STUDENT LOAN REPAYMENT STRATEGIES

Sergio Gonzalez, Senior Account Executive

Updated: November 2013
Important Things to Know

► Know your loan portfolio – loan types and relative cost
► Know your deferment and forbearance options
► Know the decision points and keep a calendar
► Know the cost before choosing a repayment plan
► Know your available resources
► Stay abreast of changes that might impact your loans
Know Your Loan Portfolio

Know what types of loans you have

- Perkins Loans
- Federal Stafford Loans
  - Direct Loans
  - FFELP Loans
  - Put Loans
- Private/Alternative Loans

Identify your servicers

- Who do I pay?
Federal and/or private loans may not all be with one servicer

Buying and Selling of Students Loans:
- Original lender may have sold a student’s loan
- This means a student has a new loan “holder” and/or “servicer”
  For example, a FFEL loan may have been sold to the Department of Education who now holds the loan and is having it serviced by one of its federal loan servicers such as:
  - Direct Loan Servicing Center (ACS)
  - Great Lakes
  - Nelnet
  - FedLoan Servicing (PHEAA)
  - Sallie Mae
- Borrowers must be notified if the service provider of loan changes
- The terms of a federal loan, as specified in the promissory note, will not change if sold or transferred to another servicer
Finding Your Federal Student Loans

National Student Loan Data System
www.nslds.ed.gov

Provides data on federal student loans; any Stafford, Grad PLUS, Consolidation or Perkins Loans should be listed in this central database
## Subsidized vs. Unsubsidized Loans

### Subsidized Loans
- Have no interest cost while student is in school, in grace (if applicable), or in a period of authorized deferment

### Unsubsidized Loans
- Borrower is responsible for interest that accrues from the time of disbursement

### EXAMPLES
- **Subsidized Stafford Loans***
- Perkins Loans
- Consolidation Loans - portion of underlying eligible subsidized loans
- Some institutional loans (see promissory note or aid office)

### EXAMPLES
- Unsubsidized Stafford Loans
- PLUS Loan for Graduate Students
- Consolidation Loans - unsubsidized portion, which includes the unsubsidized Stafford loans plus any Perkins
- Private Loans

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*Graduate or professional students are not eligible to receive Direct Subsidized Loans beginning on or after July 1, 2012. New law temporarily eliminated the interest subsidy on Direct Subsidized Loans during the six month grace period. This change is effective for new Direct Subsidized Loans for which the first disbursement is made on or after July 1, 2012, and before July 1, 2014.”

Note: Consolidated Appropriations Act (Public Law 112-74) eliminated the interest subsidy during the 6-month grace period on subsidized Stafford loans made from July 1, 2012 through June 30, 2014.
Relative Costs of a Student Loan
Relative Costs of a Student Loan

► Interest Rate
  ▪ What the lender charges for the use of money
  ▪ The higher the interest rate, the more the loan will cost overall

► Capitalization
  ▪ The addition of unpaid accrued interest to the principal balance of a loan

► Borrower Benefits/Repayment Incentives
  ▪ Interest rate reductions
  ▪ Credits to loan balance
  ▪ Some benefits and repayment incentives impose eligibility requirements such as signing up for automatic debit or making a certain number of on-time payments
## Loan Interest Rates

<table>
<thead>
<tr>
<th>Loan type</th>
<th>Undergraduates</th>
<th>Graduate Students</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subsidized Stafford Loans</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013-14</td>
<td>3.86%</td>
<td>N/A</td>
</tr>
<tr>
<td>2012-13</td>
<td>3.40%</td>
<td>N/A</td>
</tr>
<tr>
<td>2011-12</td>
<td>3.40%</td>
<td>6.80%</td>
</tr>
<tr>
<td>2010-11</td>
<td>4.50%</td>
<td>6.80%</td>
</tr>
<tr>
<td>2009-10</td>
<td>5.60%</td>
<td>6.80%</td>
</tr>
<tr>
<td>2008-09</td>
<td>6.00%</td>
<td>6.80%</td>
</tr>
<tr>
<td>2007-08 and 2006-07</td>
<td>6.80%</td>
<td>6.80%</td>
</tr>
<tr>
<td><strong>Unsubsidized Stafford Loans</strong></td>
<td>Pre AY 13-14: 6.8%</td>
<td>Pre AY 13-14: 6.8%</td>
</tr>
<tr>
<td></td>
<td>AY 13-14 3.86%</td>
<td>AY 13-14 5.41%</td>
</tr>
<tr>
<td><strong>Graduate PLUS Loans</strong></td>
<td>---</td>
<td>Pre AY 13-14: 7.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>AY 13-14 6.41%</td>
</tr>
<tr>
<td><strong>Consolidation Loan</strong></td>
<td>Fixed rate based on weighted-average interest rate of underlying loans rounded up to nearest one-eighth of a percent (capped at 8.25%)</td>
<td></td>
</tr>
<tr>
<td><strong>Perkins Loans and Loan for Disadvantaged Students (LDS)</strong></td>
<td>5% Fixed</td>
<td></td>
</tr>
<tr>
<td><strong>School - Certified Private Loans, Institutional Loans</strong></td>
<td>Many lenders offer both variable and fixed rate options. Interest rates range from 2.25% – 12.99%.</td>
<td></td>
</tr>
</tbody>
</table>

Stafford loans disbursed from 7/1/1998 to 6/30/2006 carry variable rates, which are adjusted annually, each July 1. The variable rate for these Stafford loans during the 2013-14 academic year is 1.75% for loans in an in-school, grace or deferment period, 2.35% for loans in repayment or forbearance.

These rates apply to both undergraduate and graduate students.

**Note:** Rate for Grad PLUS loans issued under the Federal Family Education Loan Program is 8.50%

*Rates in effect for loans issued on or after July 1, 2006.

Interest Capitalization and Its Impact

- Interest on most loans accrues from the date funds are disbursed until the loan is paid in full.
- Capitalization is the addition of unpaid accrued interest to the principal balance of a loan. The less frequent the better.
- Capitalization may occur more frequently for certain loans during forbearance.

The chart provides estimates, for a $5,000 Stafford loan with a 6.8% interest rate, of the monthly payments due at the end of a 12 month forbearance for a 10 year term.

<table>
<thead>
<tr>
<th>Treatment of Interest During Forbearance Status</th>
<th>Principal at Repayment</th>
<th>Cap. Int. During Forbearance</th>
<th>Principal at end of Forbearance</th>
<th>Payment Amount</th>
<th>Total Amount Repaid</th>
<th>Total Interest Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Int. is paid as it accrues</td>
<td>$5,000</td>
<td>$0</td>
<td>$5,000</td>
<td>$57.54</td>
<td>$7,244.88</td>
<td>$2,244.88</td>
</tr>
<tr>
<td>Int. is capitalized at end of status</td>
<td>$5,000</td>
<td>$340</td>
<td>$5,340</td>
<td>$61.45</td>
<td>$7,374.55</td>
<td>$2,374.55</td>
</tr>
<tr>
<td>Int. is capitalized quarterly and at end of status</td>
<td>$5,000</td>
<td>$349</td>
<td>$5,349</td>
<td>$61.55</td>
<td>$7,386.64</td>
<td>$2,386.64</td>
</tr>
</tbody>
</table>

Tip: Students should consider asking family to help with interest.
Money-saving borrower benefits and repayment incentives were typically offered to borrowers by lenders in recent years.

They took the form of interest rate reductions, credits to loan balance and/or cash rebates and imposed eligibility rules such as making a specific number of on-time payments.

Borrowers should make sure to:

- Find out if any of their loans are eligible for borrower benefits or repayment incentives by contacting loan service provider or consulting lender’s web site.
- Research the terms to know and understand the eligibility rules.
Understanding Loan Repayment
Ways to Delay Repayment

► If loans have a grace period, borrowers may not be asked to start making payments until the grace period is over

- Stafford, Federal Perkins and some private loans offer grace periods
- Federal Consolidation Loans and Grad PLUS loans do not have grace periods

► Grad PLUS loans issued on or after July 1, 2008, include a six-month post-school deferment that essentially aligns with the Stafford grace period

► Forbearance can also be used to temporarily postpone payment if necessary for Consolidation loans and older Grad PLUS loans

► Borrower can postpone repayment on federal loans via a deferment or forbearance

► Borrower has to meet the qualifying conditions for a deferment or a forbearance
Understanding Grace Periods

**Grace Period:** for applicable loans, the period of time after a borrower graduates, leaves school or drops to less than half-time enrollment

- Payments may not be required during this period
- No application required
- Loan specific, varies according to loan – once used completely, it’s gone
  - Stafford loans have a six-month grace period*
  - Perkins loans have nine-month grace
  - Perkins loans can also have a 6-month grace after deferment
  - Private and Institutional loans: check your promissory note

- Unsubsidized federal loans continue to accrue interest during the grace period
- Taking advantage of a grace period does not adversely impact credit

*The Consolidated Appropriations Act (Public Law 112-74) eliminated the interest subsidy during the 6-month grace period on subsidized Stafford loans made from July 1, 2012 through June 30, 2014.*
Deferment: period when a borrower who *meets certain criteria* may postpone loan payments

- Application may be required depending on deferment type. Recertification for subsequent deferment periods may also be required.

- Stafford deferments are “borrower” specific, meaning eligibility is attached to the borrower and there is a max deferment time allotted for certain deferments.

- The government pays interest on a borrower’s behalf for subsidized loans during authorized deferment periods. Unsubsidized loans continue to accrue interest for which the borrower is responsible. Unless the interest is paid by the borrower, it may be capitalized (added to your principal balance) at the end of the deferment period. To keep your total loan cost lower, you may want to consider paying all or some of the interest that accrues during this time.
Understanding Federal Loan Forbearances

Voluntary Forbearance: allows a borrower who cannot make scheduled payments to temporarily delay or reduce the payments

► Interest continues to accrue on subsidized and unsubsidized loans during a forbearance period.
► Interest that accrues during the forbearance remains the borrower’s responsibility.
► Unpaid interest may be capitalized as often as quarterly and at the end of the forbearance depending on the loan type and when the loan was disbursed. Additionally there is a max forbearance time allotted.
► Capitalization of interest increases the amount to pay back, and will result in a higher payment amount after the forbearance. To keep your total loan cost lower, you may want to consider paying all or some of the interest that accrues during this time.

Tips:
Be careful, the use of forbearance adds expense!

Forbearances can be a great tool to help you stay out of delinquency and default!
Medical and dental school residents are eligible to receive a forbearance during their residency as long as the residency meets certain criteria such as being required for a degree, certificate, or licensing for professional practice or service.

- Renewable on an annual basis in 12-month increments
Borrowers can always prepay federal and most private student loans without penalty.

Be aware of the relative cost and make payments towards unsubsidized loans that have the highest rates and/or most frequent capitalization. This should save more money over time.

Unless otherwise noted in the loan agreement, loan payments typically are applied first toward late fees, then interest, and finally principal.
DELINQUENCY & DEFAULTS ON STUDENT LOANS CAN ADVERSELY IMPACT YOUR CREDIT HISTORY

► Delinquency
  ▪ Failure to make payment(s) when due
  ▪ Reported to credit bureaus; affects borrowers history

► Default
  ▪ Collection agencies may take over adding to cost
  ▪ Lender can take legal action
  ▪ School can withhold records
  ▪ Federal defaults could result in wage garnishment & withholding of federal loan tax refunds
  ▪ Student loans are rarely discharged in bankruptcy
Federal Loan Repayment Plans

► **Standard Repayment**
  - Level monthly payments that cover accruing interest and a portion of principal over a 10-year period
  - Higher monthly payments
  - **Lowest overall cost**

► **Graduated Repayment**
  - Payments start low, increase over time
  - Interest only payments followed by standard principal & interest
  - Finish in 10 years
  - Higher overall cost – but provides lower initial payment amounts
Federal Loan Repayment Plans (Continued)

► **Income Sensitive Repayment (Non-direct Federal Loans)**
  - Payments are based on percentage of your monthly income
  - Payments must be sufficient to cover accruing interest
  - Finish in 10 years (may be extended to 15 years)

► **Income-Contingent Repayment (Direct Loans Only)**
  - Payment is based on income
  - Negative amortization is allowed
  - Up to 25 years to repay
  - Balance remaining after 25 years’ worth of payments can be forgiven
Federal Loan Repayment Plans (Continued)

► Extended Repayment
  - Available to borrowers who have accumulated more than $30K in Direct or FFELP Federal Stafford, PLUS & Consolidation loans first disbursed on or after October 7, 1998
    - Direct and FFELP Federal Loans are accumulated separately in determining eligibility
  - Repayment can be extended up to 25 years
  - Permits you to manage monthly cash flow needs, but will increase your cost

► Income-Based Repayment
  - Available to federal loan borrowers experiencing financial hardship
  - Borrower qualifies if annual monthly student loan payments exceed 15% of “discretionary income”
  - If eligible for IBR, borrower’s monthly payment will be determined by a formula that takes into account household size and adjusted gross income. Increases in income will impact the required monthly payment amount
  - Unpaid balance may be forgiven after 25 years of scheduled monthly payments
Announced by ED December 21, 2012

Available to new Direct loan borrowers (except Parent PLUS) experiencing financial hardship
- No loan balance as of October 1, 2007, and
- Received a Direct loan on or after October 1, 2011

Borrower qualifies if annual monthly student loan payments exceed 10% of “discretionary income”

Similar to IBR, borrower’s monthly payment will be determined by a formula that takes into account family size and adjusted gross income. Increases in income will impact the required monthly payment amount

Unpaid balance may be forgiven after 20 years of qualifying repayment
Loan Consolidation

- Provides the ability for borrowers to consolidate all of their federal loans into one new loan
- FFEL and Direct Stafford Loans, Perkins Loans and PLUS Loans may be consolidated
- Interest Rate: weighted average of the interest rates on the loans being consolidated rounded to the nearest higher one-eighth of one percent
- Multiple repayment options: Standard, Graduated, Extended, Income Contingent, Income Based
- Benefits:
  - Possible Longer repayment period
  - Potential Lower monthly payment
  - Single Servicer
# Federal Loan Repayment Comparison

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Initial Monthly Payment</th>
<th>Long-term Monthly Payment</th>
<th>Total Interest Paid</th>
<th>Years in Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$294.14</td>
<td>$294.14</td>
<td>$6,954.40</td>
<td>10</td>
</tr>
<tr>
<td>Graduated</td>
<td>$106.98</td>
<td>$352.49</td>
<td>$8,065.10</td>
<td>10</td>
</tr>
<tr>
<td>Extended</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Income Based</td>
<td>$284.56</td>
<td>$294.14</td>
<td>$7,105.10</td>
<td>10</td>
</tr>
<tr>
<td>Income Sensitive</td>
<td>$106.98</td>
<td>$294.14</td>
<td>$8,238.20</td>
<td>11</td>
</tr>
<tr>
<td>Pay as You Earn</td>
<td>$189.71</td>
<td>$294.14</td>
<td>$9,650.29</td>
<td>12.3</td>
</tr>
<tr>
<td>Consolidation</td>
<td>$178.24</td>
<td>$178.24</td>
<td>$14,434.09</td>
<td>20</td>
</tr>
</tbody>
</table>

Assumes $27,000 in undergraduate Stafford loans ($19,000 in subsidized and $8,000 in unsubsidized loans) over a 4 year period. Subsidized interest rates ranged from 3.4% to 6% based on statutory limits for each AY. Unsubsidized Stafford loans were at 6.8%.
Federal Loan Forgiveness Program for Public Service Employees

- Eligibility limited to Federal Direct Student Loan Program (FDLP), Stafford PLUS and Consolidation
  - FFELP Stafford, PLUS and Consolidation are not eligible

- FFELP Borrowers may consolidate in the FDLP.

- Additionally, borrowers must have:
  - Made 120 on-time monthly payments beginning after October 1, 2007 during eligible public service employment.
  - Payments must be made under one of the payment plans: Income Based, Pay As You Earn, Income Contingent or any payment equivalent to the 10-year standard payment amount.
  - Worked *full time* in eligible public service employment for ten years after October 1, 2007.
  - Must be employed in an eligible public service job at time remaining loan balance is forgiven.

Other loan forgiveness programs may also be available – do your research!
A new “Dear Borrower” letter was released earlier this year and provides important information about the Program, including how to determine if your employment and loan payment history meet the Program’s loan forgiveness requirements.

Dear Federal Student Loan Borrower:

Thank you for your interest in the Direct Loan Public Service Loan Forgiveness (PSLF) Program. The PSLF Program was established by Congress with the passage of the College Cost Reduction and Access Act of 2007, and was created to encourage individuals to enter lower-paying but vitally important public sector jobs such as military service, law enforcement, public education, and public health professions. The PSLF Program allows eligible borrowers to qualify for forgiveness of the remaining balance of their William D. Ford Federal Direct Loan (Direct Loan) Program loans after they have served full time at a public service organization for at least 10 years, while making 120 qualifying payments.

This letter provides important information about the PSLF Program, including information on how to determine if your employment and loan payment history meet the program’s loan forgiveness requirements. To better assist you, the U.S. Department of Education (ED) is providing a series of materials, including an employment certification form that allows you to track periods of eligible employment and eligible loan payments. In addition, these materials will allow you to find out if your job and loan payments will qualify for loan forgiveness in the future. If you are eligible, these materials will assist you in determining how many payments you have left to make to qualify for loan forgiveness.
It will take you at least 10 years to make the 120 qualifying payments necessary to receive PSLF.

During this time you’ll want to track your periods of qualifying employment.

The Employment Certification Form will allow you to get your employer’s certification of employment while you are still employed.

Income Based Repayment (IBR) – Additional Details

- Program is designed for federal loan borrowers experiencing “partial financial hardship”
- Borrower qualifies if annual monthly student loan payments exceed 15% of “discretionary income”
  - AGI minus 150% of Poverty Income Guidelines x 15%
- If eligible for IBR, borrower’s monthly payment will be determined by a formula that takes into account household size and adjusted gross income
- Negative amortization may occur with this option because it allows minimum monthly payments to be less than accruing interest
- IBR provides for up to a 36-month interest subsidy period when a scheduled monthly payment amount on a subsidized loan is less than accrued interest
- Payment can never exceed the amount needed to pay off current balance of borrower’s loan(s) in 10 years; thus, after a while, increases in income may not affect the payment
- Unpaid balance may be forgiven after 25 years of scheduled monthly payments which includes periods of economic hardship deferment, but not other periods of deferment and forbearance
Income Based Repayment (IBR) – Additional Details

► IBR eligibility test is based on larger of:
  - Balance of IBR-eligible loans at beginning of repayment
  - Balance of IBR-eligible loans when enrolled in IBR

► Spouse loans are factored into the eligibility test if they file a joint tax return
  - Payment formula will take spouse’s loans into account
    - Example: If IBR payment is $750, borrower has $150,000 in loans and spouse has $75,000 in loans, borrower’s share of the payment is $500—since borrower has 2/3 of the total loan balance
# IBR Eligibility Example

<table>
<thead>
<tr>
<th><strong>Balance at start of repayment</strong></th>
<th><strong>$150,000</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total standard payments for IBR-eligible loans</strong></td>
<td><strong>$1,726</strong></td>
</tr>
<tr>
<td><strong>12 months’ worth of payments</strong></td>
<td><strong>$20,714</strong></td>
</tr>
<tr>
<td><strong>AGI</strong></td>
<td><strong>$47,000</strong></td>
</tr>
<tr>
<td><strong>State of Residence</strong></td>
<td><strong>Florida</strong></td>
</tr>
<tr>
<td><strong>Household size</strong></td>
<td><strong>1</strong></td>
</tr>
<tr>
<td><strong>2013 Poverty Income Guideline</strong></td>
<td><strong>$11,490</strong></td>
</tr>
<tr>
<td><strong>150% of Poverty Income Guideline</strong></td>
<td><strong>$17,235</strong></td>
</tr>
<tr>
<td><strong>15% Discretionary Income [0.15 * ($47,000 - $17,235)]</strong></td>
<td><strong>$4,465</strong></td>
</tr>
</tbody>
</table>

**Is borrower experiencing partial financial hardship?**  
Does a year’s worth of payments exceed 15% discretionary income? **Yes**

| **Initial Monthly Payment Under IBR** | **$372** |
Effective for new borrowers July 1, 2014:

- Under current legislation, IBR limits for FFELP and Direct student loan payments to 15% of discretionary income, and provides for loan forgiveness after 25 years of payments.

- Congress passed legislation in 2010 to change the IBR payment cap to 10% of discretionary income and to forgive all debt after 20 years of payments, effective for Direct Loans made to new borrowers on or after July 1, 2014.
Private Loan Repayment

- Private loans are almost always unsubsidized for the life of the loan
- Repayment terms vary
- Choice of repayment plans may be available
- Residency and internship deferments may be available
- Forbearances may be available
  - Consult your loan servicer

Tip:
Refer to your promissory note and/or your servicer to determine your available options
Help students cover the expenses associated with finding a residency. This could include travel to interviews and relocation costs, which are not covered by federal student loan programs.

For more information:

www.salliemae.com/medical
www.salliemae.com/dental
Students can borrow from $1,000 up to $20,000.

Repayment begins 3 years after graduation, or 9 months after withdrawing or dropping to less than half-time status.

Funds are disbursed directly to the student.

Cosigner release after successful completion of their education and 24 consecutive on-time payments.

LIBOR + 3% to LIBOR + 11.875% (3.21% to 11.56% APR)

NEW 14-15: LIBOR + 3% to LIBOR + 9.75% (3.21% to 9.62% APR)

Zero origination fees

.25% interest rate reduction is available while enrolled to make monthly payments by automatic debit
Borrowers may be eligible to deduct student loan interest

Deduction may not exceed $2,500 per year

Voluntary payments of interest during school, deferment or forbearance may be eligible for deduction

Interest paid on consolidation loans may be deducted

There are eligibility rules, including income limits

- The limits for Federal Tax Year 2012 are shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Full Deduction</th>
<th>Partial Deduction</th>
<th>No Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single</strong></td>
<td>Modified Adjusted Gross Income is $&lt;= $60,000</td>
<td>$60,001 to $74,999</td>
<td>$75,000 or more</td>
</tr>
<tr>
<td><strong>Married Filing jointly</strong></td>
<td>Modified Adjusted Gross Income is $&lt;= $125,000</td>
<td>$125,001 to $154,999</td>
<td>$155,000 or more</td>
</tr>
</tbody>
</table>


NOTE: For information about your specific tax situation and any tax advice, please contact a tax professional.
Healthy Credit Awareness Tips
Student Loan Debt Can Accumulate Quickly

KNOW HOW MUCH YOU OWE?

Calculating a debt-to-income ratio:

Minimum debt payments (including mortgage or rent) \[\div\] Monthly gross income

**Example:** You earn $5,000 each month in gross income, and a yearly bonus nets you $500 a month. Your total monthly income is **$5,500**.

You pay $200 a month in student loans, $500 in rent, $150 on a car payment, and $150 on your credit cards and other expenses. Your total monthly debt payments are **$1,000**.

\[\frac{1,000 \text{ (debt)}}{5,500 \text{ (income)}} = \text{a ratio of 18.2\%}\]

A general guideline for debt-to-income ratios:
- 36\% or less - Excellent
- 37\% to 42\% - Acceptable
- 43\% to 49\% - Overextended
- 50\% or higher - Danger!

*Source: MYFICO.Com*
Know What You Owe

PUT TOGETHER A SNAPSHOT OF WHAT YOU OWE

► **Student loans**
  + $ _________________

► **Other loans**
  - Credit card balance(s)  + $ _________________
  - Automobile loan  + $ _________________
  - Mortgage loan or rent  + $ _________________

► **Other Money Owed**
  - Utilities, cable, internet  + $ _________________
  - Phone  + $ _________________

► **TOTAL**
  $ _________________
Be Careful with Credit Cards

► Watch the interest rate

► Get the “full scoop” on special introductory rates

► Stay out of the “penalty” box

► Pay the minimum, pay the price
Avoid Making Just Minimum Monthly Payments

Example: If borrower has $2,000 financed at 19.8% and only makes the minimum monthly payment of $35; what happens?

► Borrower will take more than 17 years to pay off that $2,000
► Borrower will pay more than $5,100 total (approx. $3,100 in interest)
► What could possibly be worth paying more than twice the amount originally financed?
Be Careful with Credit Cards (Continued)

YOU HAVE ONE OR MORE CREDIT CARDS – NOW WHAT?

► Pay the highest-interest-rate card first
► Pay your bill as early as possible
► Pay more than the minimum whenever you can and aim to pay your bill in full every month to avoid interest rate charges
► Try to negotiate a better rate (a possibility if you make payments on time)
► Never be late for a payment or miss one entirely
► Keep a list of your credit card numbers in a safe place, in case your cards are stolen or lost
► Keep copies of sales slips and compare them to charges on your bill
FOLLOW THESE STEPS:

- Communicate
- Consider personal or family situation
- Set goals
- Estimate income
- Estimate expenses
- Balance the budget plan
- Put the budget into action
- Keep track of income and spending
- Adjust the budget as necessary
- Use for future planning
预算建议

- 保持简单
- 要现实并考虑所有费用
- 建立经济缓冲
- 继续工作，直到找到一个适合你的系统
- 在你的计划中提供个人补贴
- 不要试图使用别人的预算
- 区分需求和欲望
- 贷款需要谨慎
- 建立紧急基金
Keep Good Records

- Get all loan documents together: keep them on file!
  - Promissory notes
  - Disclosure statements
  - Award Letters
  - Exit interview information
- Open and READ student loan mail
- Bookmark loan servicer’s websites
- Notify loan servicer(s) of name & address changes
- Document calls to servicer: date/time of call & person who handled the call
- Keep important numbers available
FINANCIAL PROBLEMS, ONCE STARTED, TEND TO GET WORSE IF THEY ARE LEFT UNSOLVED

Some warning signs of financial problems:
- You have to wait for your paycheck or other income to pay bills
- Your credit cards are charged up to the maximum
- The amount you owe gets bigger every month
- You bounce checks
- You've received letters or calls from creditors

Actions you can take:
- Review your spending plan/budget
- Ask for assistance from parents or mentor
- Consider credit counseling
Resources

► School financial aid office
► Lender/servicer
► Federal Student Aid Ombudsman
  ▪ U.S. Department of Education – FSA Ombudsman
    http://www.ombudsman.ed.gov or 1-877-557-2575
► Federal Loan Servicers:

Direct Loans
800-848-0979 - www.dl.ed.gov

GREAT LAKES
800-236-4300 - www.mygreatlakes.org

f ed loan
800-699-2908 - www.myfedloan.org

nelnet
888-486-4722 - www.nelnet.com

SallieMae
800-722-1300 - www.salliemae.com/edservicing
Summary
Key Tips for Managing Student Loans

► Understand your student loan portfolio
  ▪ Know what types of loans you have
  ▪ Know your lenders and servicers
  ▪ Know how much you owe
  ▪ Know what your interest rate is
  ▪ Know what your total monthly payments will be
  ▪ Know what borrower benefits are available to you

► Understand loan capitalization and its impact
► Know your grace, deferment and forbearance options
► Know your Federal and private Loan Repayment Plan options
► Avoid delinquency & default
► Keep good records
► Know your resources
Questions
### Federal Loan Repayment Comparison – Grad 4 Year

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Initial Monthly Payment</th>
<th>Long-term Monthly Payment</th>
<th>Total Interest Paid</th>
<th>Years in Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$1,995.63</td>
<td>$1,995.63</td>
<td>$63,973.00</td>
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<tr>
<td>Graduated</td>
<td>$955.28</td>
<td>$2,352.06</td>
<td>$73,221.90</td>
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<td>Extended</td>
<td>$1,188.49</td>
<td>$1,188.49</td>
<td>$181,043.50</td>
<td>25</td>
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<td>Income Based</td>
<td>$284.56</td>
<td>$1,995.63</td>
<td>$130,824.78</td>
<td>16.2</td>
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<td>Income Sensitive</td>
<td>$955.28</td>
<td>$1,995.63</td>
<td>$75,436.40</td>
<td>11</td>
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<tr>
<td>Pay as You Earn</td>
<td>$189.71</td>
<td>$1,995.63</td>
<td>$134,306.25</td>
<td>16.6</td>
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<tr>
<td>Consolidation</td>
<td>$1,156.98</td>
<td>$1,156.98</td>
<td>$232,510.09</td>
<td>30</td>
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</tbody>
</table>

Assumes $162,000 in graduate Stafford Loans ($34,000 subsidized and $128,000 unsubsidized) over a 4 year period. Interest rates were based on statutory limits for each academic year.
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