BEFORE WE START

- Q & A
- Evaluation
THE UNFORTUNATE FACTS

The average student loan debt following...

- 2-year vocational school or technical college = $10,000
- 4-year undergraduate degree = $26,000+
- Graduate degree = $43,000+
- Over $1 trillion in student loan debt outstanding

Source: college.scholarships.org
consumerfinance.gov

CONTACT YOUR EAP FOR ASSISTANCE
AGENDA

- Adopting a debt mindset
- Private versus federal loans
- Getting help – available resources
- Student loan member stories
ADOPTING A DEBT MINDSET

- A marathon not a sprint
- Try to sustain the spending habits you had while in school
- As you start or continue your career, watch out for trade-up syndrome and use increases in income to reduce debt
DEBT DISCIPLINES

- Get organized
- Prioritize goals
- Follow a spending plan
- Balance debt reduction with savings goals
**PRIVATE vs. FEDERAL LOANS**

**REPAYMENT CHARACTERISTICS**

**PRIVATE LOANS**
- Often multiple lenders
- Consolidation barriers
- Modification risks
- Postponement impact

**FEDERAL LOANS**
- Consolidation
- Income-driven repayments
- Deferment or forbearances
- Forgiveness or discharge

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CO-SIGNER

- Typically private debt
  - Terms & Conditions set by lender
- Could become 100% responsible
- Release of liability
  - Lenders advertise that co-signer can be removed, but...

PARENT PLUS

- Federal loan
  - Borrower eligible for federal benefits
- Parent is sole responsible party
  - Student (child) isn’t listed on the loan
STORY 1: MANAGING MULTIPLE LOAN PAYMENTS

PROBLEM: Bob has three children he put through school. He was ready for retirement but had several Parent PLUS loans to manage.

ACTION: He worked with his financial specialist to consolidate and pay down other debts, so he could make the student loan payments.
ASSESS SPENDING PLAN & TRY TO REDUCE OVERALL DEBT

• Apply for loan consolidation
• Eliminate excess spending
• Reduce credit card debt
FEDERAL LOAN CONSOLIDATION

Qualification criteria
- At least one unconsolidated loan
- Not credit based

First steps
- Gather all your loan information
  - nslds.ed.gov
- Review application on www.studentloans.gov
  - Explore possible interest rates & payments
LOAN CONSOLIDATION – PROS & CONS

BENEFITS
• Increased repayment options
  o Income-driven plans
  o Extended repayment time
• Creation of a new loan
  o Now DIRECT loans

CONSIDERATIONS
• Longer repayment terms mean more interest
• New loan, so prior payment history is lost
  o Negative impact for payment calculating programs
STORY 2: MONTHLY PAYMENTS TOO HIGH FOR BUDGET

PROBLEM: Andrew got a new job and was struggling to balance his budget every month. He wanted to reduce his monthly student loan payments.

ACTION: He worked with his financial specialist to discuss the different options available under the student loan repayment plans.
INCOME-DRIVEN REPAYMENT PLANS

- Can lower monthly payments to better fit in budget
- Calculations based on income and household size
- Repayment period typically extended and you may ultimately qualify for loan forgiveness
# Interest Projection

Stafford Loan of $35,000 with interest rate of 6.8%

<table>
<thead>
<tr>
<th>Repayment Options</th>
<th>Loan Term</th>
<th>Total Number of Payments</th>
<th>Total Interest Paid</th>
<th>Total Loan Paid</th>
<th>First Monthly Payment</th>
<th>Final Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Repayment</td>
<td>10 years</td>
<td>120</td>
<td>$13,334</td>
<td>$48,334</td>
<td>$403</td>
<td></td>
</tr>
<tr>
<td>Extended Repayment</td>
<td>25 years</td>
<td>300</td>
<td>$37,878</td>
<td>$72,878</td>
<td>$267</td>
<td></td>
</tr>
<tr>
<td>Graduated Repayment</td>
<td>20 years</td>
<td>240</td>
<td>$25,146</td>
<td>$60,146</td>
<td>$201</td>
<td>$400</td>
</tr>
</tbody>
</table>

Source: Bankrate.com Student Loan Calculator
STORY 3: PAY OFF STUDENT LOANS QUICKER

PROBLEM: After ten years, Jennifer was tired of monthly loan payments and seeing the principle decrease so slowly. She wanted to see the balances go down faster.

ACTION: She worked with her financial specialist to make principal payments a part of her debt reduction strategy.
“Principles” of principal payments
• Paying down the loan balance
Interest capitalizes
• Accrued interest always has to be paid first
# DEBT REPAYMENT OPTIONS

Student loan debt of $35,000 with interest rate of 6.8%

<table>
<thead>
<tr>
<th>Repayment Options</th>
<th>Monthly Payment</th>
<th>Total Interest Paid</th>
<th>Total Amount Paid</th>
<th>Repayment Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$267</td>
<td>$29,120</td>
<td>$64,120</td>
<td>20 years</td>
</tr>
<tr>
<td>Add $25 per month</td>
<td>$292</td>
<td>$23,726</td>
<td>$58,726</td>
<td>16.8 years</td>
</tr>
<tr>
<td>Add $50 per month</td>
<td>$317</td>
<td>$20,102</td>
<td>$55,102</td>
<td>14.5 years</td>
</tr>
<tr>
<td>Accelerated</td>
<td>$403</td>
<td>$13,334</td>
<td>$48,334</td>
<td>10 years</td>
</tr>
</tbody>
</table>

Source: Bankrate.com Student Loan Calculator
STORY 4: FALLING BEHIND ON STUDENT LOAN PAYMENTS

PROBLEM: For years, Stephanie struggled to make regular payments on her student loans. When the IRS “took” her tax refund, she decided it was time to do something about her debt.

ACTION: She worked with her specialist to understand her options since her loans were in default, and she reached out to the collection agency to set up rehabilitation.
DEFERMENT & FORBEARANCE OPTIONS

- In school
  - Minimum part-time enrollment
  - Usually automated through a school’s FA office
- Unemployment
  - Maximum 36 months
- Economic hardship / excess student loan debt
  - Harder to qualify for, application required
# TEMPORARY PAYMENT POSTPONEMENT

<table>
<thead>
<tr>
<th>Deferment</th>
<th>Forbearance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>How do I qualify?</strong></td>
<td><strong>How do I qualify?</strong></td>
</tr>
<tr>
<td>It depends on which type of deferment you are applying for. However,</td>
<td>It can be granted at the discretion of your lender, servicer, or the federal</td>
</tr>
<tr>
<td>if you meet the criteria and have deferment time available, you cannot</td>
<td>government, and should only be used in extreme circumstances.</td>
</tr>
<tr>
<td>be denied a deferment.</td>
<td></td>
</tr>
<tr>
<td><strong>When is a good time to use deferment?</strong></td>
<td><strong>When is a good time to use forbearance?</strong></td>
</tr>
<tr>
<td>Unemployment, economic hardship, half-time or full-time enrollment in</td>
<td>Economic hardship, illness or temporary disability, internship or residency,</td>
</tr>
<tr>
<td>school, graduate fellowship, active military duty, illness or temporary</td>
<td>national and local public service, natural disaster</td>
</tr>
<tr>
<td>disability</td>
<td></td>
</tr>
<tr>
<td><strong>Why is it better to use deferment?</strong></td>
<td><strong>What makes forbearance different?</strong></td>
</tr>
<tr>
<td>The federal government pays the interest accruing on your subsidized</td>
<td>Forbearance will cost you more than deferment because both subsidized and</td>
</tr>
<tr>
<td>loans.</td>
<td>unsubsidized loans continue to accrue interest.</td>
</tr>
</tbody>
</table>

Source: American Student Assistance

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Military deferment
  • Active duty service
Forgiveness programs
  • Volunteer organizations
  • Private opportunities
  • PSLF
  • Teachers
BACK TO STEPHANIE....TRY TO AVOID DEFAULTING ON YOUR LOANS

Default consequences
- Wage garnishment
- Tax offset

Default resolutions
- Pay in full
- Consolidate (if eligible)
- Rehabilitation
GETTING HELP – RESOURCES

• Student Aid Ombudsman
  o (877) 557-2575
• Consumer Finance
  o (855) 411-2372
• Financial Specialist
• American Student Assistance
• Student loan consolidation – for profit organizations
Create specific measurable goals that include credit, budgeting, and saving.
FINANCIAL COACHING

- Contact your EAP for a FREE financial referral
- Benefits include:
  - 1:1 telephone consultation with a specialist regarding your financial issue
  - Assessment of your situation and a discussion of options
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