

# STUDENT LOAN REPAYMENT FOR JANUARY GRADUATES



Geneva College Financial Aid Office



**What Are Your Future Goals?**

# These choices will impact how you manage your budget, finances, and debt.

- ▣ Be Debt Free?
- ▣ Get Married?
- ▣ Serve on the Mission Field?
- ▣ Study in Graduate School?
- ▣ Raise children?
- ▣ Send your kids to Christian/private school?
- ▣ Buy a house?
- ▣ Serve in the military?

# What Does Scripture Say About Debt?

“The borrower is servant to the lender.”

Proverbs 22:7



# Where Can You Go for Help?

# Debt Management Resources

- Crown Financial Ministries  
[www.crown.org](http://www.crown.org)
  - ▣ Money Map
  
- Dave Ramsey  
[www.daveramsey.com](http://www.daveramsey.com)
  - ▣ Financial Peace University (check with your church)
  - ▣ Financial Peace (available in Career Development)
  - ▣ Total Money Makeover
  
- Money, Possessions, and Eternity by Randy Alcorn

# Other Helpful Websites

Find trusted resources with up to date information!

- [www.nslds.ed.gov](http://www.nslds.ed.gov)
- [www.studentloans.gov](http://www.studentloans.gov)
- [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov)
- [www.finaid.org](http://www.finaid.org)
- [www.cashcourse.org/geneva](http://www.cashcourse.org/geneva)
- [www.youcandealwithit.com](http://www.youcandealwithit.com)
- [www.boundless.org](http://www.boundless.org)
- [www.myfico.com](http://www.myfico.com)





To understand your  
Student Loan

All you have to do  
is όφίση ηό ΠίσηΜφ  
Ιση ηόδΜ Ι ίσηΜφ  
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It is as simple as  
**that.**





# General Personal Finance Tips

# General Personal Finance Tips

- The longer you take to repay, the more it will cost you.
- Pay as much as you can, as quick as you can!
- Any payments you can make early will save you money!
- Keep good records.

# Loan Calculator

(www.finaid.org)



The SmartStudent™ Guide to Financial Aid



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## Loan Calculator

Loan Balance: \$15,000.00  
Adjusted Loan Balance: \$15,306.12  
Loan Interest Rate: 9.00%  
Loan Fees: 2.00%  
Loan Term: 10 years  
Minimum Payment: \$50.00

**Monthly Loan Payment: \$193.89**  
Number of Payments: 120

Cumulative Payments: \$23,267.09  
Total Interest Paid: **\$8,267.09**

*Note: The monthly loan payment was calculated at 119 payments of \$193.89 plus a final payment of \$194.18.*

The loan balance was adjusted to yield \$15,000.00 after deducting the 2.00% loan fees.

It is estimated that you will need an annual salary of at least \$23,266.80 to be able to afford to repay this loan. This estimate assumes that 10% of your gross monthly income will be devoted to repaying your student loans. This corresponds to a debt-to-income ratio of 0.6. If you use 15%

SEARCH

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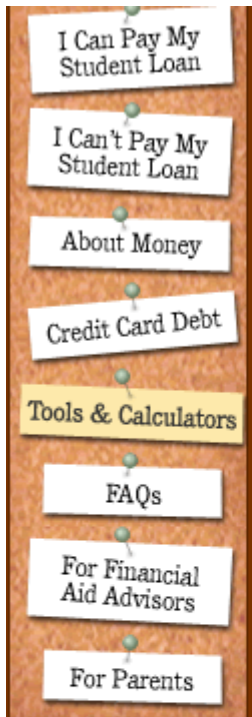


Interest adds up quickly!



# Grace Period Calculator

(www.youcandealwithit.com)



## Grace Period Calculator

If you have a subsidized Stafford loan, it is to your advantage to make payments during your grace period. Any payments made during your grace period will be applied directly to the principal balance of your loan. Making just one payment during this time can save you money in the long run. Use the Grace Period Calculator below to calculate your potential savings. Calculations are based on an average 10-year or 120-month repayment schedule.

Enter the Amount of the Loan:

\$

Enter the Interest Rate on the Loan:

%

Enter up to 6 Monthly Payments During the Grace Period:

1. \$

4. \$

2. \$

5. \$

3. \$

6. \$

Total Amount Paid During Grace Period: \$

Reset

Calculate

Estimated Number of Payments Saved:

Estimated Amount of Interest Saved:

At this point, time is money!



# Good Recordkeeping

- **Remember to keep copies of all of your loan documents:**
  - FAFSA
  - Master Promissory Note(s)
  - disclosure statements
  - records showing when loan payments were received
  - loan repayment schedule(s)
  - records of loan payments including bank statements, cancelled checks and money order receipts
  - Keep copies of anything you do in writing, including requests for deferment or forbearance.
- **If you call a lender/loan servicer**, make notes of date, name, etc.
- **Keep the most recent name and address** of the lender, the loan servicer, and the guarantor of the loan. ([www.nslds.ed.gov](http://www.nslds.ed.gov))

# Have You Completed Exit Counseling?

- **Perkins Loans:** [www.ECSI.net](http://www.ECSI.net) (loan servicer) sent email in late October
- **Stafford/Direct Loans:** [www.nslds.ed.gov](http://www.nslds.ed.gov)

*There are no exit counseling requirements for Parent PLUS, Private, or Peirce Loans.*

# Who Will You Repay?

- You may have several monthly bills.
  - ▣ Perkins ([www.ecsi.net](http://www.ecsi.net))
  - ▣ Stafford/Direct (see [www.nslds.ed.gov](http://www.nslds.ed.gov) for details)
  - ▣ Peirce (Peirce Family- 1.800.543.9859)
  - ▣ Private Loans (contact lender)
  
- Visit **[www.nslds.ed.gov](http://www.nslds.ed.gov)** at any time to access federal loan information.

# What If You Have Trouble Paying?

- If you anticipate that you will have difficulty repaying your loan(s), contact your lender/loan servicer for assistance. You may qualify for a deferment or forbearance.
- Also consider using direct debit from your checking account, or asking your lender to switch your monthly due date.

# Deferment

- Must request verbally or in writing
- Interest does not accrue on subsidized loans
  - ▣ Graduate fellowship
  - ▣ In-school
  - ▣ Military
  - ▣ PLUS loan post-enrollment
  - ▣ Rehabilitation training
  - ▣ Unemployment

# Forbearance

- ❑ Use only as last resort!
- ❑ It's overused and causes more trouble
- ❑ Interest accrues even on subsidized loans and will capitalize
- ❑ Makes payments more expensive when you resume paying
- ❑ Can be requested over the phone, always approved because lender gets more money in interest
- ❑ Ask yourself: If you can't afford your payments now, will what change later that will allow you to pay?
- ❑ Exception: teacher loan forgiveness

# What If...

- **You are unemployed?**
  - ▣ Contact your loan servicer immediately
    - Unemployment Deferment (reapply every 6 months)
    - Economic Hardship Deferment
    - Income Based Repayment
  - ▣ Review resources at [www.crown.org](http://www.crown.org)
  - ▣ Contact the Career Development Center for help!
  
- **You go to graduate school?**
  - ▣ Your loans will generally be deferred.
  - ▣ Interest will continue to accrue. Keep paying!



# What If You Don't Pay?

# Delinquency



- **If you fail to make loan payments when due, your loan becomes delinquent.**
- Delinquent loans can adversely affect your credit rating and can result in the addition of late charges.

# Default

- ❑ **If a loan is delinquent for 270 days, it will be declared in default.** The entire unpaid balance and any accrued collection fees on the applicable loans will become immediately due and payable.
  
- ❑ **The consequences of default may include any or all of the following:**
  - Adverse credit reports resulting in damage to your credit rating.
  - Garnishment of your wages.
  - Withholding of your federal and state income tax refunds.
  - Litigation which is legal action against you.
  - Federal debt collection procedures against you.
  - Collection charges (including attorney fees) being assessed against you.
  - Loss of deferment entitlements.
  - Loss of your professional license.
  - An increase in the interest rate on your loan.
  - Loss of eligibility for federal and state financial aid.
  - Loss of other federal or state payments.

# What Is Your Plan for Repayment?

- When will repayment start?
- How long will you be paying?
- Which loan should you repay first if you pay early?

# Do You Have Other Repayment Options?

(Federal Stafford/Direct & PLUS Loans)

- **Standard Repayment:** Monthly payments remain the same throughout repayment. **(results in least amount of interest)**
- **Graduated Repayment:** You may begin to repay the loan with small monthly payments that increase over time. Still pay in 10 years.
- **Income-Sensitive Repayment:** Payments are based on a percentage of your gross monthly income, borrower is in control, for FFELP loans only.
- **Extended Repayment:** This plan is limited to borrowers who have an outstanding balance of principal and interest in loans totaling more than \$30,000. Can do either fixed or graduated payments and take up to 25 years.
- **Income-Based Repayment:** If you have a defined partial financial hardship, your payments are limited to no more than 15% of the amount by which your adjusted gross income (either individually or with your spouse, as applicable) exceeds 150% of the poverty line income applicable to your family size. **(cautions)**

# Loan Forgiveness Programs

- **Perkins:** Teaching, Early Intervention Services, Law Enforcement or Corrections Officer, Nurse or Medical Technician, Child or Family Service Agency, Military, Peace Corp, Domestic Volunteer Service (ACTION Programs)
- **Stafford/Direct:** Teaching, Public Service
- **See loan servicer's website for more details or contact the Financial Aid Office**

# Should You Consolidate?

- What is student loan consolidation?
- How do I apply?
- Advantages
- Disadvantages
- President Obama's "Special Loan Consolidation"

# Loan Consolidation

- It allows you to combine one or more existing federal student loans into a single new loan → one loan payment and one lender.
- May be a good option if you have significant student loan debt, different types of federal loans, or you are making the minimum monthly payment on multiple loans.
- Interest rate will be a fixed rate for the life of the loan, determined by the weighted average of the loans you are consolidating.

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**Consolidate through the Direct Loan Program**  
**[www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov) / 1.800.557.7392**

# Loan Consolidation

## Advantages

- One lender and one monthly payment (US Dept. of Ed)
- Flexible Repayment Options
- No Minimum or Maximum Loan Amounts or Fees
- Reduced Monthly Payments (the minimum monthly payment on a consolidation loan may be lower than the combined payments from many servicers)
- Retention of subsidy benefits (excludes Perkins Loans)

# Loan Consolidation

## Disadvantages:

- When using a repayment period that is longer than the generally ten-year repayment period, the amount of interest that you pay over the life of the loan is greater.
- **If you include a Federal Perkins Loan in the Consolidation Loan, you will lose the interest-free periods for the Perkins loan (in school deferment, grace period)** In addition, the interest rate on your Perkins Loan may increase as a result of the weighted average calculation noted above.
- **If you include a Federal Perkins Loan in the Consolidation Loan, you will no longer be eligible for cancellation of all or part of your Federal Perkins Loan** based on years of qualifying public service.

# Loan Consolidation

- The consolidation process generally takes 60-90 days.
- You have the option of retaining your grace period.
- You can always consolidate later. \*\*
- Only payments made on the Direct Consolidation Loan will count toward the required 120 monthly payments for Public Service Loan Forgiveness.

# **\*\*Special Loan Consolidation**

The U.S. Department of Education will offer qualified borrowers a **short-term loan consolidation opportunity** from January through June 30, 2012, as announced on October 26, 2011.

- **This program is not yet available and not everyone will qualify.** Beginning in January, federal loan servicers will contact student loan borrowers who qualify. It's important for borrowers to wait for eligibility notification and application instructions to determine if they qualify. After receiving instructions, qualified borrowers will be able to apply through a new online process.
- **Visit [www.studentaid.gov](http://www.studentaid.gov)** or contact the Federal Student Aid Information Center at (800) 433-3243 for more details.

# \*\*Special Loan Consolidation (cont.)

## □ Who is eligible?

- Must have one loan owned by the Dept. of Ed and serviced by one of the Department's Servicers
- Must have at least one commercially held FFEL loan
- You will be notified (hopefully before March)

## □ What are the benefits?

- 0.25% Interest rate reduction
- No change to repayment term, will pay less interest over the life of the loan than with traditional consolidation loan.
- Eligibility for loan forgiveness under Public Service Loan forgiveness

# Do You Have A Budget?

See the tools and calculators on  
[www.youcanddealwithit.com](http://www.youcanddealwithit.com) and  
[www.crown.org](http://www.crown.org) for help!

# Have You Checked Your Credit Report?

- Your student loan payments will affect your future credit score and interest rates!
- Check your credit report for free at least once a year at [www.annualcreditreport.com](http://www.annualcreditreport.com).

# Questions?

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Financial Aid  
Geneva College

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