



## **Student Loan Management**

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# Agenda

Things to consider when considering a loan

Types of Loans

Private Loans vs. Federal Loans

Borrower Responsibilities

Deferments, Forbearance, Cancellation

Default

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Federal Repayment Plans

Federal Public Service Loan Forgiveness

Loan Repayment Plans

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    Lender Contact Information

Q&A

# Things to consider when considering a loan

- Cosigner Requirements and Cosigner Release Options
- Interest Rate: Variable or Fixed, Index and Margins, Interest Capitalization Policies
- Borrower Benefits: Interest Rate Reductions for ACH and Cosigners, On-time payment incentives
- Fees: Origination Fees, Late Fees, Return Check Fees
- Repayment Options: Repayment Start Dates, Years In Repayment
- Grace Period, Deferment and Forbearance Options

# Types of Loans at Harvard

The Department of Education services the following:

- Direct Loans – Stafford (6 month grace period)
  - Subsidized/Unsubsidized
- PLUS (Parent/Grad) (No grace period, but GradPLUS has post-graduation deferment of 6 months--otherwise loan maybe eligible for deferment)

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Harvard Student Loan Office (SLO) services the following:

- Perkins Loans (9 month grace period)
- (HPSL) Health Professions Student Loans (12 month grace period)
- (LDS) Loans for Disadvantaged Students (12 month grace period)
- Institutional Loans (6 month grace period)

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Private Loans – Varied for Profit Lenders

Harvard Private Loan Website *Site Includes Domestic Student Loan Comparison*

Chart <http://sfs.harvard.edu/2015-2016-private-loan-options>

# Comparing Private vs Federal loans

## Private Loans

(approval based on credit)

### Benefits:

- Potentially lower interest rate for borrowers with strong credit
- For midcareer students, private loans can disburse unevenly to reflect higher fall tuition and fees

### Potential Downsides:

- Typically variable interest rates
- Limited repayment flexibility and protections
- Limited options for deferment and forbearance
- Cannot take advantage of Federal Public Service Loan Forgiveness

## Federal Loans

### Benefits:

- Repayment flexibility including income based repayment
- Significantly greater protections than private loans including ability to stop repayment for unemployment, economic hardship and future enrollment
- Qualifies for Public Service Loan Forgiveness

### Potential Downsides:

- Possibly higher interest rates and fees

# Managing Your Borrowing While In School

Examine your budget closely and only borrow when absolutely necessary

- Unsubsidized Stafford, PLUS, and many private loans accrue interest while in school
- Student loans can be borrowed at anytime\* during the academic year; if you do not need the loans at the start of the year wait until you need them to borrow
- Most loans have disbursement fees based on a percentage loan borrowed  
Example: GRAD PLUS 4.272% or \$429 off a \$10,000 loan!
- Consider paying interest while in school or better yet return a portion of your loan to maximize loan savings

\* Federal loans typically must be split evenly between the fall and spring

# Loans are an obligation

Student loan borrowers are obligated by law to repay loans even if they failed to complete program, completed program in a longer than normal time frame, or were dissatisfied with the program.

## Borrower Responsibilities

- ✓ Notify **lender/loan servicer** of any change in your contact information
- ✓ Notify **lender/loan servicer** of any change in your status if it will affect your ability to repay your loans.

Contacting your Alumni Office will not update your information with your lender.

# Before you leave school.....

All student loan borrowers must complete the online student loan exit process.

*Your school may also offer in person loan exit counseling. Contact your school's Financial Aid Office for more information.*

An exit interview is a loan counseling session in which you are advised of your loan repayment schedule, obligations, and rights to deferment and/or cancellation. It is also where you provide your lender with demographic information and three references. Your school is required by the federal government to conduct this exit interview whenever you are no longer enrolled as at least a half time student.

## **Federal Direct Loan Stafford & Grad PLUS**

[studentloans.gov](http://studentloans.gov)

## **(Harvard Student Loan Office) Perkins, HPSL, LDS, Institutional & HUECU Loans**

<http://www.ecsi.net/exitK4>



# Deferment & Forbearance

## Deferment

- ▶ Temporary postponement of payment on your loans. Interest is not charged on subsidized loans.
- Pursuing at least half-time study
- Conscientiously seeking but unable to find full-time employment in any field
- Experiencing economic hardship (limited)
- Active duty military service/post active duty
- Graduate Fellowship Programs
- Some programs have an internship/residency deferment

## Forbearance

- ▶ Temporary postponement or reduction of loan payments for a limited and specified period. Interest will be charged on both the subsidized and unsubsidized loan.
- New Job
- Relocation
- Life event (marriage, birth, etc.)
- If you are having temporary difficulty making payments
- Some programs have internship/ residency forbearance at expiration of deferment eligibility

# Cancellation

## Cancellation

Releases you from all obligations to repay your loans

- ▶ Total and permanent disability
- ▶ Death
- ▶ Fraudulent certification of loan by school
- ▶ Loan Forgiveness Programs

# Federal Perkins Cancellation

## Teacher Cancellation

- Teacher at low income schools (Title I)
- Special education teachers
- Field of expertise (math, science, foreign language)
- Early Intervention
- Head Start
- Speech-Language Pathology

## Public Service Cancellation

- Employees of non-profit child or family service agencies serving children in low-income communities
- Nurses and medical technicians
- Law enforcement or corrections officers
- Full time fire fighter
- Military Service
- Peace Corp volunteers

# Default

## Consequences

- Stays on credit history for 7 years
  - Wage garnishment
  - Loss of tax refund
  - Professional accreditations may not be renewed
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## Avoiding Default

- Deferments
- Forbearance
- Different Types of Payment Plans
- Forgiveness/Repayment Assistance

## Rehabilitation

- Help getting out of default
- Make 9 consecutive on-time monthly payments
- You can only successfully rehabilitate once

## *Benefits*

- Delinquency eliminated
- Default removed from credit bureau
- Title IV eligibility for student financial assistance will be re-established after 6 on-time payments
- New repayment period may extend to 10 years

# Things to remember:

- ▶ **Loans are an obligation!**
- ▶ Making late payments or missing payments can impact your credit.
- ▶ There are a number of options for student loan borrowers to avoid default.
- ▶ Don't ignore your lender/servicer! They will help you avoid default.
- ▶ Keep your contact information up-to-date with all your lenders/servicers.

# Federal Loan Terms

Loan Type	Undergraduate Stafford	Graduate Stafford	Grad PLUS (credit based)	Perkins <small>(not renewed as of 10/1/15)</small> <i>(Serviced through Harvard Student Loan Office)</i>
Interest Rate	15/16: 4.29%	15/16: 5.84%	15/16: 6.84%	5.0%
Fees	1.068%	1.068%	4.272%	None
Borrowing Limit		\$20,500	Cost of Education less Other Aid	\$3,000-\$8,000
Grace Period	6 months	6 months	6 months	9 months
Repayment Plans	10 year, 25 year, graduated, income driven	10 year, 25 year, graduated, income driven	0 year, 25 year, graduated, income driven	10 year
More Information	<a href="http://studentaid.ed.gov">http://studentaid.ed.gov</a>	<a href="http://studentaid.ed.gov">http://studentaid.ed.gov</a>	<a href="http://studentaid.ed.gov">http://studentaid.ed.gov</a>	<a href="http://studentaid.ed.gov">http://studentaid.ed.gov</a>

# Federal Repayment Plans

- ▶ No penalty for early repayment
- ▶ Borrowers can change repayment plans (but be careful if switching out of IDR!)
- ▶ Borrowers can request shorter repayment period
- ▶ Reminder: Perkins and Institutional loans have a standard 10-year repayment term

# Repayment Plans (Stafford and Grad PLUS)

1. Standard
2. Graduated
3. Extended
4. \*\*REPAYE: Revised Pay As You Earn
5. \*\*PAYE: Pay As You Earn
6. \*\*Income Based Repayment (IBR) for new borrowers
7. \*\*Income Based Repayment (IBR)
8. Income Contingent Repayment

[https://www.accessgroup.org/sites/default/files/federal\\_loan\\_repayment\\_plan\\_summary\\_10.28.2015\\_0.pdf](https://www.accessgroup.org/sites/default/files/federal_loan_repayment_plan_summary_10.28.2015_0.pdf)



# Repayment Plans (Stafford and Grad PLUS)

	\$50,000 (amount borrowed)	\$75,000 (amount borrowed)	\$100,000 (amount borrowed)	\$125,000 (amount borrowed)
<b>Standard</b>	\$585	\$833	\$1110	\$1388
<b>Graduated</b>	\$317-\$952	\$476-\$1428	\$635-\$1905	\$794-\$2381
<b>Extended Fixed</b>	\$322	\$483	\$644	\$805
<b>REPAYE</b>	\$268-\$657	\$268-\$1027	\$268-\$1084	\$268-\$1084
<b>PAYE*</b>	\$268-\$555	\$268-\$823	\$268-\$823	\$268-\$823
<b>IBR (new borrowers)*</b>	\$268-\$555	\$268-\$823	\$268-\$823	\$268-\$823
<b>IBR*</b>	\$402-\$555	\$402-\$833	\$402-\$1110	\$402-\$1388
<b>ICR</b>	\$465-\$500	\$635-\$749	\$635-\$1030	\$635-\$1348

\*\*Assumed a \$50,000 income, single tax filing in Massachusetts, 5% annual increase in income, and 6% interest rate using studentaid.ed.gov calculator

# Forgiveness & Loan Repayment Assistance

- ▶ Federal Public Service Loan Forgiveness Program
- ▶ Forgiveness for Executive Branch Federal Employees
- ▶ Harvard University Loan Repayment Assistance Programs (LRAP, LIPP, HMS)

# Federal Public Service Loan Forgiveness

Allows forgiveness of Federal Direct Student Loans after 10 years if the following three conditions are true:

- Right Kind of Repayment Plan
- Right Kind of Employment
- Remaining Debt after 10 years or 120 qualifying payments

## Caveats

- Program is not an entitlement program so Congress could eliminate program.
- There are proposed changes to PSLF that would cap public service forgiveness at \$57,500 with remaining balances forgiven at the end of 25 years.
- No word on retroactivity

## ➤ Right Kind of Employment

### Public Service Definition ([ibrinfo.org](http://ibrinfo.org))

- Employed by any nonprofit, tax-exempt 501(c)(3) organization;
- Employed by the federal government, a state government, local government, or tribal government (this includes the military and public schools and colleges)
- Serve in a full-time AmeriCorps or Peace Corps position.

**OR**

- (1) your employer is *not* "a business organized for profit, a labor union, a partisan political organization, or an organization engaged in religious activities, unless the qualifying activities are unrelated to religious instruction, worship services, or any form of proselytizing;"

**AND**

- (2) your employer provides any of the following public services: emergency management; military service; public safety; law enforcement; public interest law services; early childhood education; public service for individuals with disabilities and the elderly; public health; public education; public library services; and school library or other school-based services.

## ➤ Right Kind of Employment

### Employment Certification Procedure

Borrowers are encouraged to submit employment certification

- <http://www.myfedloan.org/manage-account/loan-forgiveness-discharge-programs/public-service-loan-forgiveness.shtml>

When first certification form submitted, all qualifying federal loans will be moved from current servicer to Fed Loans.

# Loan Repayment Assistance Programs

## School Based Programs:

**Kennedy School of Government:** <http://www.hks.harvard.edu/degrees/sfs>

**Harvard Law School:** <https://hls.harvard.edu/dept/sfs/lipp/>

**Harvard Medical School:** [http://hms.harvard.edu/loan-repayment assistance](http://hms.harvard.edu/loan-repayment%20assistance)

## LRAP for Executive Branch Federal Employees:

<http://www.opm.gov/oca/pay/StudentLoan/HTML/QandAs.asp>

- ▶ Recruitment and Retention up to \$10,000 per year (maximum \$60,000) must commit to work for at least 3 years. Assistance at discretion of agency

# Educational Tax Benefits

IRS publishes guide to educational tax benefits (Publication 970)

<http://www.irs.gov/pub/irs-pdf/p970.pdf>

## ▶ Student Loan Interest Deduction

- ▶ A tax deduction for interest paid on student loans. Benefit applies to all loans used to pay for higher education expenses.
- ▶ Maximum annual deduction is \$2,500, dependent upon your MAGI (modified adjust gross income)

## ▶ American Opportunity Credit

- ▶ Credits can reduce the amount of tax you have to pay
- ▶ 40% of the credit may be refundable (limited to \$1,000 per student)
- ▶ Annual limit \$2,500 per student

## ▶ Lifetime Learning Credit

- ▶ Credits can reduce amount of tax you must pay
- ▶ Annual limit \$2,000 credit per tax return

## ▶ Tuition and Fees Deduction

- ▶ Can deduct expenses
- ▶ Annual limit \$4,000 deduction

**NOTE: Please consult a tax professional to see what benefit best fits your situation.**

# Consolidation – Things to Consider

- Direct consolidation loans are eligible for Public Service Loan Forgiveness Program
  - But...payments made prior to consolidation do not count towards 120 required payments*
- Private consolidation loans are not eligible for PSLFP
- Multiple Federal loans combined into one new consolidation loan
- Simplifies Repayment
  - One Lender
  - One Payment
- Weighted average interest rate rounded up to nearest eighth of a percent
- Longer repayment period equals more interest paid
- Federal Perkins loses cancellation options
- Some deferments no longer available
- Repayment incentives forfeited
- Subsidized loans become unsubsidized through consolidation

More information available at <http://studentaid.ed.gov/repay-loans/consolidation>



# More Information

- ▶ **ECSI** [www.heartlandecsi.com](http://www.heartlandecsi.com) website for loans serviced by Harvard Student Loan Office
- ▶ **Western Union International Payment Portal** <https://gpx.globalpay.wu.com/harvarduniversitystudentloan>
- ▶ **Federal Student Aid** [Studentaid.ed.gov](http://Studentaid.ed.gov); **Direct Consolidation Loans** [Studentloans.gov](http://Studentloans.gov)
- ▶ **National Student Loan Data System for Students (NSLDS)** [www.nsllds.ed.gov](http://www.nsllds.ed.gov) Borrowers can view comprehensive list of all federal loans borrowed
- ▶ **Harvard University Student Financial Services** [sfs.harvard.edu](http://sfs.harvard.edu) Information on student accounts, student loans, and veteran & military benefits
- ▶ **Federal Ombudsman** <http://www.ombudsman.ed.gov/> The federal student aid ombudsman of the Department of Education helps resolve disputes and solve other problems with federal student loans
- ▶ **Income Driven Repayment Plan Information** <http://ibrinfo.org/>

## Resources:

- ▶ **Repaying your student loans guide** <https://studentaid.ed.gov/sites/default/files/repaying-your-loans.pdf>
- ▶ **Managing Credit** You can get a free copy of your credit report at [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com)
- ▶ **Repayment Calculators** <http://www.paybacksmarter.com> or <http://www.youcandealwithit.com/borrowers/calculators-and-resources/calculators/loan-repayment-calculator.shtml>

# Lender Contacts

## Harvard Student Loan Office

<b>Federal Perkins Institutional Loans HPSL &amp; LDS</b>	Harvard Student Loan Office 1033 Mass Ave 2 <sup>nd</sup> Floor Cambridge, MA 02138 e-mail: <a href="mailto:student_loans@harvard.edu">student_loans@harvard.edu</a>	<b>Customer Service</b> (617) 495-3782 (800) 315-7192	<b>Collections</b> (617) 495-1516 (800) 343-5500 (800) 343-5501
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## Federal Loan Servicers (Direct Stafford Loan & Direct Grad PLUS Loans)

Please review [www.nslds.ed.gov](http://www.nslds.ed.gov) to determine your servicer:

Direct Loan Servicing Center	<a href="http://studentaid.ed.gov/sa/">studentaid.ed.gov/sa/</a>
Cornerstone	<a href="https://www.mycornerstoneloan.org/">https://www.mycornerstoneloan.org/</a>
ESA-EdFinancial	<a href="https://www.edfinancial.com/home">https://www.edfinancial.com/home</a>
Fed Loan Servicing (PHEAA)	<a href="http://www.myfedloan.org">www.myfedloan.org</a>
Granite State – GSMR	<a href="http://gsmr.org/">http://gsmr.org/</a>
Great Lakes Education Loan Services	<a href="http://www.mygreatlakes.org">www.mygreatlakes.org</a>
MOHELA	<a href="https://www.mohela.com/">https://www.mohela.com/</a>
Navient (formerly Sallie Mae)	<a href="http://www.navient.com">www.navient.com</a>
Nelnet	<a href="http://www.nelnet.com">www.nelnet.com</a>
OSLA	<a href="http://www.osla.org/">http://www.osla.org/</a>
VSAC	<a href="http://services.vsac.org/wps/wcm/connect/vsac/VSAC">http://services.vsac.org/wps/wcm/connect/vsac/VSAC</a>