Navigating Your Student Loan Repayment
EMBA
Overview

• Determining Your Loan Portfolio
  • Understanding Loan Types
• Debt Management Considerations
  • Repayment Plans
  • Strategies for Repayment
  • Other Resources – Loan Assistance/Forgiveness
• Next Steps
  • Deferment vs. Forbearance
  • Delinquency and Default
• Q&A
The 2015 Graduate has a loan portfolio that may contain any or all of the following loan types:

- Direct Loans with a fixed rate
- Graduate PLUS Loans with a fixed rate
- Private Loans with variable or fixed rate
- Perkins Loans with a fixed rate from prior degrees
- Consolidation Loans with a fixed rate from prior degrees
- Stafford Loans with variable rate from prior degrees
Determining Your Loan Portfolio

• **What types of education loans do you have? How many loans do you have?**
  - Federal Stafford/Direct Loans, Consolidation Loans, Graduate PLUS loans, private loans, prior loans from other degrees, etc.

• **Who is the lender or servicer for each of your student loans?**
  - Sometimes the lender is one entity but the servicer is completely different

• **How much and when did you borrow each loan?**
  - This will help you determine the best repayment option and calculate any accrued interest
Determining Your Loan Portfolio

Tools to assist you in identifying all of your loans:

• **Open Your Mail, Open Your Mail, Open Your Mail**

• **SSOL**: [ssol.columbia.edu](http://ssol.columbia.edu) – Go to Financial Aid => Student Loan History

• **National Student Loan Data System (NSLDS)**: [nslds.ed.gov](http://nslds.ed.gov) – central database for federal student aid but not a binding document. Only federal loans are listed here with their lender, servicer and contact information. (Log in using SSN, DOB, and Federal PIN)

• **Lender-Specific Websites** (Log in using borrower specified username and password)
  
  • Chase – [CSLservicing.com](http://CSLservicing.com)
  • Citibank – [studentloan.com](http://studentloan.com)
  • Citizens -- [citizensbank.com/student-services](http://citizensbank.com/student-services)
  • Common Bond -- [commonbond.co](http://commonbond.co)
  • Discover – [discover.com/student-loans](http://discover.com/student-loans)
  • PNC -- [pnconcampus.com](http://pnconcampus.com)
  • Sallie Mae – [salliemae.com](http://salliemae.com)
  • SoFi -- [sofi.com](http://sofi.com)
  • Wells Fargo – [wellsfargo.com](http://wellsfargo.com)
Understanding Loan Types

Federal Direct Loan:

- Student loans that are regulated by the federal government. Capped at $20,500 per academic year for graduate and professional students.
  - **Subsidized** – Need-based with accruing interest paid by the government while the borrower is in school, during a grace period and during eligible deferment periods
    - Offered to eligible graduate students prior to 7/1/2012
  - **Unsubsidized** – Not need-based with accruing interest paid by borrower or capitalized at repayment

- Repayment begins six months after you leave school or drop to less than half time status (6 credits), whichever happens first.

- Interest Rates:
  - Loans first disbursed prior to 7/1/2006: variable interest rate that is adjusted annually each July 1 and is capped at 8.25%.
  - Loans first disbursed on or after 7/1/06 and prior to 7/1/13: fixed rate of 6.8%
  - Loans first disbursed on or after 7/1/13: fixed rate of 5.41%
  - Loans first disbursed on or after 7/1/14: fixed rate of 6.21%

- Standard 10-year repayment period (or, if selected, up to 25 years extended for debts over $30,000)
Federal Graduate PLUS Loan:

• No annual or aggregate cap – eligible to borrow up to the COA less other aid
• Not need-based with accruing interest paid by borrower or capitalized at repayment
• Repayment begins six months after you leave school or drop to less than half time status (6 credits), whichever happens first.
• Interest Rates:
  • Loans first disbursed on or after 7/1/06 and prior to 7/1/11: fixed rate of either 7.9% (Direct) or 8.5% (FFELP)
  • Loans first disbursed on or after 7/1/11 and prior to 7/1/13: fixed rate of 7.9%
  • Loans first disbursed on or after 7/1/13: fixed rate of 6.41%
  • Loans first disbursed on or after 7/1/14: fixed rate of 7.21%
• Standard 10-year repayment period (or, if selected, up to 25 years extended for debts over $30,000)
Understanding Loan Types

**Private Loans**

- Terms differ depending on lender
  - Check loan promissory note for specific terms
- Accrued interest paid by borrower or capitalized at repayment
- Generally, repayment period is 5 - 20 years depending on loan balance and lender
- Generally 6-month grace period depending on lender
- Interest rate is variable or fixed for the life of the loan depending on lender
  - *Cannot* be consolidated under the Federal Direct Consolidation Loan Program
Understanding Loan Types

**Federal Consolidation Loan:**
- Fixed interest rate
  - Weighted average of underlying loans rounded up to nearest 1/8%
- No grace period
  - Repayment begins **immediately** (30-45 days from consolidation)
- Repayment terms up to 30 years depending on debt levels

Not a refinance tool, just debt management
- Reasons to consider consolidation:
  - Single statement billing
  - Qualify for longer repayment term than the Standard Level 10 years
  - Students must consolidate any federal loans borrowed under the FFELP into the Federal Direct Loan program if they want to take advantage of Public Service Loan Forgiveness (PSLF).
- Reasons to forego consolidation:
  - Federal loans first disbursed on or after 7/1/06 already have a fixed rate and do not necessarily need to be consolidated
  - You will lose the ability to target prepayment of higher interest rate federal loans
  - If you extend repayment to 30 years, it will cost more in interest
Understanding Loan Types

Private Loan Refinancing (Consolidation):

• Several new lenders have come to market with a refinance loan. This loan is a private loan and unrelated to the federal loan consolidation product.

• Borrowers who need flexible repayment options, are considering careers in public service or non-profit, or who are not comfortable with the uncertainty of borrowing through a start-up should not consider this loan product.

• This loan product is likely only beneficial to those who plan to repay their loans quickly, have no worries related to unemployment or economic hardship, or who will never need a repayment plan to coincide with their income levels.

• Please contact our office if you require additional information about such a loan.
**2015 Graduation Matrix**

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Borrowing Year</th>
<th>Loans prior to 2012-2013</th>
<th>2012-2013</th>
<th>2013-2014</th>
<th>2014-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal Direct ($20,500 Subsidized/Unsubsidized loans)</strong></td>
<td></td>
<td>*Prior to 7/1/06 variable rate, *2006-2012 fixed rate 6.8% *You may have already consolidated this debt *Loans will enter repayment immediately following graduation *Check with lender</td>
<td>*Fixed rate of 6.8% *6-month grace period before repayment begins</td>
<td>*Fixed rate of 5.41% *6-month grace period before repayment begins</td>
<td>*Fixed rate of 6.21% *6-month grace period before repayment begins</td>
</tr>
<tr>
<td><strong>Federal Graduate PLUS</strong></td>
<td></td>
<td>*Fixed rate of 7.9% or 8.5% *Loans will enter repayment immediately following graduation *Check with lender</td>
<td>*Fixed rate of 7.9% *Repayment aligned with Direct loan; 6-month post-enrollment deferment</td>
<td>*Fixed rate of 6.41% *Repayment aligned with Direct loan; 6-month post-enrollment deferment</td>
<td>*Fixed rate of 7.21% *Repayment aligned with Direct loan; 6-month post-enrollment deferment</td>
</tr>
<tr>
<td><strong>Private Loans</strong></td>
<td></td>
<td>*Check with lender</td>
<td>*Variable/fixed rate *Repayment typically begins 6-months after full-time enrollment *Check with lender for details</td>
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<tr>
<td><strong>Federal Perkins</strong></td>
<td></td>
<td>Check with prior institution</td>
<td>Check with prior institution</td>
<td>Check with prior institution</td>
<td>Check with prior institution</td>
</tr>
</tbody>
</table>
Debt Management

Before you choose your Loan Repayment Terms, you need a plan.

• Choose a repayment timeline to meet financial goals.
• When it comes to determining a repayment strategy to fit your needs, remember that a “one size fits all” approach does not work.
• Be sure to consult with your loan servicer and use the tools at your disposal.
• Repayment strategies are borrower-specific and tailored to meet the borrower’s financial goals, for example:
  • Pay student loan debt quickly
  • Pay higher rate debt first
  • Save to buy a house, start a family
  • Relocate, go into business, etc.
  • Working in public sector
• There are no prepayment penalties on student loans so please keep this in mind as your salary increases and as you consider your bonuses.
Repayment Plans

5 Repayment Plans (All Federal Loans)

1) Level (10 years*)
   • Level 10-Year Plan (Standard Repayment) is the default plan for Direct Subsidized/Unsubsidized and Graduate PLUS loans
   • Monthly payment of principal and interest that remains the same throughout the repayment term
     • Positive: Lowest cost – you will pay the least amount of interest if you enroll in the Standard Repayment plan
     • Drawback: Payments may be higher than some borrowers can afford

2) Graduated (10 years*)
   • Lower initial payments which increase every few years
     • Positive: Lower initial payments with predictable increases
     • Drawback: Total interest paid is higher than level plan

*Federal consolidation loans may qualify for up to 30 years in repayment based on the amount of the consolidation loan and the total federal indebtedness of the borrower
3) Extended (up to 25 years Level or Graduated)

- This plan extends the repayment term for up to 25 years if your federal loans total more than $30,000
- All your loans must have been disbursed after October 7, 1998
- Must opt in
- No consolidation required
  - Positive: Usually offers the lowest monthly payment option without consideration of income
  - Drawback: Total interest paid will be higher than shorter repayment terms
Repayment Plans

4) Income-Based Repayment (IBR)

• Available effective July 1, 2009
• Must demonstrate “partial financial hardship”
• Caps monthly payments at 15% of your monthly discretionary income, where discretionary income is the difference between adjusted gross income (AGI) and 150% of the federal poverty line that corresponds to your family size and the state in which you reside
• Any outstanding eligible loan balance is cancelled after 25 year
  • May be a taxable event
• Payment may be lower than the interest accrued monthly (negative amortization – loans get bigger)
  • Gov’t waives/pays neg. amortization on Subsidized loans for up to 3 years under this repayment plan
5) Pay As You Earn (PAYE)

- Available effective December 21, 2012
- You must be a new borrower as of October 1, 2007
- Must demonstrate “partial financial hardship”
- Caps monthly payments at 10% of your monthly discretionary income
- 20-year forgiveness
  - May be taxable
- Payment may be lower than the interest accrued monthly (negative amortization – loans get bigger)
  - Gov’t waives/pays neg. amortization on Subsidized loans for up to 3 years under this repayment plan
# Repayment Plan Summary Chart

<table>
<thead>
<tr>
<th>Plan</th>
<th>Payment Structure</th>
<th>Maximum Payment Period</th>
<th>Considerations</th>
</tr>
</thead>
</table>
| Level            | Fixed             | 10 years               | - Highest initial payment  
- Lowest total interest  
- No negative amortization                                                                                                                          |
| Graduated        | Tiered            | 10 years               | - Interest only payments initially  
- Payments increase incrementally  
- No negative amortization  
- Monthly payments can’t be more than three times greater than any other payment (“3 times rule”)                                              |
| Extended         | Fixed or tiered   | 25 years               | - Lowest initial payment without considering income  
- No negative amortization  
- To qualify in FFELP:  
  - Federal debt must be > $30,000  
  - New federal borrower ≥ 10/7/98 |
| Income Based (IBR) | Adjusted annually based on:  
- Household AGI  
- Household size  
- Poverty guideline  
- State residence | 25 years               | - Payment is 15% of “disposable” income if experiencing “partial financial hardship”  
- Eligibility/payment amount re-evaluated annually  
- Negative amortization allowed                                                                                                                    |
| Pay As You Earn (PAYE) | Adjusted annually based on:  
- Household AGI  
- Household size  
- Poverty guideline  
- State residence | 20 years               | - Payment is 10% of “disposable” income if experiencing “partial financial hardship”  
- Eligibility/payment amount re-evaluated annually  
- Negative amortization allowed                                                                                                                    |
Comparison of Repayment Plans

(Using $100K in Debt)

Example 1: Monthly payments and total payments - LEVEL Repayment
$41,000 Federal Unsubsidized, *average* interest rate of 5.81% (does not include interest accrual)
$59,000 Graduate PLUS loans, *average* interest rate 6.81% (does not include interest accrual)

<table>
<thead>
<tr>
<th>Length of Repayment</th>
<th>Monthly Payment</th>
<th>Total Paid</th>
<th>Interest Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 years</td>
<td>$1,130</td>
<td>$135,667</td>
<td>$35,667</td>
</tr>
<tr>
<td>25 years</td>
<td>$669</td>
<td>$200,789</td>
<td>$100,789</td>
</tr>
</tbody>
</table>
Comparison of Repayment Plans

(Using $100K in Debt)

Example 2: Monthly payments and total payments - Graduated Repayment

$41,000 Federal Unsubsidized, average interest rate of 5.81% (does not include interest accrual)
$59,000 Graduate PLUS loans, average interest rate 6.81%, (does not include interest accrual)

<table>
<thead>
<tr>
<th>Length of Repayment</th>
<th>Initial Monthly Payment</th>
<th>Final Monthly Payment</th>
<th>Total Paid</th>
<th>Interest Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 years</td>
<td>$566</td>
<td>$900</td>
<td>$213,936</td>
<td>$113,936</td>
</tr>
</tbody>
</table>

Is an initial savings of $103 per month for the first two years worth an additional $13,147 in interest?

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</tbody>
</table>
Comparison of Repayment Plans

Example 3: Monthly payments and total payments – Income-Based Repayment (IBR)/Pay As You Earn (PAYE)
Single taxpayer in NY starting AGI $60,000 with expected increase in income of 3% each year
$41,000 Federal Unsubsidized, average interest rate of 5.81% (does not include interest accrual)
$59,000 Graduate PLUS loans, average interest rate 6.81% (does not include interest accrual)

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Length of Repayment</th>
<th>Initial Monthly Payment</th>
<th>Final Monthly Payment</th>
<th>Total Paid</th>
<th>Interest Paid</th>
<th>Balance Forgiven*</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBR</td>
<td>25 years</td>
<td>$541</td>
<td>$1,036</td>
<td>$204,299</td>
<td>$104,299</td>
<td>$0</td>
</tr>
<tr>
<td>PAYE</td>
<td>20 years</td>
<td>$360</td>
<td>$632</td>
<td>$116,201</td>
<td>$111,730</td>
<td>$111,239</td>
</tr>
</tbody>
</table>

The same amount on a level 10 year or level extended 25 year plan...

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<td>$200,789</td>
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</tbody>
</table>

*This forgiveness may be a taxable event
Private Loan Repayment Considerations

• Managing variable rate private loans
  • Payment amounts can change monthly, quarterly, or annually, depending on the loan terms (Sallie Mae – monthly, Chase/Citibank – quarterly)
    • Harder to forecast
    • Requires careful budgeting
    • Example below assumes a $59,000 original principal and 20-year repayment

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Monthly Payment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.25%</td>
<td>$335</td>
</tr>
<tr>
<td>5.25%</td>
<td>$398</td>
</tr>
<tr>
<td>7.25%</td>
<td>$466</td>
</tr>
<tr>
<td>9.25%</td>
<td>$540</td>
</tr>
</tbody>
</table>

• Extending your Federal loan repayment out to 25 years can help with lowering monthly payments which can offer more funds to focus on repaying higher, variable rate private loans
• Should I consider private loan consolidation to get a fixed interest rate?
Loan Assistance and Loan Forgiveness Programs

• Loan Assistance Programs (LAP) and loan forgiveness may be available if borrowers qualify and funding is available.

• Programs typically are sponsored/funded by:
  • School of attendance
    • October 15 deadline
  • Employer
  • Federal, state or local government/jurisdiction
    • Public Service Loan Forgiveness Program (Federal PSLFP)
      • Will discharge the remaining debt after 10 years of full-time employment in public service
      • Borrower must have made 120 qualified payments under IBR as part of the [Direct Loan program](http://www8.gsb.columbia.edu/socialenterprise/careers/loanassistance) in order to obtain this benefit. Only payments made on or after October 1, 2007 count toward the required 120 monthly payments
      • There are many restrictions to this type of loan forgiveness. Please research this thoroughly before committing to it.
Strategies for Repayment

• Debt Stacking – Pay down your highest interest/riskiest debt first
  • Credit card debt
  • May want to consider paying down private loans before federal even if the interest rate is currently lower

• Overpayments toward the principal (PREPAYMENT)
  • Request the lowest minimum required payment possible to put more money in your pocket...THEN =>
  • Make the minimum payments AND an additional overpayment and request that overpayments be applied directly to the principal of your most expensive loans

• Know yourself
Power of Prepayment!

By prepaying $500 per month on a GradPLUS loan fixed at 7.21% and an original principal of $59,000 you would save...

<table>
<thead>
<tr>
<th>Length of Repayment</th>
<th>Number of Monthly Payments</th>
<th>Total Paid</th>
<th>Interest Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 years</td>
<td>300</td>
<td>$127,904</td>
<td>$68,904</td>
</tr>
<tr>
<td>25 years With prepay</td>
<td>81</td>
<td>$74,625</td>
<td>$15,625</td>
</tr>
<tr>
<td>Savings!</td>
<td>219</td>
<td>$53,279</td>
<td>$53,279</td>
</tr>
</tbody>
</table>
Repayment Calculators

- **Standard and Extended Repayment**
  [http://www.finaid.org/calculators/loanpayments.phtml](http://www.finaid.org/calculators/loanpayments.phtml)

- **Prepayment**
  [http://www.finaid.org/calculators/prepayment.phtml](http://www.finaid.org/calculators/prepayment.phtml) (enter the additional amount you can pay each month)
  You can also use the standard calculator to estimate prepayment based on a time goal - the number of years in which you would like to pay a loan off. Enter your payoff goal in years and it will provide the estimated total amount you should pay each month to meet your goal.

- **Income-based Repayment (IBR) and Pay As You Earn (PAYE)**
  [http://www.finaid.org/calculators/ibr.phtml](http://www.finaid.org/calculators/ibr.phtml)

- **Federal Repayment Estimator** (estimates your federal student loan payments under each repayment plan)
  [https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action](https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action)
Next Steps for Entering Repayment

• Make sure your loan servicers have current contact info!
  • Missing one payment could mean the loss of an incentive
  • Avoid delinquency and default

• Your first payment will come due before you know it!
  • Private loans generally have a 6 or 9 month grace period – check with the lender
  • Subsidized, Unsubsidized, and Grad PLUS loan payments begin 6 months after graduation
    • First payment typically due in December for May graduates
    • If you took a leave of absence you may have used your grace period
  • Consolidation do not have a grace period – repayment will begin within 60 days of first disbursement
    • If you have this type of loan and will not be able to make your first payment you must contact your loan servicer prior to graduation regarding a **deferment or forbearance**
Deferment and Forbearance

What is deferment?
• If you find that you are unable to meet your monthly payment obligations, contact your loan servicer right away. You may qualify for a deferment that will allow you to postpone making principal payments on your loan. The most common deferments granted are those for:
  • In-school periods -----------granted without time limit
  • Unemployment **********applied for annually for up to 36 months maximum
  • Economic hardship -------applied for annually for up to 36 months maximum

What is forbearance?
• For borrowers with temporary financial issues who do not meet the requirements for deferment, you may suspend your payments under certain circumstances by requesting forbearance. You will be responsible for the interest that accrues on your loan. This interest is added to the amount you owe when you re-enter repayment and must be repaid when payments resume.
• Forbearances are at the loan servicer’s discretion and many have a cap on how long a forbearance can last. Use this sparingly in case of an emergency down the road.

You must apply for a deferment or forbearance when not in school – it is not automatic.
Default/Delinquency

If you fail to repay (default on) student loans, it can:

• Negatively impact your credit rating
• Prompt withholding of your federal and state tax refunds
• Limit your job selection (many companies run credit checks on job applicants)
• Rescind your professional license
• Trigger garnishment of your wages
• Raise the interest rate you pay on a car or home loan

*Personal bankruptcy rarely eliminates student loan debt*

Be sure to be in touch with your lender or loan servicer if you are experiencing any issues
Next Steps – Summary

- Identify all loans borrowed and when they go into repayment – plug the dates into your Outlook calendars
  - If you have outstanding loans from prior degrees, your loan repayment will begin again immediately at graduation.
- Come up with a repayment strategy from the ones listed that best suits your needs, financial plans, salary, bonuses, etc.
- Log onto the NSLDS/lender/loan servicer websites and call them to:
  - sign up for ACH auto-debit
  - update addresses and other contact information
  - Review your loans and use loan repayment calculators to estimate monthly payments
  - inform them of any difficulties you are having with loan repayment
- Make sure there are no HOLDS or account balances on your Columbia account before you graduate – diploma will not be released.
  - Due April 30th
I’m Still Not Sure What to Do!

It’s ok. We’re here.
ALL SUMMER.

Set up a time to come and see us!

finaid@gsb.columbia.edu
(212) 854-4057
111 Uris Hall