

**\$1,670,000,000,000**

# Enhanced Exit Counseling Strategies

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# Agenda

- ▶ Student Loan Statistics
- ▶ Necessary Background Knowledge
  - ▶ Capitalization/Consolidation
  - ▶ Repayment Plans
  - ▶ Public Service Loan Forgiveness
  - ▶ Income Driven Repayment: Hand Calculations
  - ▶ Private Loans
  - ▶ Refinance Loans
- ▶ Blueprint for Success: Exit Counseling
  - ▶ Agenda for Exit Counseling Appointment
  - ▶ Resources for One-on-One Counseling
- ▶ Exit Counseling Case Studies
- ▶ References



# Student Loan Statistics

The background features a series of overlapping, semi-transparent geometric shapes in shades of yellow and orange, primarily concentrated on the right side of the slide. These shapes create a dynamic, layered effect against the white background.

# Average Student Loan Debt

62% of the class of 2019 graduated with student debt

|                                       |           |
|---------------------------------------|-----------|
| Undergraduate Degree                  | \$28,950  |
| Graduate Degree                       | \$82,800  |
| Veterinarian                          | \$149,877 |
| Pharmacist                            | \$179,514 |
| Medical Doctor/<br>Osteopathic Doctor | \$201,169 |
| Dentist                               | \$292,169 |



# Repayment Statistics

## Federal Student Loans

- ▶ 92% of the total outstanding student loans
- ▶ 56% in repayment making payment on time
- ▶ 19% in deferment
- ▶ 12% in default
- ▶ 10% in forbearance
- ▶ 3% in grace period

## Private Student Loans

- ▶ 7.87% of the total outstanding student loans
- ▶ 73.35% in repayment making payments on time
- ▶ 20.39% in deferment
- ▶ 5.16% in forbearance
- ▶ 1.10% over 90 days past due

## CARES Act

Federal Student Loans have been in administrative forbearance since March 13, 2020 and will continue in that status through December 31, 2020

No interest is currently accruing



# Consequences of Default

- ▶ The entire unpaid balance of your loan and any interest you owe becomes immediately due (this is called "acceleration").
- ▶ You can no longer receive deferment or forbearance, and you lose eligibility for other benefits, such as the ability to choose a repayment plan.
- ▶ You lose eligibility for additional federal student aid.
- ▶ The default is reported to credit bureaus, damaging your credit rating and affecting your ability to buy a car or house or to get a credit card.
- ▶ It may take years to reestablish a good credit record.
- ▶ You may not be able to purchase or sell assets such as real estate.
- ▶ Your tax refunds and federal benefit payments may be withheld and applied toward repayment of your defaulted loan (this is called "Treasury offset").
- ▶ Your wages may be garnished. This means your employer may be required to withhold a portion of your pay and send it to your loan holder to repay your defaulted loan.
- ▶ Your loan holder can take you to court.
- ▶ You may be charged court costs, collection fees, attorney's fees, and other costs associated with the collection process.
- ▶ Your school may withhold your academic transcript until your defaulted student loan is satisfied. The academic transcript is the property of the school, and it is the school's decision—not the U.S. Department of Education's or your loan holder's—whether to release the transcript to you.

# Repayment Plan Statistics

*as of December 2019*

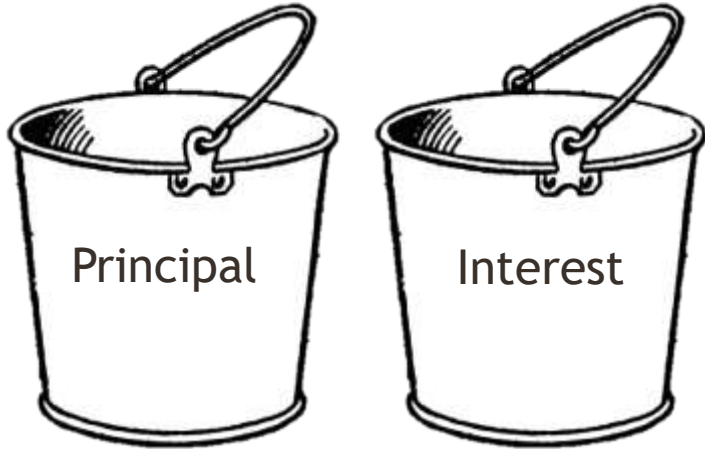
| Repayment Plan                   | Total Borrowers<br>in Repayment<br>23.6 million | Percentage of Total<br>Borrowers in<br>Repayment |
|----------------------------------|---|--|
| Standard (10 Years)              | 10.8 million                                    | 45.76%   |
| Graduated (10 Years)             | 3.0 million                                     | 12.71%   |
| Revised Pay As You Earn (REPAYE) | 2.9 million                                     | 12.29%   |
| Income Based Repayment (IBR)     | 2.8 million                                     | 11.86%   |
| Extended (>10 Years)             | 1.7 million                                     | 7.2%   |
| Pay As You Earn (PAYE)           | 1.4 million                                     | 5.93%  |
| Income Contingent (ICR)          | 700K  | 2.97%  |
| Graduated Extended (>10 Years)   | 300K  | 1.27%  |



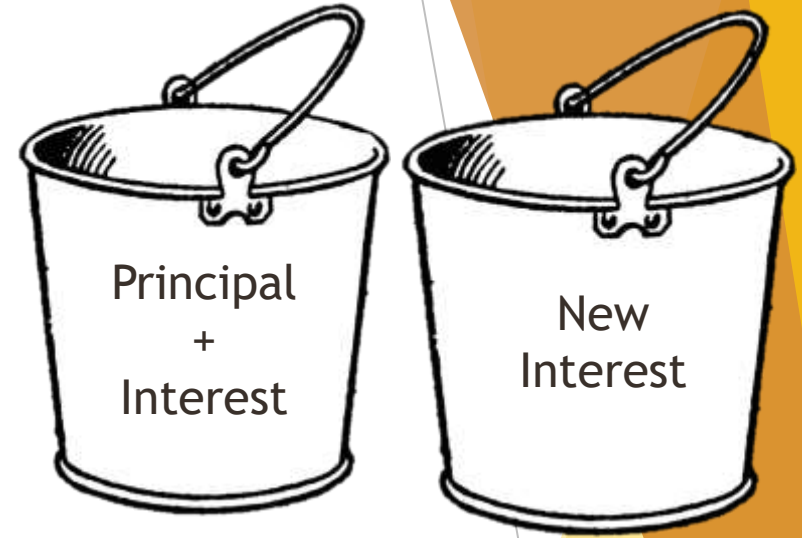
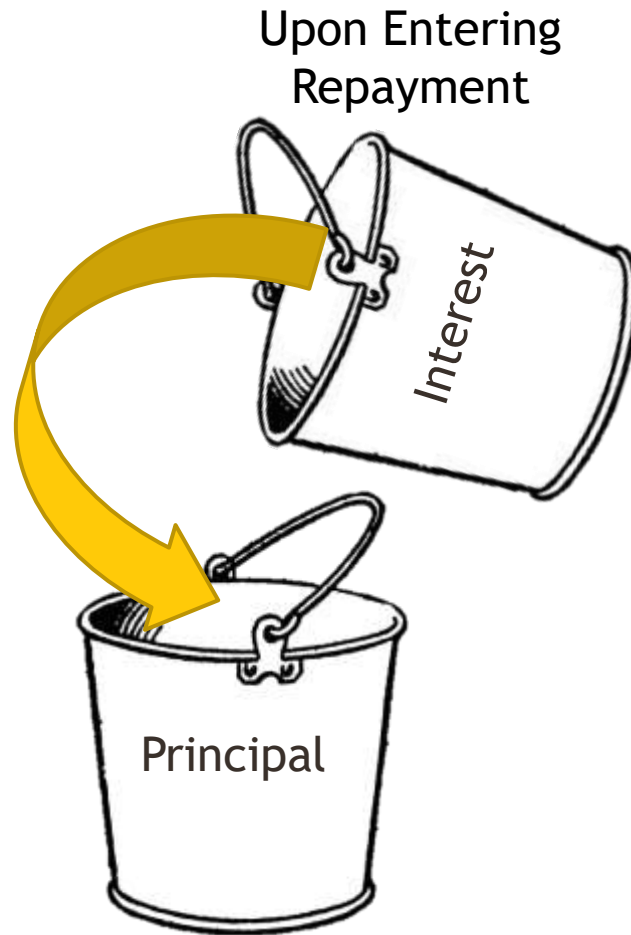
# Necessary Background Knowledge



# Interest Capitalization



During In-School  
Deferment and Grace  
Period



These buckets will remain  
separate unless you change  
your repayment plan or  
consolidate

# Direct Loan Consolidation Considerations

- ▶ The only way to “forfeit” a grace period is to request a Direct Loan Consolidation
- ▶ Consolidation cannot be requested while the student is still in an in-school deferment
- ▶ Consolidation takes between 2 weeks and 90 days to process (though I have NEVER seen it take that long!)
- ▶ Consolidation is a way to make all federal loans, regardless of when they were originally disbursed, DIRECT LOANS
- ▶ Consolidation makes capitalization happen right away
- ▶ Consolidation is not a “good deal” (or a “bad deal”), the same amount of interest is going to accrue either way
- ▶ You can consolidate more than once if you have new loans to add to the consolidation
- ▶ You can consolidate Perkins Loans as long as you are mixing them with other federal loans- this is an effective strategy for students pursuing PSLF or if they are at risk for defaulting on the Perkins Loan

# Fixed Repayment Plans

| Standard                        | Graduated   | Extended Fixed                  | Extended Graduated                                  |
|---------------------------------|---|---------------------------------|---|
| Same payment amount every month | Payments start out low and increase every two years | Same payment amount every month | Payments start out low and increase every two years |
| 10 year term<br>(120 payments)  | 10 year term<br>(120 payments)                      | 25 year term<br>(300 payments)  | 25 year term<br>(300 payments)                      |

# Income Driven Repayment Plans

| REPAYE   | PAYE   | IBR  |
|--|--|--|
| If married must combine both incomes/independent of how you file taxes   | If married can file separately to have separate income calculation   | If married can file separately to have separate income calculation   |
| 10% of discretionary income  | 10% of discretionary income  | 15% of discretionary income  |
| Direct Loans only.<br>Can include consolidated Direct Loans  | Direct Loans only.<br>New borrowers as of 10/7/2007, even after Direct Loan Consolidation                          | Direct Loans or FFEL loans.  |
| Subsidy on all unpaid interest of subsidized loan for 3 years.<br>Additional subsidy on half of unpaid interest of unsubsidized loan after monthly payment has been made | Subsidy on all unpaid interest of subsidized loan for 3 years.<br>Afterwards you are 100% responsible for interest | Subsidy on all unpaid interest of subsidized loan for 3 years.<br>Afterwards you are 100% responsible for interest |
| 25 years to taxable forgiveness  | 20 years to taxable forgiveness  | 25 years to taxable forgiveness  |

# Interest Subsidy during REPAYE

- ▶ It is possible for a student have less interest accruing during repayment than they do during in-school deferment! How is this possible?
- ▶ If the student had \$8,000 total of Unsubsidized Stafford Loan and \$19,000 of Subsidized Stafford Loan, they are accruing approximately \$18 per month in interest.
- ▶ Once they graduate, any accrued interest on the Unsubsidized Loan is capitalized and the Subsidized Loans also start accruing interest. The total of \$27,900 will then accrue approximately \$64 per month in interest.
- ▶ If the student chooses the REPAYE repayment plan and had an AGI less than \$19,140 (150% of the 2020 federal poverty guideline for one person) the monthly payment would be \$0 and the amount of interest accruing would be \$0 on the Subsidized Stafford Loans and only 50% of the monthly interest (approximately \$9) would accrue on the Unsubsidized Stafford Loans.

# When does Income Driven Repayment make sense?

- ▶ Can the student afford their payment comfortably?
- ▶ Is the student working in a non-profit organization?
- ▶ Does the student have other debts (especially at higher interest rates)?
- ▶ Will the student have “demonstrated financial need”?
  
- ▶ Compare the 10 year standard monthly payment amount with the calculated income driven repayment monthly payment amount- which is more?
- ▶ If the student made less than \$19,140 during the prior tax year and especially if they are going to be making less than \$19,140 during their first tax year working, income driven repayment is probably the best choice for now.

# When should a student pursue Public Service Loan Forgiveness?

- ▶ If a student plans to work full time in a public service career, that would be step one to figuring out if PSLF is the right path
- ▶ Students need to have enough Federal Direct Student Loans to make it worth it to pursue PSLF
- ▶ Monthly payment in an income driven repayment plan cannot be more than the 10 year standard monthly payment amount or the student will not have any loans left to be forgiven after the ten year payment period
- ▶ Graduate and Doctoral students are much more likely to be eligible to pursue PSLF due to the amount of DL debt they could accrue





# Public Service Loan Forgiveness PSLF

## What is it?

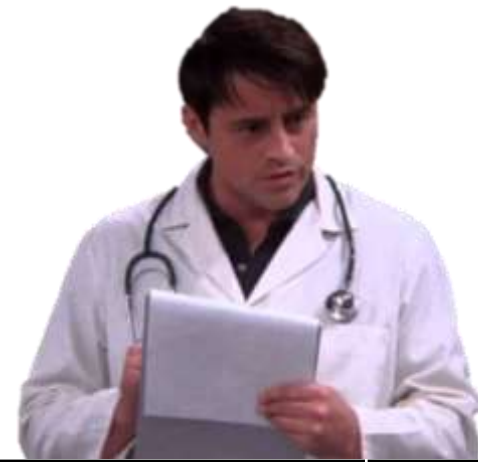
- ▶ After 10 years of working for a non-profit classified as 501c3 and paying each month on your Federal Direct student loans in a qualified repayment plan, any remaining balance will be forgiven tax free
- ▶ The program started in October 2007 and has been in effect since then
- ▶ Department of Education started loan discharges in June 2018 for borrowers who were qualified
- ▶ Approximately 5,000 borrowers have had PSLF processed since then

## How to qualify

- ▶ Make 120 qualifying payments on Federal Direct student loans while being on an income driven repayment plan (IBR, PAYE, REPAYE) and working for a 501c3 full time
- ▶ Borrowers are requested to submit annually the Employment Certification Form so that qualified payments can be accrued throughout the process
- ▶ More details on eligibility can be found at [myfedloan.org/pslf](https://myfedloan.org/pslf)



# Hand Calculations Medical Student, Starting Residency



| IDR Plan                                     | REPAYE   | PAYE     | IBR      | Factors                | Fixed Repayment                             |
|--|----------|----------|----------|------------------------|---|
| AGI<br>(from prior tax year)                 | \$58,500 | \$58,500 | \$58,500 | Loan Amounts           | \$162,147<br>Unsubsidized Stafford          |
| 150% Poverty Level<br>(Based on Family Size) | \$19,140 | \$19,140 | \$19,140 |                        | \$118,174<br>GradPLUS<br>\$280,321 Total    |
| Discretionary Income                         | \$39,360 | \$39,360 | \$39,360 | Interest Rates         | 4.3% Unsubsidized Stafford<br>5.3% GradPLUS |
| Percentage                                   | X 10%    | X 10%    | X 15%    |                        |   |
| Divide by 12                                 | \$3,936  | \$3,936  | \$5,904  | Length of<br>Repayment | 10 Years<br>(120 Payments)                  |
| Monthly Payment                              | \$328    | \$328    | \$492    | Monthly<br>Payment     | \$2,936                                     |

# Hand Calculations Undegraduate Student, Teacher in PA



| IDR Plan                                     | REPAYE            | PAYE              | IBR               | Factors                | Fixed Repayment   |
|--|-------------------|-------------------|-------------------|------------------------|---|
| AGI<br>(from prior tax year)                 | \$48,000          | \$48,000          | \$48,000          | Loan Amounts           | \$8,900<br>Unsubsidized Stafford<br>\$19,000<br>Subsidized Stafford<br>\$27,900 Total |
| 150% Poverty Level<br>(Based on Family Size) | \$19,140          | \$19,140          | \$19,140          |                        | Interest Rates  |
| Discretionary Income<br>Percentage           | \$28,860<br>X 10% | \$28,860<br>X 10% | \$28,860<br>X 15% | Length of<br>Repayment |   |
| Divide by 12                                 | \$2,886           | \$2,886           | \$4,329           |                        | Monthly<br>Payment  |
| Monthly Payment                              | \$240             | \$240             | \$361             |                        |   |

## Let's get started.

We will guide you through a series of questions based on your selection below.



### I Want to Find the Best Repayment Strategy

We will recommend a repayment plan based on your needs and goals and help you explore options like making extra payments or consolidating your loans.

[Log In and Start](#)

[Or Start From Scratch](#)



### I'm Struggling With My Payments

Decide whether you want to temporarily stop payments or lower your monthly payment instead.

[Log In and Start](#)

[Or Start From Scratch](#)



### I Want to Simulate Borrowing More Money

Find out what happens when you borrow more money to pay for educational expenses, returning to school, or finishing your studies later than expected.

Coming Soon

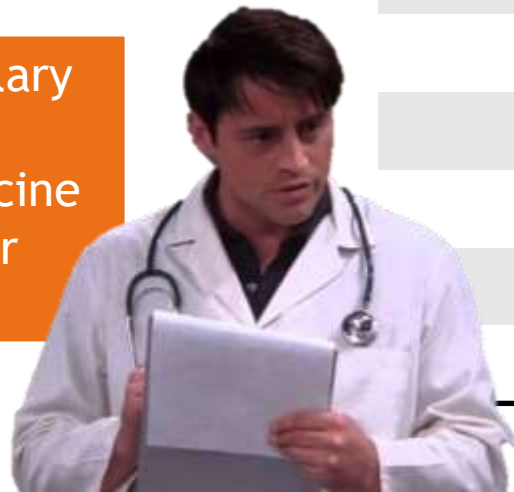
[Or Start From Scratch](#)

# Sample Repayment Strategy

## Family Medicine Doctor Pursuing PSLF

Dr. Drake Ramoray has \$280,321 in total loan balance at graduation and has matched into a non-profit hospital for residency and plans to continue working in the non-profit sector. He will pursue Public Service Loan Forgiveness.

\$58,500 Residency Salary for three years  
\$200,000 Family Medicine Attending Salary for remaining years



| Repayment Year | Monthly Payment Amount<br>REPAYE |
|----------------|----------------------------------|
| 1              | \$0 per month                    |
| 2              | \$85 per month                   |
| 3              | \$328 per month                  |
| 4              | \$328 per month                  |
| 5              | \$918 per month                  |
| 6              | \$1,507 per month                |
| 7              | \$1,507 per month                |
| 8              | \$1,507 per month                |
| 9              | \$1,507 per month                |
| 10             | \$1,507 per month                |

# Private Student Loans

- ▶ If a student is coming in for a One-on-One Exit Counseling Appointment, make sure you know their Private Loan history at your school
  - ▶ Establish a report with all private loans or individually prepare for the meeting by reviewing the student's loan history- prepare an estimated monthly payment for them
  - ▶ Make sure they know the contact information for their Private Lender/s
- ▶ Difference Between Private and Federal Loans
  - ▶ Fewer payment relief options, no income driven repayment, no forgiveness
  - ▶ Stress the importance of prioritizing payment on Private Loans because Federal Loans have more flexibility
  - ▶ Private Loans will typically default after 90 days of non payment/Federal Loans give borrowers 9 months!
- ▶ Cannot Consolidate Private Loans with Federal Loans

# Refinance Loans

- ▶ Refinance Loans could be a good option for students who will have decent income and a credit history and high interest rates or bad repayment terms for their Private Loans
- ▶ Who can qualify?
  - ▶ Student debt to income ratio needs to be less than 30%
  - ▶ Student FICO score should be at least 680
  - ▶ Student might need a cosigner
- ▶ Many Private lenders are offering very competitive refinance options

# Blueprint for Success: Exit Counseling

The background features a series of overlapping, semi-transparent geometric shapes in shades of yellow and orange, primarily concentrated on the right side of the slide. These shapes create a dynamic, layered effect against the white background.



# One-on-One Exit Counseling Appointment Agenda

- ▶ Remind or require the student to complete the online Exit Counseling on [www.studentaid.gov](http://www.studentaid.gov)
- ▶ Prior to or during the beginning of the meeting, log into NSLDS and print out “Student Access Interface” for the student’s Federal Loan history
  - ▶ This is also helpful in counseling because it provides the disbursement dates for the loans and can help you understand at a glance if the student has had any gaps
- ▶ Help the student calculate their monthly interest accrual
- ▶ Talk about the student’s income expectations
  - ▶ Create a simple budget
- ▶ Determine which repayment plan is the best choice
  - ▶ Calculate the monthly payment for the income driven repayment plan which best serves the student
- ▶ Provide clear next steps and a plan of action for the student to follow
- ▶ Homework for the student:
  - ▶ They should check their Free Credit Report through one of the three agencies at [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - ▶ Follow the steps indicated for their individual plan that you determined together

## Loans

Please click on numbers in first column to see details including point of contact.

|   | Type of Loan                               | Loan Amount | Loan Date  | Disbursed Amount | Canceled Amount | Outstanding Principal | Outstanding Interest |
|---|--|-------------|------------|------------------|-----------------|-----------------------|----------------------|
| <a href="#">1</a>                                       | DIRECT STAFFORD UNSUBSIDIZED               | \$35,375    | 08/31/2020 | \$11,792         | \$0             | \$11,792              | \$0                  |
| <a href="#">2</a>                                       | DIRECT STAFFORD UNSUBSIDIZED               | \$11,792    | 06/08/2020 | \$11,792         | \$0             | \$11,792              | \$0                  |
| <a href="#">3</a>                                       | DIRECT PLUS GRADUATE                       | \$16,144    | 06/08/2020 | \$16,144         | \$0             | \$16,144              | \$0                  |
| <a href="#">4</a>                                       | DIRECT PLUS GRADUATE                       | \$720       | 06/08/2020 | \$720            | \$0             | \$720                 | \$0                  |
| <a href="#">5</a>                                       | DIRECT PLUS GRADUATE                       | \$1,295     | 09/12/2019 | \$1,295          | \$0             | \$1,295               | \$46                 |
| <a href="#">6</a>                                       | DIRECT PLUS GRADUATE                       | \$32,067    | 06/06/2019 | \$32,067         | \$0             | \$32,067              | \$1,049              |
| <a href="#">7</a>                                       | DIRECT STAFFORD UNSUBSIDIZED               | \$47,167    | 06/03/2019 | \$47,167         | \$0             | \$47,167              | \$1,300              |
| <a href="#">8</a>                                       | DIRECT PLUS GRADUATE                       | \$3,537     | 08/22/2018 | \$3,537          | \$0             | \$3,537               | \$419                |
| <a href="#">9</a>                                       | DIRECT STAFFORD UNSUBSIDIZED               | \$40,500    | 08/13/2018 | \$40,500         | \$0             | \$40,500              | \$3,496              |
| <a href="#">10</a>                                      | DIRECT PLUS GRADUATE                       | \$21,219    | 08/13/2018 | \$21,219         | \$0             | \$21,219              | \$1,937              |
| <a href="#">11</a>                                      | DIRECT PLUS GRADUATE                       | \$13,512    | 05/24/2018 | \$13,512         | \$0             | \$13,512              | \$1,707              |
| <a href="#">12</a>                                      | DIRECT PLUS GRADUATE                       | \$10,000    | 05/17/2018 | \$10,000         | \$0             | \$10,000              | \$1,276              |
| <a href="#">13</a>                                      | DIRECT PLUS GRADUATE                       | \$5,500     | 03/19/2018 | \$5,500          | \$0             | \$5,500               | \$764                |
| <a href="#">14</a>                                      | DIRECT PLUS GRADUATE                       | \$6,050     | 11/28/2017 | \$6,050          | \$0             | \$6,050               | \$932                |
| <a href="#">15</a>                                      | DIRECT STAFFORD UNSUBSIDIZED               | \$40,500    | 08/14/2017 | \$40,500         | \$0             | \$40,500              | \$5,600              |
| <a href="#">16</a>                                      | DIRECT STAFFORD UNSUBSIDIZED               | \$7,000     | 08/24/2016 | \$7,000          | \$0             | \$0                   | \$0                  |
| <a href="#">17</a>                                      | DIRECT STAFFORD SUBSIDIZED (SULA ELIGIBLE) | \$5,500     | 08/24/2016 | \$5,500          | \$0             | \$0                   | \$0                  |
| <b>Total DIRECT STAFFORD UNSUBSIDIZED</b>               |  |             |            |                  |                 | <b>\$151,751</b>      | <b>\$10,396</b>      |
| <b>Total DIRECT PLUS GRADUATE</b>                       |  |             |            |                  |                 | <b>\$110,044</b>      | <b>\$8,130</b>       |
| <b>Total DIRECT STAFFORD SUBSIDIZED (SULA ELIGIBLE)</b> |  |             |            |                  |                 | <b>\$0</b>            | <b>\$0</b>           |
| <b>Total All Loans</b>                                  |  |             |            |                  |                 | <b>\$261,795</b>      | <b>\$18,526</b>      |

# Calculating Monthly Interest



# Income Expectations

- ▶ Talk to the student about their intended career choice and help them understand how much their starting salary might be
  - ▶ [www.salary.com](http://www.salary.com)
  - ▶ [www.glassdoor.com](http://www.glassdoor.com)
  - ▶ [www.linkedin.com](http://www.linkedin.com)
- ▶ Once you have an estimated salary, counsel the student on the basics of budgeting
  - ▶ Basic take home pay estimator (75% of gross income) or use ADP's salary paycheck calculator
  - ▶ Start with your take-home pay (after tax, health insurance, retirement contributions)
    - ▶ 50% Fixed Expenses- housing, transportation, utilities, groceries, etc.
    - ▶ 30% Discretionary Spending
    - ▶ 20% Reducing Debt

## Comparing Income Driven Repayment Plans: PAYE vs. REPAYE

| PAYE (Pay As You Earn)   | REPAYE (Revised Pay As You Earn)  |
|--|---|
| New Direct Loan borrower as of 10/1/2007 and borrowed post 10/1/2011. No FFEL Loans.   | Available to all borrowers of Direct Loans regardless of when the borrower took out the loans. Borrowers can Consolidate FFEL Loans in order to qualify. All loans must be Direct Loans.  |
| For married borrowers filing separately, the AGI of only the borrower is used to calculate the monthly payment amount.   | For married borrowers filing separately, the AGI of both the borrower and the spouse are used to calculate the monthly payment amount. For two spouses both with Federal Student Loans, the monthly income-driven payment amount is pro-rated between the spouses. (A borrower who is separated from his or her spouse or is unable to reasonably access their spouse's income, is not required to provide their spouse's AGI.)   |
| For subsidized loans, the Secretary does not charge the borrower the accrued interest for a period not to exceed three consecutive years from the repayment start date. Following the established three-year period, the Secretary charges 100% of the accrued interest.   | For subsidized loans, if a borrower's monthly payment is not sufficient to pay the accrued interest (negative amortization), the Secretary does not charge the borrower the remaining accrued interest for a period not to exceed three consecutive years from the repayment start date. Following the already established three-year period the Secretary charges 50% of the remaining accrued interest on subsidized loans during periods of negative amortization.   |
| For unsubsidized loans, the Secretary charges 100% of the accrued interest.  | For unsubsidized loans (including Direct PLUS Loans made to graduate students) the Secretary charges 50% of the remaining accrued interest during periods of negative amortization for the life of the loan.  |
| All borrowers qualify for taxable forgiveness after 20 years. PAYE plan payments count as qualified payments toward Public Service Loan Forgiveness in 10 years if borrower meets all other qualifications.  | If repayment includes loans the borrower received as an undergraduate student or a consolidation loan that repaid only loans the borrower received as an undergraduate student may qualify for taxable forgiveness after 20 years. If repayment includes a loan the borrower received as a graduate or professional student or a consolidation loan that repaid a loan received as a graduate or professional student may qualify for taxable forgiveness after 25 years. REPAYE plan payments count as qualified payments toward Public Service Loan Forgiveness in 10 years if borrower meets all other qualifications. |
| Monthly payments are calculated using the following formula: ((AGI-150% poverty guideline) * 10%)/12<br>For each year a borrower is in the IBR plan, the borrower's monthly payment amount is recalculated based on 10% of discretionary income and family size information provided by the borrower. The monthly payment will never be more than a borrower's monthly Standard Payment. | Monthly payments are calculated using the following formula: ((AGI-150% poverty guideline) * 10%)/12<br>For each year a borrower is in the REPAYE plan, the borrower's monthly payment amount is recalculated based on 10% of discretionary income and family size information provided by the borrower. There is no cap on the monthly payment amount.   |
| Capitalization of interest occurs if a borrower can no longer demonstrate a Partial Financial Hardship or if the borrower exits the PAYE plan.   | Capitalization of interest only occurs when the borrower exits the REPAYE plan.   |

Principal and Interest X Interest Rate = Yearly Interest Accrual / 12 (months) = Monthly Interest Accrual

\$ \_\_\_\_\_ X \_\_\_\_\_ % = \$ 0 / 12 (months) = \$ 0 per month

| REPAYE<br>(Revised Pay As You Earn)                           |                           | PAYE<br>(Pay As You Earn)                                  |                           |
|---|---------------------------|--|---------------------------|
| 10% Monthly Discretionary Income                              |                           | 10% Monthly Discretionary Income                           |                           |
| 25 Years Until Taxable Forgiveness                            |                           | 20 Years Until Taxable Forgiveness                         |                           |
| Married = Combined Incomes                                    |                           | Married and file Federal Tax Separately = Separate Incomes |                           |
| Payment Pro-rated for couples both with Federal Student Loans |                           |  |                           |
| Monthly Interest Accrual                                      | Tax Year 2019             | Monthly Interest Accrual                                   | Tax Year 2019             |
| \$ 0  | AGI _____                 | \$ 0   | AGI _____                 |
| \$ 0  | _____ 150% Poverty Level  | \$ 0   | _____ 150% Poverty Level  |
| \$ 0  | \$ 0 Discretionary Income | \$ 0   | \$ 0 Discretionary Income |
| \$ 0  | X 10%                     | \$ 0   | X 10%                     |
| \$ 0 They Pay   | \$ 0 / 12 months =        | \$ 0 They Pay  | \$ 0 / 12 months =        |
| \$ 0 You Accrue   | \$ 0 /month               | \$ 0 You Accrue  | \$ 0 /month               |
| Monthly Interest Accrual                                      | Tax Year 2020             | Monthly Interest Accrual                                   | Tax Year 2020             |
| \$ 0  | AGI _____                 | \$ 0   | AGI _____                 |
| \$ 0  | _____ 150% Poverty Level  | \$ 0   | _____ 150% Poverty Level  |
| \$ 0  | \$ 0 Discretionary Income | \$ 0   | \$ 0 Discretionary Income |
| \$ 0  | X 10%                     | \$ 0   | X 10%                     |
| \$ 0 They Pay   | \$ 0 / 12 months =        | \$ 0 They Pay  | \$ 0 / 12 months =        |
| \$ 0 You Accrue   | \$ 0 /month               | \$ 0 You Accrue  | \$ 0 /month               |
| Monthly Interest Accrual                                      | Tax Year 2021             | Monthly Interest Accrual                                   | Tax Year 2021             |
| \$ 0  | AGI _____                 | \$ 0   | AGI _____                 |
| \$ 0  | _____ 150% Poverty Level  | \$ 0   | _____ 150% Poverty Level  |
| \$ 0  | \$ 0 Discretionary Income | \$ 0   | \$ 0 Discretionary Income |
| \$ 0  | X 10%                     | \$ 0   | X 10%                     |
| \$ 0 They Pay   | \$ 0 / 12 months =        | \$ 0 They Pay  | \$ 0 / 12 months =        |
| \$ 0 You Accrue   | \$ 0 /month               | \$ 0 You Accrue  | \$ 0 /month               |
| Monthly Interest Accrual                                      | FUTURE AGI                | Monthly Interest Accrual                                   | FUTURE AGI                |
| \$ 0  | _____                     | \$ 0   | _____                     |
| \$ 0  | _____ 150% Poverty Level  | \$ 0   | _____ 150% Poverty Level  |
| \$ 0  | \$ 0 Discretionary Income | \$ 0   | \$ 0 Discretionary Income |
| \$ 0  | X 10%                     | \$ 0   | X 10%                     |
| \$ 0 They Pay   | \$ 0 / 12 months =        | \$ 0 They Pay  | \$ 0 / 12 months =        |
| \$ 0 You Accrue   | \$ 0 /month               | \$ 0 You Accrue  | \$ 0 /month               |

## Comparing Income Driven Repayment Plans: IBR vs. REPAYE

| IBR (Income Based Repayment)  | REPAYE (Revised Pay As You Earn)   |
|---|--|
| Borrowers can repay any FFEL or Direct Loans with IBR   | Available to all borrowers of Direct Loans regardless of when the borrower took out the loans. Borrowers can Consolidate FFEL Loans in order to qualify. All loans must be Direct Loans.   |
| Must demonstrate a "Partial Financial Hardship" 15% of monthly Discretionary Income must be less than Standard Repayment amount.  | Not required to demonstrate a "Partial Financial Hardship". Anyone can enroll in this plan.  |
| For married borrowers filing separately, the AGI of only the borrower is used to calculate the monthly payment amount.  | For married borrowers filing separately, the AGI of both the borrower and the spouse are used to calculate the monthly payment amount. For two spouses both with Federal Student Loans, the monthly income-driven payment amount is prorated between the spouses. (A borrower who is separated from his or her spouse or is unable to reasonably access their spouse's income, is not required to provide their spouse's AGI.)   |
| Monthly payments are calculated using the following formula: ((AGI-150% poverty guideline) * 15%)/12<br>For each year a borrower is in the IBR plan, the borrower's monthly payment amount is recalculated based on 15% of discretionary income and family size information provided by the borrower. The monthly payment will never be more than a borrower's monthly Standard Payment.  | Monthly payments are calculated using the following formula: ((AGI-150% poverty guideline) * 10%)/12<br>For each year a borrower is in the REPAYE plan, the borrower's monthly payment amount is recalculated based on 10% of discretionary income and family size information provided by the borrower. There is no cap on the monthly payment amount.  |
| For subsidized loans, if a borrower's monthly payment is not sufficient to pay the accrued interest (negative amortization), the Secretary does not charge the borrower the remaining accrued interest for a period not to exceed three consecutive years from the repayment start date. Following the established three-year period, the Secretary charges 100% of the accrued interest. | For subsidized loans, if a borrower's monthly payment is not sufficient to pay the accrued interest (negative amortization), the Secretary does not charge the borrower the remaining accrued interest for a period not to exceed three consecutive years from the repayment start date. Following the established three-year period the Secretary charges 50% of the remaining accrued interest on subsidized loans during all periods of negative amortization for the life of the loan. |
| For unsubsidized loans, the Secretary charges 100% of the accrued interest.   | For unsubsidized loans (including Direct PLUS Loans made to graduate students) the Secretary charges 50% of the remaining accrued interest during all periods of negative amortization for the life of the loan.   |
| All borrowers qualify for forgiveness after 25 years of making qualified payments within this plan.   | If repayment includes loans the borrower received as an undergraduate student or a consolidation loan that repaid only loans the borrower received as an undergraduate student may qualify for forgiveness after 20 years of making qualified payments within this plan.   |
| IBR plan payments count as qualified payments toward Public Service Loan Forgiveness in 10 years if borrower meets all other qualifications.  | If repayment includes a loan the borrower received as a graduate or professional student or a consolidation loan that repaid a loan received as a graduate or professional student may qualify for forgiveness after 25 years of making qualified payments within this plan. REPAYE plan payments count as qualified payments toward Public Service Loan Forgiveness in 10 years if borrower meets all other qualifications.   |
| Capitalization of interest occurs if a borrower can no longer demonstrate a Partial Financial Hardship or if the borrower exits the IBR plan.   | Capitalization of interest only occurs when the borrower exits the REPAYE plan.  |

Principal and Interest X Interest Rate = Yearly Interest Accrual / 12 (months) = Monthly Interest Accrual

\$ \_\_\_\_\_ X \_\_\_\_\_ % = \$ \_\_\_\_\_ / 12 (months) = \$ \_\_\_\_\_ per month

| 10% Monthly Discretionary Income  | REPAYE<br>(Revised Pay As You Earn)   | 15% Monthly Discretionary Income                           | IBR<br>(Income Based Repayment)   |
|---|---|--|---|
|   | 25 Years until Taxable Forgiveness  |  | 25 Years until Taxable Forgiveness  |
| Married = Combined Incomes<br><i>Payment prorated for couples both with Federal Student Loans</i> |   | Married and file Federal Tax Separately = Separate Incomes |   |
| Monthly Interest Accrual  | Tax Year 2019<br>AGI<br>_____ 150% Poverty Level<br>Discretionary Income<br>X 10%<br>/12 months =<br>They Pay _____ /month<br>You Accrue _____ /month | Monthly Interest Accrual                                   | Tax Year 2019<br>AGI<br>_____ 150% Poverty Level<br>Discretionary Income<br>X 15%<br>/12 months =<br>They Pay _____ /month<br>You Accrue _____ /month |
| Monthly Interest Accrual  | Tax Year 2020<br>AGI<br>_____ 150% Poverty Level<br>Discretionary Income<br>X 10%<br>/12 months =<br>They Pay _____ /month<br>You Accrue _____ /month | Monthly Interest Accrual                                   | Tax Year 2020<br>AGI<br>_____ 150% Poverty Level<br>Discretionary Income<br>X 15%<br>/12 months =<br>They Pay _____ /month<br>You Accrue _____ /month |
| Monthly Interest Accrual  | Tax Year 2021<br>AGI<br>_____ 150% Poverty Level<br>Discretionary Income<br>X 10%<br>/12 months =<br>They Pay _____ /month<br>You Accrue _____ /month | Monthly Interest Accrual                                   | Tax Year 2021<br>AGI<br>_____ 150% Poverty Level<br>Discretionary Income<br>X 15%<br>/12 months =<br>They Pay _____ /month<br>You Accrue _____ /month |
| Monthly Interest Accrual  | Future<br>AGI<br>_____ 150% Poverty Level<br>Discretionary Income<br>X 10%<br>/12 months =<br>They Pay _____ /month<br>You Accrue _____ /month        | Monthly Interest Accrual                                   | Future<br>AGI<br>_____ 150% Poverty Level<br>Discretionary Income<br>X 15%<br>/12 months =<br>They Pay _____ /month<br>You Accrue _____ /month        |

## Exit Counseling Appointment- What do I do next?

all highlighted items pertain to your situation

|   |   |
|---|---|
| <p><b>Now Date:</b></p>   | <ul style="list-style-type: none"> <li><input type="checkbox"/> Complete the online <b>Federal Exit Counseling</b>- <a href="http://studentaid.gov">studentaid.gov</a> login with your FSA ID and password</li> <li><input type="checkbox"/> Login and view your Federal Loan details- <b>National Student Loan Data System</b> <a href="http://studentaid.gov">studentaid.gov</a> login with your FSA ID and password</li> <li><input type="checkbox"/> Check your Credit History- <a href="http://annualcreditreport.com">annualcreditreport.com</a></li> <li><input type="checkbox"/> <b>Understand all of your debt</b>- types of loans, what they mean, grace periods, repayment plans available, etc.</li> <li><input type="checkbox"/> Check out the <b>ADP Salary Paycheck Calculator</b>- <a href="http://adp.com">adp.com</a> to help figure out your monthly take home pay</li> <li><input type="checkbox"/> Create a <b>preliminary monthly budget</b> <ul style="list-style-type: none"> <li>→ Saving 10% of your monthly take-home pay should be part of your budget from day one! (Save until you have at least 3 months of living expenses)</li> </ul> </li> <li><input type="checkbox"/> Plan ahead for Loan Repayment- figure out <b>which plan</b> you will want to enroll in</li> <li><input type="checkbox"/> File your <b>Income Tax Return for 2019</b> (1040 for those with no earnings and you can file after the deadline if you don't owe taxes!)</li> <li><input type="checkbox"/> Review your contract and make sure to take advantage of any employer contributions into your retirement fund!</li> </ul> |
| <p><b>Right After Graduation Date:</b></p>                            | <ul style="list-style-type: none"> <li><input type="checkbox"/> Request a Direct Consolidation- <a href="http://studentaid.gov">studentaid.gov</a>* (or)</li> <li><input type="checkbox"/> Take advantage of your grace period                             <ul style="list-style-type: none"> <li>→ Plan ahead and start saving the amount you will have to pay when your monthly payment begins.</li> <li>→ Start paying off some of your accrued interest.</li> <li>→ Start paying off private student loans or other high interest debts.</li> </ul> </li> </ul> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin-left: 100px;"> <p>Repayment Plan:</p> <p>Servicer Choice:</p> </div>  |
| <p><b>*About One Month Later Date:</b></p>                            | <ul style="list-style-type: none"> <li><input type="checkbox"/> If you requested a Direct Consolidation, <b>repayment should begin</b> at this time</li> <li><input type="checkbox"/> If you are pursuing <b>Public Service Loan Forgiveness</b>, submit your Employment Certification Form with your Employer's Information to FedLoan Servicing- <a href="http://myfedloan.org">myfedloan.org</a></li> </ul>  |
| <p><b>5 Months After Graduation Date:</b></p>                         | <ul style="list-style-type: none"> <li><input type="checkbox"/> Request a Direct Consolidation- <a href="http://studentaid.gov">studentaid.gov</a> (or)</li> <li><input type="checkbox"/> Request your Income Driven Repayment plan- <a href="http://studentaid.gov">studentaid.gov</a> (or)</li> <li><input type="checkbox"/> Continue into Standard Repayment and pay off your loans as quickly as possible                             <ul style="list-style-type: none"> <li>→ Consider applying for a Private Loan Refinance</li> </ul> </li> </ul>  |
| <p><b>6 Months After Graduation Date:</b></p>                         | <ul style="list-style-type: none"> <li><input type="checkbox"/> <b>Repayment should begin</b> at this time on any loans (Direct Consolidation and any you chose not to consolidate)</li> <li><input type="checkbox"/> If you are pursuing <b>Public Service Loan Forgiveness</b>, submit your Employment Certification Form with your Employer's Information to FedLoan Servicing- <a href="http://myfedloan.org">myfedloan.org</a></li> </ul>  |
| <p><b>One Year After Requesting Income-Driven Repayment Date:</b></p> | <ul style="list-style-type: none"> <li><input type="checkbox"/> Renew your Income Driven Repayment plan- <a href="http://studentaid.gov">studentaid.gov</a> or directly with your Loan Servicer (Annually)</li> <li><input type="checkbox"/> If you are pursuing <b>Public Service Loan Forgiveness</b>, submit your Employment Certification Form with your Employer's Information to FedLoan Servicing- <a href="http://myfedloan.org">myfedloan.org</a> (Annually)</li> </ul>  |
| <p><b>Every Time Your Income or Household Changes</b></p>             | <ul style="list-style-type: none"> <li><input type="checkbox"/> Review your entire loan situation to make sure the repayment plan you are in is still the best fit for your situation</li> <li><input type="checkbox"/> If you are pursuing <b>Public Service Loan Forgiveness</b>, make sure you are still going to be making eligible payments toward that program</li> </ul>   |

## PHILADELPHIA COLLEGE OF OSTEOPATHIC MEDICINE

Office of Financial Aid | Exit Counseling Resource | [financial@pcom.edu](mailto:financial@pcom.edu) | 215-871-6170

|               |          |
|---------------|----------|
| Student Name: | Phone:   |
| Banner ID:    | Email:   |
| Date:         | Program: |

### Federal Loan Servicers

|  |  |
|--|--|
|  <p>FedLoan Servicing<br/>1-800-699-2908<br/><a href="http://myfedloan.org">myfedloan.org</a></p>                           |  <p>Great Lakes Educational Loan Services<br/>1-800-236-4300<br/><a href="http://mygreatlakes.org">mygreatlakes.org</a></p> |
|  <p>Navient<br/>1-800-722-1300<br/><a href="http://navient.com">navient.com</a></p>   |  <p>Nelnet<br/>1-888-486-4722<br/><a href="http://nelnet.com">nelnet.com</a></p>  |
|  <p>ECSI<br/>1-888-549-3274<br/><a href="http://borrower.ecsi.net">borrower.ecsi.net</a><br/>(Perkins and Alumni Loans)</p> |  <p>Mohela<br/>1-888-866-4352<br/><a href="http://mohela.com">mohela.com</a></p>  |
|  <p>Granite State<br/>1-888-556-0022<br/><a href="http://gsnr.org">gsnr.org</a></p>   |  <p>Cornerstone<br/>1-800-663-1662<br/><a href="http://mycornerstone.org">mycornerstone.org</a></p>                         |

### Additional Servicer/s:

| Types of Federal Loans<br>Comparing Features | Interest Accrues During In-School Deferment | Interest Accrues During Grace Period | Six Month Grace Period | Nine Month Grace Period | Eligible for Income Driven Repayment | Eligible for Public Service Loan Forgiveness |
|--|---|--------------------------------------|------------------------|-------------------------|--------------------------------------|--|
| Direct Stafford Unsubsidized                 | X   | X                                    | X                      |                         | X                                    | X  |
| Direct PLUS Graduate                         | X   | X                                    | X                      |                         | X                                    | X  |
| Direct Stafford Subsidized                   |   |                                      | X                      |                         | X                                    | X  |
| Federal Perkins                              |   |                                      |                        | X                       | *                                    | *  |
| Direct Consolidated Unsubsidized             | X   | X                                    | no grace               | no grace                | X                                    | X  |
| Direct Consolidated Subsidized               |   |                                      | no grace               | no grace                | X                                    | X  |
| Direct PLUS Consolidated                     | X   | X                                    | no grace               | no grace                | X                                    | X  |
| FFEL Stafford Subsidized                     |   |                                      | X                      |                         | X                                    | *  |
| FFEL Stafford Unsubsidized                   | X   | X                                    | X                      |                         | X                                    | *  |
| FFEL PLUS Graduate                           | X   | X                                    | X                      |                         | X                                    | *  |
| FFEL Consolidated                            | X   | X                                    | no grace               | no grace                | X                                    | *  |

\*Federal Perkins and FFEL Loans can be consolidated into a Direct Consolidation Loan and become eligible for Public Service Loan Forgiveness and Income-Driven Repayment

### Common Consolidation Questions:

- Once you have used up a complete six or nine months of grace period and a loan enters into a repayment status, you are not eligible to receive another grace period on that loan
- You are allowed to consolidate a previously consolidated loan!
- You are only permitted to include Federal Student Loans in a Direct Consolidation Loan- no private loans from banks can be included
- You cannot request a Direct Consolidation until you are out of an in-school deferment status

# Exit Counseling Case Studies

The background features a series of overlapping, semi-transparent geometric shapes in shades of yellow and orange, primarily concentrated on the right side of the slide. These shapes create a dynamic, layered effect against the white background.



# Graduate Student Masters in Higher Education, Entry Level Financial Aid Administrator



- ▶ \$40,000 annual salary/\$93,573 total Federal Student Loans
- ▶ Estimate monthly take home pay/\$2,500 per month
- ▶ Calculate monthly interest accrual/approximately \$390 per month
- ▶ Estimate Standard Monthly payment/approximately \$992 per month

Can this student afford a payment of \$992 per month? **NO WAY!**

- ▶ This is a good case to calculate income driven repayment and help the student choose a plan
- ▶ Let's figure out which plan is the best choice for this student

| IDR Plan                                     | REPAYE   | PAYE     | IBR      |
|--|----------|----------|----------|
| AGI<br>(from prior tax year)                 | \$40,000 | \$40,000 | \$40,000 |
| 150% Poverty Level<br>(Based on Family Size) | \$19,140 | \$19,140 | \$19,140 |
| Discretionary Income                         | \$20,860 | \$20,860 | \$20,860 |
| Percentage                                   | X 10%    | X 10%    | X 15%    |
| Divide by 12                                 | \$2,086  | \$2,086  | \$3,129  |
| Monthly Payment                              | \$174    | \$174    | \$261    |

- ▶ Create a simple budget
  - ▶ 50% Fixed Expenses \$1,250 | 30% Discretionary \$750 | 20% Debt \$500
- ▶ Provide clear next steps and a plan of action for the student to follow
  - ▶ Filing taxes, timeline for requesting repayment plan, PSLF instructions
- ▶ Homework for the student:
  - ▶ They should check their Free Credit Report through one of the three agencies at [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - ▶ Follow the steps indicated for their individual plan that you determined together



# Undergraduate Student Entry Level Financial Analyst



- ▶ \$15 an hour= \$31,200 annual salary/ \$27,900 total Federal Student Loans
- ▶ Estimate monthly take home pay/\$1,950 per month
- ▶ Calculate monthly interest accrual/approximately \$64 per month
- ▶ Estimate Standard Monthly payment/approximately \$266 per month

Can this student afford a payment of \$266 per month? Maybe?

- ▶ This is a good case to calculate income driven repayment and help the student decide if it is better than the Standard Monthly payment plan
- ▶ Let's figure out which plan is the best choice for this student

| IDR Plan                                     | REPAYE   | PAYE     | IBR      |
|--|----------|----------|----------|
| AGI<br>(from prior tax year)                 | \$31,200 | \$31,200 | \$31,200 |
| 150% Poverty Level<br>(Based on Family Size) | \$19,140 | \$19,140 | \$19,140 |
| Discretionary Income                         | \$12,060 | \$12,060 | \$12,060 |
| Percentage                                   | X 10%    | X 10%    | X 15%    |
| Divide by 12                                 | \$1,206  | \$1,206  | \$1,809  |
| Monthly Payment                              | \$101    | \$101    | \$151    |

- ▶ Create a simple budget
  - ▶ 50% Fixed Expenses \$975 | 30% Discretionary \$585 | 20% Debt \$390
- ▶ Provide clear next steps and a plan of action for the student to follow
  - ▶ Filing taxes, timeline for requesting repayment plan, PSLF instructions
- ▶ Homework for the student:
  - ▶ They should check their Free Credit Report through one of the three agencies at [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - ▶ Follow the steps indicated for their individual plan that you determined together



# Helpful Websites



[www.nerdwallet.com](http://www.nerdwallet.com) is a third-party company whose mission is to provide clarity for all of life's financial decisions. Their tools and advice make it easy to pay off debt, choose financial products and services, and tackle major life goals. Their tools are educational and free and can provide you with personalized suggestions for new financial tools and loans.



[www.creditkarma.com](http://www.creditkarma.com) is a third-party company who reports estimated credit score information for you from two of the three credit bureaus in real time. It also provides suggestions for new credit opportunities that match your profile. It is a useful and free tool for getting a sense of where you are with your score. It is not perfect but it is definitely helpful!



[www.annualcreditreport.com](http://www.annualcreditreport.com) You are entitled to an annual report of your entire credit history each year from each of the three credit bureaus, Experian, Equifax, and Transunion. Your credit history includes the details of all debt associated with your identity. It does not include a credit score.



[www.studentaid.gov](http://www.studentaid.gov) is the homepage for all resources related to applying for and repaying Federal Student loans. This is where you access the FAFSA, your loan history, and where you apply for a GradPLUS Loan or request an Income-Driven Repayment plan.

# References

- ▶ 2020 Student Loan Debt Statistics
  - ▶ <https://www.nerdwallet.com/article/loans/student-loans/student-loan-debt>
- ▶ Student Loan Debt Statistics in 2020: A Record \$1.6 Trillion
  - ▶ <https://www.forbes.com/sites/zackfriedman/2020/02/03/student-loan-debt-statistics/#64ff4823281f>
- ▶ Student Loan Consolidation
  - ▶ <https://studentaid.gov/manage-loans/consolidation>
- ▶ How to Research Salaries
  - ▶ <https://www.forbes.com/sites/nextavenue/2014/05/14/how-to-research-salaries-when-job-hunting/#457d9cf077ae>
- ▶ ADP Salary Paycheck Calculator
  - ▶ <https://www.adp.com/resources/tools/calculators/salary-paycheck-calculator.aspx>
- ▶ Getting Out of Default
  - ▶ <https://studentaid.gov/manage-loans/default/get-out>
- ▶ Loan Payment Calculator
  - ▶ <https://finaid.org/calculators/loanpayments/>
- ▶ Refinance Your Student Loans
  - ▶ <https://www.nerdwallet.com/refinancing-student-loans>