**Breaking Barriers – Adulting 101 Workshop**

# Federal Loan Repayment Plans

**Important Note:** Information presented is gathered through a combination of public resources and not put together by an official financial/insurance advisor. Information provided are meant to serve as nothing more than suggestions and left to the reader's discretion.

# Agenda

# Student Loan Exit Counseling

# 4 What is Exit Counseling?

The purpose of exit counseling is to ensure you understand your student loan obligations and are prepared for repayment. You must complete exit counseling when you leave school or drop below half-time enrollment.

You'll learn about what your federal student loan payments will look like after school. The Federal Student Aid Office will recommend a repayment strategy that best suits your future plans and goals.

Bryn Mawr may have additional exit counseling requirements. You should receive an email from the Office of Financial Aid before the end of the spring semester senior year.

# 5 Who, What, Where and How?

### Who Should Complete This?

- Student federal loan borrowers who are
  - leaving school,
  - graduating, or
  - dropping below half-time enrollment.
- Parent PLUS Loan borrowers are not required to complete exit counseling

### How Long Will It Take?

- Exit counseling takes about 30 minutes to complete. You must complete it in one session; you cannot save and return to an incomplete session.

### What Do I Need?

- Verified StudentAid.gov account
- School Name(s)
- Updated Contact Information

# Repayment Plans

# 7 Getting Started

- **You may or may not be assigned a repayment plan by your provider when you start. However, you can always change your repayment plan at any time–for free!**
- **Information on all your Federal Student Loans and Loan Servicer for your loans can be found via your My Federal Student Aid account.**
- **Before selecting a plan, consider using Loan Simulator for an early look at plans and monthly estimates.**
- **Private loans *are not* Federal Loans and *will not* be included on your *My Federal Student Aid* account.**

# 8 Standard Repayment Plan

### Eligible Borrowers

- All borrowers are eligible for this plan.

### Monthly Payment and Time Frame

- Payments are a fixed amount that ensures your loans are paid off within 10 years (within 10 to 30 years for Consolidation Loans).

### Eligible Loans

- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans
- all Consolidation Loans (Direct or FFEL)

## Good To Know:

- Pay less over time than under other plans.
- The 10-year repayment period is not a good option for those seeking Public Service Loan Forgiveness (PSLF).
- Standard Repayment Plan for Consolidation Loans is not a qualifying repayment plan for PSLF.

# ↖ 9 Graduated Repayment Plan

**Eligible Borrowers**

- All borrowers are eligible for this plan.

**Monthly Payment and Time Frame**

- Payments are lower at first and then increase, usually every two years, and are for an amount that will ensure your loans are paid off within 10 years (within 10 to 30 years for Consolidation Loans).

**Eligible Loans**

- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans
- all Consolidation Loans (Direct or FFEL)

**Good To Know:**

- You'll pay more over time than under the 10-year Standard Plan.
- Generally, not a qualifying repayment plan for PSLF.

# ↖ 10 Extended Repayment Plan

**Eligible Borrowers**

- If you're a Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans.

**Monthly Payment and Time Frame**

- Payments may be fixed or graduated, and will ensure that your loans are paid off within 25 years.

**Eligible Loans**

- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans
- all Consolidation Loans (Direct or FFEL)

## Good To Know:

- Your monthly payments will be lower than under the 10-year Standard Plan or the Graduated Repayment Plan.
- You’ll pay more over time than under the 10-year Standard Plan.
- Not a qualifying repayment plan for PSLF.

# Income Driven Repayment Plans (IDR)

# 12 Revised Pay As You Earn Repayment Plan (REPAYE)

## Eligible Borrowers

- Any Direct Loan borrower with an eligible loan type may choose this plan.

## Monthly Payment and Time Frame

- Your monthly payments will be 10 percent of discretionary income.
- Payments are recalculated each year and are based on your updated income and family size.
- You must update your income and family size each year, even if they haven't changed.
- If you're married, both your and your spouse's income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions).
- Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 years (if all loans were taken out for undergraduate study) or 25 years (if any loans were taken out for graduate or professional study).

## Eligible Loans

- Direct Subsidized and Unsubsidized Loans
- Direct PLUS Loans made to students
- Direct Consolidation Loans that do not include PLUS loans (Direct or FFEL) made to parents

**Good To Know:**

- You'll usually pay more over time than under the 10-year Standard Plan.
- You may have to pay income tax on any amount that is forgiven.
- Good option for those seeking PSLF.

# 13 Pay As You Earn Repayment Plan (PAYE)

### Eligible Borrowers

- You must be a new borrower on or after Oct. 1, 2007, and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011.

### Monthly Payment and Time Frame

- Your monthly payments will be 10 percent of discretionary income, but never more than you would have paid under the 10-year Standard Repayment Plan. Payments are recalculated each year and are based on your updated income and family size.

  You must update your income and family size each year, even if they haven't changed.

### Eligible Loans

- Direct Subsidized and Unsubsidized Loans
- Direct PLUS Loans made to students
- Direct Consolidation Loans that do not include PLUS loans (Direct or FFEL) made to parents

**Good To Know:**

- You must have a high debt relative to your income.
- Your monthly payment will never be more than the 10-year Standard Plan amount.
- You'll usually pay more over time than under the 10-year Standard Plan.
- You may have to pay income tax on any amount that is forgiven.
- Good option for those seeking PSLF.

# 14 Income-Based Repayment Plan (IBR)

**Eligible Borrowers**
- You must have a high debt relative to your income.

**Monthly Payment and Time Frame**
- Your monthly payments will be either 10 or 15 percent of discretionary income (depending on when you received your first loans), but never more than you would have paid under the 10-year Standard Repayment Plan.
- Payments are recalculated each year and are based on your updated income and family size.
- You must update your income and family size each year, even if they haven't changed.
- If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return.
- Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 years or 25 years, depending on when you received your first loans.
- You may have to pay income tax on any amount that is forgiven.

**Eligible Loans**
- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans made to students
- Consolidation Loans (Direct or FFEL) that do not include PLUS loans (Direct or FFEL) made to parents

**Good To Know:**
- Your monthly payment will never be more than the 10-year Standard Plan amount.
- You'll usually pay more over time than under the 10-year Standard Plan.
- You may have to pay income tax on any amount that is forgiven.

# 15 Income-Contingent Repayment Plan (ICR)

## Eligible Borrowers

- Any Direct Loan borrower with an eligible loan type may choose this plan.

## Monthly Payment and Time Frame

Your monthly payment will be the lesser of

- 20 percent of discretionary income, or the amount you would pay on a repayment plan with a fixed payment over 12 years, adjusted according to your income.
- Payments are recalculated each year and are based on your updated income, family size, and the total amount of your Direct Loans.
- You must update your income and family size each year, even if they haven't changed.
- If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return or you choose to repay your Direct Loans jointly with your spouse.
- Any outstanding balance will be forgiven if you haven't repaid your loan in full after 25 years.

## Eligible Loans

- Direct Subsidized and Unsubsidized Loans
- Direct PLUS Loans made to students
- Direct Consolidation Loans

**Good To Know:**

- You'll usually pay more over time than under the 10-year Standard Plan.
- You may have to pay income tax on any amount that is forgiven.
- Good option for those seeking PSLF.
- Parent borrowers can access this plan by consolidating their Parent PLUS Loans into a Direct Consolidation Loan.

# 16 Income-Sensitive Repayment Plan

## Eligible Borrowers

- Available only for FFEL Program loans, which are not eligible for PSLF.

## Monthly Payment and Time Frame

- Your monthly payment is based on annual income, but your loan will be paid in full within 15 years.

## Eligible Loans

- Subsidized and Unsubsidized Federal Stafford Loans
- FFEL PLUS Loans
- FFEL Consolidation Loans

**Good To Know:**

- You'll pay more over time than under the 10-year Standard Plan.
- The formula for determining the monthly payment amount can vary from lender to lender.

# 17 Other Loans

## Federal Perkins Loan

- Perkins Loan repayment plan options are not the same as those for Direct Loan Program or FFEL Program loans.
- Check with your school for more information on Perkins Loan repayment plans.

## Consolidate Your Loans

- If you have multiple federal student loans, you can consolidate them into a single Direct Consolidation Loan.
- May simplify repayment if you are currently making separate loan payments to different loan holders or servicers, as you'll only have one monthly payment to make.
- There may be tradeoffs, however, so you'll want to learn about the advantages and possible disadvantages of loan consolidation before you consolidate.

# Loan Statuses

# 19 Forbearance

**A period during which your monthly loan payments are temporarily suspended or reduced. Your lender may grant you a forbearance if you are willing but unable to make loan payments due to certain types of financial hardships.**

**Principal payments are postponed but interest continues to accrue.**

**Unpaid interest that accrues during the forbearance will be added to the principal balance (capitalized) of your loan(s), increasing the total amount you owe.**

# 20 Deferment

A temporary postponement of payment on a loan that is allowed under certain conditions and during which interest generally does not accrue on Direct Subsidized Loans, the subsidized portion of Direct Consolidation Loans, Subsidized Federal Stafford Loans, the subsidized portion of FFEL Consolidation Loans, and Federal Perkins Loans.

All other federal student loans that are deferred will continue to accrue interest.

Any unpaid interest that accrued during the deferment period may be added to the principal balance (capitalized) of the loan(s).

# 21 Delinquency

The first day after you miss a student loan payment, your loan becomes past due, or delinquent. Your loan account remains delinquent until you repay the past due amount or make other arrangements, such as deferment or forbearance, or changing repayment plans.

If you are delinquent on your student loan payment for 90 days or more, your loan servicer will report the delinquency to the three major national credit bureaus. If you continue to be delinquent, your loan can risk going into default.

# 22 Default

- **If your loan continues to be delinquent, the loan may go into default.** The point when a loan is considered to be in **default varies depending on the type of loan** you received.
- For example, a Direct Loan goes into default after 270 days of missed payments. Perkins Loan could go into default after 1 missed payment (depends on servicer).
- If your loan(s) go into default, contact the organization that notified you of the default as soon as possible so you can explain your situation fully and discuss your options. If you make repayment arrangements soon enough after your loan has gone into default, you may be able to resolve the default quickly

**Good To Know:**

- You'll pay more over time than under the 10-year Standard Plan.
- The formula for determining the monthly payment amount can vary from lender to lender.

# 23 Consequences of Default

**The consequences of defaulting can not only impact your ability to borrow but can impact your finances as well. Consequences include the following:**

- **The entire unpaid balance of your loan and any interest you owe becomes immediately due (this is called "acceleration").**

- **You can no longer receive deferment or forbearance, and you lose eligibility for other benefits, such as the ability to choose a repayment plan.**

- **You lose eligibility for additional federal student aid.**

- **The default is reported to credit bureaus, damaging your credit rating and affecting your ability to buy a car or house or to get a credit card.**

# 24 Consequences of Default

- It may take years to reestablish a good credit record.
- You may not be able to purchase or sell assets such as real estate.
- Your tax refunds and federal benefit payments may be withheld and applied toward repayment of your defaulted loan (this is called “Treasury offset”).
- Your wages may be garnished. This means your employer may be required to withhold a portion of your pay and send it to your loan holder to repay your defaulted loan.

# 25 Consequences of Default

- Your loan holder can take you to court.
- You may be charged court costs, collection fees, attorney's fees, and other costs associated with the collection process.
- If your school withholds your official transcript, upon your request the school must provide you with an unofficial transcript that might be accepted by another institution. If you are struggling to get your transcript from your school, submit a complaint to the Consumer Financial Protection Bureau.

# Loan Forgiveness

# 27 Public Service Loan Forgiveness (PSLF)

**A program for people who work in public service in federal, state, tribal, or local government, or for a non-profit organization.**

**Use the PSLF Help Tool to search for a qualifying employer, learn what actions you may need to take to become eligible for PSLF or TEPSLF, and generate a PSLF form.**

**After you submit your PSLF form to MOHELA, if you have Direct Loans and work for a qualifying employer, you will receive a count of the number of qualifying payments you have made toward both PSLF and TEPSLF.**

**Note: A one-time IDR adjustment will occur in July 2023 that may impact PSLF. Learn more about this one-time IDR adjustment.**

# 28 Teacher Loan Forgiveness

**Under the Teacher Loan Forgiveness Program, if you teach full time for five complete and consecutive academic years in a low-income school or educational service agency, and meet other qualifications, you may be eligible for forgiveness of up to $17,500 on your Direct Subsidized and Unsubsidized Loans and your Subsidized and Unsubsidized Federal Stafford Loans.**

**If you have a Direct Consolidation Loan or a Federal Consolidation Loan, you may be eligible for forgiveness of the outstanding portion of the consolidation loan that repaid an eligible Direct Subsidized Loan, Direct Unsubsidized Loan, Subsidized Federal Stafford Loan, or Unsubsidized Federal Stafford Loan.**

# 29 Teacher Loan Forgiveness

**Good To Know:**

**Borrowers can’t receive credit toward Teacher Loan Forgiveness and Public Service Loan Forgiveness (PSLF) for the same period.**

**That means, if you seek and receive Teacher Loan Forgiveness, the five-year period of service that supported your eligibility will NOT count toward PSLF.**

**Federal Student Aid recommends that you consider whether you’re interested in PSLF before deciding to pursue Teacher Loan Forgiveness, because changes can’t be made once you receive forgiveness.**

# 30 Borrower Defense Loan Discharge

**If your school misled you or engaged in other misconduct in violation of certain state laws, you may be eligible for "borrower defense to loan repayment," sometimes shortened to "borrower defense."**

**This is the discharge of some or all of your federal student loan debt.**

# 31 Other Forgiveness & Discharge Programs

- Closed School Discharge
- Perkins Loan Cancellation and Discharge
- Total and Permanent Disability Discharge
- Discharge Due to Death
- Discharge in Bankruptcy
- False Certification Discharge
- Unpaid Refund Discharge
- Forgery Discharge

Scan to read more!

# Biden-Harris Student Loan Debt Relief

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# One-Time Federal Student Loan Debt Relief

This one-time debt relief is provided by the U.S. Department of Education (ED) as part of the Biden-Harris Administration student debt relief plan.

## How Much Debt Relief You Can Get

- Up to $20,000 in debt relief if you received a Federal Pell Grant in college and meet the income requirements
- Up to $10,000 in debt relief if you didn't receive a Federal Pell Grant in college and meet the income requirements
- The debt relief applies only to loan balances you had before June 30, 2022. Any new loans disbursed on or after July 1, 2022, aren't eligible for debt relief. Other rules apply to consolidation loans.

# 34 Debt Relief Current Standing

**Nov. 22, 2022 The U.S. Dept. of Education extended the pause on student loan repayment, interest, and collections.**

**Payments will resume 60 days after the Dept. is permitted to implement the Relief Program or the litigation is resolved. Allows Supreme Court to resolve the case during its current Term.**

**If the program has not been implemented and the litigation has not been resolved by June 30, 2023 – payments will resume 60 days after that.**

**Applications for Debt Relief are currently not being accepted due to Court orders blocking the program. The Dept. of Ed. will save applications of those who already applied.**

**Supreme Court Hearing on Student Loan Forgiveness Cases is set for February 28th, 2023. A formal ruling is not expected until as late as June 2023.**

# 35 Income-Driven Repayment Plans Reform

The following is based on the Penn Wharton Budget Model, a group of economists and data scientists at the University of Pennsylvania who analyze public policies to predict their economic and fiscal impact.

The Biden administration would mostly phase out three of the IDR plans and focus on one program that it intends to simplify and make more generous—the *Revised Pay As You Earn* (REPAYE) program.

There are still uncertainties on how the IDR reform plan would impact tuition prices, given a theory that universities raise tuition prices in response to government subsidies.

Why?!

- Critics note that the plans allow student debt to mushroom through negative amortization
- One study found that some borrowers have seen their student loan debt double or triple even though they are in a repayment plan.
- Negative amortization happens when a repayment is too small to cover a loan's interest, resulting in the unpaid interest being added to the loan's principal.

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# Thank you

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