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Managing Stafford Loan Repayment




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Today's presentation

- Stafford loan team
- life of a Stafford loan
- repayment plan options
- making monthly payments
- what happens during delinquency




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2

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Stafford Loan Team




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Stafford loan team

- lender
 - provides money for the loan
 - owner of the loan
 - administers loan or hires servicer
- secondary market
 - purchases the loan from the lender
 - becomes owner of the loan
 - administers loan or hires servicer



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Stafford loan team


- servicer
 - administers loan for a lender or secondary market
- guarantor
 - insures repayment of the loan
 - assists in default prevention
 - collects defaulted loan



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Stafford loan team

- federal government
 - subsidizes the loan
 - re-insures guarantor
 - collects “hard core” default loans



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Life of a Stafford Loan




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Life of a Stafford loan

- in-school period
- grace period
 - six consecutive months after student is not enrolled at least half-time
 - student not required (but allowed) to make payments
 - loan specific




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Life of a Stafford loan

- grace period
 - interest
 - government pays interest on subsidized loan
 - student responsible for interest on unsubsidized loan
 - lender/servicer mails the student information about repayment 45-60 days before repayment begins




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Life of a Stafford loan


- repayment period
 - generally 10 years
 - student required to make monthly payments
 - student responsible for interest on subsidized and unsubsidized Stafford loans
 - deferment, forbearance and consolidation available to the student



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Repayment Plan Options




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Repayment plan options

- student may choose
 - level (standard)
 - graduated
 - income-sensitive
 - extended




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Repayment plan options

- level (standard)
 - payments stay the same throughout the entire repayment period
 - student will receive the level plan if he/she does not choose any other plan
- graduated
 - begin with lower payments
 - payments increase every few years during repayment period



13

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Repayment plan options

- income-sensitive
 - payments adjusted annually based on income and student loan debt
- extended
 - 25-year repayment period
 - only available to
 - new borrowers on or after October 7, 1998
 - borrowers with FFELP debt above \$30,000



14

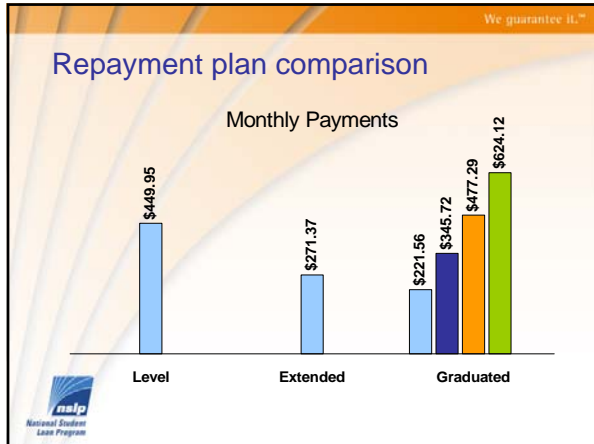
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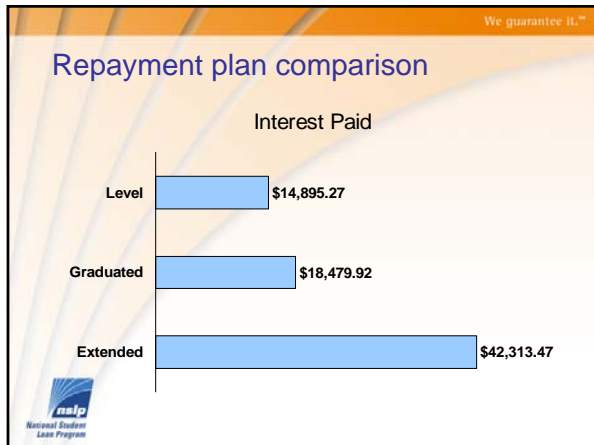
Repayment plan comparison

principal amount borrowed . . .	
subsidized Stafford	\$ 18,125.00
unsubsidized Stafford	\$ 18,000.00
total	\$ 36,125.00
unsubsidized interest capitalized	\$ 2,973.90
balance as repayment begins	\$ 39,098.90
interest rate	6.8%



15





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Repayment plan options

- paying ahead is always a money-saving option for Stafford borrowers

I may prepay all or any part of the unpaid balance on my loans at any time without penalty. If I do not specify which loans I am prepaying, the lender will determine how to apply the prepayment in accordance with the Act.



- Stafford Loan Master Promissory Note

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18

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Questions



19

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Making Monthly Payments



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Making monthly payments

- deferments
- forbearances
- HEROES Act waivers
- change repayment plan
- Federal Consolidation loan




21

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Deferments

- entitlement
 - cannot be denied if the student qualifies
- temporarily postpones monthly repayment
- interest
 - government pays interest on subsidized loan
 - the student is responsible for interest on unsubsidized loan
- apply through lender/servicer




22

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Deferment types

- in-school
 - attending school at least half-time
- unemployment (3 years)
 - employed less than 30 hours per week
 - actively seeking full-time employment




23

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Deferment types

- economic hardship (3 years)
 - on public assistance
 - below minimum wage or poverty line
 - monthly federal student loan payments are equal to or larger than 20% of monthly income
 - Peace Corps volunteer



24

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Deferment reasons

- military service (3 years)
 - for active military duty or qualifying National Guard duty during:
 - war
 - national emergency
 - other military operation
 - applies to loans first disbursed on or after July 1, 2001




25

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HEROES Act waivers

- deferment
- forbearance
- consolidation
- other




26

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Forbearance

- temporarily postpones or reduces monthly repayment
- student is responsible for interest on subsidized and unsubsidized Stafford loans
- not entitlement
 - granted at lender/servicer discretion
 - apply through lender/service




27

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Forbearance reasons

- borrower's poor health or other reason acceptable to lender/servicer
 - often circumstances beyond borrower's control
- lender/servicer must have a reason to believe that the borrower will eventually repay




28

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Change payment plan

- borrower may change the payment plan annually
 - must be current in monthly payments
- apply through lender/servicer




29

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Federal Consolidation loan

- borrower
 - must be in grace or repayment period
 - generally must not be in default on loans being consolidated
 - may consolidate with any eligible lender
 - allows borrower to “shop” for best terms
- loan is set at fixed weighted average interest rate




30

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Review



- Stafford loan team
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- repayment plan options
- making monthly payments
- what happens during delinquency



34

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Questions




35

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For more information

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36
