The Joy of Student Loans

Peer Financial Counselor
Powercat Financial Counseling
Our Agenda

- The Basics of Student Loans
- Repayment Options
- Repayment Tips
- Tax and Credit Implications of Loans
- Online SALT financial tool can help
The Basics

- **Types of loans**
  - **Federal** – backed by the Government
    - Go to [www.nslds.ed.gov](http://www.nslds.ed.gov) for a list of federal loans
    - Note: Parent Plus loans are under parent’s SSN
    - KNOW WHO YOUR LOAN SERVICERS ARE!!!
  - Direct federal loans vs. FFEL federal loans
  - Perkins, Stafford unsubsidized, Stafford subsidized, PLUS loans
- **Private**
  - Go to [www.annualcreditreport.com](http://www.annualcreditreport.com) if unsure of lender
  - Search engine: FASTChoice on OSFA website
Go to www.studentaid.ed.gov for all information regarding federal student loans.
Grace Period & Deferment

- No payments due now...
- Grace period of 6, 9, or 12 months after graduation
  - Remember you have only 1 grace period!
- In-school deferment (enrolled at least half-time)
  - Interest continues to accrue on unsubsidized loans (and PLUS loans)
  - If you don’t pay the interest, it may be capitalized and added to the principal at the end of your grace period
Repayment Plans

- **Standard**: Fixed payment each month for 10 years
- **Graduated**: Still 10 years, but payments start low, then increase every few years
- **Extended**: Significantly lower payments for 12-30 years, interest costs increase.
Graduated Extended: Payments start very low, then increase every 2 years over an extended period

Income-Driven or Pay As You Earn: Monthly payments are based on income, must confirm annually

Consolidation: Not a true repayment plan, but may benefit you
Income Based Repayment

- Loan payments capped at percentage of discretionary income
  - Discretionary income is defined as AGI minus 150% of the Poverty Line for the family size
  - Currently 15% of discretionary income
  - $0 payment if income < 150% of the poverty line
- Remaining debt and interest forgiven after 25 years in repayment
- Forgiveness is treated as taxable income
Income Based Repayment

See IBRinfo.org for more information
Pay As You Earn Repayment

- Eligible if you are a new borrower of a loan after 10-1-11 and did not owe on loans as of 10-1-7
- Only eligible on Direct loans
- Repayment amount is 10% of the difference between your AGI and 150% of the poverty guidelines
- Remaining balance forgiven after 20 years of qualified payments
- Forgiveness is treated as taxable income
What is the repayment period?

<table>
<thead>
<tr>
<th>Loan Balance</th>
<th>Maximum Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000 to $19,999</td>
<td>15 Years</td>
</tr>
<tr>
<td>$20,000 to $39,999</td>
<td>20 Years</td>
</tr>
<tr>
<td>$40,000 to $59,999</td>
<td>25 Years</td>
</tr>
<tr>
<td>More than $60,000</td>
<td>30 Years</td>
</tr>
</tbody>
</table>
An Example

### Standard Plan

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Balance</td>
<td>$40,000.00</td>
</tr>
<tr>
<td>Term</td>
<td>10 Years</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$460.32</td>
</tr>
<tr>
<td>Total Repaid</td>
<td>$55,238.63</td>
</tr>
</tbody>
</table>

### Extended Plan

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Balance</td>
<td>$40,000.00</td>
</tr>
<tr>
<td>Term</td>
<td>25 Years</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$277.63</td>
</tr>
<tr>
<td>Total Repaid</td>
<td>$83,288.09</td>
</tr>
</tbody>
</table>

### Extended Graduated Plan

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Balance</td>
<td>$40,000.00</td>
</tr>
<tr>
<td>Term</td>
<td>25 Years</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$230 - 387</td>
</tr>
<tr>
<td>Total Repaid</td>
<td>$89,697.80</td>
</tr>
<tr>
<td>Loan Term</td>
<td>Reduction in Size of Monthly Loan Payment</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td>Extended Repayment – 12 years</td>
<td>12%</td>
</tr>
<tr>
<td>Extended Repayment – 15 years</td>
<td>23%</td>
</tr>
<tr>
<td>Extended Repayment – 20 years</td>
<td>34%</td>
</tr>
<tr>
<td>Extended Repayment – 25 years</td>
<td>40%</td>
</tr>
<tr>
<td>Extended Repayment – 30 years</td>
<td>43%</td>
</tr>
</tbody>
</table>

Impact of extended repayment on monthly loan payment and total interest paid as compared with standard 10-year repayment.
Consolidation

- What is loan consolidation?
- What interest rate will you qualify for?
  - Is it fixed or variable?
- When should you consolidate?
- What is the repayment period?
- What loans can be consolidated?
- What other factors should you consider?
Consolidation (cont.)

- **What is loan consolidation?**
  - A practical tool that enables you to bundle all of the federal loans you received to finance your college education into a single loan with a fixed interest rate.
  - When your consolidation loan is issued, your lender pays off the outstanding balances of all the loans you put in the consolidation. You refinance your education debts into one monthly payment that might be lower.
  - Your repayment period may be extended up to 30 years depending on the amount of your consolidated loan.
Consolidation (cont.)

- Things to Consider:
  - Whether you’ll lose any loan benefits such as interest rate discounts or rebates.
  - Whether you’ll lose any discharge or cancellation benefits if you include a Perkins Loan in your consolidation loan.
  - Consolidation may increase your total cost of repaying your loan because you may have a longer period of time to repay.
  
- Once you consolidate it cannot be revoked for any reason.
What interest rate will you qualify for?
- Rate will never exceed 8.25%
- Rate is fixed for the life of the loan
- Rate is based on the weighted average of the interest rates on all of the loans you consolidate, rounded up to the nearest 1/8 of 1%
When should you consolidate?

- Should you consolidate immediately after graduation or wait until the rate changes?
- What do you think the rates going to do?
- Most programs use the day your application is received to determine what rate applies.
What loans can be consolidated?

- SS - Subsidized Federal Stafford Loans & Guaranteed Student Loans (GSL)
- DSS - Direct Subsidized Stafford Loans
- DUS - Direct Unsubsidized Stafford Loans
- DPLUS - Direct PLUS Loans
- DUCON - Direct Unsubsidized Consolidation Loan, including Direct PLUS Consolidation Loans
- US - Unsubsidized and Nonsubsidized Federal Stafford Loans
- NSL - Federal Nursing Loans
- HEAL - Health Education Assistance Loans
- PERK - Federal Perkins Loans, formerly Nations Defense/National Direct Student Loans (NDSL)
- PLUS - Federal PLUS (Parent) Loans
- SCON - Subsidized Federal Consolidation Loans
- UCON - Unsubsidized Federal Consolidation Loans
- SLS - Federal Supplemental Loans for Students (formerly Auxiliary Loans to Assist Students (ALAS) and Student PLUS Loans)
Consolidation Advantages

- Simplifies record-keeping
- Variable-rate education loans are converted to fixed-rate loans
- Can significantly reduce your monthly payments because consolidation allows you to stretch your repayment period from the standard 10 years to up to 30 years
- Lowers debt-to-income ratio
Disadvantages

- Extending repayment period increases total interest payments.

- If you are in a situation where the military [or some other organization/entity] will repay all or a portion of your loans, do not consolidate the loans which will be forgiven.
Other Factors to Consider

- Repayment begins immediately (this can potentially cut some time off your deferment period)
- Loan can be prepaid without penalty
- Repayment plan may be changed
- The longer the repayment term, the higher the total finance charges
- [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov) regarding Federal Direct Consolidation loans
It may make sense to make smaller payments over a longer period of time if the money can be put to good use (down payments, car loans, etc.).

You don’t have to extend repayment period.

Any time you receive a new federal loan (one that has not been consolidated), you have the opportunity to reconsolidate all your eligible loans. This is the only way you can consolidate more than once.

You may be eligible for loan forgiveness programs.

Use calculators within SALT or at http://www.finaid.org/calculators.
Repayment Tips

- Create a student loan checklist that lists all of your student loans. A blank form is available at www.finaid.org/loans/studentloanchecklist.html
- Put all your paperwork for each loan in its own file folder labeled with the lender name, date borrowed, original loan balance and loan id
- Notify the lender about any changes in address or contact information
- Put a note in your calendar at least a week before your first payment is due
- Don’t Miss Payments
- Set up Automatic Monthly Payments
- Accelerate Payment on High Interest Debt First
Taxes and Credit

- Generally, Student Loan Interest is deductible (don’t have to itemize)

- Repayment will impact your credit
Dealing with Financial Difficulty

- Use a temporary suspension of loan payments for short-term financial difficulty
  - Economic Hardship Deferment (3 year limit)
  - Forbearances (5 year limit)
- Change repayment plans for longer-term financial difficulty
  - Income-based repayment reduces the monthly payment based on your discretionary income
  - Extended repayment reduces the monthly payment by increasing the loan term to 12-30 years
- All of these options increase the cost of the loan
Temporary Suspension of Payments

- **Difference between deferment and forbearance**
  - Government pays interest on subsidized loans during deferments only
  - Borrower responsible for interest on unsubsidized loans (deferment) and all loans (forbearance)
  - Borrower may defer interest by capitalizing it, increasing the amount owed

- **Best for short-term problems, such as medical or maternity leave or unemployment, or as a last resort alternative to default**

- **Look into income-based repayment plans first**
Direct loan program only so must consolidate FFEL loans into Direct loan program for them to be eligible

Make 120 monthly payments while employed full-time in a public service job

Apply for forgiveness of remaining balance after you qualify

Maximize forgiveness with income based repayment plans

Use employment certificate to keep track

Amount forgiven under PSLF may not be taxable
Dealing with Lenders/Servicers

- Keep notes during any telephone call
  - Ask for the name of the person you talk to
  - Ask for confirmation numbers for any changes
  - Ask for written confirmation and call the lender if you don’t get a response within a week

- Continue paying the loans until you have written confirmation of a deferment or forbearance

- Send forms by certified mail, return receipt requested
Penalties for Defaulting on Loans

- Garnishment of up to 15% of wages and Social Security benefits
- Income tax refunds may be intercepted (offset)
- Collection charges of up to 25% deducted from each payment, slowing repayment trajectory
- Can’t renew professional licenses
- The default will prevent you from getting credit cards, auto loans and mortgages and may make it harder to rent an apartment or get a job
- You will be ineligible for more federal student aid
MONTHLY STUDENT LOAN DEBT SERVICE CALCULATION:

Annual Gross Salary (assumption) $60,000
Less 25% for Taxes/FICA (estimate) $15,000
Annual Net Salary $45,000
Monthly Net Take Home Salary $3,750

Estimated Mo. Student Loan Payment - Use FinAid.org Calculator $288

**Monthly Net Salary AFTER Student Loan Payment** $3,462

Other Monthly Expense Estimates:
Rent/Utilities $950
Food $300
Medical Insurance/medicine/Dr bills/Dentist bills $300
Transportation $400
Clothing $150

Subtotal Other Monthly Expenses $2,100

**Monthly Balance Left For "Other" Expenses & Emergencies** $1,362
Education pays ...

Education pays in higher earnings and lower unemployment rates

**Education Pays**

<table>
<thead>
<tr>
<th>Unemployment rate in 2011 (in %)</th>
<th>Median weekly earnings in 2011 (in $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.1</td>
<td>Average: $797</td>
</tr>
<tr>
<td>9.4</td>
<td>Less than high school diploma: 451</td>
</tr>
<tr>
<td>8.7</td>
<td>High school diploma: 638</td>
</tr>
<tr>
<td>6.8</td>
<td>Some college, no degree: 719</td>
</tr>
<tr>
<td>4.9</td>
<td>Associate degree: 768</td>
</tr>
<tr>
<td>3.6</td>
<td>Bachelor's degree: 1,053</td>
</tr>
<tr>
<td>2.4</td>
<td>Master's degree: 1,263</td>
</tr>
<tr>
<td>2.5</td>
<td>Professional degree: 1,665</td>
</tr>
<tr>
<td>14.1</td>
<td>Doctoral degree: 1,551</td>
</tr>
</tbody>
</table>

Average: 7.6%


Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.

KSU’s Powercat Financial Counseling bought you SALT! {saltmoney.org/K-State}
Jobs, Internships & Scholarships!
Loan Navigator

REPAYMENT NAVIGATOR
The road to repaying your federal student loans can be filled with twists and turns. We’re here to help you arrive safely at your debt-free destination.

Choose how you want to start your customized course to repayment:

- **MANAGE YOUR MONTHLY LOAN PAYMENTS**
- **FIX YOUR DELINQUENT OR DEFAULTED LOANS**
- **REDUCE OR ELIMINATE YOUR LOANS**

SALT can also help you...
- Consolidate your loans
- Manage your private loans

< BACK
< START OVER

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USING STANDARD REPAYMENT

When your grace period runs out, you are automatically enrolled in standard repayment. Unless you choose a different repayment plan, you'll make the same monthly payment for the next 10 years (120 payments in total).

Stacking it up
Your monthly payment

Depending on your financial circumstances and repayment plan, your monthly payment may go up over time. The repayment period will vary for each repayment plan. To find out how long you will be making payments under this repayment plan and how we came up with these numbers, check out the bottom of the page.

The Basics
- You are automatically placed into standard repayment once you finish your grace period.
- Repayment lasts 10 years, or 120 payments.
- While you may have a higher payment amount, standard repayment generally costs you the least amount of money in the long run.
Learn Stuff! {on your own time}
Registration Process

SHOW YOUR MONEY
WHO’S BOSS WITH SALT™

SALT™ is 100% FREE!
• Make awesome financial decisions
• Crush your student debt.
• Live life on your terms.

SALT™ keeps more money in your pocket during and after college—FOR FREE! Sign up now!

FEATURED

Get Expert Student Loan Help

Getting The Best Letters Of Recommendation For Scholarships

SALT is a free, nonprofit bar resource that makes it simple to take control of your finances and loans.

Sign up now to:
• Track and plan your student loans
• Get personalized advice
• Find scholarships, internships, and jobs
• Gain know-how that helps you to be money smart

SALT values your privacy and will never sell your email address.

I agree to SALT’s Terms of Use and Privacy Policy

GET STARTED

LOG IN

SIGN UP FOR SALT

First Name
Last Name
Email
Confirm Email
Password
Confirm Password
School Name (optional)

Not affiliated with any school

Contact Preferences
Send me tips for managing my finances and ways to save money on the things I need.

SALT CREATED BY AMERICAN STUDENT ASSISTANCE
Get Free Assistance

CONTACT US

Need help? You’ve come to the right place. SALT™ is just a phone call or email away, but we’ve also answered some frequently asked questions here to save you some time.

Have Questions About Managing Your Loans?

Loan Support
877.523.9473 (toll-free)
Mon – Thu: 8:00 a.m. – 10:00 p.m. ET
Fri: 8:00 a.m. – 5:00 p.m. ET
Sat: 9:00 a.m. – 6:00 p.m. ET
Sun: 11:00 a.m. – 10:00 p.m. ET
loanhelp@saltmoney.org

Need Help With Your Membership, Benefits, or Using the Website?

Member Support
855.469.2724 (toll-free)
Mon – Thu: 8:00 a.m. – 10:00 p.m. ET
Fri: 8:00 a.m. – 5:00 p.m. ET
Sat: 9:00 a.m. – 6:00 p.m. ET
Sun: 11:00 a.m. – 10:00 p.m. ET
memberssupport@saltmoney.org

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855.469.2724
Powercat Financial Counseling

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Peer Financial Counseling

PowercatFinancial@k-state.edu
(785)532-2889

www.k-state.edu/pfc

809 K-State Student Union, Ground Floor
Office of Student Activities & Services