COLLEGE LOANS - 2018

Facts About College Loans

By
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Gary E. Carpenter, CPA, CCA

Biography

Gary Carpenter is a Certified Public Accountant (CPA) and a Certified College Advocate (CCA). He is the owner of College Planning Services and co-founder of the CollegeLOAN Evaluator. Mr. Carpenter has also provided continuing education courses in the area of college planning and financial aid for various state CPA societies, the New York State Bar Association and the Financial Planning Association of New York. He is co-author of College Financial Planning for Any Income Level and has been quoted in *Kiplinger's Personal Finance*, Washington Post, Wall Street Journal, *AARP Magazine*, *MONEY*, *Financial Advisor*, and on MSNBC and CNBC. He has had over thirty years' experience in tax and financing and has spent the past eighteen years in college planning and consulting. He is a member of the New York State Society of Certified Public Accountants, the American Institute of Certified Public Accountants and a co-founder of the National College Advocacy Group. He is also active in committee service for the New York State Society of CPAs.

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All Federal Stafford Loans, PLUS Loans and Grad PLUS Loans are disbursed by the U.S. Department of Education under the Direct Loan Program (William D. Ford Direct Loan Program).

Under the Perkins Loan Program institutions participating in the Title IV Federal Student Aid Program make the need-based Perkins Loans to their students. The institutions will loan the funds to students using their own resources and the federal government will guarantee those loans. The government pays the interest on this loan while the student is in school. In 2017 the Senate failed to pass legislation that would have extend the program and therefore the Federal Perkins Loan program terminated on September 30, 2017.

Private education loans are harder to qualify for and are expensive. These student loans are <u>credit-based</u> and will almost always require a co-signer. Co-signers with good credit scores are often seeing variable interest rates in the 7% to 9% range with no cap on the rate. This year we are seeing more private lenders offer fixed rate student loans. These fixed rates are higher than the variable rates being offered at the same time, and depending on the individual lender, can be 2% to 3% higher.

The main problem with college funding today is the ever-increasing cost of college. That, combined with the availability of educational loans, sets families and students up for financial disaster from the very start.

Many families today are mortgaging their future and their retirement to borrow for their children's college education.

The most important thing a family can do before the college process begins is to determine how much the family/student can afford to pay for college. This includes savings and **<u>MANAGEABLE</u>** debt. This process does not start in the student's senior year in high school, but much earlier (some say before the child enters kindergarten).

Colleges selected for application should be determined by what the family can afford, not what marketing materials a college may present or where the student's friend(s) are going.

Once you have identified which colleges you can afford, you need to go deeper and determine how you will finance these college years. For each college, the family must determine how much will be funded from savings and how much from student loans. Still further, analyze the debt between the parents and the student and their ability to repay that debt. CAN THE BORROWERS PAY BACK THE DEBT WITHOUT SACRIFICING THEIR FUTURE?

STUDENT/PARENT EDUCATIONAL LOAN OPTIONS

1. Federal Stafford Loan (Subsidized and Unsubsidized) - Student
2. Federal PLUS Loan (Parent Loan for Undergraduate Students) - Parent
3. Federal Grad PLUS Loan (Student Loan for Graduate School) - Student
4. Private Education Loans - Student
5. College Loans - Student
6. State Loans - Student

In addition to the above education loans, the family may want to consider the following loans to finance college:

1. Home Equity Loan - Parent
2. Life Insurance Loan – Parent/Student
3. Business Loan - Parent
4. Intra Family Loan - Student
5. Margin Account Loan – Parent/Student
6. Credit Card Loan – Parent/Student
7. Retirement Plan Loan - Parent

FEDERAL LOAN PROGRAM

All Federal student loans are made by the U.S. Department of Education under the "William D. Ford Direct Loan Program" (Direct Loan).

FEDERAL SUBSIDIZED STAFFORD LOAN:

The Federal Subsidized Stafford Loan is in the student's name and is the responsibility of the student. The Subsidized Stafford Loan is a need-based loan in which the Federal Government pays the interest on the loan while the student is in college. Loans disbursed before July 1, 2006, have a variable interest rate and are adjusted once a year on July 1st. The interest rate is capped at 8.25%. The interest rate on these loans for the 2018-2019 academic year was 3.40% for a student out of school. For loans disbursed between July 1, 2006 and June 30, 2008, the interest rate is fixed at 6.8%. For loans disbursed after June 30, 2008, and before July 1, 2019, see **Table 1** below. There is a loan fee that is deducted from the loan proceeds, see **Table 2** below for those fees. Payments start six months after the student has left school but interest starts to accrue on these loans as soon as the student has left school. Payments on this loan can be deferred if the student goes back to school or in certain hardship cases. Interest paid by the student on these loans will qualify for the Student Loan Interest Deduction if the student's income is within the ****Modified Adjusted Gross Income*** limits of the IRS. This loan will qualify for consolidation under the Federal Loan Consolidation Program.

> * ***Modified Adjusted Gross Income*** (MAGI) for the Student Loan Interest Deduction for 2017 is: on Form 1040 it is found by taking line 37 and adding back line 33 (student loan interest deduction), line 34 (tuition and fees deduction), line 35 (domestic production activities deduction) and adding foreign earned income and housing exclusions, and/or foreign housing deduction; on Form 1040A it is found by taking line 21 and adding line 18 (student loan interest deduction) and line 19 (tuition and fees deduction). For the 2017 tax year the Student Loan Interest Deduction starts to phase out for married taxpayers filing jointly when their Modified Adjusted Gross Income reaches $135,000 and goes completely away at $165,000. For taxpayers who file Single, Head of Household or Qualifying Widow(er) those limits are $65,000 to $80,000.

The amounts the student can borrow vary for each year of school and are as follows for the 2017-2018 academic year:

Undergraduate Student	Dependent Student
1st year	$ 3,500
2nd year	$ 4,500
3rd and 4th year	$ 5,500 per year
Graduate Student	**Independent Student**
All Levels	NONE

TABLE 1 - Interest rates on Subsidized Stafford Loans disbursed after June 30, 2008:

- Loans disbursed after June 30, 2008 and before July 1, 2009 will have a fixed interest rate of 6%
- Loans disbursed after June 30, 2009 and before July 1, 2010 will have a fixed interest rate of 5.6%
- Loans disbursed after June 30, 2010 and before July 1, 2011 will have a fixed interest rate of 4.5%
- Loans disbursed after June 30, 2011 and before July 1, 2013 will have a fixed interest rate of 3.4%
- Loans disbursed after June 30, 2013 and before July 1, 2014 will have a fixed interest rate of 3.86%
- Loans disbursed after June 30, 2014 and before July 1, 2015 will have a fixed interest rate of 4.66%

- Loans disbursed after June 30, 2015 and before July 1, 2016 will have a fixed interest rate of 4.29%
- Loans disbursed after June 30, 2016 and before July 1, 2017 will have a fixed interest rate of 3.76%
- Loans disbursed after June 30, 2017 and before July 1, 2018 will have a fixed interest rate of 4.45%
- Loans disbursed after June 30, 2018 and before July 1, 2019 will have a fixed interest rate of 5.05%

TABLE 2 – Loan fees deducted from the loan proceeds:

- For loans disbursed before March 1, 2013 the fee is 1%
- Loans disbursed after February 28, 2013 and before December 1, 2013 the fee is 1.051%
- Loans disbursed after November 30, 2013 and before October 1, 2014 the fee is 1.072%
- Loans disbursed after September 30, 2014 and before October 1, 2015 the fee is 1.073%
- Loans disbursed after September 30, 2015 and before October 1, 2016 the fee is 1.068%
- Loans disbursed after September 30, 2016 and before October 1, 2017 the fee is 1.069%
- Loans disbursed after September 30, 2017 and before October 1, 2018 the fee is 1.066%
- Loans disbursed after September 30, 2018 and before October 1, 2019 the fee is 1.062%

The loan fee percentage for a loan is determined by the date of the first disbursement of the loan. Any subsequent disbursements of that loan, even if made after the relevant September 30, have the same loan fee percentage that applied to the first disbursement of that loan.

IMPORTANT - On May 7, 2008, the "Ensuring Continued Access to Student Loans Act of 2008" was signed by the President George W. Bush. This law has a direct impact on the amount of Stafford Loans a student can take. For loans disbursed after July 1, 2008, a student may receive an additional $2,000 Unsubsidized Stafford Loan for each of his four years in college in addition to his Subsidized Stafford Loan.

NOTE: *The total undergraduate Stafford Loans (subsidized and unsubsidized) cannot exceed $31,000 for a dependent student or $57,500 for an independent student. The total graduate and undergraduate Stafford Loans (subsidized and unsubsidized) cannot exceed $138,500.*

FEDERAL UNSUBSIDIZED STAFFORD LOAN:

The Federal Unsubsidized Stafford Loan is in the student's name and is the responsibility of the student. The Unsubsidized Stafford Loan is not a need-based loan and interest starts to accrue on the loan immediately. If requested, the lender will waive interest payments while the student is in school and add this interest to the principal of the loan (Interest Capitalization). Loans disbursed before July 1, 2006, have a variable interest rate, which is adjusted once a year on July 1st. The present interest rate for 2018-2019 is 3.60% while the student is in college and 4.20% for a student out of school. The interest rate on this loan is capped at 8.25% for undergraduate students and 9.50% for graduate students. For loans disbursed after June 30, 2006, and before July 1, 2013, the interest rate is fixed at 6.8% for both undergraduate and graduate students. For loans disbursed after June 30, 2013, and before July 1, 2018, see **Table 1** below. There is a loan fee that is deducted from the loan proceeds, see **Table 2** below for those fees. Payments start six months after the student has left school. Payments on this loan can be deferred for students going back to school or in certain hardship cases. Interest paid by the student on these loans will qualify for the Student Loan Interest Deduction if the student's income is within the Modified Adjusted Gross Income Limits of the IRS. This loan will qualify for consolidation under the Federal Loan Consolidation Program.

The amounts the student can borrow vary for each year of school and after July 1, 2008 are as follows:

Undergraduate Student	Dependent Student	Possible Additional Student Loan*
1st year	$ 5,500	$ 4,000
2nd year	$ 6,500	$ 4,000
3rd and 4th year	$ 7,500 per year	$ 5,000 per year
5th year	$ 4,000	$ 5,000

Graduate Student

Disbursed after July 1, 2008 and before June 30, 2012 - $12,000/year
Disbursed after July 1, 2012 - $20,500/per year (Medical students can borrow $40,500 per year)

* If you are an independent undergraduate student or a dependent student whose parents are unable to get a PLUS Loan, you may be eligible for these additional student loans. These loans are in addition to any Federal Subsidized or Unsubsidized Stafford Loan amounts received and are unsubsidized.

TABLE 1 – Interest rates on Unsubsidized Stafford Loans disbursed after June 30, 2013:

Undergraduates Students

- Loans disbursed after June 30, 2013 and before July 1, 2014 will have a fixed interest rate of 3.86%
- Loans disbursed after June 30, 2014 and before July 1, 2015 will have a fixed interest rate of 4.66%
- Loans disbursed after June 30, 2015 and before July 1, 2016 will have a fixed interest rate of 4.29%
- Loans disbursed after June 30, 2016 and before July 1, 2017 will have a fixed interest rate of 3.76%
- Loans disbursed after June 30, 2017 and before July 1, 2018 will have a fixed interest rate of 4.45%
- Loans disbursed after June 30, 2018 and before July 1, 2019 will have a fixed interest rate of 5.05%

Graduates Students

- Loans disbursed after June 30, 2013 and before July 1, 2014 will have a fixed interest rate of 5.41%
- Loans disbursed after June 30, 2014 and before July 1, 2015 will have a fixed interest rate of 6.21%
- Loans disbursed after June 30, 2015 and before July 1, 2016 will have a fixed interest rate of 5.84%
- Loans disbursed after June 30, 2016 and before July 1, 2017 will have a fixed interest rate of 5.31%
- Loans disbursed after June 30, 2017 and before July 1, 2018 will have a fixed interest rate of 6.00%
- Loans disbursed after June 30, 2018 and before July 1, 2019 will have a fixed interest rate of 6.60%

TABLE 2 – Loan fees deducted from the loan proceeds:

- For loans disbursed before March 1, 2013 the fee is 1%
- Loans disbursed after February 28, 2013 and before December 1, 2013 the fee is 1.051%
- Loans disbursed after November 30, 2013 and before October 1, 2014 the fee is 1.072%
- Loans disbursed after September 30, 2014 and before October 1, 2015 the fee is 1.073%
- Loans disbursed after September 30, 2015 and before October 1, 2016 the fee is 1.068%
- Loans disbursed after September 30, 2016 and before October 1, 2017 the fee is 1.069%
- Loans disbursed after September 30, 2017 and before October 1, 2018 the fee is 1.066%

- Loans disbursed after September 30, 2018 and before October 1, 2019 the fee is 1.062%

The loan fee percentage for a loan is determined by the date of the first disbursement of the loan. Any subsequent disbursements of that loan, even if made after the relevant September 30, have the same loan fee percentage that applied to the first disbursement of that loan.

NOTE: *The total undergraduate Stafford Loans (subsidized and unsubsidized) cannot exceed $31,000 for a dependent student or $57,500 for an independent student. The total graduate and undergraduate Stafford Loans (subsidized and unsubsidized) cannot exceed $138,500 ($224,000 for medical students).*

FEDERAL PERKINS LOAN:

NO LONGER AVAILABLE AFTER SEPTEMBER 30, 2017

A Federal Perkins Loan is made by the school with funds from the Federal Capital Contributions (FCC), the school itself and collections from prior year Perkins Loans. The program is administered by the U.S. Department of Education and about 1,800 institutions participate.

The loan is in the student's name and is the responsibility of the student. This is a need-based loan in which the Federal Government pays the interest on the loan until nine months after the student leaves college. The interest rate is fixed at 5%. Payments on this loan start nine months after the student has left school and payments can be deferred for students going back to school or in certain hardship cases. The amount of the loan is determined by the college and can range up to $5,500 per year for undergraduate students and up to $8,000 for graduate students (no longer available to graduate students after September 30, 2016). The total undergraduate Perkins Loans cannot exceed $27,500. The total graduate and undergraduate Perkins Loans cannot exceed $60,000. Interest paid by the student on these loans will qualify for the Student Loan Interest Deduction if the student's income is within the Modified Adjusted Gross Income Limits. This loan will also qualify for consolidation under the Federal Loan Consolidation Program. The Perkins Loan may be eligible for forgiveness under the federal "Public Service Loan Forgiveness Program".

In 2015 Congress terminated the Federal Perkins Loan program effective October 1, 2015. In mid-December 2015, the President signed the "*Federal Perkins Loan Program Extension Act of 2015"* which extends the program for two more years. The new program was then scheduled to terminate on October 1, 2017. In 2017 the Senate failed to pass legislation that would have extend the program and the Federal Perkins Loan program terminated on September 30, 2017.

The "*Federal Perkins Loan Program Extension Act of 2015"* also brought with it some changes. One of those changes requires a student to use all of their federal Stafford Loans first before they can borrow under the Federal Perkins Loan program. Also, in the past, if the program was terminated, students who had existing Perkins Loans were grandfathered in and could receive additional loans until they completed their studies at their existing school. The new program eliminates this grandfather provision and goes one step further: it prohibits graduate students from receiving Perkins Loans after September 30, 2016.

FEDERAL GRAD PLUS LOAN:

This loan was established under the "Deficit Reduction Act of 2005" and is available to graduate students for academic years starting after June 30, 2006. This Federal Grad PLUS Loan is in the student's name. The loan is neither need-based nor merit-based. The student can borrow up to the total cost of college less any financial aid, other loans and/or distributions from certain educational tax benefit accounts. For loans disbursed after June 30, 2010 and before July 1, 2013, the fixed interest rate is 7.9%. Loans disbursed prior to July 1, 2010, have a fixed rate of 7.9% if under the Direct Loan Program and 8.5% if under the FFEL Program. For loans disbursed after June 30, 2013, and before July 1, 2018, see **Table 1** below. For loans disbursed after June 30, 2013, the interest rate is capped at 9.5%. Payments on this loan start after the student has left school and are based on a ten-year term. There is a loan fee that is deducted from the loan proceeds; see **Table 2** below for those fees. After the loan is disbursed, if the student dies or becomes totally disabled, the loan is forgiven. Interest paid by the student on this loan will qualify for the Student Loan Interest Deduction if the student's income is within the Modified Adjusted Gross Income Limits of the IRS. This loan will qualify for consolidation under the Federal Loan Consolidation Program.

TABLE 1 – Interest rates on Grad PLUS Stafford Loans disbursed after June 30, 2013:

- Loans disbursed after June 30, 2013 and before July 1, 2014 will have a fixed interest rate of 6.41%
- Loans disbursed after June 30, 2014 and before July 1, 2015 will have a fixed interest rate of 7.21%
- Loans disbursed after June 30, 2015 and before July 1, 2016 will have a fixed interest rate of 6.84%
- Loans disbursed after June 30, 2016 and before July 1, 2017 will have a fixed interest rate of 6.31%
- Loans disbursed after June 30, 2017 and before July 1, 2018 will have a fixed interest rate of 7.00%

- Loans disbursed after June 30, 2018 and before July 1, 2019 will have a fixed interest rate of 7.60%

TABLE 2 – Loan fees deducted from the loan proceeds:
- For loans disbursed before March 1, 2013 the fee is 4%
- Loans disbursed after February 28, 2013 and before December 1, 2013 the fee is 4.204%
- Loans disbursed after November 30, 2013 and before October 1, 2014 the fee is 4.288%
- Loans disbursed after September 30, 2014 and before October 1, 2015 the fee is 4.292%
- Loans disbursed after September 30, 2015 and before October 1, 2016 the fee is 4.272%
- Loans disbursed after September 30, 2016 and before October 1, 2017 the fee is 4.276%
- Loans disbursed after September 30, 2017 and before October 1, 2018 the fee is 4.264%
- Loans disbursed after September 30, 2018 and before October 1, 2019 the fee is 4.248%

The loan fee percentage for a loan is determined by the date of the first disbursement of the loan. Any subsequent disbursements of that loan, even if made after the relevant September 30, have the same loan fee percentage that applied to the first disbursement of that loan.

<u>FEDERAL PARENT LOAN FOR UNDERGRADUATE STUDENTS (PLUS):</u>
The Federal PLUS Loan is in one of the parent's names. If one parent does not qualify for the loan the other parent can apply for the loan. This loan is a credit base loan. Loans disbursed before July 1, 2006, have a variable interest rate and are tied to the 91 Day Treasury Bill Rate as of May 31st of each year. The rate is adjusted once a year on July 1st and is capped at 9%. The interest rate for 2018-2019 is 5.00%. Loans disbursed after June 30, 2006, have a fixed interest rate. If the loan is under the Federal Direct Loan Program, the fixed interest rate is 7.9%. If the loan is under the Federal Family Education Loan Program (FFEL), the fixed interest rate is 8.5%. For all loans first disbursed after June 30, 2010, the interest rate is 7.9%. For loans disbursed after June 30, 2013, and before July 1, 2018, see **Table 1** below. For loans disbursed after June 30, 2013, the interest rate is capped at 10.5%. The term of the loan is 10 years. Payments start within 60 days of the final disbursement of the loan. The amount that can be borrowed is the total cost of college less any financial aid, other educational loans and distributions from certain educational tax benefit accounts. If at any time the borrower dies or becomes totally disabled, the loan is forgiven. If the student for whom the PLUS Loan was taken dies, the loan is forgiven.

There is a loan fee that is deducted from the loan proceeds; see **Table 2** below for those fees.

As a result of the “Ensuring Continued Access to Student Loans Act of 2008” signed into law on May 7, 2008, the borrower has two additional options when repaying this loan. Those options are:

1. The borrower can make interest only payments while the student is in school and start payments of principal and interest after the student leaves school; or
2. The borrower can defer all payments until six months after the student leaves school. In this option the interest accrues and is added on to the loan when repayment begins.

Interest paid by the parent on this loan will qualify for the Student Loan Interest Deduction if the parents’ income is within the Modified Adjusted Gross Income Limits of the IRS. This loan will qualify for consolidation under the Federal Loan Consolidation Program.

TABLE 1 – Interest rates on PLUS Loans disbursed after June 30, 2013:

- Loans disbursed after June 30, 2013 and before July 1, 2014 will have a fixed interest rate of 6.41%
- Loans disbursed after June 30, 2014 and before July 1, 2015 will have a fixed interest rate of 7.21%
- Loans disbursed after June 30, 2015 and before July 1, 2016 will have a fixed interest rate of 6.84%
- Loans disbursed after June 30, 2016 and before July 1, 2017 will have a fixed interest rate of 6.31%
- Loans disbursed after June 30, 2017 and before July 1, 2018 will have a fixed interest rate of 7.00%
- Loans disbursed after June 30, 2017 and before July 1, 2018 will have a fixed interest rate of 7.60%

TABLE 2 – Loan fees deducted from the loan proceeds:

- For loans disbursed before March 1, 2013 the fee is 4%
- Loans disbursed after February 28, 2013 and before December 1, 2013 the fee is 4.204%
- Loans disbursed after November 30, 2013 and before October 1, 2014 the fee is 4.288%
- Loans disbursed after September 30, 2014 and before October 1, 2015 the fee is 4.292%
- Loans disbursed after September 30, 2015 and before October 1, 2016 the fee is 4.272%

- Loans disbursed after September 30, 2016 and before October 1, 2017 the fee is 4.276%
- Loans disbursed after September 30, 2017 and before October 1, 2018 the fee is 4.264%
- Loans disbursed after September 30, 2018 and before October 1, 2019 the fee is 4.248%

The loan fee percentage for a loan is determined by the date of the first disbursement of the loan. Any subsequent disbursements of that loan, even if made after the relevant September 30, have the same loan fee percentage that applied to the first disbursement of that loan.

NOTE: *If both of the parents fail to qualify for a PLUS Loan, the student may qualify for an additional $4,000/$5,000 Stafford Loan*

PRIVATE EDUCATION LOAN

The Private Education Loan is offered by a financial institution and is in the student's name. Loans in the student's name will almost always require a co-borrower. These loans are neither need-based nor merit-based; they are credit based loans. The interest rate on these loans is variable with no cap on the rate (note: some lenders are offering fixed rate loans). The variable rate is based on the prime rate or the LIBOR Index plus a percentage and may be adjusted monthly or quarterly. Repayment starts after the student has left school. The loan amount can be up to the total cost of college less any financial aid and other loans or a fixed annual dollar amount, whichever is lower. These loans are subject to various fees that are deducted from the loan proceeds. Interest paid on these loans will qualify for the Student Loan Interest Deduction if the taxpayer/borrower's income is within the Modified Adjusted Gross Income Limits of the Internal Revenue Code.

As a result of the 2008 credit crisis and its aftermath, several lenders have left the student loan market (Chase, CitiBank, U.S. Bank). New lenders have entered the market (PNC Bank, Citizen's Bank) to fill in for those that have left but credit requirements are more stringent than those required for a federal student loan (ex. the borrower is going to have to have a co-signer with good credit in order for the loan to get approved).

COLLEGE LOAN

College loans administered by the college may come from the school's endowment or from a loan program set up with a financial institution. The loan is usually in the student's name. The interest rate could be variable or fixed and repayment usually begins after the student leaves school. The amount of the loan is determined by the college. Interest paid by the taxpayer/borrower on this loan will qualify for the Student Loan Interest Deduction if his/her income is within the Modified Adjusted Gross Income Limits of the Internal Revenue Code.

STATE LOAN

Some states offer college loans to the student and/or parent. If these loans are available, it is best to check with the college to see what terms and conditions apply. Interest paid by the taxpayer/borrower will qualify for the Student Loan Interest Deduction if his/her income is within the Modified Adjusted Gross Income Limits of the Internal Revenue Code.

CONSOLIDATION OF EDUCATION LOANS

There are two types of college loans that can be consolidated: federal loans that can be consolidated under the Federal Loan Consolidation Program and private education loans that can be consolidated with private lenders.

FEDERAL LOAN CONSOLIDATION PROGRAM:

Under this program the borrower can consolidate the following federal loans:

1. Subsidized Stafford Loans
2. Unsubsidized Stafford Loans
3. Perkins Loans
4. PLUS Loans
5. Grad PLUS Loans

The borrower can only consolidate loans that are in his/her name: example - a Stafford Loan (student loan) cannot be consolidated with a PLUS Loan (parent loan). The term of the loan is determined by the amount being consolidated and could be as long as 30 years. The interest rate is fixed and is the weighted average of the rates being consolidated. The rate is capped at 8.25%. The consolidation does not require an income or credit check of the borrower and can only be done after the student has left school. If the borrower goes back to school, the loan can go into deferment and if new education loans are incurred, they could be consolidated by themselves or with the first consolidation after the borrower leaves school. Federal student loans are consolidated with the U.S. Department of Education under the Direct Loan Program.

PRIVATE LOAN CONSOLIDATIONS:

There are several private lenders that are consolidating private education loans. Wells Fargo Bank, Credit Union Student Loans and Citizens Bank are three such lenders. The consolidation is based on the credit worthiness of the borrower and may require a co-signer for the loan. Interest rates will be variable and usually tied to the prime rate or LIBOR Index plus a percentage, adjusted monthly. Some lenders are offering consolidation loans with fixed interest rates. The term of the loan can be as long as 25 years. A few lenders are offering co-signer releases after so many on time, consecutive payments have been made. In some situations, fees may be associated with the loan.

IMPORTANT

Do **NOT** consolidate federal student loans with private student loans.

FINAL NOTE

Income Driven Repayment Options:
The "College Cost Reduction and Access Act of 2007" included a section called "Income-Based Repayment" (IBR). Starting July 1, 2009, students who are in repayment or about to start payments on their federal student loans should see if they qualify for IBR. If the student qualifies, the monthly loan payment is based on annual income and not the amount of the loan.

On December 21, 2012, a new payment option became available for federal student loans. Students can select "Pay As You Earn" (PAYE) as a repayment option, which is similar to IBR, but may offer lower monthly payments. This option is only available for students who received loans after October 1, 2011, and had no loans prior to October 1, 2007.

On December 17, 2015, an additional repayment option became available for federal student loans. The new option is call "Revised Pay As You Earn" (REPAYE). This program is similar PAYE but does have some important changes. Two of those changes are: 1) this repayment option is available to all students who have federal student loans and 2) when determining if the borrower qualifies for this repayment option, it looks at all the income of the family not just that of the borrower.

These options are only for federal student loans and are available to students but are not available to parents.

This is a complicated area, so if you think you may qualify for IBR, PAYE or REPAYE, contact a professional who can help you through the process.

Student Loans and Bankruptcy:
It is important to remember that federal student and federal parent education loans and private student loans **CANNOT** be discharged in bankruptcy.

Monthly Payment:
Many families ask what the monthly payment will be when the loan enters repayment. The follow payments are **estimates** of what the monthly payment would be based on a $1,000 loan. The estimates are for federal loans only, disbursed after June 30, 2018 and before July 1, 2019 and are determined using the Standard Repayment Option.

Undergraduates Students

Federal Subsidized Stafford Loan (5.05%)	$10.63 per $1,000
Federal Unsubsidized Stafford Loan (5.05%)	$10.63 per $1,000

Graduate Students

Federal Unsubsidized Stafford Loan (6.60%)	$11.41 per $1,000
Grad PLUS Loan (7.60%)	$11.92 per $1,000

Parent Loan for Undergraduate Students (PLUS)

PLUS Loan (7.60%)	$11.92 per $1,000

<u>Loan Fees:</u>

All federal student loans have fees that are deducted from the loan proceeds. These fees are adjusted each year on October 1 of the academic year. The loan fee percentage is determined by the date of the first disbursement of the loan. Any subsequent disbursements of that loan, even if made after the relevant September 30, have the same loan fee percentage that applied to the first disbursement of that loan.

The following fees are **<u>estimates</u>** of what the loan fee would be based on a Stafford loan of $5,500 or a PLUS loan/Grad PLUS loan of $10,000. These estimates are for <u>federal loans only</u>, first disbursed after certain dates as describe below.

Stafford Loans

Federal Subsidized Stafford Loan
Loans disbursed after September 30, 2017
and before October 1, 2018 the fee is 1.066% $58.63 on a $5,500 loan

Federal Unsubsidized Stafford Loan
Loans disbursed after September 30, 2018
and before October 1, 2019 the fee is 1.062% $58.41 on a $5,500 loan

PLUS Loans and Grad PLUS Loans

Loans disbursed after September 30, 2017
and before October 1, 2018 the fee is 4.264% $426.40 on a $10,000 loan

Loans disbursed after September 30, 2018
and before October 1, 2019 the fee is 4.248% $424.80 on a $10,000 loan

WEB SITES – EDUCATION LOANS

Lender	**Web Site**
Credit Union Student Loans	www.custudentloans.org
Citizen's Bank	www.citizensbank.com
Discover Student Loans	www.discoverstudentloans.com
PNC Bank	www.pnconcampus.com
Wells Fargo	www.wellsfargo.com/student/loans
William D. Ford Direct Loan Program (to apply for federal loans)	www.studentloans.gov
National Student Loan Data System (to a list of outstanding federal loans)	www.nslds.ed.gov

NOTE: *The following banks discontinued taking applications for new student loans.*

- U.S. Bank – March 29, 2012
- Citibank – December 31, 2012
- Chase – October 13, 2013

NOTE: *As outlined in an April 9, 2017 article in the New York Times, Sallie Mae and its successor, Navient, have been under investigation by the attorneys general in Illinois and Washington for engaging in predatory lending practices ("student private subprime loans").*

We do not recommend one lender over another when providing this list. There are additional lenders that you may want to consider when applying for an educational loan.