

Hitting a Home Run: How do I Repay Those Loans after School?



2009 SASFAA Annual Conference
February 8 - 11, 2009
Myrtle Beach, SC

Getting a Handle on Your Education Finances

- Includes many different types of debt:
 - Loans.
 - Credit cards.
 - Student accounts.
- Keep records of your debt:
 - Types of debt you have.
 - Amount you owe.
 - Terms of repayment.

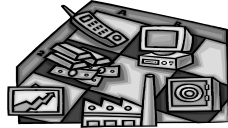


Types of Education Loans

- Federal loans:
 - Federal Family Education Loan or Direct Loan programs.
 - Stafford.
 - Parent PLUS/Grad PLUS.
 - Consolidation.
 - Other federal loans.
 - Perkins.
 - Health-related programs.
- Other (nonfederal) loans:
 - Also known as "private" or "alternative" loans.



Debt Management: What Goes Into a Good Game Plan



Debt Management General Tips



- Repayment behavior controls how quickly and inexpensively a loan will be repaid
- To avoid delinquency and minimize costs, borrowers should select option with highest monthly payments that they can reasonably afford
- Federal student loans have no prepay penalties
 - Can minimize the "required" monthly payment amount, but can pay more when budget permits
 - Can pay more on a monthly, quarterly, or annual basis, or even as an individual lump sum amount
- Can use federal loan repayment strategies as a means for achieving goals on non-federal debts, then focus later on the federal debts

Debt Management



- Repayment Strategy
 - Borrowers should choose a repayment schedule to meet their financial goals
 - Borrowers should be encouraged to choose a repayment strategy for today and tomorrow
- Repayment Amount
 - Borrowers need to evaluate all influencing factors
 - Borrower benefits
 - Current and future salary expectations
 - Monthly budget
 - Personal spending and repayment patterns

	Steps for Winning the Game
52	<ul style="list-style-type: none"> ■ Borrowers should: <ol style="list-style-type: none"> 1. Review their portfolio and financial habits 2. Review goals and identify those important to them 3. Prioritize their selected goals and review associated strategies 4. Research other potential strategies 5. Follow through! <ul style="list-style-type: none"> ■ Review their goals periodically ■ Other winning steps <ul style="list-style-type: none"> - Keep good records! <ul style="list-style-type: none"> ■ Prom notes, notices and disclosures, and correspondence from lenders/servicer - Keep good notes of phone conversations with lenders/servicer <ul style="list-style-type: none"> ■ The 411: who, what, when, etc.

	Identifying Goals and Strategies
	<ul style="list-style-type: none"> ■ Having multiple loan types in their portfolio creates a diverse set of options for successful loan repayment ■ Students need to evaluate their financial goals, and follow a repayment strategy that achieves those goals ■ Use "leading questions" if needed ■ Prioritize goals <ul style="list-style-type: none"> - Minimize total interest costs - Aggressively repay higher interest rate loans - Minimize monthly payment (short-term) - Minimize monthly payment (long-term) - Minimize payments to multiple companies - Manage private loan repayment - Manage credit card repayment

	Deferments & Forbearances Usage
	<ul style="list-style-type: none"> ■ Calling a "timeout" at the right time can make all the difference, strategic use of deferments and/or forbearance can be a very good tool to manage repayment - Deferment <ul style="list-style-type: none"> ■ Economic hardship ■ In-school ■ Military ■ Unemployment - Forbearance <ul style="list-style-type: none"> ■ Discretionary <ul style="list-style-type: none"> - Financial hardship ■ Mandatory <ul style="list-style-type: none"> - Internship residency, national service, debt exceeds monthly income, etc ■ Mandatory/Administrative <ul style="list-style-type: none"> - Local or national emergency, military mobilization, designated disaster area, teacher loan forgiveness, etc.



	Repayment Plans
	<ul style="list-style-type: none"> ■ FFEL or DL Loans <ul style="list-style-type: none"> - Standard - Graduated - Extended - Income-related plans <ul style="list-style-type: none"> ■ Income-Sensitive ■ Income-Contingent ■ Income-Based (not available until July 1, 2009) ■ Private Loans <ul style="list-style-type: none"> - Will vary by loan program and lender <ul style="list-style-type: none"> ■ May be similar to plans available on federal loans - Consider how variable rate may affect monthly payment amount - Consult your lender for details

	Extended Repayment
	<ul style="list-style-type: none"> ■ Repayment plan offering a 25 year repayment term <ul style="list-style-type: none"> - Could be structured as a standard schedule, graduated schedule, or choice of either ■ Only available to "new borrowers" with no outstanding debt in that loan program (FFELP or DL, as appropriate) prior to October 7, 1998 <ul style="list-style-type: none"> - FFELP loans: Total FFELP debt must exceed \$30,000 - DL loans: Total DL debt must exceed \$30,000 ■ Reduced monthly payments due to 25-year term ■ The 25-year repayment term often results in higher total repayment costs ■ Not all borrowers will qualify for this repayment plan

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	Standard Repayment
	<ul style="list-style-type: none"> - Loan Repayment Schedule for \$60,000 - Loan Interest Rate: 6.80% (fixed Stafford rate) - Loan Term: 10 years - Monthly Loan Payment: \$690.00 - \$ 84,000 Annual Salary


	Graduated
	<ul style="list-style-type: none"> - Loan Repayment Schedule for \$60,000 - Loan Interest Rate: 6.80% (fixed Stafford rate) - Loan Term: 10 years - Monthly Loan Payment: \$340 (48 months) then defaults to \$1017.00 for the remaining 72 months. - \$40,800 Annual Salary


	Extended Repayment
	<ul style="list-style-type: none"> - Loan Repayment Schedule for \$60,000 - Loan Interest Rate: 6.80% (fixed Stafford rate) - Loan Term: 25 years - Monthly Loan Payment: \$416.00 - \$50,000 Annual Salary

	<h2>New Game in Repayment Plans</h2>
	<ul style="list-style-type: none"> ■ Income-based repayment for FFEL and DL loan borrowers* <ul style="list-style-type: none"> - Effective July 1, 2009 - Available to all borrowers who have partial financial hardship, except for FFEL or DL parent PLUS borrowers or FFEL or DL loan Consolidation loan borrower who repaid a parent PLUS loan through the Consolidation loan. ■ Loan forgiveness for Public Service Employees* <ul style="list-style-type: none"> - Effective October 1, 2007 - New loan forgiveness program for public service employees - The Secretary will forgive the remaining outstanding balance of the principal and accrued interest on an eligible Direct Loan for a borrower who is not in default and who makes 120 payments on the loan on or after October 1, 2007.

	<h2>Different Game Plans for Different Student Portfolios</h2>

	<h2>Sample Community College Game Plan</h2>
	<ul style="list-style-type: none"> ■ Stafford Loans
	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <ul style="list-style-type: none"> ■ Profile of Students <ul style="list-style-type: none"> - Recent High School graduates - Returning Adult students - Transfer Students <ul style="list-style-type: none"> ■ Large Indebtedness ■ Failed out at University ■ Student coming back for a technical career ■ Game Plan <ul style="list-style-type: none"> - One-on-one counseling while at the community college and onward to a four-year university - Online Counseling (entrance and exit) - Workshops and mail outs <ul style="list-style-type: none"> ■ Borrower responsibilities ■ Debt management ■ Debt repayment strategy ■ Other financial topics </div> <div style="width: 45%; text-align: center;">  <ul style="list-style-type: none"> ■ Private Loans ■ Profile of Students <ul style="list-style-type: none"> - Students that do not meet Satisfactory Academic Progress (SAP) requirements - Students that have already received the maximum loan amount allowed ■ Game Plan <ul style="list-style-type: none"> - One-on-one counseling </div> </div>

	<h2 style="text-align: center;">Sample Medical School Plan</h2> 
	<ul style="list-style-type: none"> ■ Review of game – how medical and health professions students are a bit different ■ Continuing Education – repeat the game plan ■ Timeline is one of our most important tools ■ Same game- different outcomes ■ Options and resources

	<h2 style="text-align: center;">University of Miami School of Law Game Plan</h2> 
	<ul style="list-style-type: none"> - Start teaching debt management early and often <ul style="list-style-type: none"> ■ Not just at entrance and exit counseling ■ On-going effort throughout law school - Provide workshops on different financial management topics <ul style="list-style-type: none"> ■ Schedule these at logical times <ul style="list-style-type: none"> - Series of workshops during entrance counseling time <ul style="list-style-type: none"> ■ Borrower responsibilities ■ Debt management ■ Credit management - 3 session workshop series focusing on financial future that compliments the online exit process just prior to graduation <ul style="list-style-type: none"> ■ Borrower responsibilities ■ Developing an education debt repayment strategy ■ Financial planning session to cover other financial topics - On-going one-on-one counseling with FAO staff throughout law school and beyond

	<h2 style="text-align: center;">Game Plan Review</h2>
	<ul style="list-style-type: none"> ■ Students look to your office for guidance ■ By proactively reaching out to your students from the moment they begin the process for financial aid, you reaffirm your position as a "trusted" advisor ■ The opportunity to educate your student borrowers early and continuously "empowers" each borrower to make sound fiscal decisions that will impact their repayment strategy years down the road ■ The effort put into your counseling "strategy" can directly impact your overall cohort default rate

	Coaching Strategies to Empower Borrowers
	<ul style="list-style-type: none"> ■ Do you know what your scheduled monthly payments will be? ■ Are you going to be ready to make payments as they become due, or will you need to reduce or even postpone payments? <ul style="list-style-type: none"> – If the student will not be ready for payments, explore whether payments need to be reduced or postponed, consider asking why, and discuss how long repayment relief is needed. ■ Are your loans with different lenders or servicers? <ul style="list-style-type: none"> – If yes: Will it be difficult for you to manage making payments to different places?

	Coaching Strategies to Empower Borrowers
	<ul style="list-style-type: none"> ■ Do you need to reduce your monthly payment amount? <ul style="list-style-type: none"> – If yes: Do you understand that reducing your monthly payment will ultimately result in higher interest costs? – If yes: Do you need to reduce your payments for only a short period of time, or do you need long-term payment reductions? ■ Do you intend to maintain a “hands on” approach with your loans? <ul style="list-style-type: none"> – Example: Do you plan on repaying your highest-rate loan quickly, then your next highest-rate loan, and so forth, in order to minimize your total interest costs? – Explore further how the student wants to manage the debts so you can identify appropriate options.

	Coaching Strategies to Empower Borrowers
	<ul style="list-style-type: none"> ■ With credit cards, do you tend to pay just the minimum balance, pay a little more than the minimum, or pay the entire balance off within just a month or two? ■ For borrowers with variable rate loans Are you uncomfortable with having a variable-rate loan? <ul style="list-style-type: none"> – If yes: Explore whether there are reasons for the discomfort, e.g., perhaps the student doesn't realize there is a cap on the interest rate. ■ What benefits do you have on your current loans? ■ What do you have to do to earn the benefits? <ul style="list-style-type: none"> – Do you expect that you will be able to earn them? ■ Do you have student loans at different interest rates? ■ Did you borrow private student loans?

	<h2>Coaching Strategies to Empower Borrowers</h2>
	<ul style="list-style-type: none"> ■ What additional debts (other than student loans), such as credit cards, do you have? <ul style="list-style-type: none"> – What are the interest rates of those debts? ■ Given the following possible financial goals, which are the most important to you, and how would you rank (prioritize) them? <ul style="list-style-type: none"> – Minimize total interest costs – Aggressively repay higher interest rate loans – Minimize monthly payment (short-term) – Minimize monthly payment (long-term) – Minimize payments to multiple companies – Manage private loan repayment – Manage credit card repayment

	<h2>What is the “Best” Game Plan?</h2>
	<ul style="list-style-type: none"> ■ Review and gain and understanding of “total” federal loan debt <ul style="list-style-type: none"> – Types of federal loans – Federal loan status (in-grace, etc.) – Loan debt (How much do you owe?)




	<h2>What is the “Best” Game Plan?</h2>
	<ul style="list-style-type: none"> ■ Review and gain and understanding of federal loan repayment options




What is the "Best" Game Plan?

- Review and gain and understanding of "total" private loan debt and repayment options
- Contact lender or utilize their online tools
 - Review types of private loan debt
 - Private loan status (in-grace, etc.)
 - Private Loan debt (How much do you owe?)




What is the "Best" Game Plan?

- Call your lender or guarantor.
- Check online account management offered by your lender or guarantor.




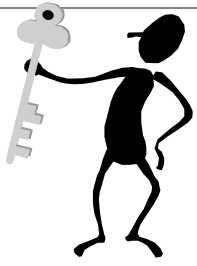
How Can I Save Time and Money?



- Time:
 - Manage your loans online.
 - Receive account information via e-mail.
 - Use automatic payment deduction or make electronic payments.
- Money:
 - Investigate student loan interest deductions for your taxes.
 - IRS publication 970.
 - Pay interest in school and during postponement periods.
 - Research forgiveness options.
 - Qualify for borrower incentive benefits.

	<h3>Making a Plan That Will Work for You</h3>
	<ul style="list-style-type: none">■ Review your own education debt portfolio.■ Think about your financial habits.■ Identify goals that are important to you.<ul style="list-style-type: none">– Some sample goals: Minimize total repayment costs, minimize monthly payment, pay off higher interest rate loans quickly, and manage credit card repayment.■ Do the research and design your plan based on your goals.■ Follow through.

	<h3>Resources</h3>
	<p>www.ibrinfo.org</p> <p>http://www.bankrate.com/brm/calc/MinPayment.asp</p> <p>http://www.bankrate.com/brm/fico/calc.asp?lpid=BKRATE29</p> <p>https://apps.usafunds.org/tools/calculators/repayment/content/index.aspx</p> <p>http://www.paycheckcity.com/netpaycalc/netpaycalculator.asp</p>

	<h3>Q & A</h3>
	

	<p>Contact Information</p>
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	<p>Please complete the online Conference evaluation, your responses will assist the planning committee with the 2010 Conference.</p>
	<p>2010 SASFAA Annual Conference Louisville Marriott Downtown Louisville, KY February 21 – 24, 2010</p> <p>Thank You!</p>
