Loan Repayment

Congratulations on your 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 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 graduated in May 2016 and you borrowed Federal Direct Subsidized and/or Unsubsidized 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 at https://studentloans.gov/myDirectLoan/index.action.

For your Perkins Loan, visit the University Business Office Web site at http://www.jmu.edu/ubo/perkins-loan/perkins-loan.shtm for information about exit counseling requirements.

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. 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.

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.

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 FSA ID and Password. 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.
Repayment Options

**Standard Repayment** – Payments are a fixed amount of at least $50 a month for up to a minimum 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. (For Consolidation Loans, the repayment period ranges from ten [10] to thirty [30] years.)

**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. (For Consolidation Loans, the repayment period ranges from ten [10] to thirty [30] years.)

**Extended Repayment** – Payments may be fixed or graduated, 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.

**Revised Pay As You Earn** – This plan is open to any borrower with eligible federal student Direct Loans (Subsidized, Unsubsidized, Grad PLUS, and Consolidation.) It bases your monthly payment on your yearly income and family size. The typical payment amount is generally 10% of your discretionary income. The repayment period is 20 years if all loans repayed under the plan were received for undergraduate study, and 25 years if any loans repayed under the plan were received for graduate or professional study.

**Pay As You Earn*** -- This plan bases your monthly payment on your yearly income AND you must have a partial financial hardship to enroll. For this repayment plan type, 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 10% of the difference between the borrower’s Adjusted Gross Income (AGI) and 150% of the poverty line income for the borrower’s family size.” 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 20 years of qualifying repayment, any remaining balance on the loan 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, and you must be a new borrower as of October 1, 2007, and have received a Direct Loan disbursement after October 1, 2011.*

(continued on next page)
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-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.

Income-Based Repayment – This plan bases your monthly payment on your yearly income AND you must have a partial financial hardship to enroll. For this repayment plan type, 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 for federal loans is the Direct Consolidation loan. (Some private lenders offer a consolidation loan for private loans. You will need to contact your lender to find out if they offer consolidation 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.
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-eight 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.

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**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

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

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

OR, you may use the [Loan Consolidation Calculator](http://studentaid.ed.gov/repay-loans/disputes/prepare) to help you with this task. (When using the Loan Type drop down menu, most students will only need to select types D, L, and possibly F.)

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**Federal Student Aid Ombudsman Group**

If you believe there is incorrect information in your federal loan history, first contact your school or loan servicer. If you are unable to resolve a federal loan problem through the school or servicer, you can contact the Federal Student Aid Ombudsman Group for help via the contact information below:

- Via telephone: 877-557-2575
- Via fax: 202-275-0549
- Via mail: U.S. Department of Education
  - FSA Ombudsman Group
  - 830 First Street, N. E. Mail Stop 5144
  - Washington, D.C. 20202-5144

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The Office of Financial Aid & Scholarships congratulates all May 2016 Graduates!

Best of luck!