Loan Repayment Planning Worksheet

Date:

Think of your federal student loans as your "**EDUCATION MORTGAGE**."

- It is the financing you've borrowed to make this important investment in yourself.
- The good news is that this "**mortgage**" is flexible and should not prevent you from being able to obtain a conventional mortgage to buy a home if you are ***STRATEGIC*** about planning for repayment of this unique form of debt.

Federal Student Loans (Direct/FFEL) are a very flexible and safe form of credit.

- You should never have to miss a payment or default on FFEL/Direct Loan(s).
  - **Payment relief options** exist (including postponing repayment temporarily using a ***deferment*** or ***forbearance***, or reducing your monthly payment) that provide financial "**safety nets**" if you are experiencing financial hardship.
  - *Simply contact your loan servicer **BEFORE** you miss the scheduled payment and explain why you need help.*
- Payments can be less than **10%** of your household's monthly Adjusted Gross Income (AGI) if you choose the repayment plan that would give you the lowest possible monthly payment.
  - **Flexible** payment options are available for FFEL/Direct student loans including ***income-driven repayment plans***:
    - Pay As You Earn (PAYE)
    - Revised Pay As You Earn (REPAYE)
    - Income-Based Repayment (IBR) – *both the new 10% option and the original 15% option*
    - Income-Contingent Repayment (ICR)]
  - These income-driven plans base your monthly loan payment on a percentage of your household's adjusted gross income (AGI), NOT the amount of your student loan debt. No other form of credit offers this flexibility.
  - As such, these income-driven options can limit the possible monthly debt-to-income ratio impacts that could reduce your ability to borrow money for other purposes such as buying a home.
- Federal student loan debt could be gone within 25 years or less even if it is not fully repaid.
  - Portion of debt could be forgiven if not fully repaid if using an income-driven repayment plan.
  - Portion of qualifying debt could be forgiven in 10 years if working in a qualifying public service position.
- There are **NO penalties for prepayments** on federal student loans.
  - You have the right to make payments before they are required or to pay extra amounts without any penalty if your goal is to reduce the total interest paid and/or to get the debt paid off more quickly.

Remember, no other form of credit offers this much choice, flexibility or financial safety during repayment.

- **Consider how you can LEVERAGE the flexibility and financial "safety nets" built into your federal student loans in order to successfully repay your educational debt without sacrificing your career aspirations or postponing the achievement of your other financial goals.**
- Note that it may not be in your best interest financially to pay off your federal student loans as fast as possible if you have "better" alternative uses for your extra funds from an "**OPPORTUNITY COST**" perspective. Saving and/or investing those "extra funds" for the future could be a better use of that money due to the unique nature of federal student loans (FFEL/Direct).
- So be strategic! Think about your **FINANCIAL GOALS** and estimate your monthly **BUDGET** so that you can determine how much you can afford to pay on your loans each month. Then use the following four steps to help develop your loan repayment plan.
- **SAVE TIME AND MONEY** – Sign up for "**Auto-Pay**" – The U.S. Department of Education currently offers to reduce the interest rate by **0.25%** on Direct Loans and any other federal student loans it owns if you **sign up with your loan servicer** to have your monthly loan payments on these loans automatically deducted from a checking or savings account.

Note that all information provided here is advisory and subject to change in federal law/federal regulation.

STEP 1. Review your loan history

You should know the following information about each student loan you have borrowed:

- Type of student loan
- Interest rate
- Amount owed *(principal loan balance + accrued interest)*
  - *Note that interest is accruing as "**SIMPLE**" interest until loan enters/re-enters repayment--it is not compounding, i.e., interest is not accruing on the accrued interest, while in school. Accrued interest capitalizes (i.e., is added to principal loan balance) when loan enters/re-enters repayment.*
- Loan servicer and how to contact them
- Date loan will enter or re-enter repayment and current status of the loan
- Available repayment options (if any) and how much you would have to pay each month under each available plan

You can obtain this information about your **FEDERAL** student loans from the **National Student Loan Data System** at: ***NSLDS.ed.gov.***
Check your credit report at: ***Annual Credit Report.com*** for information about any **PRIVATE** student loans you may have borrowed.

STEP 2: Determine when repayment begins

*(More information is available at: **StudentAid.gov** and at **StudentLoans.gov**.)*

Expected graduation/separation date**:** ______________________________

LOAN TYPE	START OF REPAYMENT	COMMENTS
Direct Student/Stafford *(Subsidized and Unsubsidized)*		• **AUTOMATIC 6-MONTH GRACE PERIOD** before loan repayment begins.
Grad PLUS Loans *(1st disbursed on/after 7/1/2008)*		• **NO GRACE PERIOD.** ○ Loan enters repayment when it is fully disbursed. ○ It is in an ***automatic*** "**in-school defermen**t" while you are in school. ○ Loan becomes eligible for an ***automatic*** *"***6-month post-enrollment DEFERMENT"** once you are no longer enrolled at least half time to align repayment of the loan with that of the Direct/Stafford Loans you borrowed during the same period of enrollment. ○ Servicers currently are allowed to apply this post-enrollment deferment automatically (without a request from you). ○ You may want to contact your loan servicer just prior to graduation to verify that you will receive this deferment automatically. ○ Interest continues to accrue on your Grad PLUS Loans as "simple" interest until the end of this deferment and then is capitalized (added to the principal loan balance).
Perkins		• **AUTOMATIC 9-MONTH GRACE PERIOD** before loan repayment begins. ○ Also has 6-month post-deferment grace period (contact servicer for details).
HPSL/LDS/NSL/PCL		• **AUTOMATIC GRACE PERIOD OF** ____________ months.
Consolidation		• **NO GRACE PERIOD.** ○ Loan enters repayment as soon as it is fully disbursed. It is in an automatic in-school deferment while you are in school. Repayment resumes on the loan when you graduate and in-school deferment ends. ***See below for payment relief options.***
Other federal		
Institutional		
Private		

What if you cannot afford to make your minimum monthly loan payment?

- You should not have to miss a monthly payment on your federal student loans. Payment relief options likely are available if you cannot afford to pay what is due.
- **You must TAKE ACTION immediately—**contact your loan servicer before you miss the payment and explain why you cannot afford to make that payment. This will allow them to evaluate what option will best provide the needed payment relief.
- If you follow all required steps in obtaining payment relief it should not negatively impact your credit history nor should it prevent you from getting payment relief at some future point in time, if needed.
- Contact your loan servicer(s) for more information.

PAYMENT RELIEF OPTIONS	
Allows you to:	**Temporarily postpone repayment or reduce the amount you are required to pay each month once your loan is in repayment, if eligible.** • **DEFERMENT** temporarily postpones monthly payments, if eligible. Six deferment options currently are available to borrowers as of 7/1/2003. Subsidized loans typically are subsidized during periods of deferment. • **FORBEARANCE** is an option when experiencing *financial hardship* if you don't qualify for a deferment. Payments are postponed or reduced. No interest subsidy. • **Choose or switch to a different repayment plan—**For example PAY AS YOU EARN (PAYE) or REVISED PAY AS YOU EARN (REPAYE) may provide the payment relief you need without using deferment or forbearance if your household adjusted gross income (AGI) is low. You may receive some interest subsidy on subsidized Stafford Loans if the amount of your required monthly IBR, PAYE or REPAYE payment does not cover all the interest accruing on your subsidized Stafford Loans during the first 3 consecutive years you are in repayment.
To apply:	**Contact the loan servicer BEFORE you miss a payment and explain WHY you need payment relief to determine what option best meets your needs.** • Complete required application materials. • Continue making required monthly loan payments until notified otherwise by loan servicer.
When to apply:	**As soon as you realize you need payment relief (and before you miss a scheduled payment).**

ACTION PLAN:

STEP 3: Estimate monthly payments and select your repayment plan

*(More information is available at: **StudentLoans.gov**.)*

Estimate your monthly payments on your federal student loans using the "**Repayment Estimator**" at: ***StudentLoans.gov***.

- Loan servicer(s) should contact you at least 30-45 days before your loan(s) are scheduled to enter/re-enter repayment with information about the repayment plans. You then must advise them what the plan you want to use. If you do not do so, loans will be on the "**Standard" 10-year (fixed) Repayment Plan**.
- You have the right to change from one plan to another at least every 12 months, if needed, by contacting your loan servicer(s).
- You have the right to make prepayments without penalty. Contact your loan servicer(s) for more information.

Following charts describe the current repayment plans available for repaying **Subsidized (Stafford), Unsubsidized (Stafford), Grad Plus, and Consolidation Loans**. Monthly payments on **Perkins, HPSL, LDS** and **NSL** loans are fixed and are equal to the greater of: (1) amortizing the total loan amount owed over 120 months, or (2) minimum monthly payment requirement for that program. Contact the servicer of your loans(s) for more details about repayment plans/options.

ORIGINAL Payment Plans Payments based on **DEBT**	**Payment Structure**	**Maximum Term**	**Plan Description**
Standard	Fixed	120 months (10 years)	• Default plan – *plan that will be used until you opt into a different plan.* • Fixed payments based on debt amortized over 120 months. • Negative amortization not permitted. • Payments qualify as eligible payments for Public Service Loan Forgiveness (PSLF).
Graduated	Graduated	120 months (10 years)	• Payments are adjusted incrementally based on debt amortized over 120 months. • Negative amortization not permitted. • Payments start out low, but ultimately are higher than under the Standard Plan.
Extended – *Fixed*	Fixed	300 months (25 years)	• Fixed payments based on debt amortized over 300 months. • Negative amortization not permitted. • Payments tend to be about 30-35% less than Standard 10-year repayment plan.
Extended – *Graduated*	Graduated	300 months (25 years)	• Payments are adjusted incrementally based on debt amortized over 300 months. • Negative amortization not permitted. • **Interest only payments initially,** but become higher than Extended Fixed Plan.

INCOME-DRIVEN Payment Plans Payments based on **INCOME**	**Eligible Loans**	**% of Disc. Income**	**New Borrower Requirement**	**PFH Requirement**	**Forgiveness**	**Subsidy**
REPAYE *(Revised Pay As You Earn)*	DIRECT only	10%	NO	NO	20/25 years *(UG only/UG&Grad)*	All loans *(No time limit)*
PAYE *(Pay As You Earn)*	DIRECT only	10%	YES *(as of 10/1/2007)*	YES *(payments capped)*	20 years	Subsidized only *(up to 3 yrs)*
IBR *for New Borrowers*	DIRECT and FFEL	10%	YES *(as of 7/1/2014)*	YES *(payments capped)*	20 years	Subsidized only *(up to 3 yrs)*
IBR *(Income-Based Repayment)*	DIRECT and FFEL	15%	NO	YES *(payments capped)*	25 years	Subsidized only *(up to 3 yrs)*
ICR *(Income Contingent Repayment)*	DIRECT only	20%*	NO	NO	25 years	NONE

- Payments will be adjusted up or down every 12 months based on how income/family size changes -- To apply for these plans you must complete the "**Income-Driven Repayment Plan Request**" at ***StudentLoans.gov*** approximately **30-45 days prior** to when the loan(s) enter or re-enter repayment. You must reapply for the income-driven plan you are using every 12 months *(servicer will request you do so 60-90 days before end of current repayment cycle)*.
- Payments made using any of the Income-Driven Repayment (IDR) plans qualify as eligible payments for "Public Service Loan Forgiveness" (PSLF).
- Monthly payments can be less than accrued interest each month *("negative amortization" permitted).*
- Non-DIRECT federal loans (i.e., FFEL, Perkins, HPSL, LDS, NSL) can be consolidated (refinanced) into a Federal Direct Consolidation Loan to make those loans eligible for possible repayment using the DIRECT-only payment plans (*i.e., REPAYE, PAYE, ICR).*
- Definitions:
  - **IDR** = Income-Driven Repayment *(payments are based on percentage of household's annual discretionary income rather than amount of debt owed)*
  - **Disc. Income** = "Discretionary Income" -- that portion of household's **Adjusted Gross Income** (AGI) that exceeds **150% of the federal poverty guideline** for your **family size** and **state of residence** – *household AGI includes spouse's income if married and file joint tax return in all plans (excludes spouse's income from household AGI in PAYE and IBR plans if married, but file taxes separately) (* Payment calculation slightly different for ICR)*
  - **New Borrower** = cannot have an outstanding balance on a DIRECT or FFEL loan when first new DIRECT/FFEL loan is borrowed on/after designated date
  - **PFH** = "Partial Financial Hardship" – you must be experiencing a Partial Financial Hardship to enter this plan (PFH exists when payment based on income is less than the Standard 10-year fixed payment amount)--*payments are capped at Standard 10-year payment amount when PFH no longer exists)*
  - **Forgiveness** = Remaining balance *(principal and accrued interest)* is forgiven/cancelled automatically after specified number of years in an income-driven repayment plan – amount forgiven/cancelled is taxable under current IRS code
  - **Subsidy** = Portion of negative amortization amount is subsidized (*negative amortization occurs whenever the scheduled monthly loan payment is less than the amount of interest that accrued that month on that loan*)

ACTION PLAN:

STEP 4: Evaluate if you need to consolidate any of your federal loans

*(More information is available at: **StudentLoans.gov**.)*

- Consolidation is the **REFINANCING** of one or more existing federal student loans (not the "COMBINING" of loans).
- You are borrowing a new education loan**—a Federal Direct Consolidation Loan—**to pay off one or more of your existing federal student loans when you consolidate federal loans.
- All federal student loans except the Primary Care Loan (PCL) are eligible to be refinanced through the Federal Direct Consolidation Program. *Private loans currently cannot be consolidated in this program.*
- ***Consolidation, however, does not get you a better interest rate or lower the cost of the debt.***
  - Interest rate is fixed
    - Equals weighted average of interest rates of loans being consolidated ***then rounded up to nearest 1/8th percent***.
    - The rounding up of the weighted average calculation will increase the interest expense on the debt by a small amount; you also may end up paying more total interest over the life of repayment if you take longer to repay the loans you consolidate.
  - Apply for a Federal Direct Consolidation Loan online at: ***StudentLoans.gov***
    - Loans being consolidated must be in grace, repayment, deferment or forbearance.
    - You must include at least one Federal Family Education Loan (FFEL) or Federal Direct Loan in the consolidation. As such, if you are consolidating Perkins/HPLS/LDS/NSL loan(s) you must include at least one FFEL or Direct loan in the consolidation.
    - You will be asked to select the company you want to use to service your new Federal Direct Consolidation Loan (options are FedLoan Servicing, Great Lakes, Navient or Nelnet) when completing the application—*suggest you use the same servicer that is currently servicing your existing Federal Direct Loans.*
    - The loan servicer you choose will process your consolidation application.
    - Processing of your application could take up to 60 days.
    - You can opt to delay funding of your new consolidation loan until near the end of any remaining grace period.
    - You can borrow multiple consolidation loans, but must apply for them one at a time and can only have one application in process at a time.
    - You can add eligible federal loans to an existing Federal Direct Consolidation Loan during the first 180 days after you submit your consolidation loan application; *contact servicer of your Consolidation Loan for more information*.
  - Consolidation loans enter repayment as soon as they are funded; they do NOT have a grace period.
  - Repayment plans are the same as for Direct Student (Stafford) and Grad PLUS Loans.

CONSOLIDATION – Refinancing option for eligible federal student loans	
Allows you to:	A. Refinance non-Direct [e.g., FFEL/Perkins/HPSL/LDS/NSL loan(s)] federal student loans held by lender(s) other than U.S. Department of Education (ED) into a new Federal Direct Consolidation Loan held by ED and serviced by a single servicer to increase convenience during repayment. B. Refinance non-Direct [e.g., FFEL/Perkins/HPSL/LDS/NSL loan(s)] in the Federal Direct Loan Program so that the debt can qualify potentially for PAYE/REPAYE repayment plans as well as the "Public Service Loan Forgiveness" (PSLF) program. C. Refinance Stafford loan(s) borrowed prior to July 1, 2006 that have a VARIABLE interest rate into a FIXED-rate Federal Direct Consolidation Loan. D. Obtain a longer repayment term (up to maximum of 30 years) than would otherwise exist based on total student loan debt if you need to reduce the monthly payment and the Income-Driven Repayment (IDR) plans do not provide the flexibility you need. E. Refinance FFEL/Perkins/HPSL/LDS/NSL loan(s) in the Federal Direct Consolidation Loan Program so that the debt can qualify for the Extended Repayment Plans *(25-year amortization).* F. Release an endorser from an existing Grad PLUS Loan by refinancing that loan with a Federal Direct Consolidation Loan *(approval of a Direct Consolidation Loan is not subject to the adverse credit criteria of the Grad PLUS Loan)*. G. Refinance Perkins/HPSL/LDS/NSL Loans to take advantage of the 0.25% interest rate reduction that currently is offered to borrowers who repay their Direct Loans using the AUTO-PAY feature.
To apply:	• **Go to: *StudentLoans.gov***
When to consolidate:	• **When loan(s) are in grace, repayment, deferment or forbearance.**
ACTION PLAN:	

Interest Rate Chart—Federal Student Loans

*(More information is available at: **StudentAid.gov** and at **StudentLoans.gov**.)*

LOAN TYPE	UNDERGRAD/GRAD-PROF	DATE OF 1st DISBURSEMENT	INTEREST RATE
Subsidized/Unsubsidized Direct/FFEL (Stafford) Loans	Undergrad/Grad-Prof	July 1, 1998-June 30, 2006	VARIABLE RATE *(Effective 7/1/2016 thru 6/30/2017)* 2.05% *(in-school, grace, deferment)* 2.65% *(in repayment, forbearance)*
Subsidized Direct/FFEL (Stafford) Loans	Undergrad	July 1, 2006 – June 30, 2008	6.8% (fixed)
		July 1, 2008 – June 30, 2009	6.0% (fixed)
		July 1, 2009 – June 30, 2010	5.6% (fixed)
		July 1, 2010 – June 30, 2011	4.5% (fixed)
		July 1, 2011 – June 30, 2013	3.4% (fixed)
Unsubsidized Direct/FFEL (Stafford) Loans	Undergrad	July 1, 2006 – June 30, 2013	6.8% (fixed)
Subsidized and Unsubsidized Direct (Stafford) Loans	**Undergrad**	July 1, 2013 – June 30, 2014	3.86% (fixed)
		July 1, 2014 – June 30, 2015	4.66% (fixed)
		July 1, 2015 – June 30, 2016	4.29% (fixed)
		July 1, 2016 – June 30, 2017	**3.76% (fixed)**
Subsidized Direct/FFEL (Stafford) Loans	Grad-Prof	July 1, 2006 – June 30, 2012	6.8% (fixed)
Unsubsidized Direct/FFEL (Stafford) Loans	**Grad-Prof**	July 1, 2006 – June 30, 2013	6.8% (fixed)
		July 1, 2013 – June 30, 2014	5.41% (fixed)
		July 1, 2014 – June 30, 2015	6.21% (fixed)
		July 1, 2015 – June 30, 2016	5.84% (fixed)
		July 1, 2016 – June 30, 2017	**5.31% (fixed)**
FFEL Grad PLUS Loans	Grad-Prof	July 1, 2006 – June 30, 2010	8.5% (fixed)
Direct Grad PLUS Loans	**Grad-Prof**	July 1, 2006 – June 30, 2013	7.9% (fixed)
		July 1, 2013 – June 30, 2014	6.41% (fixed)
		July 1, 2014 – June 30, 2015	7.21% (fixed)
		July 1, 2015 – June 30, 2016	6.84% (fixed)
		July 1, 2016 – June 30, 2017	**6.31% (fixed)**
Direct/FFEL Consolidation Loans	ALL	ALL	FIXED RATE *Weighted average of interest rates of loans being consolidated rounded up to nearest 1/8th percent.*
Perkins Loans *(subsidized)*	ALL	ALL	5.0% (fixed)
HPSL, LDS, NSL, PCL *(subsidized)*	ALL	ALL	5.0% (fixed)
Other			

Useful online resources provided by the U.S. Department of Education:

StudentAid.gov	• Information about federal student aid programs offered by U.S. Department of Education
StudentLoans.gov	• Repayment Estimator • "Federal Direct Consolidation Loan" application • "Income-Driven Repayment (IDR) Plan Request" form
NSLDS.ed.gov	• Listing of all U.S. Department of Education federal student loans borrowed to date • Information about current loans including: ○ Amount owed (principal + accrued interest) ○ Interest rate ○ Date loan enters or entered repayment, and current loan status ○ Loan servicer (including website address and toll-free phone number)
StudentAid.ed.gov/publicservice	• Information about "Public Service Loan Forgiveness" (PSLF) program • "Employment Certification for Public Service Loan Forgiveness" form • Frequently Asked Questions (FAQs) about PSLF

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Interest Subsidy in IDR Plans

Subsidy of interest during "negative amortization"

("NEGATIVE AMORTIZATION" occurs whenever the amount of your scheduled monthly loan payment is less than the amount of interest that accrued that month on that loan.)

Plans	Subsidized Loans	Unsubsidized Loans
Income Based Repayment (IBR) for New Borrowers	100% of negative amortization during first 3 years in plan; none thereafter	NONE
Pay As You Earn (PAYE)	100% of negative amortization during first 3 years in plan; none thereafter	NONE
Revised Pay As You Earn (REPAYE)	100% of negative amortization during first 3 years in plan; **50% thereafter**	**50% of negative amortization during all years in plan**
Income Based Repayment (IBR)	100% of negative amortization during first 3 years in plan; none thereafter	NONE
Income Contingent Repayment (ICR)	NONE	NONE

REPAYE vs. PAYE

What plan should you consider choosing?

REPAYE

- Negative amortization exists *(payment < accrued interest)*
  - *Will receive more interest subsidy*

PAYE

- Negative amortization does **NOT** exist *(payment ≥ accrued interest)*

*Consider changing from **REPAYE** to **PAYE** once:*

- Negative amortization no longer exists *(payment ≥ accrued interest)*
- You get married AND you file separate federal tax returns
  PAYE payments would be based solely on your AGI—both incomes would be used in REPAYE
- You have earned at least 19 years of payments that would qualify for forgiveness of the debt
  Forgiveness could occur after 20 years of income-driven payments rather than 25 years
- "**Partial Financial Hardship**" no longer exists *(payment based on 10% of AGI now equals or exceeds 10-year "Standard" amount)*
  PAYE payments max out at 10-year amount—REPAYE payments would keep increasing as income increases (no payment cap in REPAYE)

Changing plans causes outstanding accrued interest to be capitalized *(added to principal balance)*.

REPAYE vs. IBR (15%)

What plan should you consider choosing?

REPAYE

- Single *(or married filing jointly)* and **negative amortization** exists *(payment < accrued interest)*
  - *Payments will be based on 10% of household's AGI rather than 15%*
  - *Will receive more interest subsidy*

IBR

- You're married and file federal tax returns separately and **negative amortization** does not exist *(payment ≥ accrued interest)*
  - *15% of your AGI alone (used in IBR) may equal less than 10% of your combined AGI (used in REPAYE)*

*Consider changing from **REPAYE** to **IBR** once:*

- You get married AND you file separate federal tax returns
  15% of your AGI alone (used in IBR) may equal less than 10% of your combined AGI (used in REPAYE)
- "**Partial Financial Hardship**" no longer exists *(payment based on 15% of AGI now equals or exceeds 10-year "Standard" amount)*
  IBR payments max out at 10-year amount—REPAYE payments would keep increasing as income increases (no payment cap in REPAYE)

Changing plans causes outstanding accrued interest to be capitalized *(added to principal balance)*.

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