Getting a Grip on Your Student Loans
...At the rate I'm going, my student loans should be paid off in 3 years...

That's great, Dad...
Today’s Plan

• Sometimes there are too many choices
• How to figure out your best strategy to minimize the cost of your debt
• Which loans are which and why it matters
• How different repayment plans play out
• Income driven repayment plans
• Public Service Loan Forgiveness!
• Ask Heather
You have LOTS of options for your federal student loans

- Grace periods
- Deferments
- Forbearances
- Consolidation
- Standard, graduated, and extended repayment plans
- Income driven repayment plans
  - Potential for forgiveness
- Public Service Loan Forgiveness
• “Delinquency” begins on the first day after a missed payment.
• “Default” is typically declared after failure to make payments for nine months.
• The entire loan balance becomes due once you default.
Collection powers

- Seize tax refunds
- Deny new student loans and grants
- Garnish wages without a court order
- Take a portion of Social Security benefits
- Charge very large collection fees
- No time limit for collection on federal student loans
Postponing repayment is expensive

Grace periods

Deferments

Think about income driven repayment instead
Pay less each month

Pay more over time

Pay more each month

Pay less over time
# Income Based Repayment Monthly Payment Amount

$100,000 starting balance ($61,500 at 6.8%, $38,500 $7.9%)

<table>
<thead>
<tr>
<th>AGI</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>$20,000</td>
<td>$41</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<td>$30,000</td>
<td>$166</td>
<td>$91</td>
<td>$17</td>
<td>$0</td>
<td>$0</td>
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<td>$40,000</td>
<td>$291</td>
<td>$216</td>
<td>$142</td>
<td>$68</td>
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<tr>
<td>$50,000</td>
<td>$416</td>
<td>$341</td>
<td>$267</td>
<td>$193</td>
<td>$119</td>
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<tr>
<td>$60,000</td>
<td>$541</td>
<td>$466</td>
<td>$392</td>
<td>$318</td>
<td>$244</td>
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<td>$70,000</td>
<td>$666</td>
<td>$591</td>
<td>$517</td>
<td>$443</td>
<td>$246</td>
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<td>$80,000</td>
<td>$791</td>
<td>$716</td>
<td>$642</td>
<td>$568</td>
<td>$494</td>
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<tr>
<td>$90,000</td>
<td>$853</td>
<td>$779</td>
<td>$705</td>
<td>$630</td>
<td>$556</td>
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<tr>
<td>$100,000</td>
<td>$1041</td>
<td>$966</td>
<td>$892</td>
<td>$818</td>
<td>$744</td>
</tr>
</tbody>
</table>
Two different paths to loan forgiveness

Income-driven or Public Service
Public Service Loan Forgiveness is earned by making payments while you work in public service.

120 qualifying payments
Income-driven forgiveness

If you don’t earn PSLF, but you make payments based on your income for 20-25 years and still have a balance remaining on your loans
How to figure out your best strategy

1. Know your loans
Federal student loans

Private student loans
Commercial, private, alternative loans
Private student loans
Terms based on credit
Often variable interest rates with no cap
Lack borrower protections
Lack flexible repayment terms
FREE Annual Credit Reports

AnnualCreditReport.com is the ONLY authorized source to get your free annual credit report under federal law.
Federal Student Loans

- Perkins*
- Subsidized Stafford
- Unsubsidized Stafford
- Federal Consolidation
- Parent PLUS
- Grad PLUS
How to figure out your best strategy

1. Know your loans
   • Federal or private?
   • FFEL or Direct?
How to figure out your best strategy

1. Know your loans
2. Evaluate whether you qualify for an income driven repayment option
Income driven repayment options

- Income-Contingent Repayment
- Income-Based Repayment
- Pay As You Earn
Income-Based Repayment or Pay As You Earn

Monthly payments are calculated based on:

For married people, AGI depends on federal tax filing status

Family size is NOT measured by looking to your tax return
Married filing jointly

Joint AGI = AGI
Individual or married filing separately tax filing status

Borrower’s AGI = AGI
Partial Financial Hardship

Required debt to income ratio in order to qualify to choose IBR or PAYE
## Partial Financial Hardship

### IBR example

<table>
<thead>
<tr>
<th>Eligible Loans</th>
<th>AGI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Family size = 1</td>
</tr>
<tr>
<td>$10,000</td>
<td>$25,541</td>
</tr>
<tr>
<td>$15,000</td>
<td>$30,145</td>
</tr>
<tr>
<td>$20,000</td>
<td>$34,748</td>
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<tr>
<td>$25,000</td>
<td>$39,351</td>
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<td>$30,000</td>
<td>$43,954</td>
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<td>$50,000</td>
<td>$62,637</td>
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<td>$75,000</td>
<td>$85,383</td>
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<td>$108,399</td>
</tr>
<tr>
<td>$150,000</td>
<td>$154,431</td>
</tr>
<tr>
<td>$200,000</td>
<td>$200,464</td>
</tr>
</tbody>
</table>

Source: Jeff Hanson, Hanson Education Services
PAYE more generous than IBR

But to get PAYE you must be a “new borrower”:

- No balance on a federal loan on October 1, 2007
- Borrowed a federal loan on or after October 1, 2011

And PAYE is only available for Direct Loans
# Pay As You Earn Monthly Payment Amount

$100,000 starting balance ($61,500 at 6.8%, $38,500 $7.9%)

<table>
<thead>
<tr>
<th>Adjusted Gross Income</th>
<th>Family Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>$10,000</td>
<td>$0</td>
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<tr>
<td>$20,000</td>
<td>$27</td>
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<tr>
<td>$30,000</td>
<td>$110</td>
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<tr>
<td>$40,000</td>
<td>$194</td>
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<td>$50,000</td>
<td>$277</td>
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<td>$60,000</td>
<td>$360</td>
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<td>$70,000</td>
<td>$444</td>
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<td>$527</td>
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<td>$90,000</td>
<td>$569</td>
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<tr>
<td>$100,000</td>
<td>$694</td>
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</table>
For PAYE, FFEL loans MUST be consolidated into federal direct

http://loanconsolidation.ed.gov/
Income-driven forgiveness is NOT tied to employment
Tatiana is single with no dependents.

She lives in New York.

Tatiana’s Adjusted Gross Income is $54,000.

She has $100,000 in Direct Loan debt at a 6.8% interest rate.
$100,000 starting balance
($61,500 at 6.8% and $38,500 at 7.9%)

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Monthly Payment (Year One)</th>
<th>Years in Repayment</th>
<th>Total Payments</th>
<th>Total Forgiven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$1174</td>
<td>10</td>
<td>$140,881</td>
<td>N/A</td>
</tr>
<tr>
<td>Consolidation</td>
<td>$682</td>
<td>30</td>
<td>$245,583</td>
<td>N/A</td>
</tr>
<tr>
<td>Income-Based</td>
<td>$466</td>
<td>25</td>
<td>$209,362</td>
<td>$64,644</td>
</tr>
<tr>
<td>Pay As You AGI</td>
<td>$310</td>
<td>20</td>
<td>$102,257</td>
<td>$142,743</td>
</tr>
</tbody>
</table>
1. Know your loans
   • Federal or private?
   • FFEL or Direct?

2. Evaluate whether you qualify for an income driven repayment option
   • IBR: Partial Financial Hardship?
Questions?
Public Service Loan Forgiveness is earned by making payments

120 “qualifying” payments
<table>
<thead>
<tr>
<th></th>
<th>Without PSLF</th>
<th>IBR</th>
<th>Pay As You Earn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time in Repayment</td>
<td></td>
<td>25 years</td>
<td>20 years</td>
</tr>
<tr>
<td>Total Paid</td>
<td></td>
<td>$209,362</td>
<td>$102,257</td>
</tr>
<tr>
<td>Forgiveness</td>
<td></td>
<td>$64,644</td>
<td>$142,743</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>With PSLF</th>
<th>IBR</th>
<th>Pay As You Earn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time in Repayment</td>
<td></td>
<td>10 years</td>
<td>10 years</td>
</tr>
<tr>
<td>Total Paid</td>
<td></td>
<td>$68,438</td>
<td>$45,625</td>
</tr>
<tr>
<td>Forgiveness</td>
<td></td>
<td>$107,812</td>
<td>$129,375</td>
</tr>
</tbody>
</table>

20 or 25 year canceled amount is taxable as income!

But PSLF is NOT taxable as income - wow
Five Steps to Forgiveness
Remember these 5 steps:

1. Make the right kind of payments,
2. on the right kind of loans,
3. while you are in the right kind of job.
4. Repeat 120 times.
5. Prove it.
The right kind of job

full-time paid work
Government 501(c)(3) Non-profit

AmeriCorps Position  Peace Corps  Public Service Organization
Government

- Local
- State
- Federal
- Tribal
- Government organizations
- Government entities

Government agencies

Government contractors
Full-time

30 hours
Questions?
The right kind of payments

Income driven repayment
## SECTION 2: REPAYMENT PLAN REQUEST

Before completing this form, carefully read the entire form, particularly Sections 7, 8, and 9. Type or print using dark ink. If you need help completing this form, contact your loan holder(s). Return the completed form and any required documentation to the address shown in Section 10. You may be able to complete your request online by visiting studentloans.gov. In addition, repayment plan calculators are available at studentaid.gov.

1. Please select the reason that you are completing this request:
   - [ ] I am requesting a repayment plan based on my income for the first time – Complete Section 2.
   - [ ] I am submitting my annual documentation for the calculation of the payment amount under a repayment plan based on my income – Skip to Section 3.
   - [ ] I am requesting that my loan holder recalculate my monthly payment amount early because my circumstances have changed – Skip to Section 3.

2. Check the repayment plan(s) you are requesting:

<table>
<thead>
<tr>
<th>Direct Loan Program Loans*</th>
<th>FFEL Program Loans*</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBR</td>
<td></td>
</tr>
<tr>
<td>Pay As You Earn</td>
<td>Not Available</td>
</tr>
<tr>
<td>ICR</td>
<td>Not Available</td>
</tr>
</tbody>
</table>

Determine which of the above plans I am eligible for, and place me on the plan with the lowest monthly payment amount.

* Not all loan types under the FFEL and Direct Loan Programs are eligible for these plans (see Section 8).

Note: Other repayment plans are available and may offer a lesser payment amount. Payment under the IBR, Pay As You Earn, or ICR plans may result in your paying more interest over time. Calculators and information about repayment plans is available at studentaid.gov

For Direct Loan borrowers, your request will apply to all loans that are eligible for the plan you choose. However, you will need to choose a different repayment plan.
SECTION 4: FAMILY SIZE AND FEDERAL TAX INFORMATION

7. Enter your family size (as defined in Section 8).
   Note: If you do not enter your family size, your loan holder(s) will assume a family size of one. For purposes of these repayment plans, your family size may be different from the number of exemptions you claim on your federal tax return. By signing this form, you are certifying that the family size you enter above is correct.

8. Did you file a federal income tax return for either of the two most recently completed tax years?
   ☐ Yes – Continue to Item 9
   ☐ No – Skip to Section 5

9. Is your current income or your spouse’s current income (if you completed Section 3 or file a joint federal income tax return) significantly different than the income used to determine the Adjusted Gross Income* (AGI) reported to the IRS on your most recently filed federal income tax return?
   ☐ Yes – Skip to Section 5.
   ☐ No - Provide your most recently filed federal income tax return or IRS tax return transcript. Skip to Section 6.

*You can find your Adjusted Gross Income on your most recently filed IRS Form 1040, 1040A, or 1040EZ

SECTION 5: ALTERNATIVE DOCUMENTATION OF INCOME – To be completed only if you answer “no” to question 8 or “yes” to question 9.

To be completed if you answer “no” to question 6, “yes” to question 5, or your loan holder(s) informed you that alternative documentation of income is required.

10. Do you have taxable income? Check “No” if you do not have any income, receive only untaxed income, such as Supplemental Security Income, child support, or federal or state public assistance, are not required to file a federal income tax return based on the amount of your taxable income.
   ☐ Yes – Provide documentation of this income, as described below.
   ☐ No – By signing this form, you are certifying that you have no taxable income or are not required to file a federal income tax return based on the amount of your taxable income.

11. If you are married and completed section 3 or file a joint federal income tax return with your spouse, does your spouse have taxable income? Check “No” if your spouse does not have any income, receives only untaxed income, such as Supplemental Security Income, child support, or federal or state public assistance, or is not required to file a federal income tax return based on the amount of his/her taxable income.
   ☐ Yes – Provide documentation of your spouse’s income, as described below.
   ☐ No – By signing this form, your spouse is certifying that he/she had no taxable income or is not required to file a federal tax return based on the amount of his/her taxable income.

You must provide documentation of your total annual taxable income that you currently receive from all sources (for example, income from employment, unemployment income, dividend income, interest income, tips, alimony). If you are married and file a joint federal income tax return, you must also provide documentation of your spouse’s annual taxable income. **Do not report untaxed income such as Supplemental Security Income, child support, or federal or state public assistance.**

You must provide one piece of supporting documentation for each source of income (your’s and your spouse’s), for example, pay stubs, letters from your employers listing income, interest or bank statements, dividend statements, or, if these forms of documentation are unavailable, a signed statement from you
The right kind of payments

• NOT long term repayment plans
  – be cautious about “standard” repayment terms
on the right kind of loan
Federal Student Loans
Eligible Loans for Public Service Loan Forgiveness

ONLY FEDERAL DIRECT
<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Direct</td>
<td>The one and only RIGHT kind of loan</td>
</tr>
<tr>
<td>FFEL, Perkins</td>
<td>Could become right, but only if you take action</td>
</tr>
<tr>
<td>Private, alternative,</td>
<td>WRONG and can’t ever be right</td>
</tr>
<tr>
<td>commercial, bar study loan</td>
<td></td>
</tr>
</tbody>
</table>
For Public Service Loan Forgiveness, FFEL loans MUST be consolidated into federal direct

http://loanconsolidation.ed.gov/
http://loanconsolidation.ed.gov/
Repeat 120 times

on time payments

once a month for 10-years
Prove it

apply for forgiveness
Prove it

verify income & family size annually

certify employment annually

apply for forgiveness
How to figure out your best strategy

1. Know your loans
2. Evaluate whether you qualify for an income driven repayment option
3. Realistically estimate your future income and career expectations to determine whether you might benefit from forgiveness
# Repayment Plans

You have a choice of repayment plans. The chart below provides details about repayment plans and calculates your estimated repayment information under each of the different plans. Your loan servicer will determine your eligibility for the repayment plans.

More Information

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**Did you know...**

Federal Family Education Loans (FFEL) consolidated with Direct Loans become eligible for Pay As You Earn and ICR. Loan consolidation information is available at StudentAid.gov.

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Repayment Period</th>
<th>Monthly Payment Initial to Final Amounts</th>
<th>Projected Loan Forgiveness</th>
<th>Total Interest Paid</th>
<th>Total Amount Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard</strong></td>
<td>120 months</td>
<td>$1,986 to $1,986</td>
<td>-</td>
<td>$68,233</td>
<td>$238,371</td>
</tr>
<tr>
<td><strong>Graduated</strong></td>
<td>120 months</td>
<td>$1,150 to $3,450</td>
<td>-</td>
<td>$87,268</td>
<td>$257,406</td>
</tr>
<tr>
<td><strong>Extended Fixed</strong></td>
<td>300 months</td>
<td>$1,216 to $1,216</td>
<td>-</td>
<td>$194,692</td>
<td>$364,830</td>
</tr>
<tr>
<td><strong>Extended Graduated</strong></td>
<td>300 months</td>
<td>$1,010 to $1,704</td>
<td>-</td>
<td>$224,254</td>
<td>$394,392</td>
</tr>
<tr>
<td><strong>Pay As You Earn</strong></td>
<td>240 months</td>
<td>$223 to $694</td>
<td>$311,712</td>
<td>$100,873</td>
<td>$100,873</td>
</tr>
<tr>
<td><strong>Income-Based Repayment (IBR)</strong></td>
<td>300 months</td>
<td>$334 to $1,382</td>
<td>$247,609</td>
<td>$225,587</td>
<td>$225,587</td>
</tr>
<tr>
<td><strong>Income-Contingent Repayment (ICR)</strong></td>
<td>300 months</td>
<td>$575 to $2,124</td>
<td>$102,029</td>
<td>$291,503</td>
<td>$359,612</td>
</tr>
</tbody>
</table>

*Calculations assume income increases of 5% a year, and poverty guideline increases of 3.3% a year. Some of your loans might not be eligible for this repayment plan, check the repayment plan eligibility information in Your Loan(s) or ask your servicer for more information.

Contact your loan servicer to request your preferred repayment plan. To apply for income-driven repayment plans, [click here](#).
1. Know your loans
   - Federal or private?
   - FFEL or Direct?

2. Evaluate income driven repayment
   - IBR: Partial Financial Hardship?

3. Estimate whether you might benefit from forgiveness
   - High debt?
   - Relatively low long term salary expectations?
   - Public service?
How to figure out your best strategy

1. Know your loans
2. Evaluate whether you qualify for an income driven repayment option
3. Realistically estimate your future income and career expectations to determine whether you might benefit from forgiveness
4. Reevaluate periodically and whenever circumstances change
Heather’s closing thoughts

• PSLF secure (ish)
• Sign up for Heather’s mailing list at askheatherjarvis.com
• Help Heather help others
• Like me? facebook/studentloanexpert
Questions?