



## Student Loan Repayment

### Important Reminders for Syracuse College of Law Students

#### LOAN SUMMARY

- The National Student Loan Data System (NSLDS) maintains borrowers' federal loan history. Using your federal PIN number (the same number used to file the FAFSA), you may log into [www.nsls.ed.gov](http://www.nsls.ed.gov) to retrieve a summary of your federal debt. The summary will include all federal loans (law school and undergraduate debt) but will not include private educational loan debt.
- Your lender or lenders will have the most complete information. Many lenders have websites with 24 hour loan inquiry access.

#### LOAN REPAYMENT OPTIONS

- There are several loan repayment options available to Federal Stafford and Grad PLUS loan borrowers:
  - Standard 10-year: fixed payments for up to 10 years
  - Graduated: payments increase gradually for up to 10 years
  - Income-Sensitive: payments determined annually based on monthly gross income; plan may be renewed for 5 years followed by a 10 year repayment period
  - Extended 25-year: fixed payments up to 25 years for borrowers with \$30,000+ in Federal debt
- Perkins loans: repayment up to 10 year, Fixed 5% interest rate, 9 month grace period after graduation
- Private loans: terms differ depending on the lender. Generally, up to 15 to 30 years repayment period.

#### CONSOLIDATION

##### WHAT?

- Combines several federal loans into one new loan with a fixed interest rate
  - Fixed rate is based on a weighted average of all loans being consolidated, rounded up to nearest 1/8 % and capped at 8.25%

##### WHY?

- Lock in a fixed interest rate
  - Non-consolidated Stafford Loans borrowed prior to 7/1/06 have a variable rate, which changes each July 1
- May extend repayment period beyond 10 or 25 years (and lower monthly payment)

##### WHY NOT?

- 06/07 and 07/08 Loans already have fixed interest rates (6.8%)
- Some 3Ls may have already consolidated their debt incurred prior to 6/30/06
- Forfeit future opportunity for even lower rate
  - You can consolidate only once, unless you have other outstanding or new eligible loans not included in the original consolidation
- Consolidating Perkins Loans has disadvantages
  - Lose 9-month grace period
  - Lose interest subsidy if you enter deferment
- Extended repayment increases overall loan costs

##### WHEN?

- Best time to consolidate is during grace period or deferment when rates are lower
- Check rates in early June (before July 1 change)
  - If rates are going up, consider consolidating in June
  - If rates are going down, consolidate toward end of grace period
- Anytime during repayment when rates are low

##### HOW?

- Contact the lender that holds most (or all) of your federal student loans first.

## BAR LOANS

- Your regular academic year loan eligibility may be used to cover the cost of your State Bar Exam fee, as long as the fee is incurred while you are still enrolled at the College of Law.
- To pay for other bar-related expenses (including bar-prep courses, relocation expenses incurred after graduation, and living expenses following graduation while studying for licensure exams) private, credit-based educational Bar Loans are available from many lenders.
- Early in the spring semester, 3Ls will be given a form to complete to begin the application process for a Bar Loan. Bar Loans are scheduled to disburse on April 1, 2008. Early partial disbursements are available upon request to pay for Bar Review Course registration fees due before April 1<sup>st</sup>.

## Prior to Graduation: REQUIRED EXIT COUNSELING

- Prior to graduation, 3Ls who have borrowed federal loans will be instructed to complete the online “Exit Interview” on our website: [http://www.law.syr.edu/admissions/financialaid/loan\\_programs.asp](http://www.law.syr.edu/admissions/financialaid/loan_programs.asp)
- Will describe your rights and responsibilities as a borrower of federal loans

## NEW LEGISLATION

On Thursday, September 27, 2007 HR 2669 was signed into law. Income based federal loan repayment has been expanded as well as loan forgiveness for public service employees.

Section 203, **Income Based Repayment**, takes effect on July 1, 2009 and will allow borrowers of Stafford, Perkins, Grad PLUS, and Federal Consolidation to repay their loans on the basis of income at the time of repayment. Borrowers may qualify if the annual payment on a 10 year repayment period exceeds 15% by which the borrower’s AGI exceeds 150% of the poverty line.

Section 401, **Loan Forgiveness for Public Service Employees**, takes effect on July 1, 2009 but does allow for tolling of payments made after 10/1/07. The definition of Public Service Employees includes public interest law services (including prosecution or public defense or legal advocacy in low-income communities at a non-profit organization).

## COMMON TERMS AND DEFINITIONS

**Deferment:** Temporary postponement of monthly loan payments

- Eligibility defined by law
- Interest subsidy applies on subsidized Stafford loans
- Borrower must request deferment from holder/servicer & provide documentation
- Loan must be in good standing

**Types of deferment:** In-school, Unemployment, Economic Hardship (eligibility tied to your income, total federal loan balance, loan interest rates), Military (loans disbursed after 7/1/01)

**Forbearance:** Temporary postponement or reduction of monthly loan payments during which time the borrower is responsible for interest.

**Loan Discharge:** Federal loan discharge available due to death or total and permanent disability.

**Default:** You must repay all loans. Default is declared on student loans when a borrower has failed to make payments over a period of time. Borrowers in default may have their wages garnished, eligibility for deferments will be lost, eligibility for future federal student aid will be lost, IRS can withhold federal & state tax refunds, federal government can take legal action against you, credit rating can be damaged for 7 years, eligibility to obtain/maintain professional license(s) can be lost.

**Lender:** The bank, credit union, or other approved entity from which the borrower obtains a loan.

**Holder:** The lender or agency that originated the loan and holds its legal title; a lender or secondary market that purchased the loan from the original holder.

**Servicer:** An organization that handles billing, collections, deferments, customer inquiries, and other loan transactions for the lender/holder.