Loan Repayment Strategy for 2018-2019 Syracuse Law Graduates

Know how much is owed and to whom

- Log onto www.studentloans.gov for a summary of your federal student loan debt.
- Your loans may be serviced by one or more holders/servicers. Be sure to open and read all correspondence from your loan servicers. See the list of current list of federal student loan servicers.
- Borrowers who have multiple servicers may choose to consolidate their existing federal student loans into a single Federal Direct Consolidation Loan (see section: *Decide if Loan Consolidation is right for you*).

Know the interest rates of your loans

Graduate/Law Student Loans Disbursed Between:	Subsidized/Unsubsidized *(subsidized loan program eliminated on 7/1/12 for graduate/law students)*	Graduate PLUS
7/1/18 and 7/1/19	Fixed at 6.60%	Fixed at 7.60%
7/1/17 and 6/30/18	Fixed at 6.00%	Fixed at 7.00%
7/1/16 and 6/30/17	Fixed at 5.31%	Fixed at 6.31%
7/1/15 and 6/30/16	Fixed at 5.84%	Fixed at 6.84%

Undergraduate Student Loans, disbursed between:	Subsidized	Unsubsidized
7/1/15 and 6/30/16	Fixed at 4.29%	Fixed at 4.29%
7/1/14 and 6/30/15	Fixed at 4.66%	Fixed at 4.66%
7/1/13 and 6/30/14	Fixed at 3.86%	Fixed at 3.86%
7/1/12 and 6/30/13	Fixed at 3.4%	Fixed at 6.8%

Understand the Terms & Conditions of your loans

- Borrowers may have an interest rate reduction for **Automatic Withdrawal Payments**.
- **Repayment begins 6 months after graduation** on Subsidized and Unsubsidized loans and Grad PLUS loans borrowed after 7/1/08 (Direct Graduate PLUS loans borrowed prior to 7/1/08 do not have an automatic 6 month grace).
- **Borrowers of undergraduate loans**: if you used your 6 month grace period following undergraduate school, your undergraduate federal student loans will go into repayment immediately upon graduation from law school (*see #6 for deferment and forbearance options*).
- **There is no penalty for early payment** (pre-payment) under the standard & extended repayment plans

Know the repayment plan choices

Payment plan option	Payment structure	Maximum Payment Period
Standard	Fixed monthly payments	10 years (120 months)
Graduated	Tiered (begins at a lower amount and takes one or more steps up to higher monthly payments)	10 years (120 months)
Extended	Fixed or Tiered	25 years (300 months)
Income-Based (IBR) for those who are NOT new borrowers on or after July 1, 2014 - **DL & FFEL loans** - **15% of discretionary income**	Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	25 years (300 months)
Pay As You Earn (PAYE) - **Direct (DL)** - **10% of discretionary income**	Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	20 years (240 months)
Income-Based (IBR) for new borrowers on or after 7/1/14 - **Direct (DL)** - **10% of discretionary income**	Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	20 years (240 months)
Revised Pay As You Earn (REPAYE) - **Direct (DL)** - **10% of discretionary income**	Adjusted annually based on: - Household AGI - Household size - Poverty guideline - State of residence	25 years (300 months)

- PAYE is only for new borrowers after 10/1/07 and with disbursements on or after 10/1/11
- Standard repayment term is 10 years. Borrowers must request an alternative repayment plan from their loan servicer(s); otherwise, they will automatically be placed into a standard 10 year plan.
- The standard repayment plan will typically cost the least amount over the life of the loan (because the repayment period is shorter and the monthly payments will likely be larger than the other plans).
- If you have trouble making payments, you may be able to lower your monthly payment by changing to a different repayment plan or you may be able to temporarily postpone your payments through a deferment or forbearance. You must contact your loan servicer to request a deferment or forbearance and continue to make regular, on-time payments until it is approved.

Decide if loan consolidation is right for you

- Consolidation isn't mandatory – it is a "forever" decision that can't be reversed!
- Borrowers with multiple lenders and/or multiple loan servicers may elect to consolidate for the convenience of making a single payment to a single servicer.
- A Federal Direct Consolidation loan can pay off all of your original federal student loans and will create a new loan with new terms and a single servicer. The repayment period on a Consolidation Loan will be 10-30 years, depending on your total educational loan debt. The interest rate on a Consolidation Loan will be calculated based upon the weighted average of the interest rates on your original federal student loans being consolidated, rounded up to the nearest one-eighth of one percent (never to exceed 8.25%).
- Borrowers can elect to utilize an Income Driven Repayment Plan on a Federal Consolidation Loan.
- Apply online at https://studentloans.gov.

Request a deferment or forbearance if you are having payment trouble

- Deferments and forbearances may temporarily lower or postpone monthly loan payments.
- You must contact your loan servicer to request deferments and forbearances.
- Examples of deferment include: in-school, graduate fellowships, active duty military service.
- There are two types of forbearance – discretionary and mandatory
- Examples of discretionary forbearance (where your lender decides whether or not to grant forbearances) include: financial hardship and illness.
- Examples of mandatory forbearance include: Loan Debt Burden (total amount you owe on student loans is 20% or more of your total monthly gross income), National Guard active service, and AmeriCorps service.

Be aware of loan forgiveness programs

- The **Public Service Loan Forgiveness Program** (PSLF) was developed to encourage borrowers to enter full-time public service employment. <u>Eligible loans</u> (*Federal Direct Loans*) <u>may be forgiven after making 120 months of qualifying payments</u> (*Standard, Income Based [IBR], or Income Contingent [ICR/PAYE]*) <u>while working full time in an eligible public service position</u> (*non-profit, tax-exempt 501 (c) (3) organizations, government, law enforcement, military, public interest law services (including prosecution or public defense or legal advocacy in low-income communities at a non-profit organization), public education, etc.)*.
- Only Federal Direct Loans (including the Federal Direct Consolidation Loan) are eligible for Public Service Loan Forgiveness.

Keep good financial records

- Keep all of your loan records in one place (start a file if you haven't done so already).
- Open all of your e-mail and mail and read everything pertaining to your loans. If you don't understand something, contact your loan servicer or the Syracuse College of Law Financial Aid Office for assistance.
- It is your responsibility to keep your loan servicer informed of any change of address, phone number, and email address.
- You must make payments on your loan even if you don't receive a bill or repayment notice.
- Consider setting up automatic payments directly from your bank to your federal student loan servicer to eliminate missed or late payments.

Don't Default!

- Default is the failure to repay your loan according to the terms of the promissory note, provided that the failure persists for at least 270 days. Loan default has serious consequences including:
    - You may not be able to obtain a professional license (i.e. admission to the bar) or get hired by an employer who performs credit checks.
    - You may have wages garnished.
    - Your federal and state tax refunds can be withheld.
    - Your credit rating will be damaged and you will have difficulty qualifying for credit cards, a car loan, a mortgage, or renting an apartment.
    - Your account may be turned over to a collection agency and you'll have to pay additional charges (late fees, collection costs).