Office of Student Financial Aid
Graduate Financial Aid Update
Graduate Program Coordinator Meeting – 10/17/12

Elimination of Federal Direct Subsidized Loans For Graduate Students

- **The Budget Control Act of 2011**, signed into law on August 2, 2011, eliminated the Federal Direct Loan subsidy for graduate and professional students effective July 1, 2012.
- Summer 2012 was the last term graduate and professional students were awarded Federal Direct Subsidized loans.
  - Note: Subsidized loans borrowed during the summer 2012 term which disbursed after July 1, 2012 will accrue interest during the grace period.
- Subsidized loans borrowed before July 1, 2012 are not affected by this regulatory update.

Elimination of the Instant Rebate on Federal Direct Loans Origination Fees

- **The Budget Control Act of 2011**, signed into law on August 2, 2011, eliminated the upfront rebate for all federal direct loans effective July 1, 2012.
- Direct Unsubsidized loan origination fee is set at 1%
- Graduate PLUS loan origination fee is set at 4%

Change to Graduate PLUS Credit Decision

- **Graduate PLUS loan credit decision criteria** changed in the middle of the 2011-2012 academic year.
- **Change**: Accounts currently 90 days or more delinquent
  - Note: Unpaid collection accounts and charge offs are considered adverse credit. Wage garnishment within the last 5 years
  - **Conditions For Credit Denial**
    - Bankruptcy (Chapters 7, 11, or 12 within the past 5 years)
      - Note: Department Policy does not consider Chapter 13 bankruptcy as adverse credit. Voluntary surrender within the last 5 years
    - Repossession within the last 5 years
    - Foreclosure proceedings started
    - Foreclosure within the last 5 years
    - Deed in lieu of foreclosure
    - Accounts currently 90 days or more delinquent
      - Note: Unpaid collection accounts and charge offs are considered adverse credit. Wage garnishment within the last 5 years
    - Defaulted loan that has been claim paid
    - Lease or contract terminated by default
    - County/State/Federal tax lien, within the past 5 years
Entrance Counseling For Grad Students

- Students who did Entrance Counseling as an Undergraduate still need to complete Entrance Counseling again once they become a Graduate student because they are different counseling sessions.
  - Federal Direct Unsubsidized loan details and limits for graduate professional students
  - Federal Direct Graduate PLUS loan details
  - www.studentloans.gov

How do I begin paying on my loans?

- How do I pay on my loans?
  - Locate your servicer at www.nslds.ed.gov
  - Be aware of your grace period
    - 6 months for Subsidized and Unsubsidized loans
    - 9 months for Perkins loans
    - No grace period for Graduate PLUS loans
  - Setup auto-debit with your servicer to save 0.25% on monthly interest accrual.
  - Choose a repayment plan (http://studentaid.ed.gov/repay-loans/understand/plans)

Public Service Loan Forgiveness

- In 2007, Congress created the Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, borrowers may qualify for forgiveness of the remaining balance due on their Direct Lending Federal student loans after they have made 120 payments under certain repayment plans while employed full time by qualifying public service employers.
  - Years of service while in repayment under qualifying payment plans
    - Years of Service
      - Meet employer’s definition of “full-time” (at least 30 hours a week)
      - Federal, state, or local government agency, entity, or organization or a non-profit organization that has been designated as tax-exempt by the Internal Revenue Service (IRS) under Section 501(c)(3) of the Internal Revenue Code (IRC).
      - Earliest years of service reportable: 2007
    - 120 payments under qualifying repayment plans
      - Income-Contingent Repayment Plan, Income-based Repayment Plan, Standard Loan Repayment Plan (paid off in 10 years, used to count as years of service, not a primary repayment plan for PSLF)
## Overview of Direct Loan and FFEL Program Repayment Plans

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Eligible Loans</th>
<th>Monthly Payment and Time Frame</th>
<th>Quick Comparison</th>
</tr>
</thead>
</table>
| **Standard Repayment Plan** | • Direct Subsidized and Unsubsidized Loans  
• Subsidized and Unsubsidized Federal Stafford Loans  
• all PLUS loans | Payments are a fixed amount of at least $50 per month.  
Up to 10 years | You’ll pay less **interest** for your loan over time under this plan than you would under other plans. |
| **Graduated Repayment Plan** | • Direct Subsidized and Unsubsidized Loans  
• Subsidized and Unsubsidized Federal Stafford Loans  
• all PLUS loans | Payments are lower at first and then increase, usually every two years.  
Up to 10 years | You’ll pay more for your loan over time than under the 10-year standard plan. |
| **Extended Repayment Plan** | • Direct Subsidized and Unsubsidized Loans  
• Subsidized and Unsubsidized Federal Stafford Loans  
• all PLUS loans | Payments may be fixed or graduated.  
12-25 years | • Your monthly payments would be lower than the 10-year standard plan.  
• If you are a  
  ○ Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans.  
  ○ FFEL borrower, you must have more than $30,000 in outstanding FFEL Program loans. |
<table>
<thead>
<tr>
<th><strong>Income-Based Repayment Plan (IBR)</strong></th>
<th><strong>Direct Subsidized and Unsubsidized Loans</strong></th>
<th>Your maximum monthly payments will be 15 percent of <strong>discretionary income</strong>, the difference between your Adjusted Gross Income and 150% of the poverty guideline for your family size and state of residence (conditions apply). Up to 25 years.</th>
<th><strong>You must have a <strong>partial financial hardship</strong>.</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Subsidized and Unsubsidized Federal Stafford Loans</strong></td>
<td>Direct PLUS loans made to students</td>
<td><strong>Your monthly payments will be lower than payments under the standard plan.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>all PLUS loans made to students</strong></td>
<td><strong>Consolidation Loans</strong> (Direct or FFEL) that do not include consolidated PLUS loans made to parents</td>
<td>You’ll pay more for your loan over time than you would under the 10-year standard plan.</td>
<td>If you have not repaid your loan in full after making the equivalent of 25 years of qualifying monthly payments and 25 years have passed, any outstanding balance on your loan may be canceled.</td>
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</tbody>
</table>

| **Income-Contingent Repayment Plan** | **Direct Subsidized and Unsubsidized Loans** | Payments are calculated each year and are based on your annual income*, family size, and the total amount of your Direct Loans for up to 25 years. *If you are married, your spouse’s income is included. |
|---|---|---|---|
| **Direct PLUS Loans made to students** | Direct Consolidation Loans | **Your monthly payments will be lower than the standard repayment plan.** |
| **Direct Consolidation Loans** | **Subsidized and Unsubsidized Federal Stafford Loans** | **You’ll pay more for your loan over time than under the 10-year standard plan.** |
| **FFEL PLUS Loans made to students** | **FFEL Consolidation Loans that do not include a PLUS loan made to parents** | If you do not repay your loan after 25 years under this plan, the unpaid portion will be forgiven. | You may have to pay income tax on the amount that is forgiven. |
| **Income-Sensitive Repayment Plan** | **Your monthly payment is based on annual income.** | **Your monthly payments will be lower than payments under the 10 year standard plan.** |
| **Your payments change as your income changes.** Up to 10 years | **Your monthly payments will be lower than payments under the 10 year standard plan.** | **You’ll pay more for your loan over time than you would under the 10 year standard plan.** |