



Loan Repayment and Forgiveness Plans

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**US Department of
Education**



How do we help borrowers
stay on the road to
successful repayment?



There may be rest stops, roadblocks or even detours – but we are determined to keep borrowers on the right road.

How do we do that?



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Successful Repayment



To help ensure a successful repayment experience for the borrower, we have servicers that provide interactive tools, loan calculators and counseling aids for use during all points in the loan life cycle. These tools enable students and parents to access data, information, calculators and customer service representatives.



Our Servicers



To ensure that the Department of Education could handle volumes of loans sold to the government and any additional Direct Loan volumes, the Department has entered into agreements with four additional servicers.



- ❖ ACS (current servicer)
- ❖ Great Lakes Education Loan Servicers (additional)
- ❖ Nelnet (additional)
- ❖ Sallie Mae Corporation (additional)
- ❖ FedLoan Servicing/PHEAA (additional)





Our Servicers:

- Educate and inform borrowers as to the tools and options available to assist them in the management of their student loans
- Offer multiple repayment options tailored to borrower preferences (i.e. Online payments, ACH, check, etc.)
- Provide self-service tools for borrowers and options for receiving bills and/or correspondence electronically
- Offer dedicated services to schools to help manage cohort default rates



Understanding Repayment Plans



Student borrowers may repay their student loans through one of the several repayment plans:



Standard Repayment Plan

Graduated Repayment Plan

Extended Repayment Plan

Income-Based Repayment (IBR)

Income Contingent Repayment (ICR)
(Direct Loan only)

Income-Sensitive Repayment
(FFEL only)

Alternative Repayment Plans



Understanding Repayment Plans



Under this plan, the borrower will pay a fixed amount of at least \$50 each month for up to 10 years. For most borrowers, this plan results in the lowest total interest paid because the repayment period is shorter than it would be under any of the other repayment plans.



(Subsidized, Unsubsidized and PLUS Loans)

Standard Repayment Plan

Graduated Repayment Plan

Extended Repayment Plan

Income-Based Repayment (IBR)

Income Contingent Repayment (ICR)
(Direct Loan only)

Income-Sensitive Repayment
(FFEL only)

Alternative Repayment Plans

Consolidation borrowers
have a repayment period of
10 - 30 years depending on
their total loan
indebtedness.



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Understanding Repayment Plans



The Graduated Repayment Plan may be beneficial if the borrower's income is low when they leave school but is likely to steadily increase. Under this plan, payments start out low and then increase every two years. The minimum payment equals the amount of interest that accrues monthly for up to the maximum repayment period.



- Standard Repayment Plan
- Graduated Repayment Plan**
- Extended Repayment Plan
- Income-Based Repayment (IBR)
- Income Contingent Repayment (ICR)
(Direct Loan only)
- Income-Sensitive Repayment
(FFEL only)
- Alternative Repayment Plans

Like the Standard Plan, the maximum repayment period is 10 years for Subsidized, Unsubsidized and PLUS Loans and 10-30 years for Consolidation Loans depending on the total loan indebtedness.



Understanding Repayment Plans



Number of Monthly Payments under the **Standard** and **Graduated** Repayment Plans for Consolidation Loans based on the Total Student Loan Indebtedness Amounts

If the Total Education Indebtedness is		Maximum Number of Monthly Payments
At Least	Less Than	
\$7,500	\$7,500	120 (10 years)
\$10,000	\$10,000	144 (12 years)
\$20,000	\$20,000	180 (15 years)
\$40,000	\$40,000	240 (20 years)
\$60,000	\$60,000	300 (25 years)
		360 (30 years)



Understanding Repayment Plans



A borrower may choose this plan if they did not have an outstanding balance on a FFEL or Direct Program loan as of October 7, 1998 or on the date they obtained a student loan after that date **and** have more than \$30,000 in outstanding FFEL Program loans or more than \$30,000 in outstanding Direct Loans.

Standard Repayment Plan

Graduated Repayment Plan

Extended Repayment Plan

Income-Based Repayment (IBR)

Income Contingent Repayment (ICR)
(Direct Loan only)

Income-Sensitive Repayment
(FFEL only)

Alternative Repayment Plans



For example...

A borrower that has \$35,000 in outstanding FFEL Program loans and \$10,000 in outstanding Direct Loans can choose the Extended Plan for their FFEL loans, but not for their Direct Loans.

- ❖ Borrower may choose to make fixed or graduated monthly payments
- ❖ Minimum payment of \$50 for Fixed Extended
- ❖ Maximum repayment period is 25 years



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Income-Based Repayment (IBR)

Under this plan, the required monthly payment is capped at an amount intended to be affordable based on the borrower's income and family size. The maximum repayment period is 25 years and if certain requirements are met, any remaining balance will be cancelled.

Only FFEL or Direct Stafford, Grad PLUS and Consolidation (that did not pay a Parent PLUS) loans that are currently not in default are eligible for repayment under IBR.





Income-Based Repayment (IBR)

A borrower is eligible to repay under IBR if the monthly payment amount calculated under the 10-year Standard repayment plan is **MORE** than the IBR monthly payment amount.

- ❖ Monthly payment is based on the borrower's Adjusted Gross Income (AGI), family size and state of residence
- ❖ The minimum monthly payment is either \$0 or \$10 depending on the calculated IBR amount

An IBR fact sheet,
calculator and Q&A is
available on
www.StudentAid.ed.gov





Income-Based Repayment (IBR)

Advantages of IBR

- ❖ Affordable payment (including \$0)
- ❖ The government will pay the unpaid interest on subsidized loans for up to three consecutive years if the monthly IBR payment does not cover the monthly accrued interest
- ❖ Any remaining principal and interest will be cancelled after 25 years of repayment
- ❖ IBR payments count for Public Service Loan Forgiveness

Disadvantages of IBR

- ❖ More interest paid over the life of the loan
- ❖ To continue reduced payments under IBR, a borrower must submit updated information on income and family size each year





Income Contingent Repayment (ICR)

A repayment plan for Direct Loan only that bases a borrower's monthly payment on yearly income, family size, and loan amount. As their income rises or falls, so does their payments. After 25 years, any remaining balance on the loan will be forgiven, but the borrower may have to pay taxes on the amount forgiven.

What are the benefits?

High loan debt and low income could actually mean a calculated payment of "0".





Income-Sensitive Repayment (ISR)

A repayment plan for FFEL borrowers only that bases the scheduled monthly payments on their annual income. As their income increases or decreases, so do their payments. The maximum repayment period is 10 years and borrowers must reapply each year.



Monthly payments may be increased for the remaining term of the loan to compensate if the borrower receives decreased payments under ISR.



Understanding Repayment Plans



Alternative



An alternative repayment plan may be used when the terms and conditions of other repayment plans are not adequate to accommodate a Direct Loan borrower's circumstances. The borrower must provide evidence of the exceptional circumstance and the terms must be within the following restrictions:

- maximum 30 year term
- minimum payment of \$5.00
- payments cannot vary by more than 3x the smallest payment

There are four different Alternative Repayment Plans -
Alternative Fixed Payment, Alternative Fixed Term, Alternative Graduated
and Alternative Negative Amortization



Tools for Borrowers



□ Counseling Tools

- Entrance Counseling (www.StudentLoans.gov)



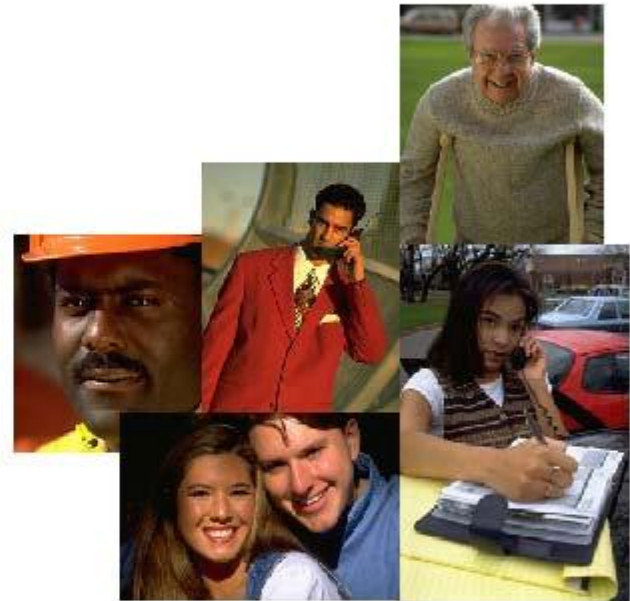
- Exit Counseling (www.NSLDS.ed.gov)



Tools for Borrowers



- ❑ Payment Due Date Flexibility
- ❑ Entitlements
 - Deferrals
 - Forbearances
 - Discharges
 - Forgiveness Programs
- ❑ Loan Consolidation



Deferment and Forbearances



Oftentimes, borrowers may experience trouble making payments and it is our job to provide the tools and counseling to help them understand their options. Deferments and forbearance options may be the right choice to assist them in staying on the right road.



Loan Discharges



Discharge or cancellation is the release of a borrower from their obligations to repay their student loans.

- ❖ Closed School
- ❖ Unpaid Refund
- ❖ False Certification
 - ❖ School-based
 - ❖ Identity Theft
- ❖ Bankruptcy
- ❖ Total and Permanent Disability
- ❖ Death (including death of a dependent for parent PLUS loans)



Loan Forgiveness



Borrowers may qualify to have all or a portion of their loan forgiven under the following forgiveness programs:

- ❖ Teacher Loan Forgiveness
- ❖ Public Service Loan Forgiveness
- ❖ Service as Civil Legal Assistance Attorney
- ❖ Service in Areas of National Need (no appropriations)



Teacher Loan Forgiveness



The Teacher Loan Forgiveness Program was instituted to encourage individuals to enter and remain in the teaching profession. It grants loan forgiveness of up to \$17,500 for teachers in certain specialties and up to \$5,000 for other teachers, who teach for five years in certain low-income schools and meet other requirements.



The benefit is available to borrowers who did not have an outstanding balance on a FFEL or Direct Loan on October 1, 1998, or on the date they obtained a loan after October 1, 1998.



Teacher Loan Forgiveness Changes



- Full-time teachers employed by Educational Service Agency (ESA)
- States will identify eligible ESAs for ED Directory of Designated Low-Income Schools
- Same eligibility criteria and forgiveness amounts (low-income; 5 consecutive years; up to \$5,000 or \$17,500)
- For ESA teachers, 5 consecutive years qualifies only if it includes ESA service performed after 2007-2008 academic year for service that begun prior to effective date



Public Service Loan Forgiveness



Established to encourage individuals to enter and continue in full-time public service employment by forgiving the outstanding balance on an eligible Direct Loan if the borrower:

- ❖ Is not in default
- ❖ Makes 120 separate, full monthly payments, within 15 days of the due date, after October 1, 2007 under one or more specified repayment plans
- ❖ Is employed full-time in a public service job at the time loan forgiveness is requested and granted and during the period the borrower makes the required 120 payments



Public Service Loan Forgiveness



To take advantage of this benefit, borrowers must have one the following eligible loans:

- ❖ Federal Direct Subsidized Stafford
- ❖ Federal Direct Unsubsidized Stafford
- ❖ Federal Direct PLUS Loan for parent and grad/professional students
- ❖ Federal Direct Consolidation



Borrowers may also consolidate their FFEL, Federal Perkins or certain Health Professions and Nursing Loans into the Direct Loan Program to qualify.





Payments

- The required 120 monthly payments must be made under any one or combination of the:
 - 10-year Standard Repayment Plan
 - Income Contingent Repayment (ICR) Plan
 - Income-Based Repayment (IBR) Plan
 - Any other repayment plan that monthly payments would equal at least the amount required under the 10-year Standard



Public Service Loan Forgiveness



Eligible public service includes:

- ❖ Service in a position in AmeriCorps or the Peace Corps
- ❖ Local, State, Federal or Tribal government position (excluding time served as a member of the U.S. Congress)
- ❖ Employment, in any position, by any other public service organization

Employment must meet the definition of “full-time”.

- ❖ “Full-time” generally means the borrower is working an average of at least 30 hours per week or the number of hours the employer considers full-time



Public Service Loan Forgiveness



Public Service Organization means:

- ❖ A Federal, State, Local or Tribal government organization, agency or entity
- ❖ A public child or family service agency
- ❖ A non-profit organization under 501(c)(3) of the Internal Revenue Code that is exempt from taxation under Section 501(a) of the Internal Revenue Code
- ❖ A Tribal college or university
- ❖ A private organization that:
 - Provides certain public services
 - Is not a business organized for profit

An PSLF fact sheet and
Q&A is available on
www.StudentAid.ed.gov





Civil Legal Assistance Attorney Student Loan Repayment Program



Intended to encourage qualified individuals to enter and continue employment as civil legal assistance attorneys. The Secretary is authorized, contingent on annual appropriations, to repay a portion of the outstanding balance of eligible FFEL, Direct or Perkins Loans obtained by borrowers who are employed full-time as civil legal assistance attorneys.

Congress has appropriated \$5,000,000 for FY 2010



Civil Legal Assistance Attorney



- ❖ Provides benefits to borrowers on a first-come, first-served basis. Loan repayment commitments are limited to the amount appropriated for a given fiscal year by Congress
- ❖ Borrower may receive up to \$6,000 for each year, up to a total amount of \$40,000 per borrower
- ❖ Borrower must execute a Service Agreement with the Secretary and perform service for a period of not less than three years after the agreement is signed
- ❖ Borrower must be employed full-time by either a non-profit organization, protection and advocacy system, or client assistance program
- ❖ “Full-time” generally means the borrower is working an average of at least 30 hours per week or the number of hours the employer considers full-time



Loan Consolidation



Benefits of Consolidation:

- One Lender and One Monthly Payment
- Flexible Repayment Options
- Lower Monthly Payments
- It's free

Starting July 1, 2010, a borrower can consolidate their loans while still in-school until June 30, 2011.

Reminder

Borrowers will lose their grace period by consolidating while in an in-school status



Default Prevention Activities



When borrowers take a **Detour** in the repayment process, we make every effort to get them back on the “right road”.

- ❖ Call center phones borrowers when they are most likely to be home
- ❖ Have the ability to apply a forbearance over the phone
- ❖ Interactive Web site
 - helps borrowers identify the best delinquency resolution option



Default Management Activities



Time is running out ... But our servicers still haven't given up!



There are default reduction efforts targeted to borrowers who are between 270 and 360 days delinquent. These efforts include partnering with schools to assist with reaching those borrowers at greatest risk to avoid defaulting on college loans.



More information on our delinquency prevention activities can be found on IFAP





General Servicing Information

- ❖ Electronic Announcement – Loan Servicing Information
<http://www.ifap.ed.gov/eannouncements/032610LoanServicingInfoFedOwn.html>

Income-Based Repayment (IBR) Plan

- ❖ IBR Fact Sheet
http://studentaid.ed.gov/students/publications/factsheets/factsheet_IncomeBasedRepayment.pdf
- ❖ IBR Q&A
http://studentaid.ed.gov/students/attachments/siteresources/IBRQ&A_template_123109_FINAL.pdf

Public Service Loan Forgiveness Program

- ❖ PSLF Fact Sheet
<http://studentaid.ed.gov/students/attachments/siteresources/LoanForgivenessv4.pdf>
- ❖ PSLF Q&A
http://studentaid.ed.gov/students/attachments/siteresources/PSLF_QAs_final_02%2012%2010.pdf

Delinquency and Default Management

- ❖ Electronic Announcement – Delinquency Prevention Activities
<http://www.ifap.ed.gov/eannouncements/060310LoanServicingInfoDelinqPreventAct.html>



Resources – Federal Loan Servicers

Direct Loan Servicing Center

NSLDS Servicer Code: 00100

NSLDS Name: **Direct Loan
Servicing Center**

Borrower Phone: 800-848-0979

Web: www.dl.ed.gov

School Phone: 888-877-7658

Web: www.dl.ed.gov/schools

Student Loan Servicing Center (ACS)

NSLDS Servicer Code: 700577

NSLDS Name: **Dept of ED / ACS**

Borrower Phone: 800-508-1378

Web: www.ed-servicing.com

School Phone: 866-938-4750

Web: www.ed-servicing.com

FedLoan Servicing (PHEAA)

NSLDS Servicer Code: 700579

NSLDS Name: **Dept of ED / FedLoan
Servicing (PHEAA)**

Borrower Phone: 800-699-2908

Web: www.myfedloan.org

School Phone: 800-655-3813

Web: www.myfedloan.org

Great Lakes Educational Loan Services

NSLDS Servicer Code: 700581

NSLDS Name: **Dept of ED / Great
Lakes**

Borrower Phone: 800-236-4300

Web: www.mygreatlakes.org

School Phone: 888-686-6919

Web: www.mygreatlakes.org

Nelnet

NSLDS Servicer Code: 700580

NSLDS Name: **Dept of ED / Nelnet**

Borrower Phone: 888-486-4722

Web: www.nelnet.com

School Phone: 866-463-5638

Web: www.nelnet.com

Sallie Mae

NSLDS Servicer Code: 700578

NSLDS Name: **Dept of ED / Sallie Mae**

Borrower Phone: 800-722-1300

Web: www.salliemae.com

School Phone: 888-272-4665

Web: www.opennet.salliemae.com



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