AGENDA

1. Your Student Loans
2. Repayment Plans
3. Other Repayment Options
4. After Graduation
5. Financial Planning
6. Financing & Credit
7. Tax Deduction
8. Questions & Answers

Financial Aid & Scholarships
UNIVERSITY OF COLORADO ANSCHUTZ MEDICAL CAMPUS
Your Federal Student Loans
Student Loans vs. Other Loans

Federal student loans are unlike any other type of debt (car, mortgage, credit cards).

They offer flexible repayment terms and conditions, including a variety of repayment plans, deferment, forbearance and forgiveness provisions.

The presentation focuses on Federal student loans and specific repayment terms for these loans. Private (alternative) educational loans will have different terms and conditions.

Refer to your MPN and direct questions to your lender.
MASTER PROMISSORY NOTE (MPN)

- Contract with Lender (promise to repay)
- Multi-Loan Feature
- Terms & Conditions
- Rights & Responsibilities

PROMISE TO PAY

16. I promise to pay to ED all loan amounts disbursed under the terms of this MPN, plus interest and other charges and fees that may become due as provided in this MPN. I understand that more than one loan may be made to me under this MPN. I understand that by accepting any disbursement issued at any time under this MPN, I agree to repay the loan associated with that disbursement.
YOUR RIGHTS

- Prepay loan without penalty
- Request a shorter repayment schedule
- Change plans
- Request deferment or forbearance
YOUR RESPONSIBILITIES

- Pay on time - regardless of receiving a bill
- Update your contact information
- Complete the Exit Counseling
  - FASO sends an email reminder for Direct Loans
- Institutional Loans: ECSI/Heartland

If I do not make a payment on a loan made under this MPN when it is due, I will also pay reasonable collection costs, including but not limited to attorney fees, court costs, and other fees.
LENDER vs. SERVICER
Where do I find my loans?

NDSL Student Access
National Student Loan Data System

Annual Credit Report.com
The only source for your free credit reports. Authorized by Federal law.
National Student Loan Data System

NSLDS.ed.gov
**Detail Loan Information for**

- **Type of Loan:** DIRECT STAFFORD UNSUBSIDIZED
- **Loan obtained while attending:** UNIVERSITY OF COLORADO DENVER
- **Date Entered Repayment:** 11/20/2016
- **Next Payment Due Date:** 12/20/2016
- **Loan Period Begin Date:** 08/25/2014
- **Loan Period End Date:** 12/12/2014
- **Income-Driven Repayment Plan Anniversary Date:**

### Amounts and Dates

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Outstanding Principal Balance</th>
<th>Outstanding Principal Balance As of Date</th>
<th>Outstanding Principal Balance As of Date</th>
<th>Outstanding Interest Balance</th>
<th>Outstanding Interest Balance As of Date</th>
<th>Interest Rate</th>
<th>Interest Rate</th>
<th>Canceled Amount</th>
<th>Canceled Date</th>
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</thead>
<tbody>
<tr>
<td>$20,500</td>
<td>$25,435</td>
<td>03/12/2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tbody>
</table>

**Servicer/Lender/Guaranty Agency/ED Servicer Information**

**Current ED Servicer:**

- **DEPT OF ED/FEDLOAN SERVICING (PHEAA)**
- **PO BOX 530210**
- **ATLANTA**
- **GA 303530210**
- **800-699-2908 FREE**
- **accountinfo@myfedloan.org**
- **www.myfedloan.org**
## INTEREST RATES & GRACE PERIOD

<table>
<thead>
<tr>
<th></th>
<th>7/1/16 – 6/30/17</th>
<th>7/1/17 – 6/30/18</th>
<th>7/1/18 – 6/30/19</th>
<th>7/1/19 – 6/30/20</th>
<th>Grace Period (Months)</th>
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</thead>
<tbody>
<tr>
<td>Direct Unsub</td>
<td>5.31%</td>
<td>6%</td>
<td>6.6%</td>
<td>6.08%</td>
<td>6</td>
</tr>
<tr>
<td>Grad PLUS</td>
<td>6.31%</td>
<td>7%</td>
<td>7.6%</td>
<td>7.08%</td>
<td>6*</td>
</tr>
</tbody>
</table>

- Fixed interest rates for life of the loan. Rate reduction does not impact prior year’s rate
- Loans previously in repayment have no grace period—these loans enter repayment immediately upon graduation.
CAPITALIZATION

Addition of unpaid interest to principal loan balance

Principal: $100,000
Interest: $29,104
Larger Principal: $129,104

Interest (3 yrs @ 5.31%)
YOUR ASSIGNMENT

• Call your Servicer to ask, “What is your capitalization policy for the Direct Stafford & PLUS loans?”
• Obtain exact dates.
• Send payments before capitalization occurs.
• Are you able to pay interest online or must it be mailed?
DELINQUENCY & DEFAULT

Consequences:

- Negative credit history
- Garnished wages and tax refunds
- Ineligible for loan forgiveness
- Lawsuits
- Federal debt collections
- Unable to renew professional license

Solutions:

- Know your loan portfolio
- Sign up for automatic payments
- Contact loan servicer BEFORE your payment is late
DISCHARGE

- Death or Total/Permanent Disability
- Bankruptcy (rare)
- Identify Theft
- Certain Public Service Professions
- Closed School/False Certification
CONSOLIDATION

Reasons:

› Reduce # of Servicers
› Eligible for IBR or PAYE
› Eligible for PSLF

Consequences:

› New loan
› New terms & conditions
› Increased Interest Cost
  › Longer term: up to 30 years
› Negative Effect:
  › Loss of subsidies, grace, deferment, cancellation & forgiveness
DEFERMENT

▷ A period during which repayment of the principal and interest of your loan are temporarily delayed. You do not need to make payments while in deferment.

▷ Interest may not accrue on Subsidized Direct & Perkins loans, but continue to accrue on Unsubsidized Direct and Grad PLUS Loans.
FORBEARANCE

Unable to make scheduled loan payments?

First, explain your circumstances to your servicer and ask about deferment.

If you do not qualify, request a forbearance.

Using this status will stop or reduce your monthly payment for up to 12 months. Interest will continue to accrue on all of your loans.

Using this keeps your credit in good standing.
IMPORTANT CONSIDERATIONS

LIFE:
- Other expenses
- Financial goals
- Career goals

STUDENT LOANS:
- Monthly payment amount
- Interest cost
- Potential forgiveness
TRADITIONAL PLANS

Standard: 10 years
  - Largest monthly payment—pay off debt quicker
  - Lowest overall interest cost
  - Default plan if you do not select another repayment program

Graduated: 10 years
  - More expensive than Standard
  - Payment: adjusts every two years

Extended: up to 25 years
  - Lowest monthly payment
  - Most expensive cost
<table>
<thead>
<tr>
<th>Loan Balance: $100,000.00</th>
<th>Loan Term: 5 years</th>
<th>Monthly Payment: $1,970.70</th>
<th>Cumulative Payments: $118,241.82</th>
<th>Total Interest Paid: $18,241.82</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Interest Rate: 6.80%</td>
<td>10 years</td>
<td>$1,150.80</td>
<td>$138,096.57</td>
<td>$38,096.57</td>
</tr>
<tr>
<td></td>
<td>25 years</td>
<td>$694.07</td>
<td>$208,222.66</td>
<td>$108,222.66</td>
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</tbody>
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## INCOME-DRIVEN PLANS

<table>
<thead>
<tr>
<th>Program</th>
<th>AKA:</th>
<th>% of Discretionary Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Contingent</td>
<td>ICR</td>
<td>20</td>
</tr>
<tr>
<td>Income-Based</td>
<td>IBR</td>
<td>15</td>
</tr>
<tr>
<td>Pay As You Earn</td>
<td>PAYE</td>
<td>10</td>
</tr>
<tr>
<td>Revised PAYE</td>
<td>REPAYE</td>
<td>10</td>
</tr>
</tbody>
</table>

- Payment is recalculated annually using updated income & household size.
- These are “safety net” options.
- Eligible payments for PSLF.
DISCRETIONARY INCOME

Discretionary income is the difference between your adjusted gross income and 150% of the poverty guideline for your family size and state of residence.

Generally, if your debt is greater than your income you would be expected to qualify for income driven repayment.

You can visit StudentLoans.gov to use the Repayment Estimator: studentloans.gov/myDirectLoan/demoRepaymentEstimator.action.

The poverty guidelines are maintained by the U.S. Department of Health and Human Services and are available at aspe.hhs.gov/poverty-guidelines.
IBR & PAYE QUALIFICATIONS

- Demonstrate Partial Financial Hardship (PFH) to enter plan.
  - IBR or PAYE Payment is less than Standard Payment.

- Must submit annually documentation to continue in the plan, even without PFH.

- Max monthly payment is the Standard Plan amount
  - This is also referred to as the “Capped Payment”

- Married Borrowers filing separately will only report their income used to calculate the student loan payment(s).

- Amount forgiven is considered taxable under current tax law.

ibrinfo.org or studentloans.gov
ADD’T’L PAYE QUALIFICATION

- No outstanding loans on October 1, 2007 (or paid-off all outstanding loans before receiving a new loan on or after 10/1/2007);

  AND

- Received a Direct Loan disbursement on or after 10/1/2011.
RePAYE

- Unlike PAYE, any Direct Loan borrower can elect this plan.
- Calculates 10% of monthly discretionary income
- Your monthly payment can be larger than the Standard repayment amount.
  - There is no “Capped Payment.”
- Regardless of tax filing status, both incomes are used to calculate the loan payment(s).
- Amount forgiven is considered taxable under current tax law.
- Partial Interest Elimination
Sample Repayment

- Borrowed $100,000
- Interest rate 6.8%
- Annual income $60,000
- One in household

<table>
<thead>
<tr>
<th>Repayment</th>
<th>Monthly Amt $</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAYE</td>
<td>351.50</td>
</tr>
<tr>
<td>REPAYE</td>
<td>351.50</td>
</tr>
<tr>
<td>IBR</td>
<td>527.25</td>
</tr>
<tr>
<td>ICR</td>
<td>802.00</td>
</tr>
<tr>
<td>Standard</td>
<td>1150.80</td>
</tr>
</tbody>
</table>
PROS & CONS

Pros:
- Lower monthly payments
- Eligible payments toward PSLF
- Temporary solution to at least pay something

Cons:
- Annual paperwork for income and household size
- Longer repayment term = much higher interest cost
OTHER REPAYMENT OPTIONS
120 Qualifying Payments

In Qualifying Repayment Plans

...When Applying For & Receiving PSLF

PSLF Basics

On Direct Loans

While Working For A Qualifying Employer...

From Federal Student Aid, U.S. Dept. of Education

Financial Aid & Scholarships
UNIVERSITY OF COLORADO ANSCHUTZ MEDICAL CAMPUS
OTHER LOAN REPAYMENT PROGRAMS

- Indian Health Service - ihs.gov
- National Health Service Corps – nhsc.hrsa.gov
- National Institutes of Health – nih.gov
- US Armed Forces
- Local & State Programs
- Employer Programs
AFTER GRADUATION
GRACE PERIOD BEGINS

- After graduation until entering repayment
  - Subsidized loans are still interest-free
  - Unsubsidized & PLUS loans continue to accrue interest
- Update your contact information with Servicer
- Organize finances & determine the best repayment plan for you.
- Allows time to secure employment before repayment begins.
- Active duty during grace period—work with your Servicer.

Don’t waste this valuable time!
REPAYMENT NOTIFICATION

- Sent by your Servicer 60-90 days before 1st payment due
- Obtain online account access
- Review repayment plans carefully
- Submit all requested documents promptly
- Return information no later than 30 days before due date
- Sign up for automatic payments
VOLUNTARY PAYMENTS

› Making elective payments will not change the status of your loan (e.g.: force you into repayment early)
› Send an additional, separate payment from your required monthly payment
› Specify which loan money should be applied to immediately.
   › Pay loan with highest rate first.
   › Each loan has a specific ID number.
› Payments are always applied to a loan’s
   1. Account fees,
   2. Interest,
   3. Principle
FINANCIAL PLANNING
WARNING!

Manage Your Debt.
Don’t Let It Manage You.
FINANCIAL PLANNING

› Include spouse/partner in discussions
› Establish reasonable monthly budget
  › Mint.com, YNAB, EveryDollar & more
  › Review regularly & adjust as needed
› Establish emergency fund (3-6 months of pay)
FINANCIAL PLANNING (continued)

- List all of your debts
  - Prioritize & pay most expensive debt first
    - Debt Stacking: primerica.com/public/debt-stacking.html
    - Self-directed debt elimination plan: powerpay.org

- Seek a professional if needed.
  - XY Planning Network
  - National Assn. of Personal Financial Advisors
Pay Off Debt Wisely

REMEMBER!
Pay higher interest rate loans first.

Variable
Grad PLUS 7.9%
Grad PLUS 7.21%
Stafford 6.8%
Grad PLUS 6.41%
Stafford 6.21%
Stafford 5.41%
Institutional 4-5%

Review variable rates frequently and adjust payments as necessary.
FINANCIAL PLANNING (continued)

- List your financial goals & timeline:
  - Getting married
  - Having a baby
  - Buying a home
  - Purchasing a car

- Seek professional guidance at the right time & from appropriate source.
Should I Refinance?

- If you’re pursuing PSLF, refinancing will disqualify you.
- Review your situation. Do you really need to refinance?
- Investigate the company thoroughly.
- The Consumer Financial Protection Bureau created an article containing some good information.
FINANCING & CREDIT
FINANCING

Consider your **Debt to Income (DTI)** ratio. What is debt-to-income ratio?

“Your debt-to-income ratio is all your monthly debt payments divided by your gross monthly income. This number is one way lenders measure your ability to manage the payments you make every month to repay the money you have borrowed.”

*Consumer Financial Protection Bureau—consumerfinance.gov*
Example: Your monthly income is $5,000. Your monthly debt payments are:

- $1,200 Housing
- $100 Auto Loan
- $400 Other (student loans, credit cards, etc.)
- $1,700 Total monthly debt payment

$1,700 divided by $5,000 = 34%
Creditors will also check your credit when you request financing.

Check your credit from the three credit agencies:

- Annualcreditreport.com
Why check your credit?

- Are all the creditors listed on your report your actual creditors?
- False reporting occurs, damages your credit, and could take a few months to resolve.
- Resolved credit issues that remain on your credit could prevent you from receiving financing.

(from Consumer Financial Protection Bureau—consumerfinance.gov)
CREDIT (continued)

What to look for:

- Errors such as addresses where you never lived, employers you never worked for, information that should no longer be on your credit.
- Creditors you don’t recognize or have never received a loan.
- Are your student loans reported correctly and the correct Lender/Servicer listed?

Your credit report should have instructions on how to dispute inaccurate or incomplete information.

(from Consumer Financial Protection Bureau—consumerfinance.gov)
INTEREST PAID TAX DEDUCTION
STUDENT LOAN INTEREST TAX DEDUCTION

- Servicer sends you 1098-E form reporting how much interest you paid.
- Income limitations. Maximum amount is $2,500 for 2019.
- The Internal Revenue Service (IRS.gov) Publication 970.

<table>
<thead>
<tr>
<th>Tax Filing Status</th>
<th>Deduction Starts to Phase Out With MAGI Above...</th>
<th>Deduction Is Eliminated Completely With MAGI Above...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single, head of household, qualified widow(er)</td>
<td>$70,000</td>
<td>$85,000</td>
</tr>
<tr>
<td>Married filing jointly</td>
<td>$140,000</td>
<td>$170,000</td>
</tr>
</tbody>
</table>
Should I refinance my federal student loan into a private student loan with a lower rate?

Answer:

You should weigh the benefits and risks of refinancing your federal student loan into a private student loan with a lower rate, because changing from a federal to a private student loan eliminates some protections and benefits.

If you are looking to lower your interest rate, lower your monthly payment by extending the repayment term, or seeking to release a co-signer from your student loan, some borrowers in repayment with excellent credit may be able to refinance their existing federal student loans under a new private loan with a lower interest rate. Borrowers considering this option should also be aware of the risks:

- **Look closely if you are switching from a fixed rate loan to a variable rate loan.** Interest rates for most federal loans have fixed rates, which means that you never have to worry about your interest rate and monthly payment going up if interest rates rise in the future. If you switch to a variable rate loan, your interest rate could rise above the original fixed rate over time, and your payment could go up.

- **You will probably lose certain benefits if you refinance.** Borrowers working in public service or as teachers in certain low-income schools may be able to get loan forgiveness for certain federal loans. If you refinance your federal loan with a new private student loan, you will no longer be eligible to participate in these federal loan forgiveness programs. You may also lose the protection of loan discharge or forgiveness in the case of death or permanent disability, which you get with federal student loans. Not all private loans offer loan discharge benefits or forgiveness in the case of death or permanent disability. Active-duty servicemembers might also lose benefits on pre-service obligations if they refinance.

- **You will no longer qualify for certain repayment programs or plans.** Federal student loans provide options for borrowers who run into trouble, including income-driven repayment (IDR). If you consolidate with a private lender, you will lose your rights under the federal student loan program, including deferment, forbearance, cancellation, and affordable repayment options.

If you have a secure job, emergency savings, strong credit, are unlikely to benefit from forgiveness options, then refinancing into a private student loan may be a choice worth considering.
Warning:

Just remember that, under current law, once you refinance your federal loans into a private loan, you can’t turn your loans back into federal student loans or get any of the benefits of the federal student loan program.