubsidized loans cancelled.
- Public service jobs: If you have made 120 payments and are employed in certain jobs (e.g., public safety, public education), the remaining balance may be cancelled. See http://studentaid.ed.gov/PORTALSWebApp/students/english/PSF.jsp
- Disability, bankruptcy, or death:
  - Total and permanent disability: can apply for cancellation or loans
  - Bankruptcy: possible, *but very hard* to cancel student loan debt
  - Death: family can apply for cancellation for a current student who dies
Loan Consolidation

• Consolidation means combining your federal direct loans into 1 loan. This process will use a weighted formula that takes into consideration loans at various interest rates.

• Consolidation has pros and cons. Graduates like keeping track of only 1 payment. But it generally extends the repayment period. Learn more about consolidation before deciding.

• The U.S. Department of Education and the Consumer Finance Protection Bureau (CFPB) provide web access to a secure online National Student Loan database where you can look up your outstanding student loans, but only your federal direct loans (not any private loans).
PLUS Loans: Advice for Parents & Graduate Students

• Graduate and professional students automatically receive the 6-month grace period (deferment) upon graduation day.
• Parent borrowers do not!
• Parents/co-signers of PLUS loans must initiate (apply for) deferment to receive the 6-month grace period following a student’s graduation.
  — Apply directly to the loan servicer for this grace period.
• An important note about loan interest: Loan interest on all PLUS loans (parents and grad students) does accrue (begins) during the deferment period.
• Further information for PLUS loan borrowers is available from the U.S. Department of Education.
Private Loans

- Have higher interest rates.
- Interest accrues while you are in school.
- May not offer forbearance or deferment options.
- Contact your lender immediately if you have any questions, problems, and concerns.
- The Consumer Finance Protection Bureau also has a [private student loan ombudsman](#) and an online complaint form.
Repayment Calculator: How much per month?

Enter ALL of your loans 1 by 1 on Nerd Wallet’s repayment calculator.
Student debt repayment assistant

Before you start, it will be helpful to have a list of your loans, as well as the required monthly payment amounts. If you don’t have this information, don’t worry.

While our Student Debt Repayment Assistant can’t give you advice for your exact situation, we hope it can point you in the right direction and help you learn about some of your options.

**QUESTION 1: FEDERAL, NON-FEDERAL, OR BOTH?**

Are your student loans federal, non-federal, or a mixture of both?

If you aren’t sure what kind of loans you have, visit the National Student Loan Database System for Students and select “Financial Aid Review” for a list of all federal loans made to you. Click each individual loan to see who the servicer is for that loan (this is the company that collects payments from you). It’s very important to know your servicer. This might be a different company from the original lender.

**Federal loans**

- Probably has a name like Stafford, Grad PLUS, Direct, or Perkins

**Non-federal loans**

- Issued by a bank, credit union, your school, or other lending institution
- Might use names like “private” or “alternative”
- Issued by a non-profit or state agency

If you’re not sure whether you have non-federal loans, contact your school’s financial aid office since they may have this information on file.

**FEDERAL**

**NON-FEDERAL**

**BOTH**

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Extra Online Help with Financial Literacy

• The Stockton Center for Economic & Financial Literacy provides free access to an online, non-profit program called CashCourse.

• CashCourse has self-paced lessons for college students on topics such as: budgeting, credit cards, identity theft, and saving. There is also a separate module called “Paying for College.”

• To access CashCourse, go to www.cashcourse.org/stockton


• CFPB Student Loan Debt Collection Assistant at http://www.consumerfinance.gov/students/