

Entrance/Exit Loan Counseling and Consolidation

Tri-State Conference

Dover, DE

November 7-9, 2010





Agenda

- Introduction
- Brief Review of Loan Counseling Requirements
- Counseling Tools in NSLDS & COD
- Consolidation
- Questions





Abbreviations & Acronyms

- Direct Loan: William D. Ford Federal Direct Loan
- FFEL: Federal Family Education Loan
- Grad PLUS: Graduate or professional PLUS

 (Note: PLUS = Parent Loan for Undergraduate Students, but the term is still used for these graduate and professional student loans)
- IFAP: <u>Information for Financial Aid Professionals website</u>





Abbreviations & Acronyms (cont.)

- MPN: <u>Master Promissory Note</u>
- NSLDS: <u>National Student Loan Data System</u>
- QA: Quality Assurance
- TEACH: <u>Teacher Education Assistance for College and Higher Education</u>





Entrance Counseling

Perform before 1st disbursement with each:

- Direct Stafford or Grad PLUS Loan borrower
- Other requirements for Perkins & TEACH

Provide information on:

- Loan terms and conditions
- Borrower responsibilities

Exemptions for prior borrowers & QA Schools





Entrance Counseling

For Direct Subsidized & Unsubsidized Loan borrowers, must explain:

- use of MPN
- seriousness & importance of loan repayment
- likely consequences of default
- obligation to repay loan
- sample monthly repayment amounts
- effect of the loan on the eligibility for other forms of financial aid
- interest accrual and capitalization
- option to pay the interest on an Unsubsidized Loan
- definition of half-time enrollment at the school
- consequences of not maintaining half-time enrollment
- importance of contacting the school if the borrower withdraws so that the school can provide exit counseling
- NSLDS and how to access it
- name & contact information for the individual to contact with questions





Entrance Counseling

For Grad PLUS borrowers, also explain:

- Sample monthly repayment amounts
- Option to pay interest while in school
- Other requirements, depending on whether the borrower received a prior FFEL or Direct Stafford Loan





Entrance & Exit Counseling

Choice of Formats:

- In person
- Audiovisual presentation
- Interactive electronic means
 - May include a test
 - Must ensure that each borrower:
 - receives the counseling materials
 - participates in & completes the session





Entrance & Exit Counseling

- Maintain documentation of compliance of requirements for each borrower
- Person with Title IV expertise must be available shortly after counseling to answer questions
 - May provide written counseling materials to correspondence & study-abroad students:
 - before first disbursement (entrance)
 - within 30 days of the program end (exit)





Entrance & Exit Counseling QA Schools

- Exemption/alternative requirements
 - Provide written entrance counseling materials to borrowers
 - Target those most likely to default & provide them more intensive counseling
 - Include performance measures
 - Show effectiveness of alternative approach with outcomes
 *levels of borrowing, default rates, withdrawal rates
 - Permitted unless the Secretary determines that alternative approach is inadequate





- Each Stafford & Grad PLUS borrower shortly before at least ½ time study ends
- If a borrower withdraws or fails to complete counseling, use interactive electronic means <u>or</u> mail written materials within 30 days after learning that the borrower withdrew or failed to complete counseling





- Explain repayment plan options:
 - Standard
 - Extended
 - Graduated
 - Income-Based
 - Income Contingent (DL only)
 - Income Sensitive (FFEL only)
- Describe & provide sample information:
 - Average anticipated monthly payments
 - Effect on interest & total payments





Explain options to:

- -prepay
- -pay each loan on a shorter schedule
- -change repayment plans





Provide consolidation information:

- -Effects on interest, fees, and length of repayment
- -Effects on loan benefits
 - » Grace periods
 - » Loan forgiveness
 - » Cancellation
 - » Deferment
- Options to prepay and change repayment plans
- Varied borrower benefit programs





- Include debt-management strategies that aid repayment
- Explain:
 - How to contact the servicer
 - Likely consequences of default
 - Loan forgiveness
 - Discharge
 - Deferment & Forbearance





• Provide a copy (printed or electronic) of all required information

Ombudsman

NSLDS

Possible types of tax benefits





- Require current borrower information
 - Name
 - Current address
 - Social security number
 - References
 - Driver's license number and State of issuance
 - Expected permanent address
 - Address of the student borrower's next of kin
 - Name & address of expected employer (if known)
 - Provide the information to the Secretary within 60 days after the borrower provides it





Loan Counseling Tools

- COD/NSLDS
- Students may complete loan counseling on studentloans.gov
 - -allows schools to receive reports in COD cod.ed.gov





Loan Counseling Tools

NSLDS Student site

- A single exit loan counseling tool for all
 - o DL-only borrowers
 - o FFEL-only borrowers
 - o borrowers with both loan types
- Secure logon process
- Introduction of NSLDS prior to repayment





Provides:

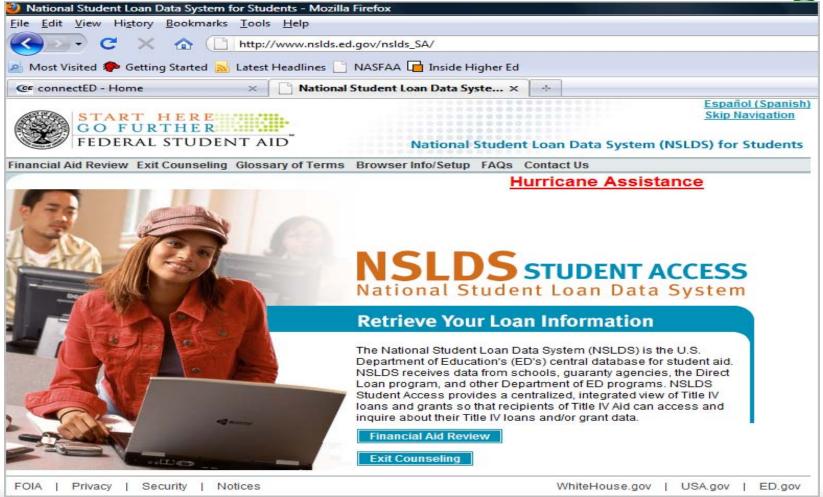
- •Actual loan balance (from current NSLDS data)
- Repayment information
- Estimated monthly payments
- Budget worksheet
- •Quiz to ensure comprehension

Collects:

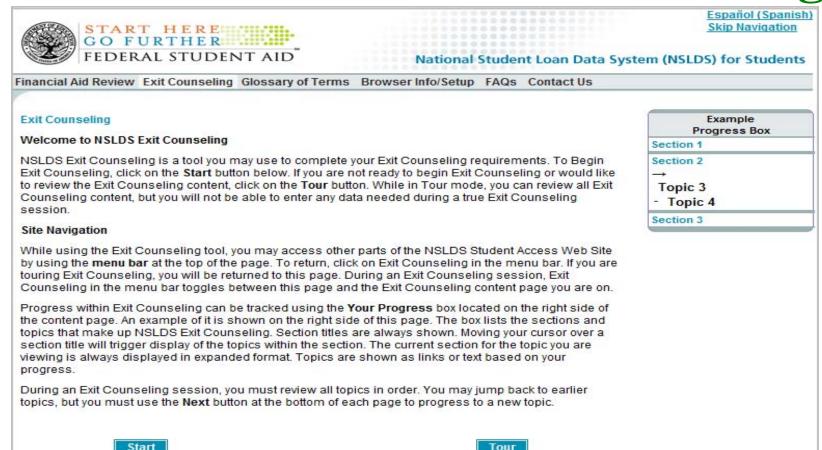
- •Required student contact information
- •Future employer
- Next of kin
- References













WhiteHouse.gov | USA.gov | ED.gov

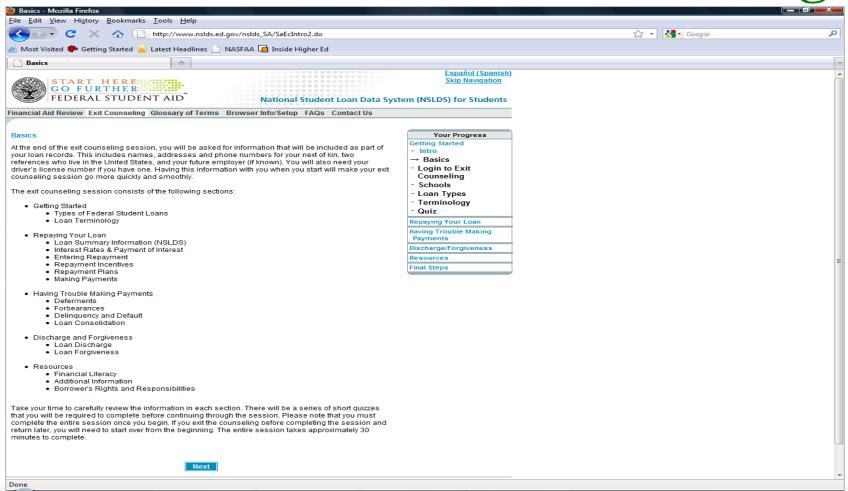
FOIA I

Privacy

Security

Notices









Other Loan Counseling Tools

- Enhanced NSLDS site for aid professionals
 - Expanded reporting tools
 - Ability to upload exit counseling data to NSLDS for exit counseling conducted using other methods
- Comprehensive online exit counseling tool for
 - Students
 - Schools
 - Lenders
 - Servicers





Key Facts About Exit Counseling Requirements & the NSLDS Tool

- Schools must conduct counseling in accordance with regulatory requirements
- Final regulations amending exit counseling requirements published in the October 28, 2009
 Federal Register
- NSLDS exit counseling tool does not change regulatory counseling requirements
- Use of the NSLDS exit counseling tool is optional





Exit Counseling – Which Site?

- We will continue to offer exit counseling for Direct Loan borrowers on the Direct Loan Servicing Web site to allow for the transition to the new tool
- NSLDS exit counseling tool will eventually be the only source for exit counseling offered by FSA - gradual transition from the DL Servicing site





Submittal Template Spreadsheet for Upload Tool

- Schools may upload and submit to NSLDS exit counseling data using the NSLDS Exit Counseling Submittal Template
- Use with the Microsoft Excel
- NSLDS Exit Counseling Submittal Template & instructions are on the FSAdownload Web site.
- Details in NSLDS Newsletter #26





NSLDS Enhancements

 Users can create scheduled reporting profiles for automatic distribution of the Exit Counseling Completion Results

• The school will set the reporting type, format, distribution frequency, school code, and a destination SAIG mailbox (TG#) for delivery



NSLDS Enhancements

- A new Scheduled Reporting section has been added to the School Profile page
 - Located under the ORG tab of NSLDS
 - Below the School Profile and Program Status
 - Displays the reporting profile (pre-filled for DLSS reports)
- Authorized users can update the frequency, destination SAIG mailbox, report type, and more
- Users see only their organization's data
- Exit Counseling Completion Results report = EXTC01

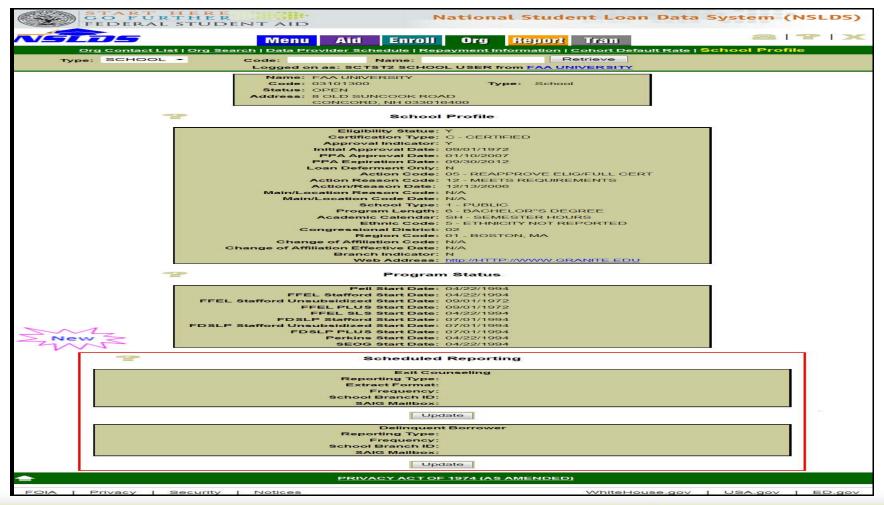




START HERE GO FURTHER FEDERAL STUDE	THE NEW YORK	National Student Loan Data	System (NSLDS)		
NSIDS	Menu Aid Enroll		2 7 X		
Org Contact List Org Sea	rch Data Provider Schedule Re	payment Information Cohort Default Rate	School Profile		
Type: SCHOOL ▼	Code: Name: Logged on as: SCTST2 SCHO	Retrieve OL USER from FAA UNIVERSITY			
Ī	Name: FAA UNIVERSITY				
	Code: 03101300	Type: School			
	Status: OPEN Address: 8 OLD SUNCOOK RO	DAD			
	CONCORD, NH 0330				
	Schoo	ol Profile			
	Eligibility Status	• •			
	Certification Type				
	Approval Indicator	: Y			
	Initial Approval Date				
	PPA Approval Date				
	Loan Deferment Only				
		: 05 - REAPPROVE ELIG/FULL CERT			
	Action Reason Code	: 12 - MEETS REQUIREMENTS			
	Main/Location Reason Code				
	Main/Location Code Date				
	School Type				
		: 6 - BACHELOR"S DEGREE : SH - SEMESTER HOURS			
		: 5 - ETHNICITY NOT REPORTED			
	Congressional District	: 02			
		: 01 - BOSTON, MA			
C	Change of Affiliation Code hange of Affiliation Effective Date				
	Branch Indicator				
	Web Address	: http://HTTP://WWW.GRANITE.EDU			
Program Status					
	Pell Start Date	: 04/22/1994			
	FFEL Stafford Start Date				
FFEL	Stafford Unsubsidized Start Date				
	FFEL PLUS Start Date FFEL SLS Start Date				
	FDSLP Stafford Start Date				
FDSLP	Stafford Unsubsidized Start Date	: 07/01/1994			
	FDSLP PLUS Start Date Perkins Start Date				
New	SEOG Start Date				
Scheduled Reporting Exit Counseling					
	Reporting Type				
	Extract Format	# · · · · · · · · · · · · · · · · · · ·			
	Frequency School Branch ID				
	SAIG Mailbox				
	Uį	odate			
Delinquent Borrower					
Reporting Type:					
Frequency: School Branch ID:					
School Branch ID: SAIG Mailbox:					
Update					
		F 1974 (AS AMENDED)			
	PRIVACY ACTO	1974 (AS AWIENDED)			
FOIA Privacy Security	Notices	WhiteHouse.gov	USA.gov ED.gov		



NSLDS – Scheduled Reporting Section





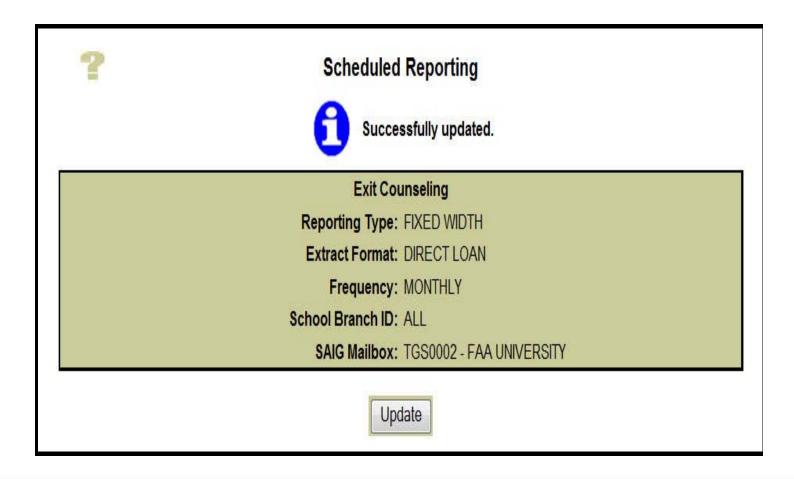
NSLDS Exit Counseling Profile Update Page

START HERE GO FURTHER FEDERAL STUDENT AID National Student Loan Data System (NSLDS)					
NSLDS	Menu Aid Enroll O	rg <mark>Report</mark> Tran	3 2 X		
Org Contact List Org Search Data Provider Schedule Repayment Information Cohort Default Rate School Profile Logged on as: SCTST2 SCHOOL USER from FAA UNIVERSITY					
	Name: FAA UNIVERSITY Code: 03101300 Status: OPEN Address: 8 OLD SUNCOOK ROAD CONCORD, NH 033016400 Exit Counseling Pro	Type: School ofile Update			
	Reporting Type: FIXED WIDT Extract Format: NSLDS Frequency: WEEKLY School Branch ID: ALL ▼ SAIG Mailbox: TG50003	H •			
Submit Cancel PRIVACY ACT OF 1974 (AS AMENDED)					
FOIA Privacy Security	Notices	WhiteHouse.gov	USA.gov ED.gov		





NSLDS Report Confirmation





More Information Available

NSLDS Newsletter #26

- Provides a detailed description of:
 - -new exit counseling option for students
 - -reporting enhancements for schools
- Available on NSLDS website





NSLDS Questions

Questions on the NSLDS exit counseling tool?

NSLDS Customer Support Center

Monday-Friday 8 AM - 9 PM (ET)

Phone: 1-800-999-8219

E-mail: nslds@ed.gov

 School sign up for NSLDS at: https://www.fsawebenroll.ed.gov





TEACH Grant Counseling

• Initial & subsequent counseling on TEACH website before the student receives funds

• Schools must ensure that recipients receive appropriate exit counseling





Loan Counseling Regulations

- Direct Loan: 34 CFR § 685.304
- FFEL: 34 CFR § 682.604(f) and (g)
- Perkins: 34 CFR § 674.16(a)
- TEACH: 34 CFR § 686.32





Title IV Loan Consolidation

- Pays off outstanding balances for 1 or more Title IV loans & creates a new loan with a fixed interest rate
- One lender & monthly payment
- Loan terms depend on: amount owed, type & length of payment plan selected
- 7/1/10: Direct Loan is the only authorized consolidation lender for new Title IV loans





Consolidation

What Loans Can Be Consolidated?

- Stafford
- PLUS (Parent & Grad)
- Perkins *
- Health Professions Student Loans (HPSL)*
- Health Education
 Assistance Loans (HEAL)*

- SLS (formerly ALAS)
- Nursing Student Loans (NSLP)*
- National Direct Student Loans (NDSL)*
- Federal Insured Student Loan (FISL)*

*Must include a Stafford, PLUS, or Consolidation loan to consolidate these loan types





Benefits of Consolidation

- One lender
- One monthly payment
- Fixed interest rate
- Up to 30 years to repay
- May yield a lower monthly payment
- Deferment & Forbearance Options

- No Fee & No Minimum
- Several repayment plans
- When defaulted loans are paid by a consolidation loan, credit report shows the new loan that starts in good standing





Possible Drawbacks of Consolidation

- Only Direct Loan available
- Higher interest costs
- Higher total payment
- Longer repayment term
- No Perkins Cancellation

- Limited reconsolidation options
- In school consolidation temporary allowed to lock in low interest rate
 - Loss of grace period
 - Repayment 60 days after leaving school/dropping below ½ time





Consolidation - Costs and Fees

- No origination fee
- 2 possible ways to pay more interest
 - Outstanding interest & fees at the time of consolidation are added to principal balance of the new loan = higher monthly interest
 - Longer repayment period = more total interest paid
- Delinquent loans may be charged collection or late fees up to 18.5 % of the loan (principal & interest), which become part of the principal of the new loan





Special Perkins Issues

- Interest Rate -- fixed at 5%
 - Affect on weighted average of consolidation loan
- Loss of Benefits
 - Interest Subsidy
 - Deferment
 - Cancellation
 - Loan Forgiveness





Consolidation... How Can Schools Help?

• Exit loan counseling information

• Timely completion of verification certificates

 Timely application of Perkins Loan payoffs

• Timely resolution of overpayments & underpayments





Direct Loan Consolidation

Contact Information:

(800) 557-7392

http://loanconsolidation.ed.gov





Consolidation Website







Consolidation Interest Rate

- Weighted average of interest rates on loans consolidated (as of the application receipt date), rounded to the nearest higher 1/8 of 1%.
 - fixed for the life of the loan
 - capped at 8.25%
 - online interest rate & loan payment calculator
 - Gives amount under each repayment plan





Consolidation Example #1

Sample unconsolidated loan repayment:

\$175/month for 10 years

Total Interest = ~ \$ 6,000 (interest rate changes)

Total Paid = $\sim $21,000$

Assumptions:

\$15,000 balance

7.1% **variable** interest rate





Consolidation Example #1 (cont.)

Scenario #1: Extended

\$135/month for 15 years

Total Interest = \$ 9,500

Total Paid = \$24,500

Scenario #1: Graduated

\$89/month for year #1

(gradually goes up to \$250)

Total Interest Paid - \$11,900

Total Paid - \$26,900

Assumptions:

\$15,000 consolidation loan

7.1% weighted average interest rate





Consolidation Example #2

Standard Repayment

\$700/month for 10 years

Total Interest = \$24,000

Total Paid = \$ 84,000

Consolidation Repayment

\$400/month for 30 years

Total Interest = \$85,500

Total Paid = \$145,500

Assumptions:

\$60,000 balance

7.1% weighted-average interest rate





Before Consolidating

- Read all info before signing
- Notify processor of corrections or changes to application data
- Cannot undo a consolidation loan, except in rare circumstances





After Consolidating

- Can add more loans within 180 days
- After 180 days, must apply for a new consolidation loan to add loans

No transfer options





Questions????







Further Questions/Comments?

Contact me:

Annmarie Weisman, Training Officer annmarie.weisman@ed.gov or (215) 656-6456

Feedback on Training?

Contact: Thomas Threlkeld,

Supervisor of Training Officers

thomas.threlkeld@ed.gov or 617-289-0144





Federal Student Aid Regional Training Officers Philadelphia Office

*Gregory Martin – 215-656-6452 gregory.martin@ed.gov

*Craig Rorie – 215-656-5916 craig.rorie@ed.gov

*Annmarie Weisman – 215-656-6456 annmarie.weisman@ed.gov

