The information contained in this presentation is not comprehensive, is subject to constant change, and therefore should serve only as general, background information for further investigation and study related to the subject matter and the specific factual circumstances being considered or evaluated. Nothing in this presentation constitutes or is designed to constitute legal advice.
MANAGING YOUR STUDENT LOAN DEBT

- Know your loan portfolio – loan types and relative cost
- Know your grace, deferment and forbearance options
- Understand the consequences of delinquency and default
- Know your decision points and keep a calendar
- Know the cost BEFORE choosing your repayment plan
- Set and follow a realistic budget
- Safeguard your credit by carefully managing all of your loans and loan payments
- Keep good records
- Know your resources
Know Your Loan Portfolio

- Know what types of loans you have
- Know your lenders
- Know who services your loans
BUYING AND SELLING OF STUDENT LOANS

- Your original lender may have sold your loan
- This means you have a new loan “holder”
- You must be notified if the service provider of your loan changes
- The terms of your loan(s), as specified in the promissory note(s), will not change if sold or transferred to another servicer
SUBSIDIZED VS. UNSUBSIDIZED LOANS

**Subsidized Loans**

*Have no interest cost to you while in school, in grace, or during periods of authorized deferment*

**Examples:**

- Subsidized Stafford Loan
- Perkins Loan
- Consolidation Loan – portion of underlying eligible Subsidized loans
- Some institutional loans (see promissory note or aid office)
Unsubsidized Loans

*Accrue interest from the time of disbursement*

**Examples:**
- Unsubsidized Stafford Loan
- Graduate PLUS Loan
- Consolidation Loan – Interest accrues from the day the Consolidation loan is disbursed to pay off the underlying loans, except for periods of authorized deferment for the portion that repaid subsidized loans (as noted on earlier slide).
- Private Loans
National Student Loan Data System
www.nslds.ed.gov
Provides data on your federal student loans; any Stafford, Grad PLUS, Consolidation or Perkins Loans should be listed in this central database.
RELATIVE COST OF STUDENT LOANS

- **Interest Rate** - what the lender charges you to use their money
- **Capitalization** - the addition of accrued and unpaid interest to the principal balance of your loan
- **Borrower Benefits and Repayment Incentives** - special offerings that can help you reduce the cost of repaying your loan(s), these may include:
  - Interest rate reductions
  - Credits to loan balance
- Some benefits and repayment incentives impose eligibility requirements such as signing up for automatic debit or making a certain number of on-time payments
# Federal Loan Interest Rates

<table>
<thead>
<tr>
<th></th>
<th>In-school, Grace and Deferment</th>
<th>Forbearance Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stafford Loans</strong></td>
<td>6.8% fixed</td>
<td>6.8% fixed</td>
</tr>
<tr>
<td>(first disbursed on or after 7/1/06)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current undergraduate subsidized Stafford Loans interest rates are 5.6% and will continue to decline for the next two years.*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stafford Loans</strong></td>
<td>1.88% variable</td>
<td>2.48% variable</td>
</tr>
<tr>
<td>(first disbursed between 7/1/98 and 6/30/06)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Graduate PLUS Loans</strong></td>
<td>8.5% fixed</td>
<td>8.5% fixed</td>
</tr>
<tr>
<td><strong>Consolidation Loan</strong></td>
<td>Fixed rate based on weighted-average interest rate of underlying loans rounded up to nearest one-eighth of a percent (capped at 8.25%)</td>
<td></td>
</tr>
</tbody>
</table>

* The current rate for subsidized Stafford loans disbursed to undergraduate students is 5.6%; this rate is scheduled to decline to 4.5% on 7/1/10 and to 3.4% on 7/1/11 before rising back to 6.8% on 7/1/12.

** Variable interest rate, changes every July 1 based on the 91-day Treasury bill, capped at 8.25%. This is the current rate.

*** The Grad PLUS interest rate for Direct Loans is 7.9%
INTEREST RATES

- Perkins - 5% fixed
- Private Loans - check your Truth in Lending Statement
- Institutional loans - check your promissory note
What is capitalization?

- Interest on most loans accrues from the date funds are disbursed until the loan is paid in full. (Subsidized loans do not accrue interest during in-school, grace and deferment periods.)
- Capitalization is the addition of unpaid accrued interest to the principal balance of a loan.
  - Less frequent the better
  - Consider asking family to help with interest
  - Capitalization often occurs more frequently during forbearance
The chart provides estimates, for a $15,000 loan balance at a 6.8% interest rate, of the monthly payments due following a 12-month deferment or forbearance. It compares the effects of paying interest, capitalizing interest at the end of a deferment or forbearance, and capitalizing interest quarterly and at the end of a deferment or forbearance.

Results: Paying interest during the period of deferment lowers the monthly payment by about $12 a month or about $425 over the lifetime of the loan.

<table>
<thead>
<tr>
<th>Treatment of Interest Accrued During Deferment Status</th>
<th>Loan Amount</th>
<th>Capitalized Interest for 12 Months</th>
<th>Principal to Be Repaid</th>
<th>Monthly Payment</th>
<th>No of Payments</th>
<th>Total Amount Repaid</th>
<th>Total Interest Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest is paid</td>
<td>$15,000.00</td>
<td>$0.00</td>
<td>$15,000.00</td>
<td>$172.62</td>
<td>120</td>
<td>$21,734.52*</td>
<td>$6,959.52</td>
</tr>
<tr>
<td>Interest is capitalized at the end of status</td>
<td>$15,000.00</td>
<td>$1,020.00</td>
<td>$16,020.00</td>
<td>$184.36</td>
<td>120</td>
<td>$22,123.03</td>
<td>$7,348.03</td>
</tr>
<tr>
<td>Interest is capitalized quarterly during status and at the end of status</td>
<td>$15,000.00</td>
<td>$1,046.00</td>
<td>$16,046.00</td>
<td>$184.66</td>
<td>120</td>
<td>$22,159.43</td>
<td>$7,384.43</td>
</tr>
</tbody>
</table>

*Total amount repaid includes $1,020 of interest paid during the 12-month period of deferment.
BORROWER BENEFITS AND REPAYMENT INCENTIVES

- Money-saving borrower benefits and repayment incentives were typically offered to borrowers by lenders during your time as a student.
- They took the form of interest rate reductions, credits to your loan balance and/or cash rebates and imposed eligibility rules such as making a specific number of on-time payments.

Make sure you:

- Find out if any of your loans are eligible for borrower benefits or repayment incentives by contacting your loan service provider or consulting your lender's web site
- Research the terms to know and understand the eligibility rules
DELAYING REPAYMENT

► If your loans have a grace period, you won’t be asked to start making payments until the grace period is over.
  ▪ Stafford, Federal Perkins and some private loans offer grace periods.
  ▪ Federal Consolidation Loans and Grad PLUS loans do not have grace periods.
    • Grad PLUS loans issued on or after July 1, 2008, offer a new six-month post-enrollment deferment option that essentially aligns with the Stafford grace period.
    • Borrowers can create a de facto grace period for consolidation loans and older Grad PLUS loans via forbearance.

► You can postpone repayment on your federal loans via a deferment or forbearance.
  ▪ You have to meet the qualifying conditions for a deferment or a forbearance.
GRACE

- Period of time after you graduate, leave school or drop to less than half-time during which you are not required to make payments
- No application required
- Loan specific, varies according to loan – once you use it completely, it’s gone
  - Stafford loans have a six-month grace period
  - Perkins have nine-month grace
- Subsidized Stafford Loans are interest free to the borrower during grace
- Unsubsidized Stafford Loans continue to accrue interest
- Does not adversely impact credit

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DEFERMENT

- Period when a borrower who meets certain criteria may suspend loan payments
- Application may be required depending on deferment type. Recertification for subsequent deferment periods may also be required.
- Stafford loan deferments are “borrower” specific, meaning eligibility is attached to the borrower
- Subsidized Stafford loans are interest free to borrower during authorized deferment periods
  - Unsubsidized loans continue to accrue interest
  - Putting loans into deferment does not adversely impact credit
COMMON TYPES OF DEFERMENT

- In-School
- Economic Hardship
- Unemployment
- Military
# Economic Hardship Deferment (EHD)

## EHD Eligibility Categories

<table>
<thead>
<tr>
<th>Current eligibility rules that will remain in effect after June 30, 2009</th>
<th>1. Borrower has qualified for EHD with another lender and is seeking EHD for same time period covered by the established EHD.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Borrower is receiving federal or state public assistance payments.</td>
</tr>
<tr>
<td></td>
<td>3. Borrower is serving as Peace Corps volunteer.</td>
</tr>
<tr>
<td></td>
<td>4. Borrower is working full-time and his/her total monthly gross income from employment is less than or equal to the larger of (A) the monthly minimum wage rate or (B) 150% of the Poverty Guideline amount for his/her state of residence and household size.</td>
</tr>
<tr>
<td>Current eligibility rules that were eliminated as of July 1, 2009</td>
<td>5. Borrower is not working full-time and meets the prescribed hardship formula, based on monthly income and federal student loan payments.</td>
</tr>
<tr>
<td></td>
<td>6. Borrower is working full-time and meets the prescribed hardship formula, based on monthly income and federal student loan payments.</td>
</tr>
</tbody>
</table>

**Note:** Borrowers who aren’t working can report $0 income.
Forbearance Option

- Forbearance typically is sought for temporary repayment relief—that is, temporary adjustment to repayment schedule (no payments or reduced payments)

- Forbearances
  - Are subject to agreement between the borrower and lender
  - Can be arranged in increments of up to 12 months at a time
  - Have cumulative time limits
FORBEARANCE

- In general, apply at end of grace, if deferment isn’t an option
- In forbearance, interest accrues on all loans, subsidized and unsubsidized; unpaid interest will be capitalized at end of forbearance
- Interest that accrues during the forbearance remains the borrower’s responsibility.
- Unpaid interest may be capitalized no more frequently than quarterly and at the end of the forbearance.
- Capitalization of interest increases the amount to pay back, and may result in a higher payment amount after the forbearance.
- Electing forbearance does not adversely impact credit, but may adversely impact eligibility for borrower benefits or repayment incentives, check with lender

Be careful of use because it adds expense!

*Do use* to stay out of *delinquency and default!*
Alignment Forbearance for Federal Graduate PLUS Loans

- Allows you to align your first payment due date on Graduate PLUS loans first disbursed on or before June 30, 2008 with your Stafford Loans so that both become due at the same time.
- Interest will accrue and capitalize, no more frequently than quarterly.
- Putting loan into forbearance will not adversely impact credit.
- Using forbearance to align PLUS payments with Stafford grace period may or may not affect benefits or repayment incentives, check with your lender.

**NOTE:** Graduate PLUS loans first disbursed on and after July 1, 2008 will be placed into a deferment during school (at least half-time enrollment status) and the six-month period after the borrower graduates, leaves school or drops to less than half-time status.
Paying Loans Off Early

- You can **prepay** your federal student loans with no penalties.

- Be aware of the relative costs and make extra payments (or pay more than the total due each month) towards your **unsubsidized loans** that have the **highest rates and/or most frequent capitalization**. This should save you more money over time. Be sure to tell your servicer that you want each extra payment to apply to principal of whichever loan you desire.

- Unless otherwise noted, loan payments typically are applied first toward late fees, then interest, and finally principal.
DELINQUENCY & DEFAULT

DELINQUENCY – FFELP and Private Loans
- Failure to make payment(s) when due
- Reported to Consumer Reporting Agencies, it affects your credit history

DEFAULT – FFELP and Private Loans
- Defaulting on any student loan can have serious consequences
- Servicer can sue, and you are responsible for costs
- Collection agencies take over – adds to your cost
- School can withhold records
- Student loans rarely discharged in bankruptcy
CONSEQUENCES

- Your federal student loans are only canceled if you die or become totally and permanently disabled. They are generally not dischargeable in bankruptcy.

Remember: No one wants you to default!

- If you are experiencing any difficulties in repayment, contact your servicer immediately to make appropriate arrangements and avoid the consequences of default!
FEDERAL LOAN REPAYMENT PLANS

STANDARD
► Level monthly payments that cover accruing interest and a portion of principal over 10-year period
► Higher monthly payments
► Lowest overall cost

GRADUATED
► Payments start low, increase over time
► Finish in 10 years
► Lower payments that may be as low as interest only for up to four years followed by standard payments of principal and interest for the remaining repayment term.
► Higher overall cost - good for early cash flow, but remember cost!
FEDERAL LOAN REPAYMENT PLANS

INCOME SENSITIVE

► Payments are based on a percentage of your monthly income
► Finish in 10 years (may be extended to 15 years).
► Higher overall cost - good for early cash flow, but remember cost!

EXTENDED REPAYMENT

► Available to FFELP borrowers who have accumulated at least $30,000.01 in Federal Stafford, PLUS and Consolidation Loans first disbursed on or after October 7, 1998.
► Repayment term can be “extended” up to 25 years.
► Permits you to manage your monthly cash flow needs; but will increase the interest
INCOME-BASED REPAYMENT (IBR)

Effective July 1, 2009

► For FFELP and FDLP borrowers experiencing “partial financial hardship.”

► You qualify if your annual monthly student loan payments exceed 15% of the portion of household AGI above 150% of poverty line.

► If you are eligible for IBR, your monthly payment will be determined by a formula that takes into account household size and adjusted gross income.

► Negative amortization may occur with this option because it allows minimum monthly payments to be less than accruing interest.
INCOME-BASED REPAYMENT (IBR)

Effective July 1, 2009

- IBR provides for up to a 36-month interest subsidy period when a scheduled monthly payment amount on a subsidized loan is less than accrued interest.

- Payment can never exceed the amount needed to pay off loan(s) in 10 years; thus, after a while, increases in income may not affect the payment.

- Unpaid balance left at end of 25 years is forgiven.
### Repayment Comparison

<table>
<thead>
<tr>
<th>Total Loan Amount</th>
<th>$150,000 in Loans *</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial Monthly Payment</td>
</tr>
<tr>
<td>Standard</td>
<td>$1,726</td>
</tr>
<tr>
<td>Income-sensitive (1 year interest-only)</td>
<td>$850</td>
</tr>
<tr>
<td>Graduated (4 years interest-only)</td>
<td>$850</td>
</tr>
<tr>
<td>Extended (Standard)</td>
<td>$1,041</td>
</tr>
<tr>
<td>Consolidation (Standard)</td>
<td>$985</td>
</tr>
<tr>
<td>Consolidation (Income-sensitive – 1 year interest-only)</td>
<td>$859</td>
</tr>
</tbody>
</table>

* Examples assume federal Stafford loans with the total loan amount due on the day repayment begins, 6.8% fixed interest rate on non-consolidated loans and 6.875% interest rate on consolidated loans, no borrower benefits or repayment incentives, no pre-payments and no delinquent payments. All payment calculations are estimates only. Your monthly payment schedule and total payment estimates will vary.
PRIVATE LOAN REPAYMENT

- Loans almost always unsubsidized for life of loan
- Usually a grace period before you are required to repay
- Forbearance may be available – consult your loan servicer
- Repayment terms vary
- Choice of repayment plans may be available
- Check Promissory Note(s) for details
WHAT IS A FICO SCORE?

- Barometer or “grade” of a person’s credit and their repayment behavior.
- Automated credit evaluation instrument used by lenders to determine what kind of risk they may assume should they offer someone credit.
- FICO score more likely to go down than up during school.

Source: myFICO.com® a division of Fair Isaac Corporation
Copyright ©2001-2008 Fair Isaac Corporation. All rights reserved.
MEDIAN FICO IS 723, MEAN IS 692

Source: myFICO.com® a division of Fair Isaac Corporation
Copyright ©2001-2008 Fair Isaac Corporation. All rights reserved.
FACTORS INFLUENCING CREDIT SCORES

- Payment history: 35%
- Types of Credit Used: 10%
- New Credit: 10%
- Length of Credit History: 15%
- Amounts owed: 30%

Source: myFICO.com® a division of Fair Isaac Corporation
Copyright ©2001-2008 Fair Isaac Corporation. All rights reserved.
FACTORS INFLUENCING CREDIT REPORTS

Payment history  35%
- Delinquent payments can have a *major* impact on scoring.
- First time delinquency can drop a score 100 points.
- A delinquency from more than 4 years ago will not have an adverse impact.

Amounts owed  30%
- Higher credit utilization will negatively impact credit score.

Source: myFICO.com® a division of Fair Isaac Corporation
Copyright ©2001-2008 Fair Isaac Corporation. All rights reserved.
FACTORS INFLUENCING CREDIT REPORTS

Length of credit history  15%

- The longer the history, the higher the score.
- On average, individuals with the highest credit scores opened their oldest account 19 years ago. Most have an average age of accounts between 6 and 12 years.
- Most students have a “thin” file.

New credit  10%

- High number of inquiries in 12 months is negative.

Type of credit used  10%

- Higher percentage of secured (versus unsecured) credit is better.

Source: myFICO.com®  a division of Fair Isaac Corporation
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Avoid Minimum Monthly Payments

Example: If you have $2,000 financed at 19.8% and only make the minimum monthly payment of $50, what happens?

- Over 17 years to pay off
- Pay more than $5,100 total (approx. $3,100 in interest)
- What could possibly be worth paying so much more than originally financed?

Source: myFICO.com® a division of Fair Isaac Corporation
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KEEP GOOD RECORDS - TO DO LIST

- Get all your loan papers together: keep them on file!
  - promissory notes
  - disclosure statements
  - award letters
  - exit interview information

- Open and READ your student loan mail.

- Bookmark your loan servicers’ websites.

- Notify your loan servicer of name & address changes.

- Document calls to servicer: date/time of call, obtain the name of the person with whom you speak.

- Keep important numbers available.

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REPAYMENT/FORGIVENESS PROGRAMS

Service commitment programs following graduation

- Pay down loans in exchange for service
- Some offer tax incentives
- Programs currently available through various state and federal programs and the armed forces
FORGIVENESS PROGRAM

- Loan Forgiveness for Public Service Employees – New!
- Eligibility limited to Federal Direct Student Loans (FDLP), Stafford, PLUS and Consolidation.
- FFELP Borrowers may consolidate in the FDLP program on or after July 1, 2008.
- Additionally, borrowers must have:
  - Made 120 ON-TIME monthly payments during eligible public service employment.
  - Payments must be made under one of the payment plans: Standard, Income-Based Repayment or Income Contingent Repayment.
  - Worked full time in eligible public service employment for ten years after October 1, 2007.
  - Must be employed in an eligible public service job at time remaining loan balance is forgiven.
THE TAXPAYER RELIEF ACT OF 1997

- Your deduction may not exceed $2,500 per year.
- Voluntary payments in deferment or forbearance can be used to determine eligibility for student loan interest deduction.
- Interest on consolidation loans can be included to determine eligibility for the student loan interest deduction.
- There are income limits. The limits for Federal Tax Year 2008 are shown in the table below:

<table>
<thead>
<tr>
<th></th>
<th>Full Deduction</th>
<th>Partial Deduction</th>
<th>No Deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single</strong></td>
<td>Modified Adjusted Gross</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Income Under $55,000</td>
<td>$55,000 to $69,999</td>
<td>$70,000 or more</td>
</tr>
<tr>
<td><strong>Married</strong></td>
<td>Modified Adjusted Gross</td>
<td></td>
<td></td>
</tr>
<tr>
<td>filing jointly</td>
<td>Income Under $115,000</td>
<td>$115,000 to $144,999</td>
<td>$145,000 or more</td>
</tr>
</tbody>
</table>

www.irs.gov/publications/p.970
resources

Federal Student Aid Ombudsman

- Intended to be neutral
- Independent viewpoint to assist in resolving student loan disputes
- Remember: good records are essential when you contact the ombudsman

U.S. Department of Education - FSA Ombudsman
830 First Street, NE
Fourth Floor
Washington, DC 20202-5144
www.ombudsman.ed.gov Telephone: (877) 557-2575
RESOURCES

- Your school’s financial aid office
- Your lender/servicer
- U.S. Department of Education
- Your family
QUESTIONS
Western Union Quick Pay

Description:
A Western Union Quick Pay is a payment alternative for borrowers that reside outside of the United States, but have USD Sallie Mae student loans.

Details:
1. Payments will only be accepted in cash or by foreign credit card. If by credit card, the borrower needs to remember that conversion fees and other fees will more than likely apply since funds are transferred in U.S. dollars.
2. Borrowers will visit a Western Union agent and bring cash payment in local currency equal to the amount they need to pay Sallie Mae in U.S. dollars (plus the transaction fee).
3. If payment is made before 2:00 pm Eastern time, it will reach Sallie Mae the same day. Otherwise, it will post the next business day.
4. Borrowers will need to complete a blue Quick Pay form each time they use the service (see sample below).
5. Borrowers will need to know the company name, company code (Twin creek, TX) and loan account number in order to complete the Quick Pay form.

Fees
- $15.00 USD per transaction for payments up to $3,000.00
- $25.00 USD per transaction for payments greater than $3,000.00

Western Union will issue a unique transaction identification number known as a Money Transfer Control Number (MTCN) that will serve as the payment confirmation.

Borrowers can locate an agent that offers this service by going to www.payment-solutions.com/agent.asp and searching by country.
OTHER PAYMENT OPTIONS

If Western Union Quick Pay is not available in a specific country, other payment options would be:

- Telephone payment via credit card or ACH ($14.95 fee if telephone in via Speedpay). The credit card can be a foreign credit card, but the borrower needs to remember that conversion fees and other fees will more than likely apply since funds are transferred in U.S. dollars.
- Payment from a U.S. currency bank account ($14.95 fee if telephone in via Speedpay)
- International money order in U.S. currency drawn on a U.S. bank
- International money transfer that pays out in U.S. currency (via Moneygram)
KEY CONTACT INFORMATION

Toll-Free Telephone from the U.S. or Canada:  877-456-6221

Toll-Free Dialing Instructions by Country:
http://www.salliemae.com/international/tollfree.htm

Customer Service Hours:   Monday – Thursday:  7am – 8pm CST
                          Friday:  7am – 7pm CST

Dedicated International School Fax:    +1 317-806-0676

Web Address:    www.salliemae.com/international

Email for Borrower Inquiries:    askinternational@salliemae.com

Manage Your Loans:    www.manageyourloans.com
                       www.salliemae.com/repayment

MAILING ADDRESS INFORMATION

Sallie Mae Servicing
220 Lasley Avenue
Wilkes-Barre, PA  18706
Phone (for delivery purposes):  570-821-3600