# Wilkes University
## Loan Preparation and Repayment Expectations

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# Congratulations—you're almost finished!

## Today's agenda

- Your basic rights and responsibilities as a borrower
- Tracking your student loans/know who you owe
- Avoiding default
- How and when to contact your lender
- Repayment and repayment strategies
- Tips to help you manage finances

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# Rights and responsibilities

- Student loans **must be repaid**, with interest, just like car loans or mortgages.
- You must read and understand your entire promissory note, including the **specific terms and conditions of each loan**. If you no longer have your promissory note, contact your lender or loan servicer and request a copy for your records.
- You must make all required payments, **regardless of whether you get a bill**, payment notice, coupon or other such notice.
- It is your responsibility to **stay in touch with your student loan servicer** to keep your address and contact information current. Notify your servicer within 10 days of any changes to your name, address, email or other contact information.
- Even if you don't get a job in your field, your **loans are not forgiven or cancelled**.
- **Open and read your mail** – paper mail, email, texts or other notices from your lender or servicer. Be careful of fraudulent messages and links, though.


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# Know who you owe

## College Ave Student Loans (Private Loans)

https://collegeaveservicing.com

844-803-0736

Email: servicing@collegeave.com

**Download mobile app:**

College Ave

**Payment Address:**

College Ave

c/o University Accounting Services

P.O. Box 5863

Carol Stream, IL 60197-5863

## Other Private Loan Servicer(s)

**You may owe one or more private loans back or you may not have any.**

**Get organized and start tracking to know which private loans you have.**

## Federal Student Loan Servicer(s)

Federal Student Aid
An OFFICE of the U.S. DEPARTMENT of EDUCATION

**Find out which servicer is assigned to your loans and how to pay:**

https://studentaid.gov/manage-loans/repayment/prepare-payments-restart

https://studentaid.gov/manage-loans/make-payment



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# Keep good records of your loans

- Get all loan documents together—saved online or physical records
  - Promissory notes
  - Disclosure statements
  - Award letters
- Exit interview information
- Open and read student loan mail (but be careful of fraudulent mail/texts)
- Bookmark loan servicer's websites
- Notify your lender of name & address changes
- Document calls to servicer: date/time of call & person who handled the call
- Keep important numbers available

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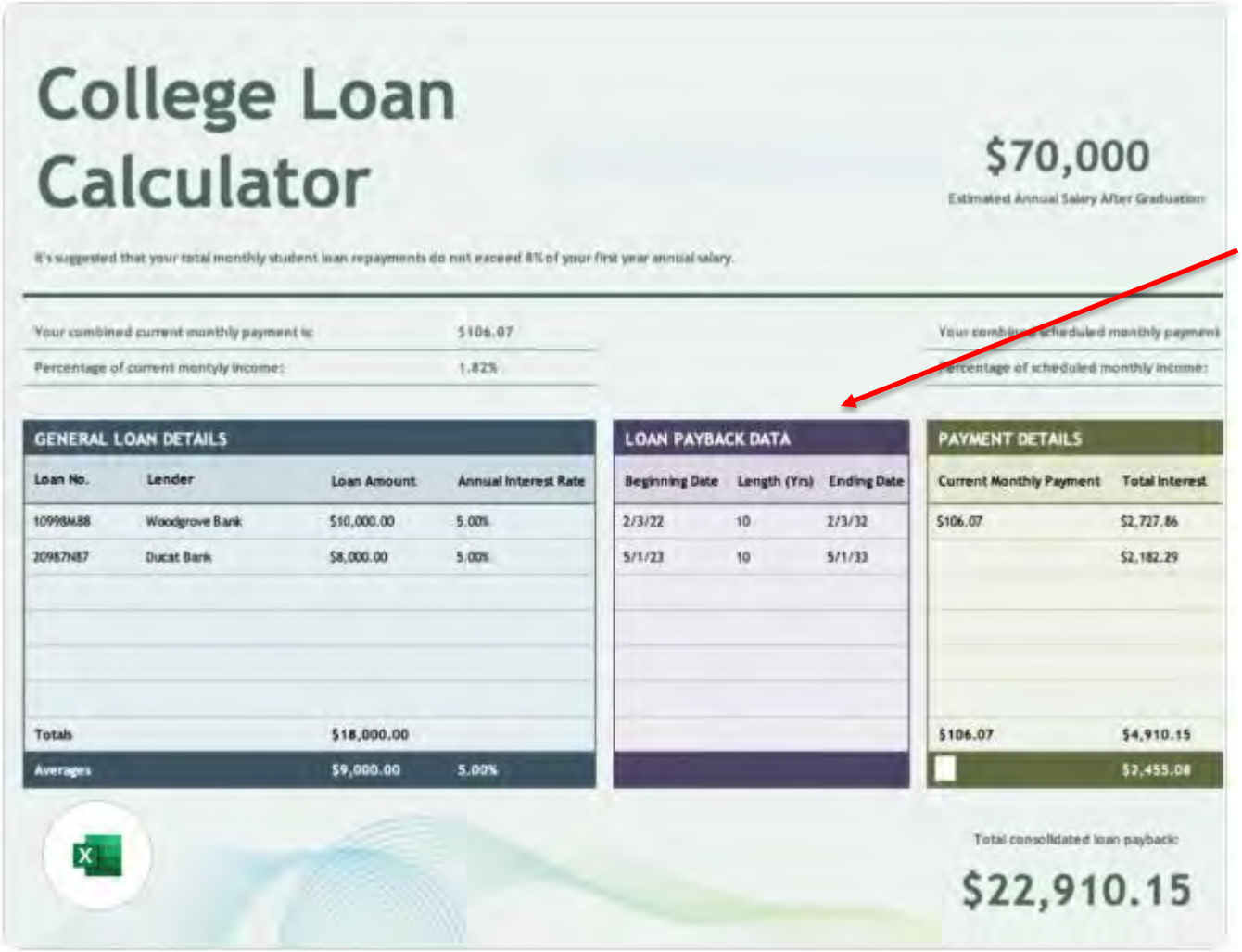
# Sample loan tracker



College Loan Calculator

$70,000

Estimated Annual Salary After Graduation

It's suggested that your total monthly student loan repayments do not exceed 8% of your first year annual salary.

| | |
|---|---|
| Your combined current monthly payment is: | $106.07 |
| Percentage of current montyly income: | 1.82% |

Your combined scheduled monthly payment

Percentage of scheduled monthly income:

**GENERAL LOAN DETAILS**

| Loan No. | Lender | Loan Amount | Annual Interest Rate |
|---|---|---|---|
| 10998M88 | Woodgrove Bank | $10,000.00 | 5.00% |
| 20987N87 | Ducat Bank | $8,000.00 | 5.00% |
| | | | |
| | | | |
| | | | |
| | | | |
| Totals | | $18,000.00 | |
| Averages | | $9,000.00 | 5.00% |

**LOAN PAYBACK DATA**

| Beginning Date | Length (Yrs) | Ending Date |
|---|---|---|
| 2/3/22 | 10 | 2/3/32 |
| 5/1/23 | 10 | 5/1/33 |
| | | |
| | | |
| | | |
| | | |
| | | |

**PAYMENT DETAILS**

| Current Monthly Payment | Total Interest |
|---|---|
| $106.07 | $2,727.86 |
| | $2,182.29 |
| | |
| | |
| | |
| | |
| $106.07 | $4,910.15 |
| | $2,455.08 |

Total consolidated loan payback:

$22,910.15

**Pro tip:** This is one of the most important items to document. You can confirm these with your servicer(s); be sure to include dates for your graduation and the end of your grace period.

Source: https://templates.office.com/en-us/college-loan-calculator-tm00000035



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# National credit bureau agencies

| | |
|---|---|
| Equifax | • 800-685-1111<br>• Equifax.com |
| Experian | • 888-397-3742<br>• Experian.com |
| TransUnion | • 800-916-8800<br>• TransUnion.com |

**You can get a free copy of your credit report weekly through https://www.annualcreditreport.com.**


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# What is Federal Loan default?

## What happens if you don't pay your federal loans?

- Payment is **1 day late**: Your account becomes delinquent, and the servicer can charge you a late fee.
- Reported to credit bureaus after **90 days late**.
- For a loan made under the William D. Ford Federal Direct Loan Program or the Federal Family Education Loan Program, **you're considered to be in default if you don't make your scheduled student loan payments for at least 270 days**.
- For a loan made under the Federal Perkins Loan Program, the holder of the loan may declare the loan to be in default if you don't make your scheduled payment by the due date.

Source: https://studentaid.gov/manage-loans/default


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# Avoid Federal Loan default

## What can happen if you default on your federal loans?

- **Damage to your credit score**
- **Impact on your credit report** for many years
- **Loan acceleration**: the entire unpaid balance of your loan and any interest you owe becomes due immediately.
- **Possible wage garnishment**: This means your employer may be required to withhold a portion of your pay (up to a maximum of 15%) and send it to your loan holder to repay your defaulted loan.
- You can **no longer receive a deferment or forbearance** on the loan.
- It can **affect the ability to rent** an apartment.
- You may not be able to purchase or sell assets such as **real estate.**
- Your loan may be turned over to a **collection agency.**
- **Tax refunds can be withheld.**
- Your loan holder **can take you to court.**
- And more—so please avoid this!

Source: https://studentaid.gov/manage-loans/default


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# What is Private Loan default?

## What happens if you don't pay your private loan?

- **30 days late**: Loans are reported to the credit bureaus as delinquent.
- **Between 30-120 days late**: Lender may send the loan to collections.
- **120+ days late:** Loan is charged-off by lender and potentially sold to a third party to collect on outstanding balance.
  - Loan will be reported as charged off on credit report, which has more significant impact than delinquency.


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# Avoid Private Loan default

## What can happen if you default on your private loans?

- **Damage to credit score**
- Long-lasting **impact on credit report**
- **Loan acceleration**: The lender may ask for immediate full payment of outstanding principal, interest and late fees.
- **Wage garnishment**: Requires a court order for private loans. The maximum wage garnishment is 25% of your wages.
- **Debt collection**: Account will be transferred to a debt collector that can pursue collection aggressively, and you may be responsible for collection fees and other costs.
- **Lien on property**: If a lender sues you and wins a lawsuit, they can place a lien on property, such as borrower's house.
- **Difficulty renting** an apartment
- And more!


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# What is a grace period?

**Grace Period:** Time period after a borrower graduates or leaves school before monthly payment of principal and interest begins.

- **Gives you time** to find employment and/or organize your finances before full loan repayment begins.
- The grace period varies according to loan:
  - **Common grace period lengths are 6 months or 9 months**
  - **Check with your servicer(s) and lender(s)** to confirm the grace period and repayment terms during grace period
- Private loans, Federal Direct Unsubsidized, and Grad PLUS Loans continue to accrue interest during the grace period unless you are paying the interest monthly.
- Taking advantage of a grace period will increase the overall cost of the loan.

**Helpful Tip: Be proactive during your grace period** and use that extra time to secure your situation, establish a budget, and build good financial habits.

Source: https://www.collegeave.com/articles/what-is-student-loan-grace-period/


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# Deferment and forbearance

**Deferment**: A **temporary period** when you don't need to make student loan payments.

- Most common reasons are attending school at least half-time or during military service.
- Interest continues to accrue.

**Forbearance**: **Temporarily suspends monthly payments** during periods of financial hardship

- Eligibility criteria is broader, but for shorter periods of time (usually 3- or 6-month increments)
- Interest continues to accrue.
- May require a forbearance fee.

Common Reasons for Deferment or Forbearance:

- ✓ In-School
- ✓ Economic Hardship
- ✓ Unemployment
- ✓ Military
- ✓ Emergency Disaster
- ✓ Fellowship/Residency/Internship

Source: https://www.collegeave.com/articles/the-difference-between-student-loan-deferment-forbearance/

Note: Federal loan information about deferments and forbearance: https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief



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# When to contact your lender/servicer

- **Your contact information has changed.**
- If you are using **auto-debit** and your bank account information changes.
- If you were using auto-debit before the federal payment pause and want to use auto-debit again.
- You want to make **extra or reduced payments**.
- You want to apply your payments in a specific way.
- **You don't understand** your billing statement, or the way previous payments were applied.
- You have **fallen behind** on your payments.
- You want to understand **borrower benefits**.
- You want to **align your payment dates**.
- You return to **school at least half-time**.
- You are deployed for the **military**.
- You become permanently **disabled**.
- If you need help!

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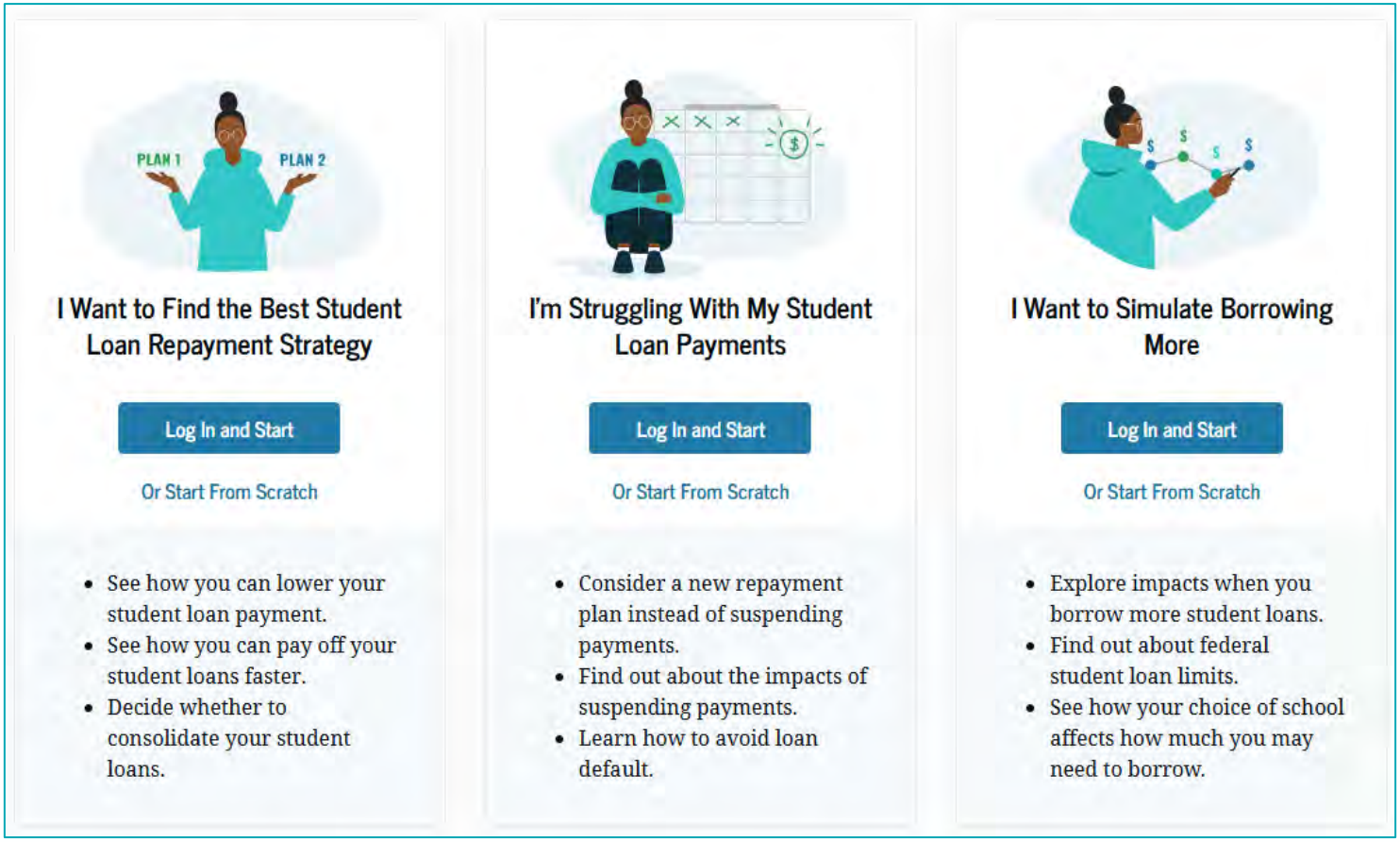
# Federal Loan simulator

https://studentaid.gov/loan-simulator/



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# Federal Loan repayment plans available

- **Standard** Repayment Plan
- **Graduated** Repayment Plan
- **Extended** Repayment Plan
- **Income-Driven Repayment Plans:**
  - Pay As You Earn Repayment Plan (PAYE)—only available to those who are already enrolled
  - Income-Contingent Repayment Plan (ICR)—only available to those already enrolled
  - Income-Based Repayment Plan (IBR)
  - ~~Saving on a Valuable Education (SAVE) Plan~~ (blocked by federal courts—no longer available)
  - New starting 7/1/26: Repayment Assistance Plan (RAP)

Source: https://studentaid.gov/manage-loans/repayment/plans
Repayment Assistance Plan: https://www.congress.gov/crs-product/IF13075


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# Federal Public Student Loan Forgiveness (PSLF)

- After **120 payments**, loans can be forgiven.
- **Must be employed by a government or one of many non-profit organizations[1].**
- Eligible loans[1]: Direct Subsidized, Direct Unsubsidized, Direct PLUS, Direct Consolidation
  - Not eligible: Federal Perkins, FFEL (older loan program), private loans
- Teacher Loan Forgiveness[2] program also available for Direct Subsidized and Unsubsidized Loans up to $17,500.

[1] https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service
[2] https://studentaid.gov/manage-loans/forgiveness-cancellation/teacher


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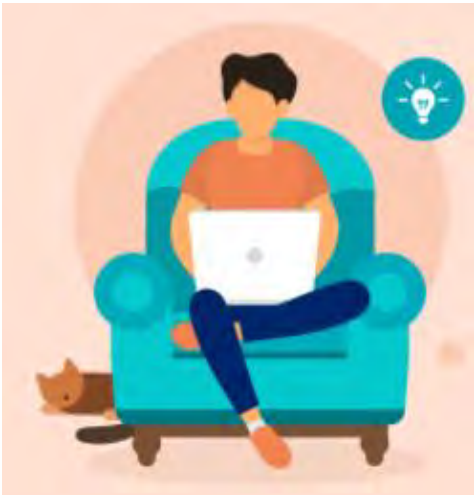
# What is interest capitalization?



- Federal and private loans
- Interest capitalization occurs when unpaid **interest is added to the principal amount of your student loan**.
- When your unpaid interest capitalizes, it **increases the outstanding principal amount due** on your loan.
- Then your interest is recalculated based on that higher principal balance, **increasing the overall cost of your loan**.
- Depending on your repayment plan, capitalization **may also cause your monthly payment amount to increase**.

**Source:** https://www.youtube.com/watch?v=lHgM_Dg4jQY
**Source:** https://studentaid.gov/understand-aid/types/loans/interest-rates#capitalization
**Source:** https://www.calculatorultra.com/en/tool/capitalized-interest-calculator.html?utm_source=chatgpt.com#gsc.tab=0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# Reducing the total cost of your loan

*Loan payments are typically applied first toward fees, then interest, and finally principal – check the promissory notes for additional information.*

- Pay interest during school and during your grace period to avoid or reduce capitalization costs.
- Many private lenders offer a 0.25% interest rate discount for making automatic payments.
- Make bi-weekly or extra payments instead of monthly payments. This will save you interest over time.
- Pay more than the minimum to reduce loan balance more quickly.
- Possibly refinance.

Source: College Ave Blog – 'How to Pay Off Student Loans Fast'


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# Consolidation vs refinancing
# What's the difference?

## Consolidation (federal program)

- Combine multiple federal loans into one loan with a fixed interest rate that is a weighted average of the underlying loans.
- Not available for private loans.
- Convenience of one payment.
- Can lower your monthly payment.
- Longer repayment period.
- More interest.
- May have loss of certain borrower benefits, but access to other repayment and forgiveness options.

## Refinancing (federal + private loans)

- Lender buys one or more of your current student loans (federal and/or private) and issues a new loan to pay them off.
- New interest rate based on your current credit profile. This may or may not save you money.
- Convenience of one payment.
- If including federal loans, will lose all federal loan program benefits. Please note this if you are looking to qualify for the federal loan forgiveness programs.
- New loan will come with new terms and benefits. Check with each lender to see which loans they'll cover and how their program works.



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# Refinancing: Things to consider

- Pre-qualify to check your rate
- Will you lose any current student loan benefits, such as repayment options?
- Is your credit score, income, and debt-to-income sufficient for a lender to approve you for a refinance loan?
    - Will the rate you are offered be lower or higher than your current loans?
    - How does the monthly loan payment compare to your current loans?
- Will your new loan be considered a student loan or a personal loan? If it's not a student loan, will there be any tax consequences?
- Will you have to pay any fees to refinance your student loan?
- Will you lose any discounts that you've had with your original loans?

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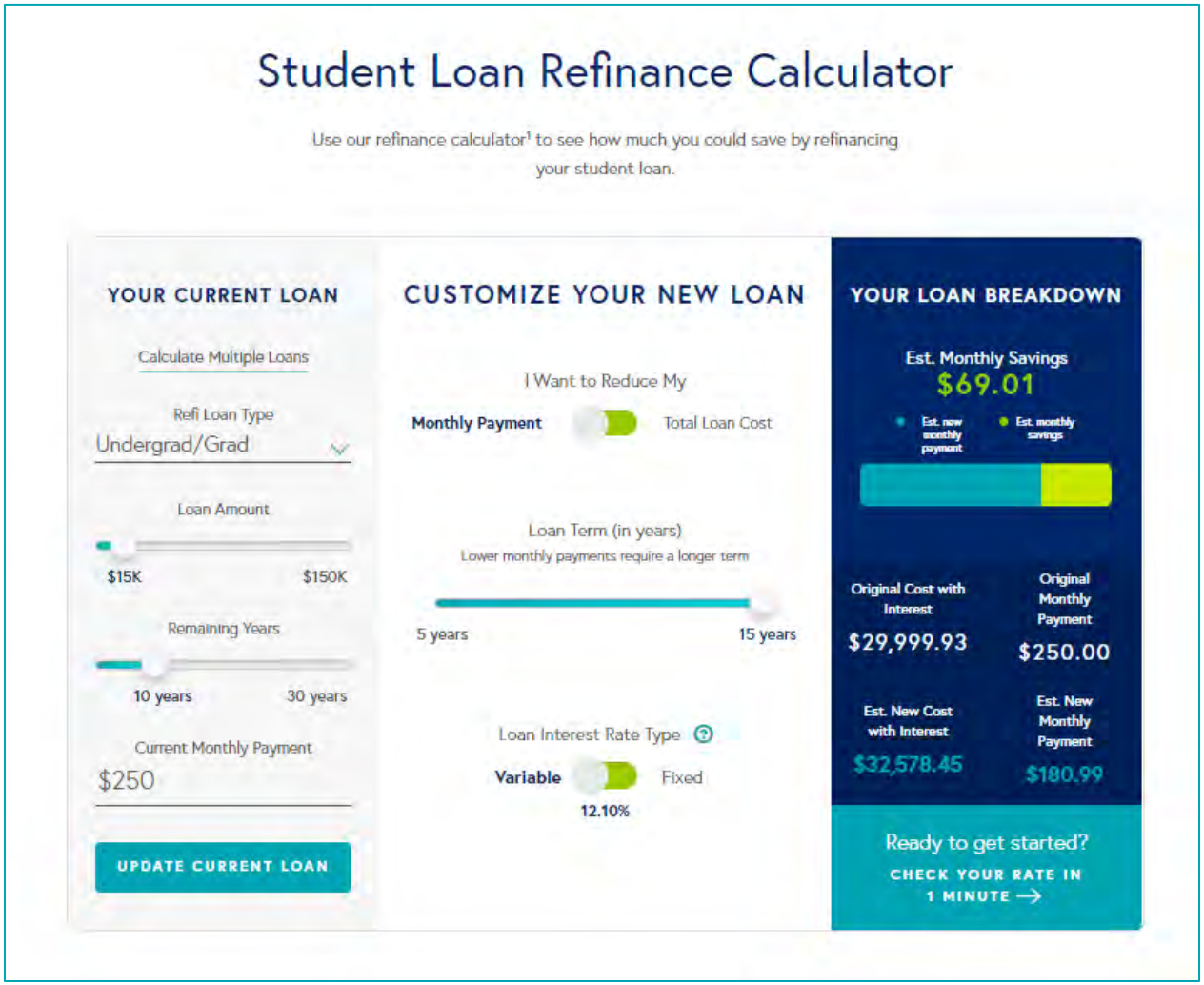
# Try out calculators before refinancing

https://www.collegeave.com/calculators/refinance-student-loans/





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# Budgeting is a key to short and long-term financial success

- Use an interactive tracking/budgeting tool:
  - ✓ Free is preferred
  - ✓ If you want to change your money habits/hands on apps:
    - $ YNAB (You Need a Budget)
    - $ Every Dollar
  - ✓ If you want manual control/envelope style:
    - $ Goodbudget
  - ✓ Easy to stick with apps:
    - $ Rocket Money
    - $ Nerd Wallet
    - $ Monarch
    - $ PocketGuard

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# Repayment methods for paying off any kind of debt

## Debt Avalanche Repayment Method

- Prioritize paying off the student loan with the *highest interest rate first* while making minimum payments on all other loans
- Once the first loan is paid in full, focus on the loan with the second highest rate
- Continue this process until the debt is eliminated
- This approach will save you the most money over time.

## Debt Snowball Method:

- Prioritize paying off the loan with the *smallest balance first* while making minimum payments on all other loans
- Once the first loan is paid in full, focus on the loan with the next lowest balance
- Continue this process until the debt is eliminated
- This approach isn't as fast as the Debt Avalanche Method, but by reducing the total number of loans outstanding faster, you will feel a sense of accomplishment.

Source: https://www.collegeave.com/articles/how-to-pay-off-student-loans-fast/


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# Other tips for managing your finances

**Make payments automatically**

You won't forget to make your payment and you may reduce your interest rate.

**Make payments each and every month**

Resist putting off your payments as this will cost you money.

**Pay a little extra each month**

Extra payments can help you pay off your loan faster.

**Create a budget**

Track your monthly expenses to help cut out unnecessary items and pay down your debt even faster.

**If you fall behind, get help**

Call your loan servicer to discuss your options. Changes to your payment plan may provide the flexibility you need.

**Build an emergency fund**

Aim to save $500 to $1,000 to cover unexpected expenses.

**Beware of scams**

Do your homework. If it sounds too good to be true, it could be a scam.

**Don't miss important information**

Keep your loan servicers updated with your contact information so that they can keep in touch with you.


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## Additional Resources

**Campus/School Services**
844-422-7501
schools@collegeave.com

**Borrower Services**
844-422-7502
studentloans@collegeave.com

**For Help Servicing or Repaying a Loan**
844-803-0736
collegeaveservicing.com

**collegeave.com**

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