Managing Student Loan Debt

Professional Development Webinar
Thursday, January 26, 2017

Presented by:

Bank of America

Money Management International

www.americorpsalums.org
Today’s Agenda

• About AmeriCorps Alums
• Intro to Speakers
• Managing Student Loans
• Q & A
• Closing
About AmeriCorps Alums

We are the only national organization connecting all alums to the people, ideas, and resources that help them reach their full potential as engaged citizens and civic leaders.

<table>
<thead>
<tr>
<th>Top Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networking</td>
</tr>
<tr>
<td>Professional Development</td>
</tr>
<tr>
<td>Educational Opportunities</td>
</tr>
<tr>
<td>Service</td>
</tr>
<tr>
<td>Voice</td>
</tr>
</tbody>
</table>

Ben Duda, AmeriCorps Alums
Co-Executive Director
Meet Today’s Speakers

Susan Hillebrandt
Manager, Learning & Development

Amy Lins
Sr. Director, Learning & Development
### Who is involved with your student loan?

<table>
<thead>
<tr>
<th>Find Your Loans</th>
<th>Loan Type</th>
<th>Guarantor</th>
<th>Lender</th>
<th>Servicer</th>
<th>Borrower</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSLDS.ed.gov</td>
<td>Direct</td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
</tr>
<tr>
<td>NSLDS.ed.gov</td>
<td>FFEL</td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
</tr>
<tr>
<td>NSLDS.ed.gov</td>
<td>Perkins</td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
</tr>
<tr>
<td>AnnualCreditReport.com</td>
<td>Private</td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
<td><img src="icon.png" alt="Icon" /></td>
</tr>
</tbody>
</table>

* FFEL loans were discontinued in 2010
** Perkins loans are being phased out during 2016 and 2017.
Why contact your servicer(s)?

- Need copies of your loan documents
- Have trouble making your loan payment
- Change your name or contact information
- Have a question about your bill
- Want to change your repayment plan
- Need a deferment or forbearance
- Want to apply for public service or other loan forgiveness programs
- Believe you qualify for loan cancellation
- Return to school
- Drop below half-time enrollment
- Graduate or stop going to school
- Transfer to another school
Organize Now!

- Master Promissory Note(s)
- Servicer(s) contact information
- All correspondence to and from the servicer(s)
- All correspondence to and from the Department of Education
- Credit Report information
Meet Marcus

- Currently serving with AmeriCorps
- 21 years old
- Returning to school to finish his bachelor’s degree
- Not sure if he will work for a non-profit or for profit after school
- Has $14,000 in student loans and will be taking out more loans to finish school
What's the difference between unsubsidized and subsidized loans?

<table>
<thead>
<tr>
<th></th>
<th>Unsubsidized</th>
<th>Subsidized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>$3,500</td>
<td>$3,500</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>4.29%</td>
<td>4.29%</td>
</tr>
<tr>
<td>Defer Period</td>
<td>4 years</td>
<td>4 years</td>
</tr>
<tr>
<td>Interest</td>
<td>$655</td>
<td>0</td>
</tr>
<tr>
<td>Total owed at start of repayment</td>
<td>$4,155</td>
<td>$3,500</td>
</tr>
</tbody>
</table>
Unsubsidized Loans During In-School Deferment

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1</td>
<td>$3,500</td>
<td>$655</td>
</tr>
<tr>
<td>Year 2</td>
<td>$3,500</td>
<td>$480</td>
</tr>
<tr>
<td>Year 3</td>
<td>$3,500</td>
<td>$313</td>
</tr>
<tr>
<td>Year 4</td>
<td>$3,500</td>
<td>$153</td>
</tr>
</tbody>
</table>

At the beginning of repayment* Marcus owes…

$14,000   $1,596
Unsubsidized Loans During In-School Deferment

Year 1
- $3,500
- $655

Year 2
- $3,500
- $480

Year 3
- $3,500
- $313

Year 4
- $3,500
- $153

At the beginning of repayment* Marcus owes...
- $15,596

At the end of repayment* Marcus pays...
- $14,000
  - $1,596
  - $3,620

If the loans were subsidized loans Marcus would pay...
- $14,000
  - $3,250

* Standard Plan – 10 year repayment
<table>
<thead>
<tr>
<th>At 4.29% interest</th>
<th>Sub</th>
<th>Unsub + No Pay INT</th>
<th>Unsub + Pay INT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>$14,000</td>
<td>$14,000</td>
<td>$14,000</td>
</tr>
<tr>
<td>Interest During Deferment</td>
<td>$0</td>
<td>$1,596</td>
<td>$1,596</td>
</tr>
<tr>
<td>Loan Balance at start of repayment</td>
<td>$14,000</td>
<td>$15,596</td>
<td>$14,000</td>
</tr>
<tr>
<td>Repayment Interest</td>
<td>$3,250</td>
<td>$3,620</td>
<td>$3,250</td>
</tr>
<tr>
<td>Total Cost of Loan</td>
<td>$17,250</td>
<td>$19,216</td>
<td>$18,846</td>
</tr>
<tr>
<td>Interest as % of original loan</td>
<td>23%</td>
<td>37%</td>
<td>34%</td>
</tr>
</tbody>
</table>
Why doesn’t everyone take out subsidized loans?

- Eligibility criteria
- Loan limits

<table>
<thead>
<tr>
<th>Year</th>
<th>Dependent Sub/Total</th>
<th>Independent Sub/Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st year</td>
<td>$3,500/$5,500</td>
<td>$3,500/$9,500</td>
</tr>
<tr>
<td>2nd year</td>
<td>$4,500/$6,500</td>
<td>$4,500/$10,500</td>
</tr>
<tr>
<td>3rd year+</td>
<td>$5,500/$7,500</td>
<td>$5,500/$12,500</td>
</tr>
<tr>
<td>Aggregate</td>
<td>$23,000/$31,000</td>
<td>$23,000/$57,000</td>
</tr>
</tbody>
</table>
Make your dollars count:

1. Consider paying down interest on unsubsidized deferred loans
2. Consider paying down principal on unsubsidized deferred loans
3. Consider paying down principal on subsidized deferred loans
4. Consider paying for additional education expenses

For illustration only, individual circumstances may vary
Meet Maria

- AmeriCorps alumni
- 23 years old
- Just graduated with a bachelor’s degree
- Has $20,000 in student loans
- Works for a non-profit
- Considering graduate school in social work
<table>
<thead>
<tr>
<th></th>
<th>Deferment</th>
<th>Forbearance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mandatory</td>
<td>Mandatory and Discretionary</td>
</tr>
<tr>
<td></td>
<td>* Limited to 150% of the published program length</td>
<td></td>
</tr>
<tr>
<td>Grace Period</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What’s the difference between deferment and forbearance?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Who Pays the Interest?</td>
<td>Unsubsidized Loans</td>
<td>Subsidized Loans</td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>--------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Deferment</td>
<td>![Bank Icon]</td>
<td>![Bank Icon]</td>
</tr>
<tr>
<td>Mandatory Forbearance</td>
<td>![Person Icon]</td>
<td>![Person Icon]</td>
</tr>
<tr>
<td>Discretionary Forbearance</td>
<td>![Person Icon]</td>
<td>![Person Icon]</td>
</tr>
<tr>
<td>AmeriCorps Forbearance + Education Award</td>
<td>![AmeriCorps Flag]</td>
<td>![AmeriCorps Flag]</td>
</tr>
<tr>
<td>AmeriCorps Forbearance + Stipend</td>
<td>![Person Icon]</td>
<td>![Person Icon]</td>
</tr>
</tbody>
</table>

Contact your servicer to apply for deferment or forbearance or use My AmeriCorps for national service forbearance.
Maria has loans totaling $20,000
- $10,000 unsubsidized
- $10,000 subsidized
- 4.29% interest on all loans
- The below illustration does not consider additional loans Maria may take out for graduate school
Reduce Cost of Returning to School

- Grants and scholarships
- Fellowships or work as a teaching assistant (grad)
- Full time school + part time work
- Work and go do school part time
- Delay graduate school a few years
- Take classes online, which are often less expensive
- Take only the amount of loans you absolutely need
Professional Programs

- Student Loans for Medical Fields
  - Federal: NHSC, NIH, Navy HPLR
  - State Program
  - Public Service Loan Forgiveness
- Student Loans for Legal Fields
  - Public Service Loan Forgiveness
  - Department of Justice
  - John R Justice
  - Law School and State plans
Employer Assistance

- Tuition Reimbursement, Section 127
  - Up to $5,250 per year tax free
- Employer assistance plans
  - Currently about 3% of employers
  - Most are competitive, high end firms
  - Currently treated as income, so it’s taxable for you and your company
  - Pending legislation would qualify the assistance under Section 127
Education Award: Pay Ahead vs. Pay Down

Education Assistance Award

Begin Making Payments

Pay Ahead

Pay Down

Give instructions to your servicer in writing.
Make your dollars count:

1. Maximize your benefit through the National Service Trust’s payment of accrued interest after forbearance
2. Consider paying interest during deferment
3. Consider paying interest during non-service forbearance
4. Consider Pay Ahead vs Pay Down tradeoffs

For illustration only, individual circumstances may vary
A word about taxes*

- Your Education Award is taxable income the year you use the funds
- Accrued interest paid by CNCS is also taxable income
- Interest you pay on student loans may be tax deductible
- You may qualify for education tax credits
- To deduct interest or claim credits, use form 1040 and not 1040EZ
- Using your award(s) in multiple tax years may be a good strategy to minimize taxes

*For illustration purposes only, consult a tax advisor regarding your specific situation
Meet Jen

- AmeriCorps alumni
- 34 years old
- Master’s in English
- Teaching high school
- Non-traditional student, she began her studies after having children
- Single mom with 2 kids
- Living in Michigan with a salary of $45,000
- Has $34,000 in student loans, including graduate loans
Time Based Plans

- **Standard**
  - Today: $34,000
  - Monthly payment: $349/month
  - 10 years: $7,892
  - 10 years payment: $349/month

- **Graduated**
  - Today: $34,000
  - Monthly payment: $196/month
  - 10 years: $9,874
  - 10 years payment: $588/month

- **Extended Fixed**
  - Today: $34,000
  - Monthly payment: $185/month
  - 25 years: $21,543
  - 25 years payment: $185/month

- **Extended Graduated**
  - Today: $34,000
  - Monthly payment: $122/month
  - 25 years: $26,741
  - 25 years payment: $321/month
Income Based Plans – must recertify annually

<table>
<thead>
<tr>
<th>Plan</th>
<th>Date driven</th>
<th>Eligible Loans</th>
<th>Discretionary Income**</th>
<th>Recalculated each year?</th>
<th>Spousal income/debt considered?</th>
<th>Balance Forgiven/ Taxable</th>
</tr>
</thead>
<tbody>
<tr>
<td>REPAYE</td>
<td>No</td>
<td>Direct</td>
<td>10%</td>
<td>Y</td>
<td>Yes</td>
<td>20 or 25 yrs. / Yes</td>
</tr>
<tr>
<td>PAYE</td>
<td>Yes</td>
<td>Direct</td>
<td>10%</td>
<td>Y</td>
<td>Yes if filing jointly</td>
<td>20 yrs. / Yes</td>
</tr>
<tr>
<td>IBR</td>
<td>No</td>
<td>Direct; FFEL</td>
<td>10% or 15%</td>
<td>Y</td>
<td>Yes if filing jointly</td>
<td>20 or 25 yrs. / Yes</td>
</tr>
<tr>
<td>ICR*</td>
<td>No</td>
<td>Direct, FFEL</td>
<td>Lesser of 20% OR equivalent of fixed monthly payment over 12 years</td>
<td>Y</td>
<td>Yes if filing jointly</td>
<td>25 yrs./ Yes</td>
</tr>
<tr>
<td>ISR</td>
<td>For older, FFEL loans. See the Department of Education website.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FAQ Document:

* Only income based plan that can include Parent PLUS loans (if consolidated into a Direct Loan)

** Calculation varies by plan. See the Department of Education website

US Poverty Guidelines: www.aspe.hhs.gov/poverty
Income Plan annual recertification

StudentLoans.gov
Jen’s Student Loan Repayment Estimator

You're currently not logged in!
You must log in to complete and submit federal student loan processes.

Repayment Plans
- Which loans are included?
- What assumptions do we make?
- Projected Loan Forgiveness

Estimate Your Payments
- Your Loan Information
  - Use Your Loans
  - Use Average Loan Balances
- Your Loan Balance: $0
- Interest Rate: N/A

Your Tax Filing Status
- Select your tax filing status: Single

www.nslds.ed.gov
# Jen’s Student Loan Repayment Estimator

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Total Cost</th>
<th>Monthly Payment Range</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard</strong></td>
<td><strong>$42,848</strong></td>
<td><strong>$357 - $357/month</strong></td>
</tr>
<tr>
<td>You will pay a total of</td>
<td>over 120 months</td>
<td></td>
</tr>
<tr>
<td><strong>Graduated</strong></td>
<td><strong>$45,111</strong></td>
<td><strong>$202 - $605/month</strong></td>
</tr>
<tr>
<td>You will pay a total of</td>
<td>over 120 months</td>
<td></td>
</tr>
<tr>
<td><strong>Extended Fixed</strong></td>
<td><strong>$58,359</strong></td>
<td><strong>$195 - $195/month</strong></td>
</tr>
<tr>
<td>You will pay a total of</td>
<td>over 300 months</td>
<td></td>
</tr>
<tr>
<td><strong>Extended Graduated</strong></td>
<td><strong>$63,778</strong></td>
<td><strong>$136 - $322/month</strong></td>
</tr>
<tr>
<td>You will pay a total of</td>
<td>over 300 months</td>
<td></td>
</tr>
<tr>
<td><strong>Revised Pay As You Earn (REPAYE)</strong></td>
<td><strong>$23,233</strong></td>
<td><strong>$123 - $273/month</strong></td>
</tr>
<tr>
<td>You will pay a total of</td>
<td>over 120 months</td>
<td></td>
</tr>
<tr>
<td><strong>Pay As You Earn (PAYE)</strong></td>
<td><strong>$23,233</strong></td>
<td><strong>$123 - $273/month</strong></td>
</tr>
<tr>
<td>You will pay a total of</td>
<td>over 120 months</td>
<td></td>
</tr>
<tr>
<td><strong>Income-Based Repayment (IBR)</strong></td>
<td><strong>$33,944</strong></td>
<td><strong>$184 - $357/month</strong></td>
</tr>
<tr>
<td>You will pay a total of</td>
<td>over 120 months</td>
<td></td>
</tr>
<tr>
<td>Repayment Type</td>
<td>Payment Details</td>
<td>Total Amount Paid</td>
</tr>
<tr>
<td>----------------------------</td>
<td>--------------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td><strong>Standard</strong></td>
<td>First Monthly Payment: $357</td>
<td>$42,848</td>
</tr>
<tr>
<td></td>
<td>Last Monthly Payment: $357</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total: $357 - $357/month</td>
<td></td>
</tr>
<tr>
<td><strong>Extended Fixed</strong></td>
<td>First Monthly Payment: $195</td>
<td>$58,359</td>
</tr>
<tr>
<td></td>
<td>Last Monthly Payment: $195</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total: $195 - $195/month</td>
<td></td>
</tr>
<tr>
<td><strong>PAYE</strong></td>
<td>First Monthly Payment: $123</td>
<td>$23,233</td>
</tr>
<tr>
<td></td>
<td>Last Monthly Payment: $273</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total: $123 - $273/month</td>
<td></td>
</tr>
</tbody>
</table>
Loan Forgiveness

Should Jen consider public service loan forgiveness? What about teacher loan forgiveness?
<table>
<thead>
<tr>
<th></th>
<th>TLF</th>
<th>PSLF</th>
<th>Perkins Cancellation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Length of Time</strong></td>
<td>5 consecutive years</td>
<td>120 qualifying payments (don’t have to be consecutive)</td>
<td>Prorated basis per year; loan specific</td>
</tr>
<tr>
<td><strong>Criteria</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Loan Types</strong></td>
<td>Direct</td>
<td>Direct</td>
<td>Perkins</td>
</tr>
<tr>
<td></td>
<td>Direct Consolidation</td>
<td>Direct Consolidation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Certification</strong></td>
<td>Each school you’ve worked at completes certification; apply at end of 5 years</td>
<td>Each employer completes certification; can turn in annually; must apply at end of 120 payments*</td>
<td>Apply with your school. Can also defer while you teach or serve.</td>
</tr>
<tr>
<td><strong>Servicer</strong></td>
<td>Any</td>
<td>FedLoan Servicing (PHEAA)</td>
<td>Your school</td>
</tr>
<tr>
<td><strong>Forgiven Amount Taxable?</strong></td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

*Annual certification is a best practice.
Make the most of income based plans…
and loan forgiveness

- Income based plans can give an affordable payment, even a $0 payment
- Loan balance will be forgiven, but forgiven amount may be taxable
- Use an income plan in combination with Public Service Loan Forgiveness for additional benefits: non-taxable; forgiven after 10 years or 120 payments, respectively
- AmeriCorps service can be combined with PSLF and income plans

*For illustration purposes only, your situation may vary
Consolidation
Consolidation

- Consolidate loans if needed for payment or forgiveness program eligibility
- Extend repayment time for aggregate loans over $30,000
- One payment, one servicer
- Be careful to review your benefits, subsidies, and eligibility for special programs before consolidating

*For illustration purposes only, your circumstances may vary*
What if I can’t make my payments on my federal student loans?
Delinquent: One or more missed payments

- Switch repayment plans
- Consider deferment or forbearance
- Look at consolidation options
- Credit Bureau Reporting > 90 days delinquent
Default: 270 days without a payment

- Repayment
- Rehabilitation
  - 9 monthly payments
  - Based on income
  - Involuntary payments do not count (i.e. garnishment)
- Consolidation
- Loss of benefits
- Credit Bureau Reporting
- Administrative Wage Garnishment; Treasury Offset
We haven’t talked about private loans...

- Governed by the Truth In Lending Act (TILA)
- Contract between borrower and lender
- Some private lenders will make loan modifications
- Some private lenders have discharge protections
- Review the loan agreement
What if I am having trouble with my servicer?

**Federal Student Loan Ombudsman**

https://studentaid.ed.gov/sa/repay-loans/disputes

**Private Student Loan Ombudsman**

http://www.consumerfinance.gov/ombudsman/

Department of Education

Consumer Financial Protection Bureau
Resources

• Better Money Habits- Powered by Bank of America in partnership with Khan Academy
  - www.bettermoneyhabits.com

• Money Management International
  - www.moneymanagement.org

• Government Sites
  - NSLDS
    - www.nslds.ed.gov
  - Federal Student Aid – Department of Education
  - Consumer Financial Protection Bureau
    - www.consumerfinance.gov
QUESTIONS AND ANSWERS
Thank You for Coming!

Stay Connected

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• Talk to us on Social Media

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