

DEBT MANAGEMENT FOR JUILLIARD GRADUATES

Presented by the Office of Financial Aid

Broad Strokes

Terms and Legislation Explained

TERMS TO KNOW

- **Servicer** – An organization that monitors loans while borrowers are in school, collects payments, processes deferments and forbearances, responds to borrower inquiries and ensures that the loans are administered in compliance with federal regulations.
 - Servicers are your primary point of contact when you're in repayment.

TERMS TO KNOW

- **Grace Period** – A short time period after graduation or dropping below half-time enrollment during which the borrower is not required to begin repaying his/her student loans.
 - ▣ Stafford/Grad PLUS – 6 months
 - ▣ Perkins – 9 months
 - ▣ Private – Usually 6 months

TERMS TO KNOW

- **Interest** – Amount of money charged to the borrower for using the lender’s money. Interest is calculated as a percentage of the principal balance of the loan.
 - ▣ Interest on loans is either variable or fixed.
 - ▣ Most loans use a calculation to determine the “weighted” interest that you are charged every month
 - ▣ Most federal loans have fixed interest rates; most private loans charge a variable rate.

TERMS TO KNOW

- **Capitalization** – The adding of unpaid interest charges to the principal balance of a loan, thereby increasing the size of the loan. Interest is then charged on the new balance, including both the unpaid principal and the accrued interest.
 - Capitalizing the interest increases the monthly payment and the amount of money you will eventually have to repay.

TERMS TO KNOW

- **Deferment** – A temporary postponement of loan repayment where interest does not accrue on subsidized loans*. If you have an unsubsidized loan, interest accrues during the deferment period.
- **Forbearance** – A temporary postponement of loan repayment where interest charges continue to accrue, even on subsidized loans. These are generally granted at the lender's discretion, most often in cases of financial hardship.

*Temporary suspension of grace period subsidy for loans awarded for 2012-13 and 2013-14

RECENT STUDENT LOAN LEGISLATION

- The Health Care and Education Reconciliation Act (HCERA) ended the Federal Family Education Loan Program (FFELP), which required students at some schools to obtain Stafford and PLUS loans from a bank.
 - ▣ About 60% of schools were part of the FFELP program
 - ▣ Juilliard has been a Direct Loan (DL) school since 1996, so if you've only attended Juilliard, you don't need to worry about this

RECENT STUDENT LOAN LEGISLATION

- Why the Change?
 - ▣ Administrative challenges vs. lower rates for students and parents
- On July 1, 2010, all schools were required to transition to DL, meaning that FFELP loans were sold to government-selected servicers.
- The Results:
 - ▣ Federal savings of about \$68 billion over ten years
 - ▣ Lower interest rates on some loans
 - ▣ New repayment plan options

HOW DOES THIS AFFECT MY LOANS?

- Instead of one servicer, there are multiple:
 - ▣ Direct Loan Servicing/ACS, PHEAA/FedLoan Servicing, Nelnet, Sallie Mae, Great Lakes and many others.
- You may have more than one servicer if you attended a FFELP school.
- You may have a servicer that isn't on this list
- Check www.nslds.ed.gov for servicer information

WHAT DOES IT MEAN TO DEFAULT?

- When a borrower fails to make payments on a loan for a given period of time, they are said to be in default.
- Consequences of defaulting on a federal loan:
 - Immediate repayment of the entire unpaid amount of your loan
 - Federal and state tax refunds and other federal or state payments are withheld
 - Garnished wages
 - Payment of collection fees and costs, plus court costs and attorney fees
 - Denial of a professional license
 - Loss of federal student aid eligibility and assistance under most federal benefit programs
 - Loss of eligibility for loan deferments
 - Damaged credit, causing increased interest rates and low credit score
- Student loans are not forgiven if you declare bankruptcy.

Tips for Managing Your Loans

How to Save Money and Stay in Good Standing

KEEP IN TOUCH

- **Keep your contact information up to date.**
 - E-mail, phone, and address
 - Go to www.usps.gov for mail hold/forwarding
- **Maintain a personal e-mail address.**
 - Juilliard e-mail is disabled when you graduate
- **Don't ignore information from your lender.**
 - This includes mail, e-mail, and phone calls!

LOAN BASICS

□ KNOW YOUR LOANS

- Keep track of the lender, balance, and repayment status for each of your student loans.
- Federal loan balances and servicer information can be found at www.nslds.ed.gov.
- Private (non-federal) loans need to be managed on your own
 - Can't consolidate with federal loans
- Put your grace period end dates on your calendar

PICK THE RIGHT REPAYMENT PLAN

- Federal Stafford/Grad PLUS Repayment Plans
 - Standard Fixed – 10 years, fixed monthly payment
 - Also applies to Perkins and most private loans
 - Graduated – 10-25 years, increasing monthly payment
 - Extended Fixed – 25 years, fixed monthly payment
 - Extended Graduated – 25 years, increasing payments
 - Income-Contingent Repayment (ICR) – payments capped at 20% of discretionary income
 - Income-Based Repayment (IBR) – payments capped at 10% of discretionary income
- Calculate on ibrinfo.org
- Weigh monthly payment amount vs. interest paid

INCOME-BASED REPAYMENT (IBR)

- Monthly payments are based on your AGI
- Must supply tax return information to servicer(s) each year
- Monthly payments will fluctuate each year based on your income
- May pay more interest over time
- Loans will be forgiven after 25 years of repayment, and could be forgiven in 10 years under the Public Service Loan Forgiveness Program (PSLF)

PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

- Loans can be forgiven after 120 payments (10 years) if you are employed full-time at a 501(c)(3) non-profit organization
 - ▣ Most schools and arts organizations have this designation
- Must be in repayment over 10 years and spend entire repayment term in IBR or ICR to qualify
- No application process yet, so keep documentation
- Don't make plans based on this program...

SMART REPAYMENT

- Payments cover interest, then principal
 - ▣ You can see the split on your account on your servicer's website
- Pay off loans with the highest interest rate first
 - ▣ As a general rule: Private ⇒ Stafford ⇒ Perkins
 - ▣ Some private loans currently have low interest rates
- Paying a little more each month can mean years off your loan payment and thousands of dollars in savings

SMART REPAYMENT

Principal: \$19,000		Interest Rate: 6%		Repayment Plan: Standard	
Payment Amount	Number of Payments (# years in repayment)	Interest Paid	Total Paid		
\$210.94 (minimum)	120 (10 years)	\$6,312.63	\$25,312.63		
\$250.00	96 (8 years)	\$4,961.58	\$23,961.58		

Just \$40 more per month means 2 fewer years of repayment
and \$1,351.05 saved!

POSTPONING REPAYMENT

- ❑ ALWAYS make payments when you can – change your repayment plan before pursuing deferment
- ❑ Deferment and forbearance forms can be found on your servicer's website
- ❑ Scan forms so you know your options and what documentation you'll need to supply
- ❑ If you do apply for a deferment or forbearance, check in with your servicer frequently to assure it has been processed

BE CAUTIOUS WITH CONSOLIDATION

Consolidation can make repayment more manageable by reducing the number of servicers you need to make payments to each month

HOWEVER

It may increase your interest rate, lead to forfeiture of certain rights as a borrower (including a grace period), and extend your repayment period

Use the calculator at loanconsolidation.ed.gov

GOOD TO KNOW

- Subsidized and unsubsidized loans are lumped into one payment
 - ▣ Can't pay off unsubsidized or Grad PLUS before subsidized
- Consolidation isn't necessary unless you have multiple servicers/loan programs
- Payments must be made in U.S. dollars
- Lump payments usually can't be spread out to cover subsequent months, so you need to budget

More FAQs

- What if I'll be continuing my education next year?
 - ▣ Deferment granted only after classes begin
 - ▣ Most loans will be automatically deferred
 - ▣ Send a deferment form for Perkins and private loans
- What if I'm taking a year off?
 - ▣ Grace period will run and expire
 - ▣ Repayment begins as scheduled
 - ▣ When you re-enroll, you can defer your loans, however, grace period will have run out (you only receive one 6-month benefit)

LOAN EXIT COUNSELING

- All students with an outstanding loan balance are required to complete exit counseling

Go to

www.Juilliard.edu/ExitCounseling

for complete instructions

LINKS

National Student Loan Data System - www.nslds.ed.gov

This site includes a summary of your federal loans, interest rates, and is the best place to find out who is servicing your loans.

My Campus Loan - www.mycampusloan.com

This site services Perkins loans disbursed by The Juilliard School.

Finaid.org Calculators - www.finaid.org/calculators

This site provides information about financial aid in simplified terms. Use the calculators to help create a budget for your student loans or to decide which payment plan is best for you.

Income-Based Repayment Plan - www.ibrinfo.org

This site is a reference for the Income-Based Repayment Plan.

Federal Loan Consolidation - www.loanconsolidation.ed.gov

Thinking about consolidating your federal loans? Use this site to determine if this is a good option for you.

THANKS FOR COMING!



Questions?