



# SOLVING THE STUDENT LOAN REPAYMENT PUZZLE

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# AGENDA

Loan basics

Overview of  
repayment plans

Basics of consolidation

One-Time Debt  
Forgiveness

Deferment,  
forbearance,  
discharge, forgiveness  
& cancellation options

Repayment Strategies

Default

To do list & helpful  
resources

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# LOAN BASICS

# WHERE CAN I OBTAIN INFORMATION ON MY FEDERAL LOAN(S)?

- KUMC Financial Aid & Scholarships Office
- National Student Loan Database System
  - <https://studentaid.gov/loan-simulator/>
  - Subsidized, Unsubsidized & Grad PLUS
- Heartland ECSI – [www.heartlandecsi.net](http://www.heartlandecsi.net)
  - KU Med Perkins & KU Endowment Assoc. Loans
  - School Code – 2P
- Private Loans – [www.annualcreditreport.com](http://www.annualcreditreport.com)

# WHAT HAPPENS TO MY LOAN(S) WHEN I LEAVE SCHOOL?

## Stafford loan:

- Enter a 6-month grace period, or
- Enter repayment\*

## Perkins loan:

- Enter a 9-month initial grace period, or
- Enter a 6-month post-deferment grace period

## Grad PLUS loan:

- Enter a 6-month deferment, or
- Enter repayment\*

## Consolidation loan:

- Enter repayment
- \* Only if the loans grace period was previously used completely or consolidated

# WHAT SHOULD I EXPECT FROM MY LOAN HOLDER?

- Outlines the terms of the loan(s) borrowed
- Provides the repayment options available
- Establishes the first payment due date
  - COVID-19 loan payment pause & 0% interest
    - Began 3/13/20
    - Extended numerous times
    - Payments & interest set to resume 1/1/23
      - <https://studentaid.gov/announcements-events/covid-19>

# WHAT DOES MY LOAN HOLDER EXPECT FROM ME?

- Select a repayment plan
- Make timely payments on your loan(s)
- Provide updated contact information whenever it changes
- Contact them whenever you are having difficulty managing repayment

# CAN I PREPAY ON MY LOAN?

- Yes!
  - If sending in a prepayment, make sure you inform the lender to apply the prepayment to the principal of the loan balance
  - There is no prepayment penalty





# OVERVIEW OF REPAYMENT PLANS

# WHAT REPAYMENT PLANS ARE AVAILABLE?

- Standard
- Graduated
- Extended
- Revised Pay As You Earn (REPAYE)
- Pay As You Earn (PAYE)
- Income-Based (IBR)
- Income-Based for New Borrowers
- Income-Contingent

# HOW DO THE REPAYMENT PLANS WORK?



## Standard

Equal monthly payments



## Graduated

Payments increase over time



## Extended

Available for borrowers with over \$30,000 in debt  
Allows up to 25 years to repay loan



## REPAYE/ PAYE/ IBR/ IBR for New Borrowers/ Income-Contingent (ICR)

Must have a partial financial hardship to qualify  
Adjusted annually  
Forgiven amount of loans are taxable

# SAMPLE MONTHLY PAYMENT FOR \$186,000 LOAN @ 5.625%

Average	Standard Repayment Plan	Extended Repayment Plan
Average loan debt for MD Class of 2022	10-yr term <ul style="list-style-type: none"><li>• Monthly payment: \$2,131</li><li>• Interest paid: \$69,701</li><li>• Total cost of loan: \$255,701</li></ul>	25-yr term <ul style="list-style-type: none"><li>• Monthly payment: \$1,213</li><li>• Interest paid: \$177,765</li><li>• Total cost of loan: \$363,765</li></ul>

25 Year Repayment vs. 10 Year Repayment  
Monthly payment approx. 40% lower &  
amount repaid is approx. 40% higher



# REVISED PAY AS YOU EARN (REPAYE)

- Experiencing a “partial financial hardship”
- Limits payments to 10% of discretionary income
- Payment period before loan is forgiven:
  - 20 years – if you only borrowed undergrad loans
  - 25 years – if you borrowed 1 or more grad/professional loans
  - Remaining balance and accrued interest is forgiven (may be taxable, though)
- Only eligible for Direct Loans (not parent PLUS)
- Interest subsidy – 50% of interest not covered by payment on unsubsidized loans

# “PAY AS YOU EARN” (PAYE)

- Available to students both who meet both:
  - New federal loans borrower on/after 10/1/07
  - Disbursed at least one federal loan on/after 10/1/11
- Limits payments to 10% of discretionary income
- Payments capped at 10 year standard repayment
- Payment period is capped at 20 years
- Subsidized loans – interest subsidy for 1<sup>st</sup> 3 years
- Capitalization limited to 10% of accrued interest
- Include spouse’s income if you file jointly

# INCOME-BASED REPAYMENT (IBR)

- Available to Stafford, Grad PLUS, and certain consolidation borrowers
  - Depends on total indebtedness
- Repayment term can exceed 10 years, regardless of the amount of the borrower's loan debt
- 25 year repayment
- Payments = 15% of discretionary income
- Interest capitalizes if you leave plan – no limit to amount of capitalization
- Include spouse's income if you file jointly

# INCOME-BASED REPAYMENT FOR NEW BORROWERS



- Must be new borrower on July 1, 2014 or later
  - Never borrowed federal loans before that date, or
  - Repaid all federal loans before that date
- Similar to IBR, except:
  - After 20 years (240 eligible payments), any remaining balance and accrued interest will be forgiven (may be taxable, though)
  - Payments = 10% of discretionary income
- Compare all loan repayment options - <https://studentaid.gov/manage-loans/repayment/plans#estimator>



# PRES. BIDEN DEVELOPING NEW INCOME DRIVEN REPAYMENT PLAN

Category	REPAYE / PAYE	Biden's New Plan
Monthly Adjusted Gross Income	\$4,830	\$4,830
- Poverty Guideline	- \$1,700	- \$2,550
= Discretionary Income	= \$3,130	= \$2,280
x Payment Plan %	x 10%	x 5%
= Monthly Payment	= \$310 / month	= \$110 / month

## Highlights

- Poverty guidelines**  
 150% to 225%
- Payment Plan %**  
 10% to 5%
- Cover unpaid interest

## Biden's New IDR Plan implementation & details TBD

Example above estimates based on \$58K single borrower, 2022 poverty guidelines & with numbers rounded to nearest ten dollars

# PUBLIC SERVICE LOAN FORGIVENESS\*



Eligible  
Loans  
(Direct  
Loans)

Eligible  
Payments  
(Income-  
Driven  
Repayment)

Eligible  
Employer -  
501(c)(3)  
nonprofit or  
government

Eligible  
Number of  
Payments –  
120  
Qualifying  
Payments

\* No taxable event when forgiveness is reached

# PSLF HELP TOOL

- <https://studentaid.gov/pslf/>
- Search for a qualifying employer
- Determine actions needed
- Generate form to submit to servicer

# SAMPLE MONTHLY PAYMENT FOR \$186,000 LOAN @ 5.625%

Repayment Plan	REPAYE	PAYE	IBR Before 7/1/14
Total Repaid	\$312,199 16 yrs.	\$329,385 17 yrs.	\$293,227 13 yrs.
Monthly Pymt	\$309-\$2,192	\$309-\$2,131	\$464-\$2,131
Total Interest	\$126,199	\$143,385	\$107,227
Forgiveness Years / Amount	25 / \$0	20 / \$0	25 / \$0
PSLF (10 Years)	\$128,839	\$140,486	\$78,382
Monthly Pymt Cap	N/A	\$2,131	\$2,131

**\*Single  
person  
making  
\$58,000/  
year  
residency  
& \$200K  
attending**

# SAMPLE MONTHLY PAYMENT FOR \$186,000 LOAN @ 5.625%

Repayment Plan	REPAYE	PAYE	IBR Before 7/1/14
Total Repaid	\$334,891 19 yrs.	\$357,593 20 yrs.	\$302,651 14 yrs.
Monthly Pymt	\$128-\$2,115	\$128-\$2,131	\$192-\$2,131
Total Interest	\$148,891	\$173,080	\$116,651
Forgiveness Years / Amount	25 / \$0	20 / \$1,486	25 / \$0
PSLF (10 Years)	\$155,612	\$169,569	\$96,935
Monthly Pymt Cap	N/A	\$2,131	\$2,131

**\*Married couple, filing jointly, with 2 kids making \$58,000/year residency & \$200K attending**

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# THE BASICS OF CONSOLIDATION

# OVERVIEW

- Consolidation enables you to bundle one or more federal student loans into a single new loan
- At time of consolidation, your consolidating lender pays off the outstanding balances of the loans you include in the consolidation
- You must be in your grace period or in repayment on each loan being consolidated
- Some people consolidate in grace period – jump starts repayment & maximizes low payments counting towards PSLF

# HOW DO I QUALIFY?

- You must be in your grace period or in repayment on each loan being consolidated
- You can still obtain a Consolidation loan if you are delinquent or in default on one or more of your existing loans



# WHAT LOANS MAY BE CONSOLIDATED?

## Regular Consolidation

- Federal Family Education Loans (FFEL)
  - Not offered since 2009-10
- Federal Direct Loans (DL)
- Federal Perkins Loans
  - Not offered since 2017-18

# CAN I EVER “RECONSOLIDATE”?

- Generally, no
- You may only reconsolidate if you consolidate an existing Consolidation loan with another loan outside the Consolidation loan

# LOAN CONSOLIDATION CALCULATOR

<https://studentaid.gov/app/launchConsolidation.action>

- Put in loan amounts and current interest rates
- Provides consolidation loan interest rate and expected monthly payment
- You can choose from six servicers:
  - Aidvantage, Great Lakes Educational Loan Services, HESC/EdFinancial, MOHELA, Nelnet or OSLA Servicing
- You can select a repayment plan online, including “income-driven” plans

# REPAYMENT PERIODS

## Maximum repayment periods for Consolidation loans

Sum of Consolidation loan balance plus balances of other education loans	Maximum repayment period
Less than \$7,500	10 years
\$7,500 or more, but less than \$10,000	12 years
\$10,000 or more, but less than \$20,000	15 years
\$20,000 or more, but less than \$40,000	20 years
\$40,000 or more, but less than \$60,000	25 years
\$60,000 or more	30 years

# HOW IS THE INTEREST RATE CALCULATED?

It is the weighted average of interest rates on loans being consolidated.

Legislation from fall 2013 removed the 8.25% cap on the consolidation loan interest rate.

# THE INTEREST RATE CYCLE

For loans disbursed on or after 7/1/06

- Loans have a fixed rate over the life of the loan
- These rates apply at any time: while in-school, in grace, and in periods of deferment

# GRACE PERIODS

- No payments required
- No interest accrues until after grace period ends:
  - Subsidized Loans
  - Perkins Loans
  - Primary Care Loans

# FACTORS TO CONSIDER

## May lose:

- Some or all of grace period
- Certain borrower benefits
  - Federal Perkins Loans
    - Deferment subsidy when consolidated
- Certain lender incentives





**PRES. BIDEN'S  
ONE-TIME DEBT  
FORGIVENESS**

# ONE-TIME DEBT RELIEF BASICS

**One-time** program to cancel federal student loans for **low-middle income families**

Up to **\$20,000** of relief, if you received a **Pell Grant** in college

Up to **\$10,000** of relief, if you did not receive a Pell Grant in college

Some states may tax debt relief -  
<https://www.nerdwallet.com/article/loans/student-loans/will-your-state-tax-your-canceled-student-debt>

# DEBT RELIEF ELIGIBILITY

## Eligible Loans

Direct

FFEL held by ED

Perkins held by ED

Disbursed  
on/before 6/30/22

## Eligible Income

\$125K  
Single

\$250K  
Married

2020 OR 2021  
Whichever is lower

Parent income if  
dependent 7/1/21-  
6/30/22

## Maximum Amount of Debt Relief

Up to \$20K  
If you ever received  
Pell Grant

Up to \$10K  
Other loan  
borrowers

# ONE-TIME DEBT RELIEF ACTIONS

Lawsuits blocking action (effective 11/14/22)

Subscribe to ED for updates - <https://www.ed.gov/subscriptions>,  
select Federal Student Loan Borrower Updates

If courts allow, apply at <https://studentaid.gov/debt-relief/application>

Financial Aid webinar at [https://youtu.be/k4\\_3oO3Oxuw.xml](https://youtu.be/k4_3oO3Oxuw.xml)

Can opt out of relief – if state taxes outweigh debt relief



**DEFERMENT,  
FORBEARANCE,  
DISCHARGE,  
FORGIVENESS &  
CANCELLATION  
OPTIONS**

# DEFERMENT

- A period of time during repayment in which the borrower, upon meeting certain conditions, is not required to make payments of loan principal
- Type of deferments available to borrowers:
  - In-school
  - Unemployment
  - Economic hardship
  - Military
- Contact your loan servicer

# FORBEARANCE

- A period of time during which the borrower is permitted to temporarily cease making payments or reduce the amount of the payments
- Borrower is liable for interest that accrues on the loan, even subsidized loans
- Up to 12 month increments

# DISCHARGE

- The release of a borrower or any cosigner from all or a portion of his or her loan obligation
- Types of FFEL and Direct loan discharges
  - Total and Permanent Disability
  - Death
  - Unpaid Refund
  - False certification by the school
  - False certification due to identity theft
  - Closed School
  - Parents and spouses of September 11, 2001 victims
  - Bankruptcy (rare)





# REPAYMENT STRATEGIES

# SIGN UP FOR AUTOMATIC PAYMENTS

- Interest rate discount – 0.25%
- Avoid late payments
  - No late fees
  - Increase your credit score\*

\* <https://www.experian.com/blogs/ask-experian/credit-education/improving-credit/improve-credit-score/>

# MAKE PAYMENTS IN GRACE PERIOD

- Simple interest while in-school and during grace period
  - Interest based on original balance
- Interest capitalizes at end of Grace Period
  - Interest upon interest
- Calculator at <http://www.youcandealwithit.com/borrowers/calculators-and-resources/calculators/grace-period-calculator.shtml>

# PAY MORE THAN THE MINIMUM

- Pay every paycheck (every two or four weeks)
  - Make one extra full payment per year (13 versus 12 monthly)
- Pay an extra amount monthly
  - Minimize interest and pay off the loan faster
  - Calculator at <http://www.youcandealwithit.com/borrowers/calculators-and-resources/calculators/debt-repayment-calculator.shtml>

# DEBT SNOWBALL

- Pay the minimum on all loans but one
- Target extra payments on that one loan
  - Select either:
    - Loan with highest interest rate, or
    - Loan with lowest balance owed
- After the one loan is paid off, roll extra payments to another loan until everything is paid off

<https://www.ramseysolutions.com/debt/how-the-debt-snowball-method-works>



DEFAULT

# DEFAULT

- Communication is key
  - Lenders are willing to work with you to prevent this from happening in the first place
- Ramifications
  - Huge red-flag on your credit report
  - Can't renew your state professional licensure
  - Government can garnish wages and tax refunds



# TO DO LIST AND HELPFUL RESOURCES



# TO DO LIST - NOW

- Access your loan history –
  - <https://studentaid.gov/loan-simulator/>
- Sign up for online account access with all loan servicers
- Decide if you want to consolidate
  - Compare repayment plans by using a calculator
- Finalize any last-minute loans
- Draft a personal budget

# TO DO LIST – AFTER GRADUATION

- Update everyone with your new contact info
  - Servicer
  - School
  
- Begin consolidation paperwork
  - Effective date of 6 months after graduation
  
- Ask for a deferment (for previously consolidated loans)

# HELPFUL RESOURCES

- Federal Student Loan Servicing
  - Links to loan history
    - <https://studentaid.gov/loan-simulator/>
  - Links to federal loan servicers
    - <https://studentaid.gov/manage-loans/repayment/servicers>
  - Questions about loan consolidation
    - <https://studentaid.gov/manage-loans/consolidation>
- Federal Student Aid Info Center - (800) 433-3243

# LOAN FORGIVENESS PROGRAMS

- MD
  - [https://systems.aamc.org/fed\\_loan\\_pub/index.cfm?fuseaction=public.welcome](https://systems.aamc.org/fed_loan_pub/index.cfm?fuseaction=public.welcome)
- Perkins Loan Cancellation
  - Nurses, OT, PT, Respiratory Therapist, Speech-Language Pathologists, Clinical Lab Tech/Med Lab Tech
    - [https://heartland.ecsi.net/docs/schoolforms/2p/2p\\_canc.pdf](https://heartland.ecsi.net/docs/schoolforms/2p/2p_canc.pdf)
- National Health Service Corps
  - Doctors & Nurse Practitioners
    - <https://nhsc.hrsa.gov/loan-repayment/nhsc-loan-repayment-program>

# SOLVING THE STUDENT LOAN PUZZLE...

What's your date?



## CONTACT

Student Financial Aid  
G035 Dykes Library  
[FinancialAid@kumc.edu](mailto:FinancialAid@kumc.edu)  
(913) 588-5170

Student Financial Accounting  
120-B Support Services Facility  
[StudentAccounting@kumc.edu](mailto:StudentAccounting@kumc.edu)  
(913) 588-2590