

Loan Exit Counseling

Northwestern Health Sciences
University



Investing in Student SuccessSM

Why Exit Counseling?

The Department of Education requires all students who borrow Stafford loans to complete exit counseling before they leave school or graduate.

We want you to be successful!

Your student loans represent an investment in your future. To help you protect your investment, we want you to know what to expect when it is time to repay your loans.

What You Will Learn

- **General information about student loans**
- **Facts about loan repayment**
- **Managing debt and budgeting**
- **Tips for successful repayment**

Who's Who...

In the World of Student Loans

- **Lender**

- The bank or credit union that provides the funding for student loans.

- **Guaranty Agency or Guarantor**

- The non-profit company or state agency that helps administer the student loan process.

- **Loan Servicer**

- The organization that lenders may hire to assist borrowers during the repayment of their loans.

What Loans Do You Have?



Different Types = Different Terms

- **Federal Stafford Loans**

- You have a 6 month grace period after you leave school before your first payment is due.

- **Federal Consolidation Loans**

- Your first Consolidation loan payment will be due approximately 45 days after you leave school.

Different Types = Different Terms

- **Federal Perkins Loans**

- You have a 9 month grace period after you leave school before your first payment is due.

- **Private or Alternative Loans**

- Private loan terms vary greatly from loan program to program. Check your loan documents to learn when your first payment will be due.

Different Types = Different Terms

Depending on the types of loans you have, you may have to make more than one student loan payment each month.

Finding Your Loans

- **Your school's Financial Aid Office**
- **Your lender**
- **National Student Loan Data System (NSLDS)**

National Student Loan Data System

- Central database for student loans
 - Loans tracked until they are paid in full.
 - See how much you owe and to whom.
 - Use your ED PIN to access your account.
- Available 24 hours a day, 7 days a week at nslds.ed.gov

NSLDS does not provide information on private or alternative loans.

Planning for Repayment



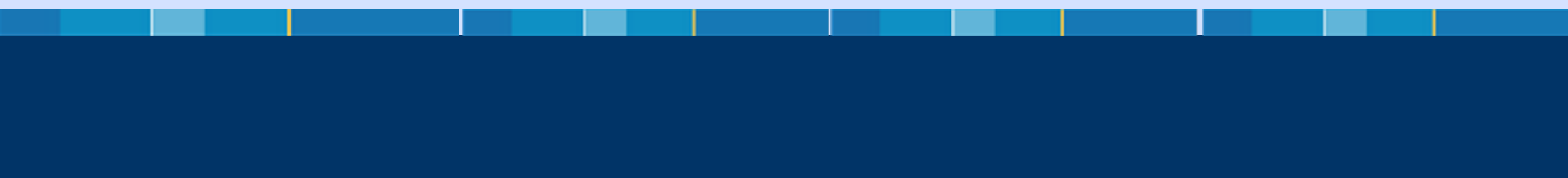
Your Rights and Responsibilities

As a borrower, you have the right to:

- Repay your loan in full at anytime without penalty.
- A grace period before the start of repayment.
- Be notified in writing if your loans are sold to another lender.
- Defer repayment for a specific period of time, if you qualify.
- Receive a copy of your Master Promissory Note.
- Receive a disclosure statement.
- Receive documentation when your loan is paid in full.

Your Rights and Responsibilities

As a borrower, you must:

- Complete loan exit counseling before you leave school or graduate.
 - Repay your loan, even if you don't complete your degree, are unhappy with your education or can't find a job in your field.
 - Notify your loan servicer if you change your name, address or telephone number.
 - Contact your loan servicer if you cannot make a payment.
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Grace Period

- The grace period is the period of time between your last day of attendance and the date your first payment is due
 - Stafford loans – 6 months
 - Perkins loans – 9 months
- Before the end of the grace period, your lender or servicer will send you a letter telling you when your first payment is due.

Grace Period = Time to Prepare

- Create a budget
- Review your loan documents
- Inform your loan servicer of any change in your name, address, or telephone number
 - If your servicer can't reach you, you won't get your payment schedule. And you can't use the fact that you moved and didn't receive your notice as an excuse for missing payments!

Smart Budgeting...

Will help you stay on track

- Create a budget to help ensure you can meet all of your financial obligations each month.
- To estimate your monthly loan payment, use the payment calculator at www.glhec.org.
- Make sure your budget includes your goals.
- Review your budget every few months and make changes as needed.

Smart Budgeting... Will Help You Stay on Track

Make sure you include the following in your budget:

Monthly Salary (after taxes) _____

Monthly Expenses

Student Loan Payment(s)
(Both federal & private loans) _____

Rent and Utilities _____

Food _____

Transportation and Gas _____

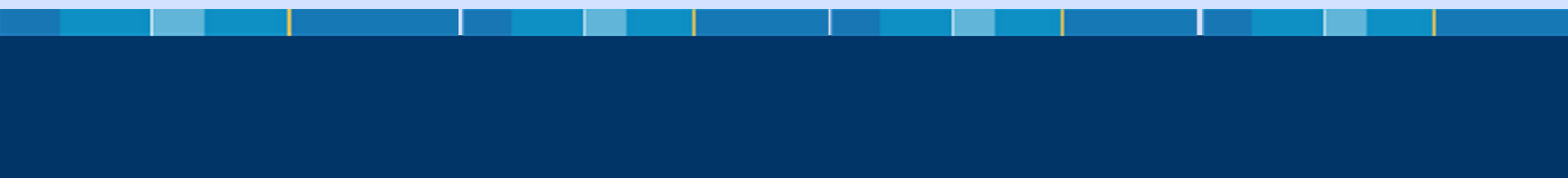
Insurance _____

Clothing _____

Total Monthly Expenses _____

Discretionary Income _____

(Salary minus total expenses)



Repaying Your Loan



Repayment Options

- Your lender will initially set you up with the Standard Repayment schedule
 - Equal monthly payments.
 - Up to 10 years to repay.
 - \$50 minimum payment.
- If you cannot afford the Standard Repayment schedule, there are other options available.

Repayment Options

- **Graduated Repayment**
 - Payments are initially lower and will increase every two years.
 - Up to 10 years to repay.
 - This is a good option if cash flow is a concern in the early years of repayment while you get established with your new job, apartment, car, etc.

Repayment Options

- Extended Repayment
 - A fixed or graduated payment repaid up to 25 years.
 - Your total loan amount must be at least \$30,000 and received after October 7, 1998.
 - This is a good option if you need to lower your monthly payment throughout the life of the loan.

Repayment Options

- Income Sensitive Repayment
 - Payments are based on your annual income
 - Payments are adjusted annually. As your income increases, your monthly payment increases.

Repayment Options

- The amount of interest you pay is the lowest under the Standard Repayment option.
 - Remember that there is no pre-payment penalty for federal student loans. So choose an alternative plan if you have cash flow problems early on – then pay off your loan early.

Repayment Options

- Remember that you have **OPTIONS!**
 - Call your loan servicer if you want to switch to a different option after repayment begins.
 - Ask your loan servicer to change your payment due date if the date assigned doesn't work for you.
 - Sign up to make your monthly payment via automatic debit (ACH) instead of by check.

Repayment Options

- Many lenders have programs that reward students for paying on time such as:
 - Interest rate reductions
 - Loan principal reductions
 - Loan fee rebates
- Check with your loan servicer to find out how you can qualify for incentives

You may be eligible to save money!

Payment Relief

- Your federal loans include options to suspend your payments for a limited period of time.
- You may have similar options for your private loans – check with your loan servicer.
- Deferments and forbearances provide temporary relief from making your monthly payment if you meet certain conditions.

Payment Relief

- Deferment

- Postpones your loan payment, if you meet one of the following criteria:

- Enrolled in school at least half-time.
 - Enrolled in a graduate fellowship or approved rehabilitation training program.
 - Unable to find full-time employment.
 - Suffer economic hardship.
 - Serve in the military or Peace Corps.

Payment Relief

- Deferment (cont.)
 - You must contact your loan servicer, submit a deferment request form, and provide documentation showing you meet the criteria.
 - During the deferment period, your subsidized loan will not accrue interest, however your subsidized loan will.

If you are not eligible for a deferment, your lender might grant a forbearance.

Payment Relief

- Forbearance

- Temporarily postpones or reduces your monthly payments.
- Granted at your loan servicer's discretion.
- During the forbearance period, the interest will accrue on all of your loans.

Payment Relief

- Consolidation

- Combines two or more federal loans into a single loan.
- Existing loans are paid in full and replaced with a new loan.
- Consolidation loan will have a new interest rate.
- Repayment term is increased up to 30 years, depending on your loan balance.
- If you want to learn more, read Great Lakes' *Consolidation Loans: A Primer for Borrowers*.

Loan Forgiveness or Discharge

- **Loan Forgiveness Programs**
 - Federal government repays a portion of your loans.
 - Programs for both teachers and child care providers.
- **Loan Discharge (cancellation)**
 - Permanent and total disability
 - Loan was falsely certified by school

Failure to repay your loans on
time will have serious
consequences!

Importance of Paying on Time

Delinquency

- You are delinquent when one payment is missed.
- Delinquency is reported on your credit report.
- Bad credit may:
 - Prevent you from receiving a car loan or mortgage or;
 - Mean you'll pay higher interest rates on credit cards and other loans;
 - Could prevent you from obtaining the apartment or job you want.

Importance of Paying on Time

Default

- Failure to repay your student loan for 270 days.
- If you default:
 - You may have a negative credit rating for at least 7 years.
 - Your federal tax refunds may be applied to your loan.
 - You'll pay a collection fee of up to 25% on each payment.
 - A portion of your paycheck may be applied to your loan.
 - You will lose eligibility for additional student loans.

Other Tips for a Successful Repayment Experience



Tips for Success

- Save your loan records, correspondence and payment receipts until all loans are paid in full.
- Keep in touch with you loan servicer and inform them of changes that may affect your ability to repay your loan.
- Don't ignore calls or letters from your loan servicer – if you are having trouble making payments, they want to help you, not harass you.

Always Remember...

- Be proactive
- Pay on time
- Ask for help if you need it

For a list of additional resources visit the Borrower section of www.glhec.org.

Questions?

