



Office of Financial Aid & Scholarships

May Graduates
Newsletter

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Loan Repayment

Congratulations on your upcoming graduation from James Madison University! This is a very exciting time for you, with many new opportunities on the horizon. If you had federal student loans while you were in college, then one thing also on the horizon is entering repayment for these loans. This newsletter will provide you with information regarding repayment, from determining how much you have borrowed to repayment options.

Remember, repayment for your federal loans will begin within **six months** of your May graduation, generally in November. This is something to keep in mind as you set up your post-graduation budget, so that you do not over-extend yourself. The minimum monthly payment is generally \$50, depending on your repayment plan.

Please note, if you begin a graduate program and are enrolled for at least half-time before your six months' grace period ends, your grace period will reset itself to six months once you graduate or drop below half-time enrollment. If you enter repayment and then begin a graduate program with at least half-time enrollment, your payments will be deferred while you are in school, but there will only be a grace period for any new loans you may take out.

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Exit Loan Counseling Requirements

If you plan to graduate in spring 2011 and you borrowed Federal Stafford Loans, Federal Grad PLUS Loans, or Federal Perkins Loans while enrolled at JMU, you must complete [Exit Loan Counseling](#). You can complete exit counseling for your Stafford Loans and Grad PLUS Loans through the "Forms" section of our website at www.jmu.edu/finaid.

Choose "Exit Loan Counseling" (Stafford) or "Graduate PLUS Exit Loan Counseling" (Grad PLUS) from the "Forms" menu. For your Perkins Loan, visit the University Business Office Web site at www.jmu.edu/ubo/perkins.shtml for information about exit counseling requirements

Take Control of Your Finances

Are you familiar with creating a personal budget? Can you balance your checking account? Do you understand how credit cards work? Do you know your FICO score? If you are taking out loans to help pay for college, do you have a plan for managing your debt after graduation? We address these questions and many more in financial literacy training offered by the Office of Financial Aid and Scholarships.

Visit our Web site at www.jmu.edu/finaid/finliteracy.shtml to read about a variety of timely financial literacy topics and view some budgeting scenarios.

Know Your Loan Type(s) :

Direct Stafford Loan – This is also known as the William D. Ford Federal Direct Loan Program, where loan funds are borrowed directly from the federal government. If you have taken out a Stafford Loan while attending James Madison University beginning with Summer 2009, you will have at least one loan of this type.

FFELP Stafford Loan – This is also known as the Family Federal Education Loan Program, where loan funds are federally-guaranteed, but borrowed through a third-party lender (e.g., bank, credit union, student loan company, etc.). If you have taken out a Stafford Loan while attending James Madison University prior to Summer 2009, you will have at least one loan of this type.

ECASLA Put Loan – This is also known as the Ensuring Continued Access to Student Loans Act of 2008 loan program, where FFELP Loans have been sold to and are now being serviced by the Department of Education.

Loan Repayment Site

In the interest of helping you with the many questions you may have regarding repayment of your student loans, the Office of Financial Aid & Scholarships has created a [Loan Repayment](#) section on our website. It is available under the Student Loans heading on the Current Students page. This section offers information regarding federal student loans primarily, and includes a link to the [National Student Loan Data System \(NSLDS\)](#), as well as links to information regarding consolidation, repayment plans, loan forgiveness and general financial literacy. If you have taken out a private loan, you will want to contact your lender directly regarding loan repayment, as they will be able to best assist you with your repayment options and terms. We highly recommend reviewing the information on this site, as it will give you the best idea of what to expect when your repayment period starts.

How do I find my loan history?

The Department of Education has a website called the [National Student Loan Data System](#) (NSLDS). NSLDS provides a centralized, integrated view of Title IV (federal) loans and grants that are tracked through their entire cycle. It displays information on loan amounts, outstanding balances, loan statuses and disbursements. The site also contains a Glossary of terms, and a Frequently Asked Questions section. The log-in for the NSLDS site requires your social security number, the first two letters of your last name, your date of birth and your FAFSA PIN. Once you are in your account, you will be able to view each of your federal student loans individually. You can see information regarding the original loan amount, outstanding balance, interest rate, lender, servicer and guarantor. This is the best way to determine how much you have borrowed in federal loans, and who you will need to contact regarding repayment. This is especially important in determining if your FFELP loans have been sold to the Department of Education as part of the Ensuring Continued Access to Student Loans Act of 2008.

Repayment Options

Loan Forgiveness Programs :

There are [loan forgiveness](#) programs available to eligible borrowers. They include:

The Public Service Loan Forgiveness Program* -

The Public Service Loan Forgiveness Program is intended to encourage individuals to enter and remain in public service.

The program grants public service loan forgiveness of the full remaining Direct Loan balance when the borrower has made 120 qualifying monthly payments through an eligible repayment plan after October 1, 2007, while employed in public service fields considered eligible under the Public Service Loan Forgiveness Program.

The borrower must also be employed in public service at the time of applying for forgiveness and when any remaining loan amount is forgiven.

*Please note, this program is only eligible for Direct Loans.

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Standard Repayment – Payments are a fixed amount of at least \$50 a month for up to a maximum of ten (10) years (or when the loan is paid off). This is the quickest option to repaying loans, and results in the lowest total interest paid of any repayment plan.

Extended Repayment – Payments are at least \$50 a month for up to twenty-five (25) years. To qualify for this option, the borrower must have a minimum of \$30,000 in Direct Loans. There are two options for repayment under the Extended plan:

1. Fixed Monthly Payment Option – Payments are a fixed amount of at least \$50 a month for up to twenty-five (25) years. This results in lower total interest paid in comparison to graduated plans with similar terms.
2. Graduated Monthly Payment Option – Payments start out low and then increase every two (2) years. This results in lower initial monthly payments, but the total interest paid may be greater in comparison to graduated plans with similar terms with fixed payments.

Graduated Repayment – Payments start out low, at least equal to the amount of interest accrued monthly, and then increase every two (2) years for up to ten (10) years. The amount repaid over the term of the loan will be higher under this plan than under the Standard Repayment plan.

Income Sensitive Repayment* – The monthly loan payment is pegged to a fixed percentage of gross monthly income, between 4% and 25%. The percentage is determined by the borrower and the resulting monthly payment must be greater than or equal to the interest that accrues. Some lenders set a minimum threshold on the percentage of income based on your debt-to-income ratio. Borrowers must reapply for this each year. Also, because this repayment plan decreases the monthly payment and is limited to a ten year repayment term, it increases the size of the rest of the monthly payments to compensate. This will also increase the total amount of interest paid over the lifetime of the loan. * Please note that this repayment plan is **only** available for FFELP Loans.

Income Contingent Repayment* – Monthly payments are based on your annual adjusted gross income (AGI), family size and total Direct Loan amount. As your income increases or decreases, so do your payments. After twenty-five (25) years, any remaining loan balance will be forgiven, but you may have to pay taxes on the amount forgiven. *Please note that this repayment plan is **only** available for Direct Loans.

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Loan Forgiveness Programs (cont.) :

The Teacher Loan Forgiveness Program - The Teacher Loan Forgiveness Program is intended to encourage individuals to enter and remain in the teaching profession.

The program grants loan forgiveness of up to \$17,500 for teachers in certain specialties and up to \$5,000 for other teachers, who teach for five years in certain low-income schools and educational service agencies and meet other requirements.

This forgiveness benefit is available to Direct Loan and Federal Family Education Loan Program (FFELP) borrowers who did not have an outstanding balance on a Direct Loan or FFEL Program loan on October 1, 1998, or on the date they obtained a Direct Loan or FFEL program loan after October 1, 1998.

Repayment Options (cont.)

Income-Based Repayment* - The most-recent repayment plan to be developed, this plan bases your monthly payment on your yearly income AND you must have a partial financial hardship to enroll. A partial financial hardship is defined by the Direct Loan Servicing Center as "a circumstance in which the annual amount due on all the borrower's eligible loans, as calculated under a 10-year Standard Repayment Plan, exceeds 15% of the difference between the borrower's Adjusted Gross Income (AGI) and 150% of the poverty line income for the borrower's family size." This plan is designed to make repaying education loans easier for students who intend to pursue jobs with lower salaries, such as careers in public service. The monthly payments are capped at a percentage of your discretionary income (the difference between your AGI and 150% of the poverty guideline for your family size and state of residence.) After 25 years of qualifying repayment, any remaining balance on the loan will be forgiven, but you may have to pay taxes on the amount forgiven.

Most borrowers may change payment plans at any time. Borrowers who are required to pay under the Income Contingent Repayment plan must make three consecutive monthly payments before changing to another plan.

Consolidation

Loan Consolidation is the process of combining multiple student or parent loans into one new loan with a new repayment term, interest rate and monthly payment.

Currently, the only type of consolidation loan that is available is the Direct Consolidation loan; this loan can be used to consolidate both FFEL and Direct Loans.

Benefits of a Direct Consolidation Loan are:

- ~ One lender (U.S. Dept of Education) and one monthly payment (easier to manage debt)
- ~ Flexible Repayment Options
- ~ No Minimum or Maximum Loan Amounts or Fees
- ~ Varied Deferment Options
- ~ Reduced Monthly Payments

To be eligible for a Direct Consolidation Loan, borrowers must have at least one Direct or FFEL Loan that is in grace, repayment or deferment.

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Some factors you should consider when deciding if consolidation is right for you:

Are your monthly payments manageable? If you have trouble meeting your monthly payments, have exhausted your deferment and forbearance options, and/or want to avoid default, a Direct Consolidation Loan may help you.

Too many monthly payments driving you crazy? If you send payments to more than one lender every month, and want the convenience of a single monthly payment, consolidation may be right for you. With a Direct Consolidation Loan, you will have a single lender – the U.S. Department of Education – and a single monthly payment.

What are the interest rates on your loans? If you have variable interest rates on your Federal education loans, you may want to consolidate. The interest rate for a Direct Consolidation Loan is fixed for the life of the Direct Consolidation Loan. The rate is based on the weighted average interest rate of the loans being consolidated, rounded to the next nearest higher one-eighth of one percent and cannot exceed 8.25 percent.*

How much are you willing to pay over the long term? Like a home mortgage or a car loan, extending the years of repayment increases the total amount you have to repay.

*Six Steps to calculate the interest rate of a Direct Consolidation Loan:

1. Multiply each loan by its interest rate to determine the "per loan weight factor"
2. Add the "per loan weight factors" together
3. Add the loan amounts together
4. Divide the "total per loan weight factor" by the "total loan amount" and then multiply by 100

$$\frac{\text{Total per loan weight factor}}{\text{Total Loan Amount}} \times 100 = \text{Weighted Average Rate}$$

5. Round the result of Step 4 to the nearest higher 1/8th of one percent if it is not already on an eighth of a percent.
6. Compare the result of Step 5 with the interest rate cap of 8.25%. The fixed interest rate on the Direct Consolidation Loan will be the lower of the two

In-School Consolidation

Borrowers who have loans in the Direct Loan program, the FFEL program, or loans purchased by the Department under ECASLA may consolidate those loans into a Direct Consolidation loan between July 1, 2010 and July 1, 2011. The borrower must have at least one loan in each of two of the three categories named, and have **not** yet entered repayment on at least one of those loans. The National Association of Student Financial Aid Administrators (NASFAA) advocated for the return of in-school consolidation to deal with borrower repayment issues in regards to FFELP, ECASLA, and Direct Loans.

One thing to keep in mind when considering Loan Consolidation is that once your consolidation loan is processed, you will lose any remaining grace period and repayment will begin within sixty (60) days of the first disbursement of the Direct Consolidation Loan. Repayment may be deferred as long as you are enrolled for at least half-time, but once you graduate or drop below half-time, you will re-enter repayment. You will also lose any "borrower benefits" that may have had attached to the loans you consolidated. Remember, under loan consolidation all of your prior loans are paid off by the consolidation loan, so you end up with one new loan to repay.



The Office of Financial Aid & Scholarships congratulates all May 2011 Graduates! Best of luck!