Welcome to today’s virtual session!
We are so happy you are here. We will begin promptly at 3:00PM.
SESSION GUIDELINES

• Please remain on mute until Open Forum

• Please submit your questions to the chat box
  - Financial aid advisors will be answering questions
  - Do NOT post sensitive information
  - For example, your UTEP ID, SSN, Visa numbers, etc.

• Feel free to take screenshots!
Today we will discuss:

Understanding Delinquency, Default and their Consequences

Office of Student Financial Aid
Loans:
Borrowed money that must be repaid. Most student loans come from the federal government and may be available to both students and parents.
Federal Direct Subsidized Loan
• Available to undergraduate students with financial need
• The U.S. Department of Education pays for the interest:
  • while you are in school at least half-time,
  • for the first six months after you leave school, and
  • during a period of deferment
• Complete a FAFSA to determine eligibility
• Be enrolled in at least half-time (6 credit hours)
• 2020-21 interest rate is 2.75% for undergraduate
• 2020-21 interest rate is 4.30% for graduate unsubsidized loan
• There are annual (yearly) and aggregate (total) loan limits
• Begin paying 6 months (grace period) after you graduate, drop below half-time or completely withdraw
• Automatically placed in a 10-year repayment program
• Various loan repayment plans and loan forgiveness programs available
• There is no penalty for making early payments

Federal Direct Unsubsidized Loan
• Available to undergraduate and graduate students; there is no requirement to demonstrate financial need.
• You, the borrower, are responsible for the interest on a Direct Unsubsidized Loan – interest accrues and it’s capitalized
Federal Direct Parent PLUS Loan

• Available to the biological or adoptive parent (or in some cases, the stepparent) of a dependent undergraduate student
• Repayment begins as soon as the loan is paid out
  o Deferment application is available
• PLUS loan is under the parent’s name; loan cannot be transferred to the student.
• If the parent is denied, student may be eligible for additional unsubsidized loan amounts.

• Complete a FAFSA to determine eligibility
• Be enrolled in at least half-time
• U.S. Department of Education is the lender
• Credit Check (co-signer option available)
• 2020-21 interest rate is 5.30 %
• Various repayment plans are available
• There is no penalty for making early payments

Federal Direct Graduate PLUS Loan

• Available to graduate students
• Begin paying 6 months (grace period) after the student graduates, drops below half-time or completely withdraws

Know Your Loans!
Stay in Touch

- Find out who is your loan servicer/lender
  - Studentaid.gov
  - Nslds.ed.gov
  - Call the Federal Student Aid Information Center (FSAIC) at 1-800-433-3243

- Sign up for an online account with your loan servicer
- Keep your contact information current
Student Loan Repayment
Short-Term and Long-Term Solutions
If you’re in a **short-term** financial bind, you may qualify for a **deferment** or a **forbearance**. With either of these options, you can *temporarily* suspend your payments.

**Circumstances that may qualify you for a deferment on your federal student loan:**

- Cancer Treatment Deferment
- Economic Hardship Deferment
- Graduate Fellowship Deferment
- In-School Deferment
- Military Service and Post-Active Duty Student Deferment
- Parent PLUS Borrower Deferment
- Rehabilitation Training Deferment
- Unemployment Deferment

**Circumstances that may qualify you for a forbearance on your federal student loan:**

- Financial difficulties
- Medical expenses
- Change in employment
- Other reasons acceptable to your loan servicer
**Long-Term Repayment Options**

**Standard Repayment Plan**
- Time borrower has to repay: Up to 10 years.
- Payments remain constant throughout the repayment period.
- Borrower will pay less interest for the loan over time under this plan than he or she would under the other plans.
- The loan will be paid in full by the end of the repayment period.

**Graduated Repayment Plan**
- Time borrower has to repay: Up to 10 years.
- Payments start low and gradually increase every two years over life of loan.
- The loan will be paid in full by the end of the repayment period.

**Extended Repayment Plan**
- Time borrower has to repay: Up to 25 years.
- Borrower can choose to make either fixed or graduated payments.
- Borrower must have more than $30,000 in Federal Direct Loans to qualify.
- The loan will be paid in full by the end of the repayment period.
- Monthly payments will be lower than under the 10-year Standard Plan or the Graduated Repayment Plan.
- You’ll pay more over time than under the 10-year Standard Plan.

**Income-Driven Repayment Plans (Income-Based Repayment Plan, Pay as You Earn Repayment Plan, and Income-Contingent Repayment Plan)**
- Time borrower has to repay: Up to 20 or 25 years depending on the repayment plan.
- Monthly payment amount tied to borrower’s income and adjusted annually.
- Any outstanding balance remaining at end of loan repayment period will be forgiven.

Learn more about income-driven repayment plans at StudentAid.gov/plans.
If you’ve missed a payment or are having trouble making payments, immediately contact and discuss options with your loan servicer to avoid delinquency and/or defaulting on your student loans.
What is Delinquency?

- Delinquency is a failure to pay an outstanding debt.
- The first day after you miss a student loan payment, your loan becomes past due, or delinquent.
- Your loan account remains delinquent until you repay the past due amount or make other arrangements, such as deferment or forbearance, or changing repayment plans.
- If you are delinquent on your student loan payment for 90 days or more, your loan servicer will report the delinquency to the three major national credit bureaus.
- If you continue to be delinquent, your loan can risk going into default.

Don’t ignore your student loan payments!
What is Default?

• If your loan continues to be delinquent, the loan may go into default.

• You’re considered to be in default if you don’t make your scheduled student loan payments for at least 270 days (9 months).

• If you defaulted on any of your federal student loans, contact the organization that notified you of the default as soon as possible so you can explain your situation fully and discuss your options.

• If you make repayment arrangements soon enough after your loan has gone into default, you may be able to resolve the default quickly.
Consequences of Default
The entire unpaid balance of your loan and any interest you owe becomes immediately due (this is called "acceleration").

You can no longer receive deferment or forbearance, and you lose eligibility for other benefits, such as the ability to choose a repayment plan.

You lose eligibility for additional federal student aid.
Delinquency and defaulting affects your credit!!
The default is reported to credit bureaus, damaging your credit rating.

- It affects your ability to buy a car, house, rent an apartment or get a credit card.
- Remains on credit history for 7 years
- It may take years to reestablish a good credit record!

Credit Score

- Poor
- Average
- Excellent
Consequences on LIFE!

- You may become unhireable – employers, more often than not, require a credit check!
- Wages, tax refunds, and social security payments can be garnished
- Interest continues to increase causing your loan balance to increase
- The loan lender can take legal action against you AND you’ll be liable to pay court fees, collection fees, attorney fees and all costs associated with the collection process.
- Loan lender can put a lean on any property you own
- Your school may withhold your academic transcript until your defaulted student loan is satisfied - Often required by employers!
How to get out of Default

If you failed to make your payments on your federal student loans and you are now in default, it’s not too late to get back in good standing!

- Loan Rehabilitation
- Loan Consolidation
- Repayment in Full
One option for getting your loan out of default is loan rehabilitation. To start the loan rehabilitation process, you must contact your loan holder.

To rehabilitate a defaulted Direct Loan or FFEL Program loan, you must:

- agree in writing to make nine voluntary, reasonable, and affordable monthly payments (as determined by your loan holder) within 20 days of the due date, and
- make all nine payments during a period of 10 consecutive months.
- Once you have made the required voluntary nine payments, your loans will no longer be in default.

Your loan holder may be collecting payments on your defaulted loan through wage garnishment or Treasury offset (taking all or part of your tax refunds or other government payments). These involuntary payments may continue even after you begin making payments under a loan rehabilitation agreement, but they can’t be counted toward the required nine voluntary loan rehabilitation payments. Involuntary payments may continue to be taken until your loan is no longer in default or until you have made some of your rehabilitation payments.
Benefits:

When your loan is rehabilitated:

- The default status will be removed from your loan.
- Collection of payments through wage garnishment or Treasury offset will stop.
- Regain eligibility for benefits that were available on the loan before you defaulted, such as deferment, forbearance, a choice of repayment plans, and loan forgiveness, and you’ll be eligible to receive federal student aid.
- The record of “default” on the loan will be removed from your credit history. However, your credit history will still show late payments that were reported by your loan holder before the loan went into default.
Rehabilitation is a one-time opportunity!
Another option for getting out of default is to consolidate your defaulted federal student loan. Loan consolidation allows you to pay off one or more federal student loans with a new consolidation loan.

To consolidate a defaulted federal student loan into a new Direct Consolidation Loan, you must either

- agree to repay the new Direct Consolidation Loan under an income-driven repayment plan, or
- make three consecutive, voluntary, on-time, full monthly payments on the defaulted loan before you consolidate it.

If you choose to repay the new Direct Consolidation Loan under an income-driven plan, you must select one of the available income-driven repayment plans at the time you apply for the consolidation loan and provide documentation of your income.

If you choose to make three consecutive, voluntary, on-time, full monthly payments on your defaulted loan before you consolidate it, you may repay the new Direct Consolidation Loan under any repayment plan you are eligible for.
Pros:

- One payment to one lender
- Avoid default – Keep track of only one loan
- Fixed interest rate – One interest rate
- Lower payments – Extends term of the loan from 10 years to 15, 20, or even 30 years

Cons:

- Private loans can’t be included in the Federal Consolidation loan program
- Lose Benefits - If you have made payments toward Public Service Loan Forgiveness, consolidating your loans will restart the clock on qualifying.
- No do overs - You can only consolidate student loans one time. If interest rates fall after you consolidate, you’re stuck with the interest rates you agreed to during consolidation.
- Pay more in interest over time
Should You Consolidate Student Loans?

If you have missed payments because you struggle keeping up with multiple loan servicers and multiple repayment dates, consolidation is a valid choice. Making one payment every month instead of many payments makes life simpler.

However, if you’re making enough money right out of the gate and very dedicated to repaying your loan, the fastest, most efficient method is to go with the standard repayment program and get it done in 10 years ... or less!
A third option for getting out of default is to repay the full amount of your defaulted student loan.
Don’t Panic!

Contact us!
The Office of Student Financial Aid is available to help answer your questions.

Contact your loan servicer/lender!
They can recommend a repayment plan best suited for you needs.

- Studentaid.gov
- Nslds.ed.gov
- Call the Federal Student Aid Information Center (FSAIC) at 1-800-433-3243

Problem too deep to find a way out
Don’t know who to talk to
Procrastination
Learned behavior from parents/peers
Call Us: 915-747-5204
studentfinancialaid@utep.edu