



# Repaying Student Loan Debt

**Stephanie Sampedro | Student Loan Advocate**  
Washington Student Achievement Council

# WSAC'S MISSION

We advance educational opportunities and attainment in Washington State.



- Policy and research
- Savings and financial aid programs
- Access and support programs
- Consumer protection



# WORKSHOP OUTCOMES

- Find loan info
- Identify differences between repayment plans
- Know how to apply for forgiveness
- Know how student debt affects other financial decisions
- Identify a scam
- Know how to make a complaint

# STUDENT DEBT IN WASHINGTON

**750,000+**  
student loan borrowers

**\$26.4 billion**  
outstanding student debt

**\$34,922**  
average student debt

**96,589 borrowers**  
in delinquency

**\$2.57 billion**  
in delinquency

**36% increase**  
in senior citizens w/debt

# KEY TERMS

## Capitalization

Adding unpaid interest to the principal of the loan.

## Discretionary income

Difference between one's annual income and 150% of the poverty guideline for your family size and state of residence.

## Servicer

A company that handles the billing and other services on one's federal student loans. A servicer does not own one's student loans.

## Collection Agency

An entity that recovers unpaid debt from borrowers who have defaulted on their loans.

# WASHINGTON STUDENT LOAN BILL OF RIGHTS

- Student loan servicers must be licensed with DFI
- Schools must notify borrowers about Student Loan Advocate
- Develop student borrower education course
- Borrowers may request information or resources or make a complaint to Advocate
- Advocate makes recommendations to legislature regarding student debt in Washington

# FEDERAL BORROWER RIGHTS

**Interest.** Reduce rate by 0.25% if set up automatic payments

**Repayment plan.** Change to an IDR plan at any time

**Deferment.** Economic hardship for up to 3 years

**Forgiveness.** Can apply if meet qualifications

**Defense.** Assert defense against repayment if school at fault

**Alternative repay.** If have “exceptional circumstances”

**Rehabilitation.** Must be “reasonable and affordable”

# STEP 1: FEDERAL STUDENT AID ID

## DO YOU NEED TO LOG IN TO ONE OF THESE WEBSITES?

If you haven't logged in since May 10, 2015, then you need to create an FSA ID. The FSA ID is a username and password that has replaced the Federal Student Aid PIN.

- [fafsa.gov](http://fafsa.gov)
- [StudentLoans.gov](http://StudentLoans.gov)
- [StudentAid.gov](http://StudentAid.gov)
- [nslds.ed.gov](http://nslds.ed.gov)
- [teach-ats.ed.gov](http://teach-ats.ed.gov)

**Federal Student Aid**  
AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

More Info: [StudentAid.gov/fsaid](http://StudentAid.gov/fsaid)



# STEP 2: NSLDS

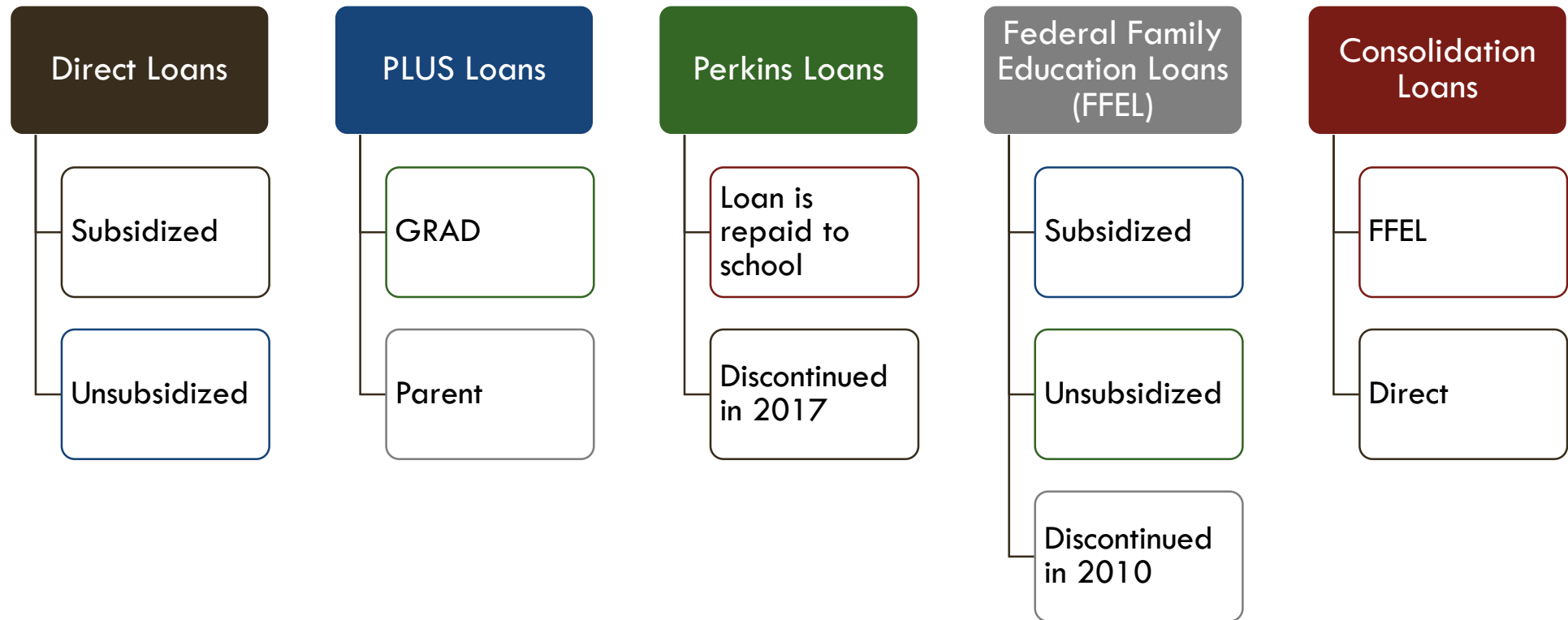
<https://nslds.ed.gov/npas/index.htm>

**Loans**

Please click on numbers in first column to see details including contact information for your aid holders.

	Type of Loan	Loan Amount	Loan Date	Disbursed Amount	Canceled Amount	Outstanding Principal	Outstanding Interest
<b>1</b>	DIRECT CONSOLIDATED UNSUBSIDIZED	\$35,059	05/16/2014	\$35,060	\$0	\$40,161	\$76
<b>2</b>	DIRECT CONSOLIDATED SUBSIDIZED	\$12,574	05/16/2014	\$12,574	\$0	\$14,404	\$27
<b>3</b>	DIRECT STAFFORD UNSUBSIDIZED	\$18,638	08/29/2012	\$8,388	\$10,250	\$0	\$0
<b>4</b>	DIRECT CONSOLIDATED UNSUBSIDIZED	\$22,997	08/22/2012	\$23,089	\$0	\$0	\$0
<b>5</b>	DIRECT CONSOLIDATED SUBSIDIZED	\$11,811	08/22/2012	\$11,819	\$0	\$0	\$0
<b>6</b>	DIRECT STAFFORD SUBSIDIZED	\$1,833	09/07/2010	\$1,833	\$0	\$0	\$0
<b>7</b>	DIRECT STAFFORD UNSUBSIDIZED	\$2,333	09/07/2010	\$2,333	\$0	\$0	\$0
<b>8</b>	FFEL STAFFORD UNSUBSIDIZED	\$5,500	06/25/2009	\$5,500	\$0	\$0	\$0
<b>9</b>	FFEL STAFFORD UNSUBSIDIZED	\$6,500	10/13/2008	\$6,500	\$0	\$0	\$0
<b>10</b>	FFEL STAFFORD SUBSIDIZED	\$8,500	10/13/2008	\$8,500	\$0	\$0	\$0
<b>11</b>	DIRECT STAFFORD UNSUBSIDIZED	\$5,500	04/26/2007	\$5,500	\$0	\$0	\$0
<b>Total DIRECT CONSOLIDATED UNSUBSIDIZED</b>						<b>\$40,161</b>	<b>\$76</b>
<b>Total DIRECT CONSOLIDATED SUBSIDIZED</b>						<b>\$14,404</b>	<b>\$27</b>
<b>Total DIRECT STAFFORD UNSUBSIDIZED</b>						<b>\$0</b>	<b>\$0</b>
<b>Total DIRECT STAFFORD SUBSIDIZED</b>						<b>\$0</b>	<b>\$0</b>
<b>Total FFEL STAFFORD UNSUBSIDIZED</b>						<b>\$0</b>	<b>\$0</b>
<b>Total FFEL STAFFORD SUBSIDIZED</b>						<b>\$0</b>	<b>\$0</b>
<b>Total All Loans</b>						<b>\$54,565</b>	<b>\$103</b>

# TYPES OF FEDERAL STUDENT LOANS



# FEDERAL LOAN SERVICERS

Cornerstone

FedLoan  
Servicing  
(PHEAA)

Granite State -  
GSMR

Great Lakes  
Educational Loan  
Services

Hesc/EdFinancial

MOHELA

Navient

Nelnet

OSLA Servicing

# STEP 3: CHOOSE A REPAYMENT PLAN

<https://studentloans.gov/myDirectLoan/repaymentEstimator.action#view-repayment-plans>

Repayment Plan	Repayment Period	Monthly Payment Initial to Final Amounts	Projected Loan Forgiveness ⓘ	Total Interest Paid ⓘ	Total Amount Paid
Standard- ⓘ	120 months	\$2,220 to \$2,220 	\$0	\$66,449	\$266,449
Graduated- ⓘ	120 months	\$1,270 to \$3,809 	\$0	\$84,240	\$284,240
Extended Fixed ⓘ	300 months	\$1,289 to \$1,289 	\$0	\$186,581	\$386,581
Extended Graduated ⓘ	300 months	\$1,000 to \$1,940 	\$0	\$220,577	\$420,577
Pay As You Earn** ⓘ	240 months	\$470 to \$1,320 	\$240,844	\$199,156	\$199,156
Income-Based Repayment (IBR)** ⓘ	300 months	\$705 to \$2,220 	\$21,221	\$251,387	\$430,167
Income-Contingent Repayment (ICR)** ⓘ	205 months	\$1,071 to \$2,470 	\$0	\$144,769	\$344,769

# REPAYMENT PLANS

<b>Plan</b>	<b>Terms</b>	<b>Repayment Period</b>	<b>Forgiveness?</b>
Standard	60-120 equal payments	Up to 10 years	None
Graduated	Payment grows every 2 years	Up to 10 years	None
Extended Fixed	300 equal payments	Up to 25 years	None
Extended Graduated	Payment grows every 2 years	Up to 25 years	None

# INCOME-DRIVEN REPAYMENT PLANS

Plan	Payment no more than...	Forgiveness after...
Income Based Repayment (IBR)	15% of discretionary income	About 25 years
IBR for New Borrowers	10% of discretionary income	About 20 years
Pay As You Earn (PAYE)	10% of discretionary income	About 20 years
Revised Pay As You Earn (REPAYE)	10% of discretionary income	20-25 years
Income Contingent Repayment (ICR)	20% of discretionary income	25 years
HH of 1 in WA = \$18,735		

# STEP 4: FORGIVENESS, CANCELLATION, DISCHARGE

## Forgiveness

- Public Service Loan Forgiveness (PSLF)
- Total and Permanent Disability Discharge (TPD)
- Teacher Loan Forgiveness

## Discharge

- Closed School Discharge
- False Certification of Student Eligibility
- Borrower Defense to Repayment
- Bankruptcy
- Death Discharge

## Cancellation

- Perkins Loan Cancellation

# PUBLIC SERVICE LOAN FORGIVENESS

Loan Type	<ul style="list-style-type: none"><li>• Federal Direct loans are required.</li><li>• Other loan types can be consolidated to make them eligible.</li></ul>
Eligible Repayment Plan	<ul style="list-style-type: none"><li>• IBR, PAYE, REPAYE or ICR</li></ul>
Work	<ul style="list-style-type: none"><li>• Full-time at a qualifying public service entity (30 hours/week minimum)</li></ul>
Make Payments	<ul style="list-style-type: none"><li>• 120 on-time, full, scheduled, monthly payments made after 10/01/07</li></ul>
Employer Certification	<ul style="list-style-type: none"><li>• Public employer must fill out the Employment Certification form.</li><li>• Recommended to submit annually</li></ul>



# PERKINS LOAN CANCELLATION

**Full-time work** in the following earns 100% discharge of your loan except for Peace Corps or AmeriCorps.

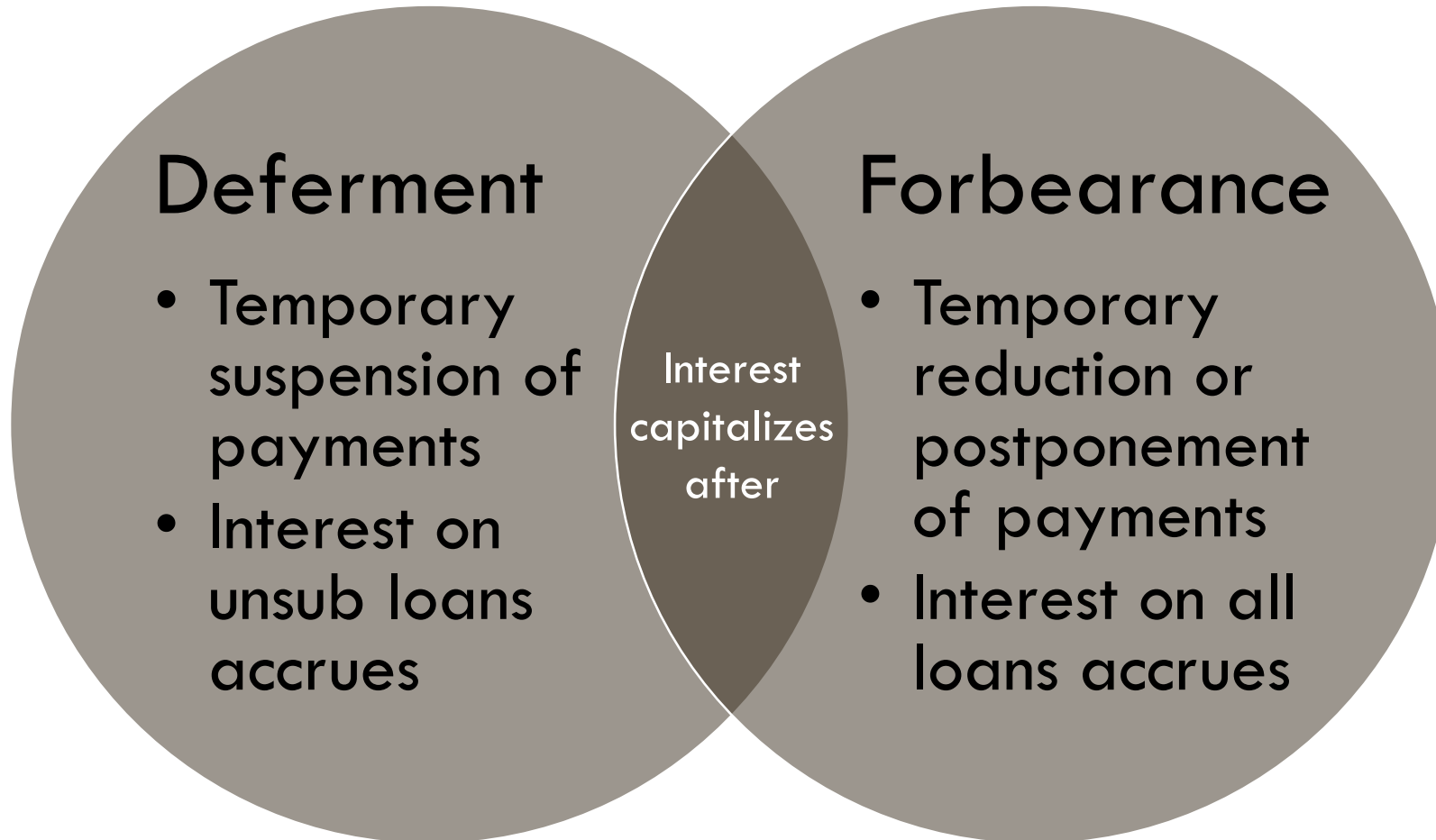
Firefighter	Police or corrections officer	Nurse or medical technician	AmeriCorps VISTA or Peace Corps volunteer	Public, child or family services agency employee
Head Start education staff	Pre-K or child care program staff licensed by state	Professional or early intervention for the disabled	Teacher of low-income students at educational service agency	Speech pathologist working in a high need school
	Special education teacher of children with disabilities in a public school	Math, science, foreign language, or bilingual education teacher	Tribal college or university faculty	

100% Loan discharge also available if **school closes before completing program.**

# STATE LOAN REPAYMENT PROGRAMS

<b>Requirements</b>	<b>Federal-State Loan Repayment Program (FSLRP)</b>	<b>Health Professional Loan Repayment Program (HPLRP)</b>
Funding	State and federal	State only
Work	Full time for at least two years	Full-time for three years or part-time for five years
Award max	\$70,000	\$75,000
<a href="https://www.wsac.wa.gov/health-professionals">https://www.wsac.wa.gov/health-professionals</a>		

# DEFERMENT VS. FORBEARANCE



# DEFERMENT

Enrolled half-time or more

Graduate fellowship

Rehab training program for the disabled

Unemployed or underemployed

Economic hardship

Peace Corps or AmeriCorps service

On active duty military service

Up to 13 month after active duty military service

# FORBEARANCE

## Discretionary

- **Financial difficulties**
- Medical expenses
- Change in employment

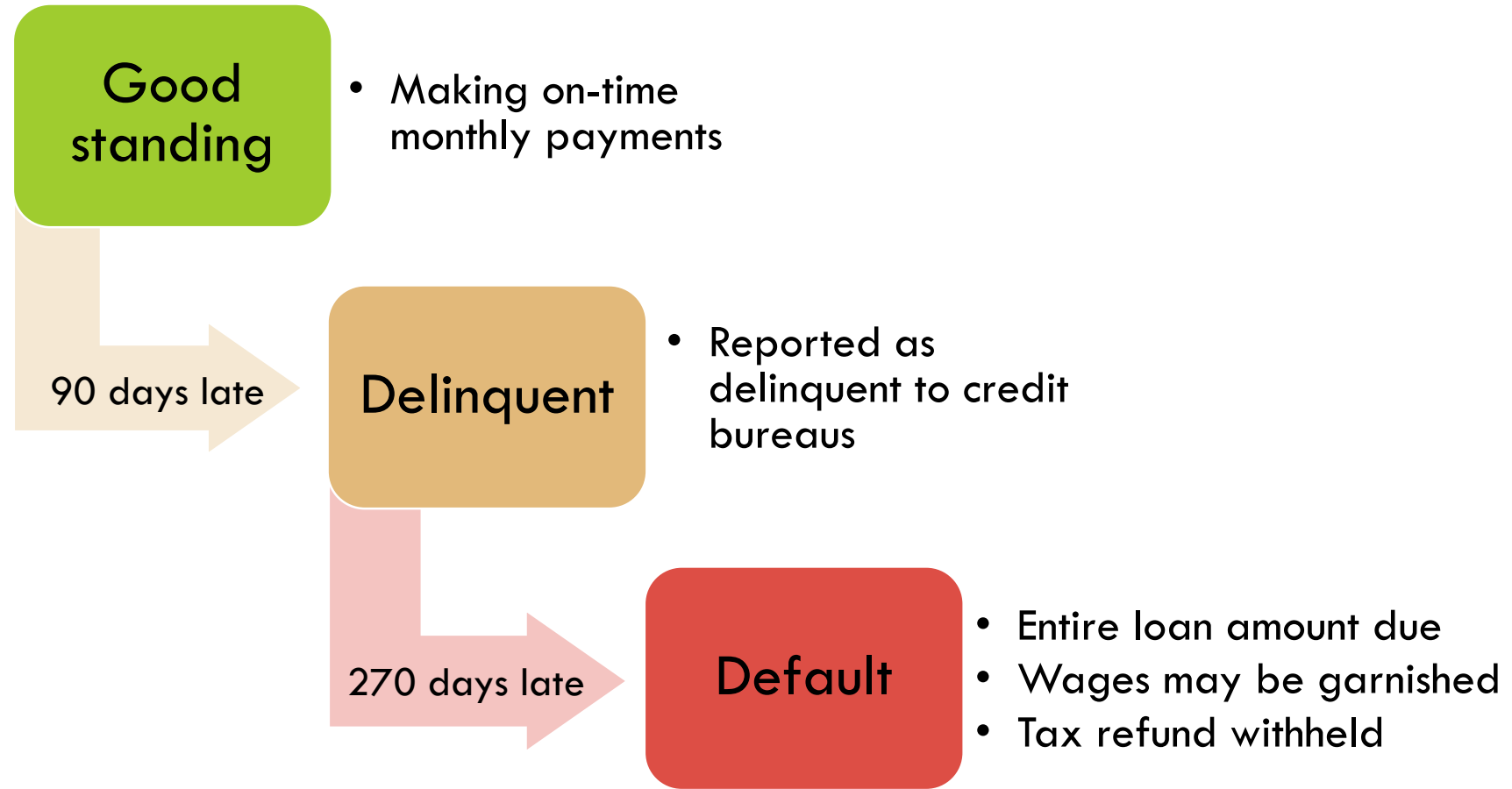
## Mandatory

- Medical or dental internship
- Payment  $>20\%$  of income
- AmeriCorps
- Working toward Teacher Loan Forgiveness
- Member of the National Guard

## Administrative

- **Pending IDR approval**
- Pending loan cancellation approval

# DELINQUENCY AND DEFAULT



# GETTING OUT OF DEFAULT

## Rehabilitation

- Make 9 monthly payments over 10 months
- Only once per loan
- Can negotiate a “reasonable & affordable” monthly rehab payment
- Default is erased from your credit report (delinquencies remain)

## Consolidation

- Combine many loans into one NEW loan
- Select loans to consolidate
- New interest rate = weighted average of all loans
- Choose your new servicer
- Repayment period resets
- All negative activity remains on your credit report

# SHOULD I CONSOLIDATE?

## Good Idea

- Defaulted loan but can't rehabilitate it
- Want to pursue PSLF but have FFEL loans or a Parent PLUS loan
- Need a lower payment but don't qualify for an IDR plan
- Have Parent PLUS loans and want to qualify for an IDR plan

## Not Possible

- Only have one loan
- Only loan is a spousal consolidation loan
- Have a defaulted loan and are being garnished
- Only have Perkins Loan(s)



# DIRECT CONSOLIDATION

StudentLoans.gov

Direct Consolidation Loan Application (Step 1) - Choose Loans and Servicer  
(Federal Direct Consolidation Loan Application and Promissory Note)

1 Choose Loans & Servicer → 2 Repayment Plan Selection → 3 Terms & Conditions → 4 Borrower & Reference Information → 5 Review & Sign

Borrower: ETSUKO REN Social Security Number: XXX-XX-7902

**Select the Loans to Consolidate**

Select All Loans	Loan Type	Account Number	First Disbursement Date	Loan Balance	Interest Rate	Loan Servicer
<input checked="" type="checkbox"/>	F	5W23MU6YG8Y43FYWOUS1C	08/26/2009	\$16,000	5.1%	<a href="#">Great Lakes</a>
<input checked="" type="checkbox"/>	L	09LG2JB1W017B4MEGKMNA	10/16/2012	\$10,000	3.4%	<a href="#">PHEAA</a>
<input checked="" type="checkbox"/>	F	0E1CL6CCERG855045GJKQ	09/01/2011	\$5,000	6.8%	<a href="#">Nelnet</a>

F - Federal Perkins Loan

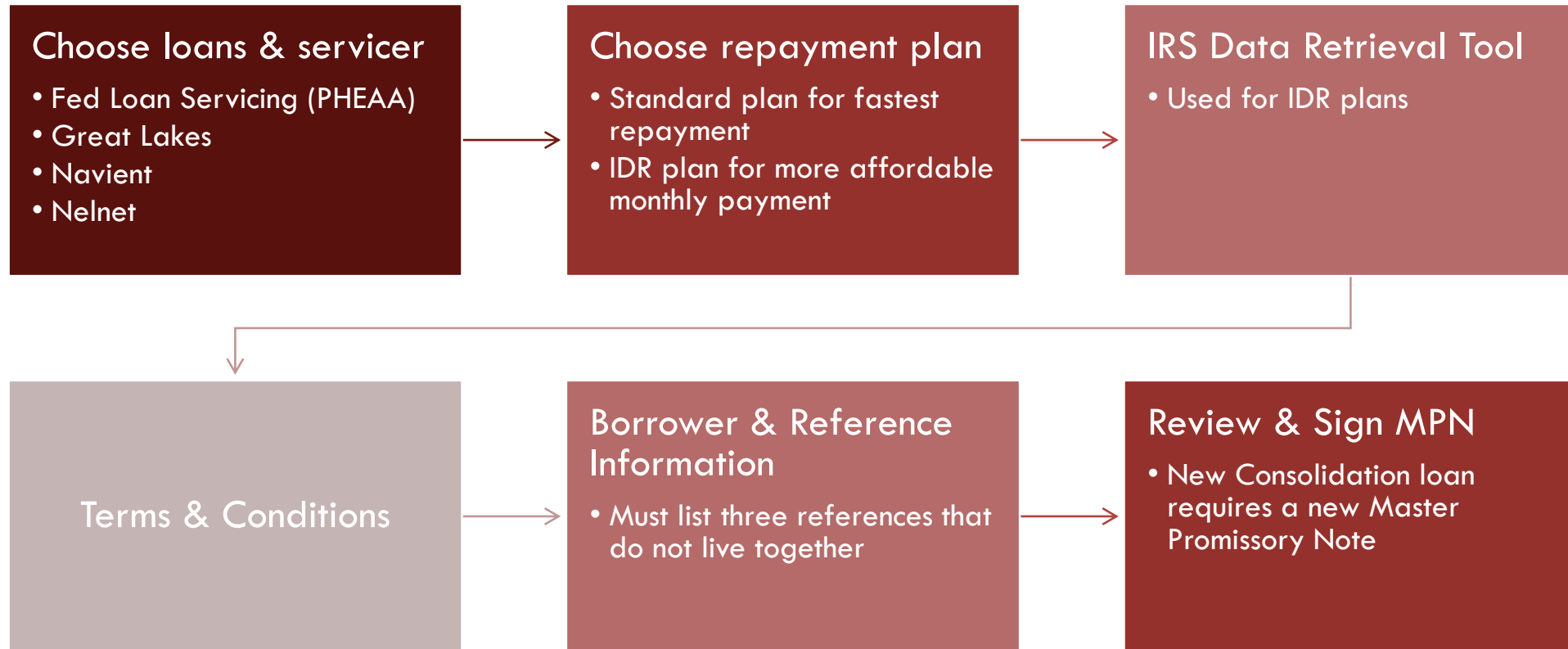
If you would like to consolidate, but are not located in the listing above, use the loan information.

**New Direct Consolidation Loan**

<b>Balance</b>	\$31,000	<b>Interest Rate</b>	4.875%	<a href="#">More Information</a>
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Loans are displayed with Loan Type and Loan Servicer in the “Select the Loans to Consolidate” box; when the user scrolls over the Loan Type or Loan Servicer, more information is displayed.

# DIRECT CONSOLIDATION IN 6 STEPS



# MARRIAGE, TAXES, AND LOANS

## File jointly

Monthly payment uses HH income

Interest deduction of up to \$2500

## File separately

Monthly payment uses borrower income only

Cannot claim interest deduction

## REPAYE

HH income regardless of tax filing

## Conclusion

Compare savings

# SERVICE MEMBERS AND VETERANS

Employment with US military counts toward PSLF

Interest rate on loans while on active duty, capped at 6%

While on active duty, deferment is granted

Veterans who were disabled on active duty may qualify for Total and Permanent Disability Discharge

# BUYING A HOME

## Student debt counted in DTI ratio

- Fully amortized monthly payment or 1% of total loan is typically included in DTI
- Can use IDR monthly payment for conventional mortgage loans
  - FHA loans – possibly
  - Caution: if income/HH size changes, mortgage payment does not change

If monthly loan payment is made by someone else,  
excluded from DTI

# PRIVATE STUDENT LOANS

Loans from private banks, credit unions or other financial institution

Federal repayment plans do not apply

Must define repayment plan directly with lender

Difficult to be discharged in bankruptcy

Interest rate is often higher and can be variable

Can view these on your credit report or with lender's site

# PRIVATE LOAN CONSOLIDATION, REFINANCING



Can decrease your interest rate

Can decrease amount paid overall

If good credit and private debt only, good option

Interest rate based on credit history

Forfeit all income drive repayment plans

Can't apply for PSLF

# SIGNS OF A SCAM

Fees!

“Federal”, “National” or other official sounding words in company name

Promises: immediate relief, forgiveness, get out of default now!

Advertised via text message, social media, TV/radio, or ads on search results



# FAIR DEBT COLLECTION PRACTICES ACT

Applies to loans that are in default and prohibits certain activity:

- Using abusive, unfair or deceptive practices to collect debts
- Calling at unusual times or places
- Calling at time/place that they know to be inconvenient
- Harassing or threatening the borrower
- Talking directly to the borrower if they've hired a lawyer
- Talking to the borrower if they've been asked not to, except to:
  - Say they will seek no further action on the debt
  - Notify the borrower that they will be pursuing legal action

# COMPLAINTS

Make a complaint if servicer has done something unlawful

- WSAC: [loanadvocate@wsac.wa.gov](mailto:loanadvocate@wsac.wa.gov)
  - Attorney General's office
  - Department of Financial Institutions
- Consumer Financial Protection Bureau: [consumerfinance.gov](http://consumerfinance.gov)
- FSA Ombudsman: [feedback.studentaid.ed.gov](http://feedback.studentaid.ed.gov)
- FTC: [ftccomplaintassistant.gov/#crnt&panel1-1](http://ftccomplaintassistant.gov/#crnt&panel1-1)
- Servicer Ombudsman: Contact appropriate servicer

# SUMMARY

Step 1: FSA ID - remember it!

Step 2: National Student Loan Data System

Step 3: Choose a repayment plan

Step 4: Look into loan forgiveness, discharge, or cancellation

Think carefully before consolidating loans

Only use deferment/forbearances for short periods

You have rights as a student loan borrower – make a complaint if you have an issue

**Stephanie Sampedro**  
[stephanies@wsac.wa.gov](mailto:stephanies@wsac.wa.gov)

