



Loans & Groans

A student debt workshop

OVERVIEW

Whether you went to school for philosophy, history, or taxidermy, chances are you're still sending monthly checks to your alma mater, the bank, or Uncle Sam. And chances are those payments hurt. But don't panic! You're not alone. Your instructor, Tyler Dolan, CFP®, has student loans, too. He'll walk you through some loan basics, then help you take a closer look at your student loans and how to manage them.

TAKEAWAYS

- Get to know your student loans (how they work and how to find key info).
- Learn about federal loan repayment programs and loan forgiveness.
- Understand the difference between consolidation and refinancing, and if either strategy may be right for you.

REPAYMENT PLANS

PRIVATE LOANS

Repayment plans available to you will depend entirely on your lender and the original loan agreement. We know it's a pain, but be sure to read this agreement through. (Actually, read it twice!) Private lenders do not have any legal obligation to work with a borrower who is having trouble making payments, but this does not mean they won't. It is always best to contact your lender directly with any issues or concerns.

FEDERAL LOANS

A number of repayment plan options are available to federal student loan borrowers, so this is where you will see the most flexibility. If you have a combination of both federal and private student loans, consider focusing on making the minimum payments on your private loans first and adjusting your federal student loan repayment plan accordingly.

PLAN TYPE	WHO IS IT FOR?	HOW MUCH WILL MY PAYMENT BE?	AND FOR HOW LONG?
Standard	Any borrower with eligible federal student loans. <i>This plan is ideal for those who want to pay off their student loans as quickly as possible and pay the least amount in interest.</i>	Your monthly payments are a fixed amount of at least \$50.	10 years to 30 years depending on your total loan amount.
Graduated	Any borrower with eligible federal student loans.	Your payments will start out low and increase every two years.	10 years to 30 years depending on your total loan amount.
Extended Fixed	Any borrower with eligible federal student loans.	Your monthly payments are a fixed amount.	25 years
Extended Graduated	Any borrower with eligible federal student loans.	Your payments will start out low and increase every two years.	25 years
REPAYE	Any borrower with eligible federal student loans. <i>This plan is ideal for those who want to lower their minimum payment to reflect their income but are not eligible for new borrower plans like PAYE.</i>	10 percent of your discretionary income	20 years for undergraduate study and 25 years if any of your loans are for graduate or professional study

PLAN TYPE	WHO IS IT FOR?	HOW MUCH WILL MY PAYMENT BE?	AND FOR HOW LONG?
PAYE	To qualify, the payment you would be required to make under the PAYE plan (based on your income and family size) must be less than what you would pay under the Standard Repayment Plan with a 10-year repayment period. Also to qualify you must be a new borrower as of October 1, 2007, and must have received a disbursement of a Direct Loan on or after October 1, 2011. <i>This plan is ideal for new borrowers who want to lower their minimum payment to reflect their income.</i>	10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount	20 years
IBR	To qualify, the payment you would be required to make under the IBR plan (based on your income and family size) must be less than what you would pay under the Standard Repayment Plan with a 10-year repayment period.	15 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount	25 years
IBR for New Borrowers	To qualify, the payment you would be required to make under the IBR plan (based on your income and family size) must be less than what you would pay under the Standard Repayment Plan with a 10-year repayment period. You must be a new borrower on or after July 1, 2014, and had no outstanding balance on a Federal Direct Loan or FFEL Loan when you received a Direct Loan on or after July 1, 2014.	10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount	20 years
ICR	Any borrower with eligible federal student loans.	The lesser of (a) 20 percent of your discretionary income or (b) what you would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to your income.	26 years

REPAYMENT PLANS (CONT.)

Let's see what these payment plans look like in real life. Imagine you're graduating this year with \$50,000 of Federal Direct subsidized student loans with an interest rate of 7 percent. You are single, living in Massachusetts, and your first job out of school comes with a salary of \$40,000.

PLAN TYPE	FIRST MONTHLY PAYMENT	TOTAL AMOUNT PAID	REPAYMENT PERIOD
Standard	\$581	\$69,665	10 years
Graduated*	\$336	\$75,126	10 years
Extended Fixed	\$353	\$106,017	25 years
Extended Graduated*	\$292	\$114,696	25 years
REPAYE**	\$183	\$111,780	23 years and 1 month
PAYE**	\$183	\$86,288	20 years
IBR**	\$274	\$93,046	17 years
IBR for New Borrowers**	\$183	\$86,288	20 years
ICR**	\$434	\$80,099	14 years and 2 months

* Under graduated repayment plans, your monthly payment amount will increase every two years until your loan is repaid.

** Under income-driven repayment plans, your monthly payment amount will increase over time as your income increases. We have assumed that your income grows 5 percent each year.

Other Assumptions: Family size remains the same and poverty guidelines increase with inflation.

Source: Federal Student Aid Repayment Estimator

COMMON TERMS

CAPITALIZED INTEREST

Unpaid interest that is added to your principal balance if unpaid. For example, your loans start accruing interest as soon as they're issued (i.e., as soon as you enroll in school). If your loan is unsubsidized, the interest accruing on it is capitalized and added to your principal. If your loan is subsidized, the government pays the accruing interest, so it won't be capitalized.

FEDERAL LOAN

Loans that are provided by the federal government through the U.S. Department of Education. They come in a variety of different types, such as Perkins or Stafford/Direct and subsidized and unsubsidized.

PERKINS LOAN

A need-based student loan offered by the U.S. Department of Education. It carries a 5 percent fixed interest rate and a nine-month grace period.

PRIVATE LOAN

Loans that are not issued by the government. They may be through special programs, or directly from your school. Each private loan will have its own repayment plans and interest rates.

STAFFORD/DIRECT LOAN

A federal student loan offered by the U.S. Department of Education. If disbursed after July 1, 2006, it will carry a fixed interest rate and a six-month grace period.

INTEREST

The compensation you pay to the bank for lending you the money to go to school. Each of your monthly payments contain both a principal and an interest portion. There's a trick you can use to estimate the interest portion of any monthly payment. For example, if you have a loan with a 5 percent interest rate and a principal balance of \$10,000, the formula would look like this: Monthly Interest Rate (.05 / 12) x Balance (\$10,000) = \$41.67 interest to be paid this month.

SUBSIDIZED

The government pays the interest on your loan while you are in school and during periods of deferment.

UNSUBSIDIZED

The borrower is responsible for the interest payments on loans, even during time in school or during deferment.



TAKE ACTION

- 1. Get to know your student loans.** Use our recommended resources, check your statements, and/or log into your loan servicers to identify your loan types, loan balances, interest rates, minimum monthly payments, etc.
- 2. Keep your student loan information consolidated in one place.** Use a notebook, create a spreadsheet, or use the Google Sheet template we've created in the resources section to keep an inventory of your important loan information.
- 3. Keep up with your minimum payments.** Once your grace period is over, always pay at least your minimum payment! This will help you stay current on your loan payments, build your credit history, and avoid paying extra interest or fees.
- 4. If you're having trouble making your monthly payment,** use our recommended resources to consider your options. You may be able to switch to a different federal loan repayment program, consolidate your federal loans, refinance your loans at a lower interest rate, or enter into deferment or forbearance.
- 5. Determine if you're eligible for any loan forgiveness or cancellation.** Cancellation or forgiveness options for Perkins loans and Public Service Loan Forgiveness for Direct loans are available for a number of different professions. If you have or pursue a job with the government, a nonprofit organization, or other public service provider, you may be eligible!
- 6. If you can afford to pay more, consider your goals first.** If you determine that paying down your debt is a priority, pay more toward the loan with the highest interest rate first.



SOCIETY OF GROWNUPS RESOURCES

LOAN REPAYMENT CALCULATOR

Use our loan repayment calculator to learn how to tackle your debt and compare repayment strategies.

STUDENT LOAN INFORMATION INVENTORY

Get started with consolidating your important student loan information on our Google Sheet template.



THIRD-PARTY RESOURCES

STUDENTLOANS.GOV

Check out this government site to manage direct student loans, including changing repayment plans or consolidating loans.

FEDERAL STUDENT AID REPAYMENT ESTIMATOR

Use this calculator to compare different federal loan repayment plans.

NATIONAL STUDENT LOAN DATABASE SYSTEM (NSLDS)

Check out the government's website to retrieve your federal student loan information.

ANNUAL CREDIT REPORT

Visit this site to check your credit report and all your loans, including private loans.

CREDITKARMA

Use this site to check your credit score and simulate different scenarios.

FEDERAL STUDENT AID

Find a one-stop shop for student loans here: Learn about your loans, take out a loan, or repay a loan on this site.

FEDERAL STUDENT LOAN CONSOLIDATION

This site covers all topics related to consolidation.

PUBLIC SERVICE LOAN FORGIVENESS (PSLF)

Research whether you're eligible to get your student loans on this site, plus start the loan forgiveness process here.



SUGGESTED CLASSES

YOU'RE A GROWNUP (DON'T PANIC!): THE BASICS OF FINANCIAL PLANNING

Get a glimpse of the basics of financial planning: creating goals, learning to prioritize, and financial best practices.

SPENDING PLANS: A BETTER WAY TO BUDGET

Learn a whole different way of looking at your money, and get tips for making sure you're really spending on what matters to you.

CAN I HAVE YOUR NUMBER?

Take a good look at credit scores, and learn how that one number could be affecting all your Grownup goals.

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