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Student Loan Repayment

Today’s Webinar

Reducing Background Noise

We’ve muted all attendees to help with audio quality.

Using the “Q&A” Feature

Submit questions at any point. Let’s test it!

Presentation & Recording

This presentation is being recorded and will be posted on our YouTube channel to re-watch.

Post-Workshop Survey

Take our post-workshop survey and let us know how we did.

Meet Your Presenters

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Today's Agenda

- Your Student Loans
- Repayment Options
- Federal forgiveness and discharge
- Refinancing Options

STEP 1

Understand your loans.

Types of Student Loans

1

Federal

Direct subsidized and unsubsidized, and PLUS (parent and graduate).

2

State

Varies by state.

3

Private

Offered by credit unions, banks, universities/schools and private companies.

Federal Direct Loans

Subsidized & Unsubsidized

Formerly Stafford Loans

Federal loans have changed, you might see Stafford or Direct Loans.

No Credit Check

The student is borrower, no credit check required.

Subsidized

Subsidized loans are only available to undergraduates.

Deferment

You can defer while enrolled at least half-time.

Grace Period

After graduating you have a 6 month grace period before payments start.

Rates

Your rates are based off when you borrowed the loan.

Federal Plus & Graduate Plus Loan

	PLUS	GRADUATE PLUS
BORROWER	Parent (student must complete FAFSA)	Student
GRACE PERIOD	None, but can request deferment	6 months
INTEREST RATE	Varies, depending on when loan was disbursed	
LENDER	Department of Education	

Private Student Loans

Lender Options

Borrowed through bank, credit union, private company.

Terms Vary Based On Lender

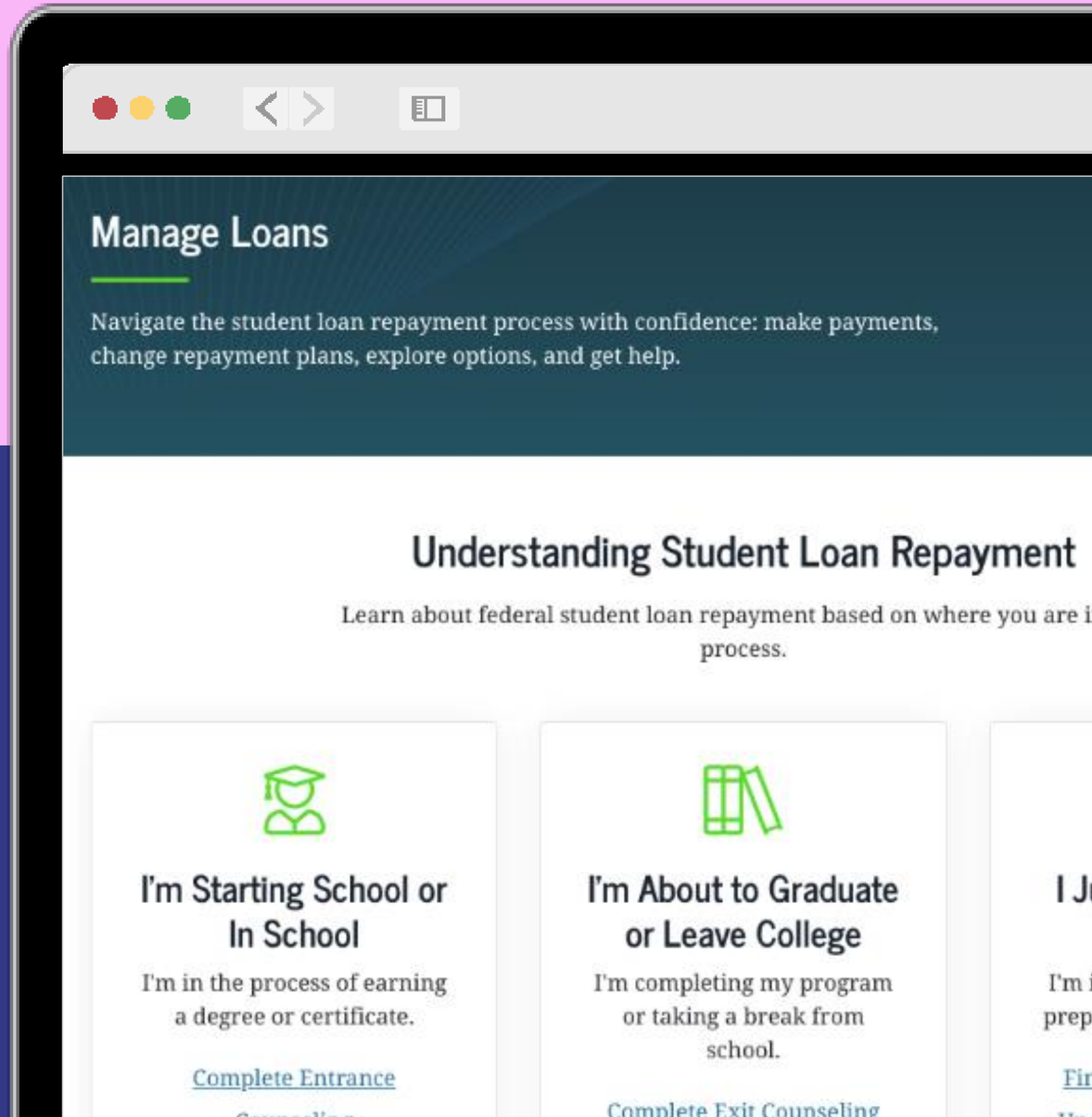
You can shop around for interest rates. Grace periods may differ from lender to lender as well as repayment terms.

Potential Benefits

Co-signer release options. Interest Rate reduction with auto-pay.

Know the details

Studentaid.gov



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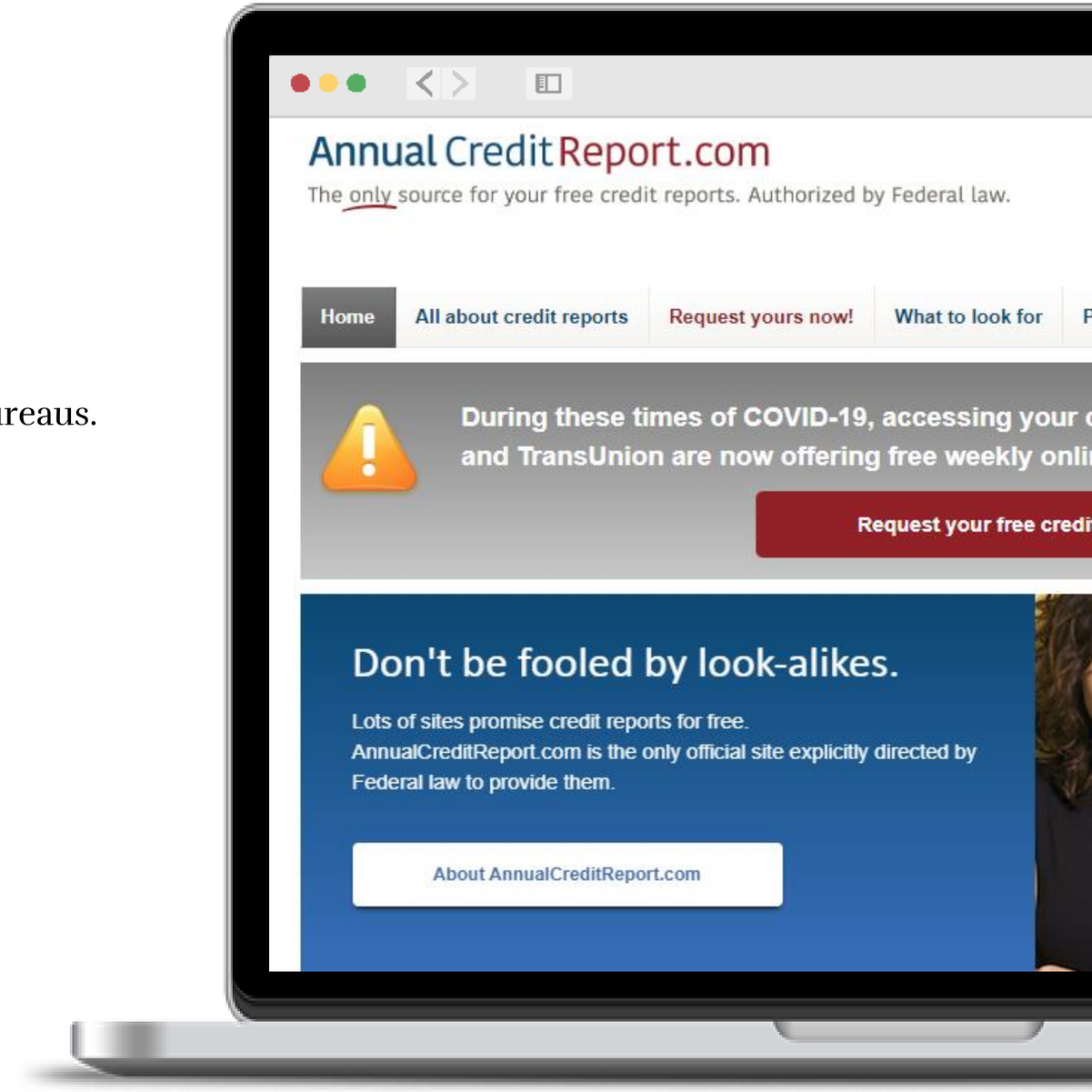

STEP 2

Know Your Repayment Options

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The Current State of Student Loan Repayment

Presented by: Betsy Mayotte

The Institute of Student Loan Advisors

Agenda

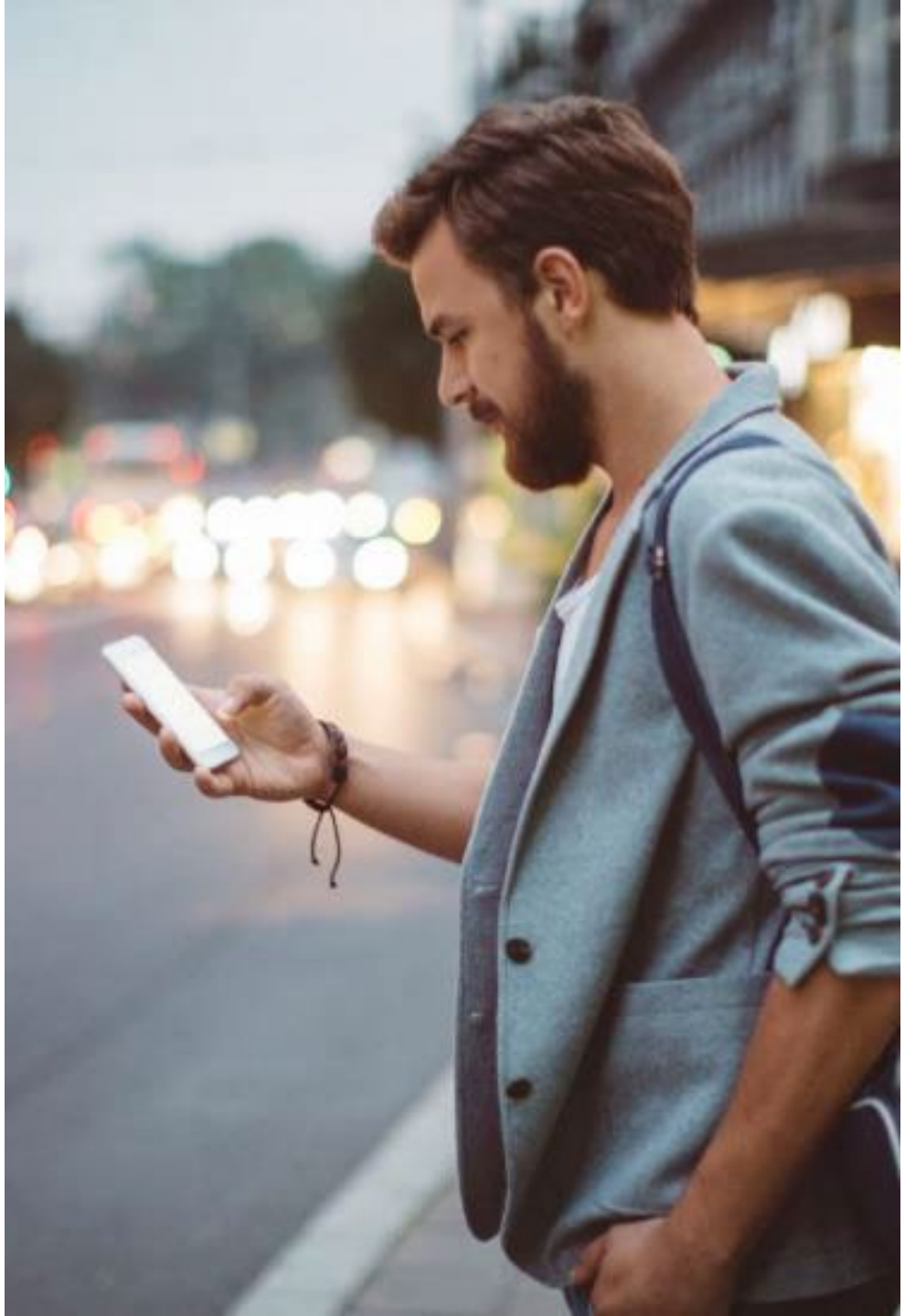
SAVE Litigation Update

ED RIF and PSLF Executive Order

Budget Reconciliation Affects on Student Loans

Repayment Options

Resources



Current State of Student Loans

SAVE Litigation

- New payment plan introduced under Biden administration under litigation
- Current injunction has paused new IDR applications – likely for a few months
- We expect IDR recertifications to be extended for those due in the near future
- Borrowers needing to access new IDR plans can request forbearance from the loan servicer
- Borrowers on SAVE will remain in forbearance until this fall
- Other changes coming due to the litigation including how family size is calculated for the IDR plans and whether certain deferments count toward forgiveness
- Forgiveness under ICR and PAYE is being questioned
- IBR forgiveness still being processed
- Borrowers on SAVE can either ride out the forbearance or switch plans when they are available again
- Consolidations still being processed but must use paper application
- PSLF is NOT affected

Department of Education RIF and PSLF Executive Order

Congressional Policy Priorities For Reconciliation

What We're Watching

On the Menu..

Elimination of higher education/student loan related tax credits

- Lifetime learning credit
- Student loan interest deduction
- American Opportunity Credit

Eliminate Grad and Parent Plus loans

- Would start winding down in 2025 and be gone completely by 2028
- Funding would come from private market
- All Stafford loans would have an annual limit of the median cost of the program
- Graduate aggregate limits would be $100K ($150K for professional students)
- Total aggregate $200K
- Undergrad aggregate would be $50K – no more than $23K subsidized

Schools allowed to limit loan amounts in certain circumstances

Streamline repayment plans to two

- Standard plan and one IDR plan
- Applies to loans made on or after (likely date of enactment or the July 1st after that date)

Repayment assistance plan for distressed borrowers

- Caps total payments to the equivalent of 10-year standard including interest
- Forgives interest not covered by payment
- If calculated payment is less than twice the monthly interest the principal is reduced by half the payment amount
- Payment will be 10% of discretionary income.
  - AGI (including spouse regardless of tax filing status) – 150% of the poverty line

Understanding Repayment Plans

Non-IDR Plans vs IDR Plans

Non-IDR Plans

- Payment is based on loan balance
- No forgiveness component
- Payment can change if interest rates change or due to periods of non-payment
- All federal loans potentially eligible for all plans
- Have payment minimums
- Don’t require renewal
- Generally don’t count for PSLF

IDR Plans

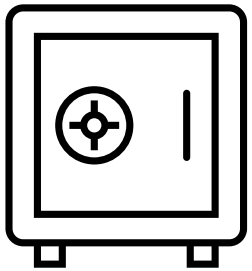
- Payments based on income
- Forgiveness component after 20 or 25 years
- Payments usually don’t change if balance changes
- Not all loans eligible for all plans
- No payment minimums
- Require annual renewal
- Count towards PSLF

Non-IDR Plans

- 10-year standard plan
  - Same payment for 120 payments
  - Generally, the cheapest plan
- Extended repayment
  - Extends term to 25 years
  - Must owe at least $30K
- Graduated repayment
  - Interest only for first 2-4 years, then payments gradually increase
  - Pays loan off in ten years
- Graduated extended
  - Extends term to 25 years
  - Must owe at least $30K
  - Interest only for first years

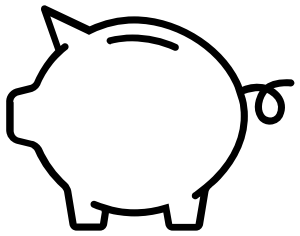
All federal Stafford and PLUS loans are eligible regardless of when borrowed or loan program.

IDR Plans



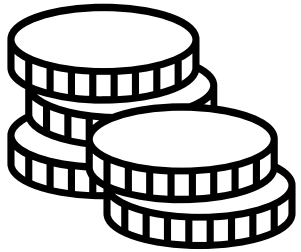
“Old” IBR

All FFEL and Direct Loans regardless of disbursement date. Parent Plus loans not eligible unless double consolidated.



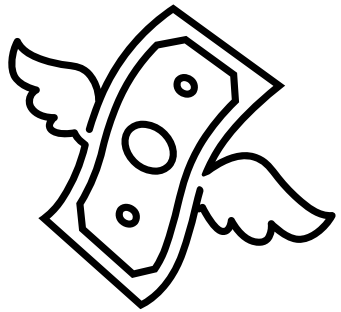
“New” IBR

Only for borrowers with Direct Loans where none were made prior to July 1, 2014. Parent Plus loans not eligible unless double consolidated



PAYE

Only for Direct Loan borrowers with no loans prior to October 2007. Parent Plus loans not eligible unless double consolidated



ICR

Only for Direct Loan borrowers. Parent Plus loans can access if consolidated (no need to double consolidate)

All IDR's

- Base payments on borrower's income
- Require annual recertification
- Forgive any remaining balance after a certain period
  - Forgiven balance will be taxed as income under all IDR's after 2025 unless Congress extends
  - Forgiveness at risk for all but IBR due to litigation
- Will include spousal income if taxes filed married
  - Spouse included in family size again even if taxes filed separately
- Will include spousal loans if both apply for an IDR
- Subsidize unbilled interest for three years for subsidized loans
- Can have a $0 payment
- Are PSLF eligible payments if made on an eligible loan while engaged in eligible employment

Discretionary Income

- Adjusted Gross Income (AGI) – 150%* of poverty level for borrower's state and family size
- Example:
- AGI is $62K, family size of 4 living in MD
- $62k - $39,300 (150% of $26,200) = $22,700/12 = $1892
- 10% x $1892 = $189
- 15% x $1892 = $283
- For married borrowers who file taxes married AGI is total AGI for both spouse's
- For married borrowers who file separately AGI is only borrower's income
  - Exception for community property states

- *100% for Income Contingent Repayment

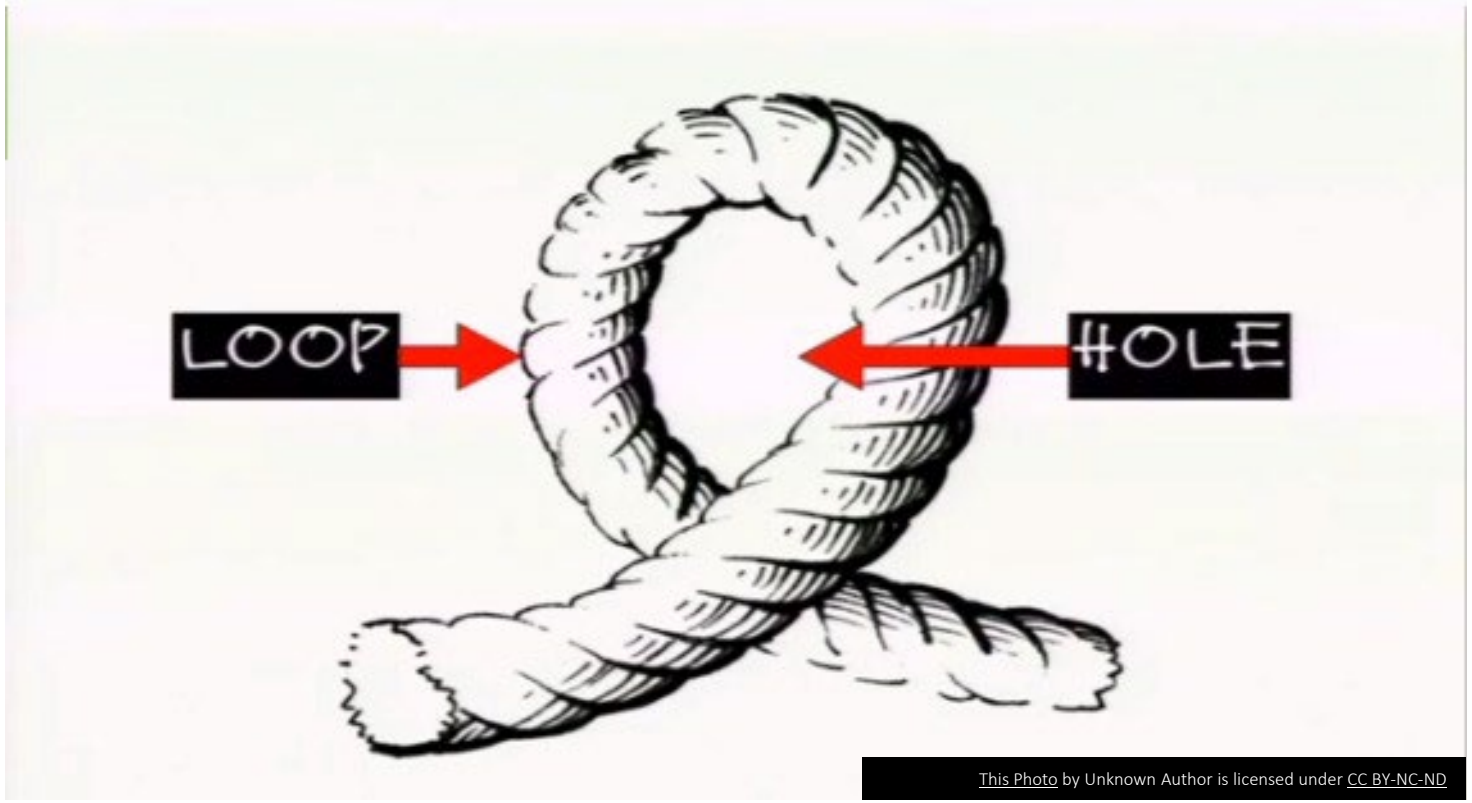
Partial Financial Hardship

- PFH required for eligibility for some IDR's
- A PFH exists when the annual amount due on your eligible loans, as calculated under the 10-year standard repayment plan, exceeds:
- 15% of your Discretionary Income for IBR
- 10% of your Discretionary Income for PAYE and "New" IBR.

- $60K principal = $720 under 10-year standard repayment plan
- $189 discretionary income from prior example is lower – so PFH exists

Parent PLUS Loans

- Parent PLUS loans are not eligible for any IDR plans UNLESS:
  - They are consolidated under the Direct Loan program (www.studentaid.gov)
  - They are then eligible for ICR only UNLESS
  - They are “double consolidated”
  - Deadline was and still could be July 1, 2025



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Double Consolidation Instructions

- Consolidate the loans into two separate consolidations using paper applications to different servicers
- Consolidate the two new consolidations with each other – using a third servicer
- Each consolidation takes an average of 45-60 days
- Aidvantage processes the consolidations for most of the servicers – so be sure to use the correct submission address
- One can use the online application, when available, for the third step but sometimes that results in errors
- Double consolidation must be COMPLETED and funded by July 1 (if deadline remains)

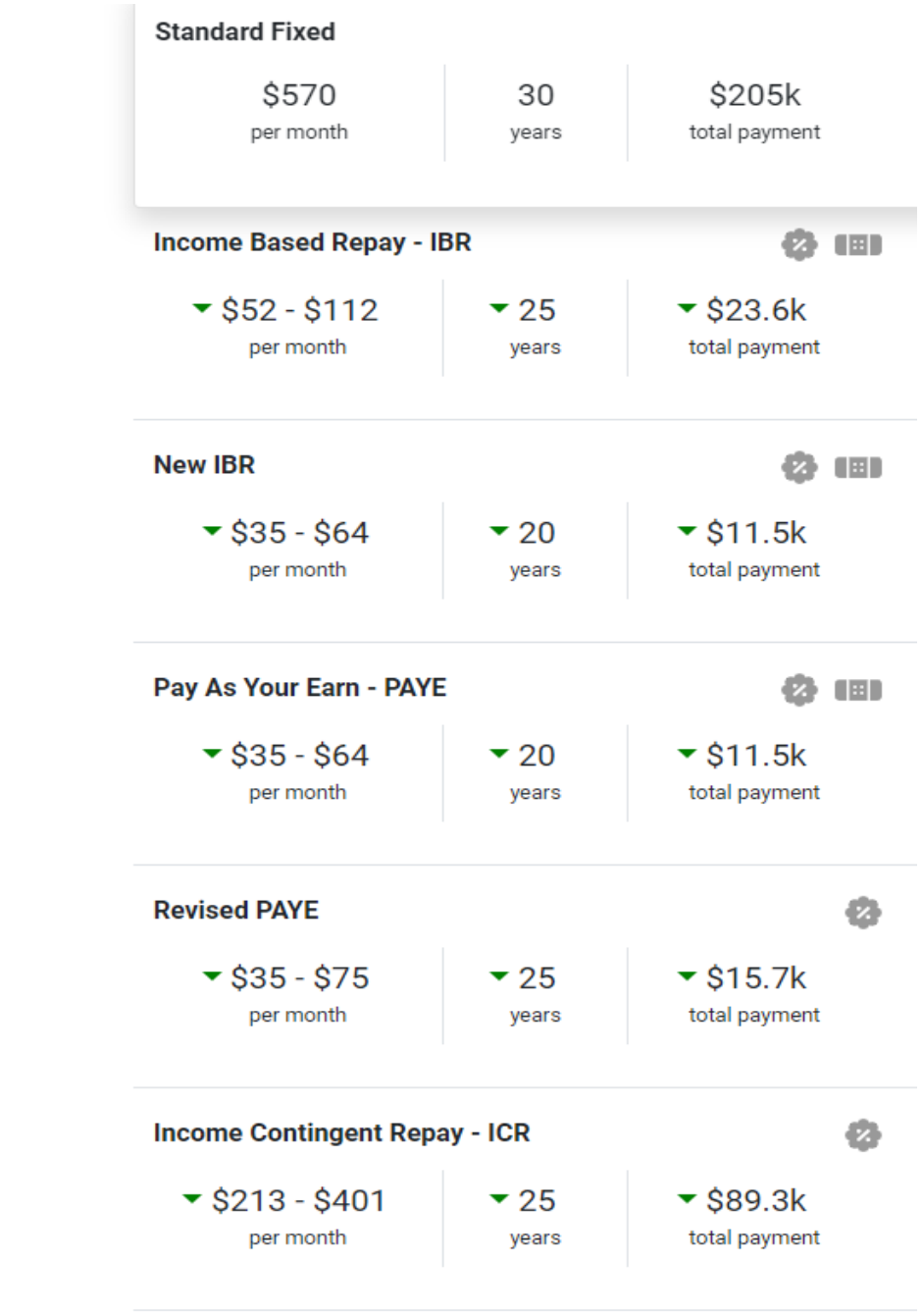
Comparing Plans

$95K Balance

AGI $30K

Family Size = 2

Assumes income growth of 2.5% per year



Other Options

Deferments

- Temporarily postpones payments
- Interest still accrues and will capitalize if unpaid
- Based on borrower's eligibility, not student's
- Defaulted loans not eligible

Forbearance

- Temporarily postpones payments
- Interest still accrues and will capitalize if unpaid
- Granted based on general financial hardship, should be saved as a last resort
- Up to 12 months at a time for a total of, usually, 36 months
- Can be obtained verbally on the phone or by form
- Defaulted loans not eligible

- Current Forgiveness Programs

- Public Service Loan forgiveness
  - Forgives balance on Direct Loans after making 120 eligible payments while working for an eligible non-profit or government employer
- Teacher Loan Forgiveness
- Discharge for
  - Death
  - Total and permanent disability
  - School committed fraud or closed before degree completion
  - Other
- Many state-based forgiveness programs available

Private Loans

Most do not offer lower payment options unless loan is in default

Can sometimes receive forbearance, often for a fee

Refinancing can lower payments by lowering the interest rate or extending the term

Refinancing can also remove the co-signer from responsibility

If debt to income is too high, try refinancing one at a time

It is almost never recommended to refinance a federal loan into a private loan due to losing access to federal benefits and safety nets

If struggling, contact the loan holder for options as all private loans are unique

- www.freestudentloanadvice.org
  - Explanation of plans
  - Free advice via email
  - FAQ on SAVE litigation

- www.studentaid.gov
  - Application for repayment plans and consolidation
  - Loan simulator tool
  - PSLF help tool
  - Explanation of all programs covered here – and then some!
  - Access to your loan information (but not real time)
  - Access to PSLF counts

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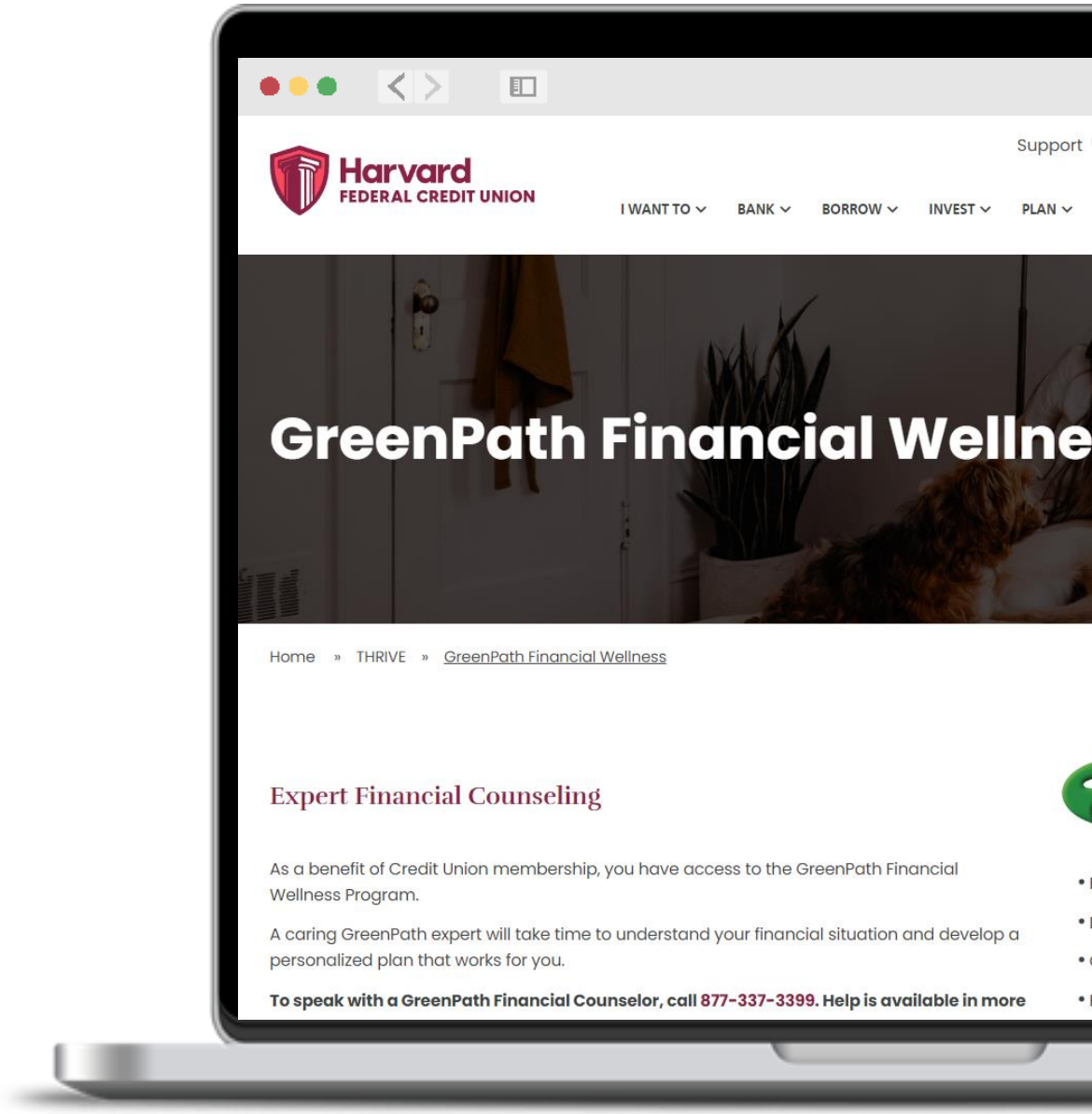
Learn more at:

https://harvardfcu.org/thrive/greenpath/



Questions?

Disclaimer

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