

Securing bar loans
&
Repaying your student loans

Southern Illinois University School of Law
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Why this is important!

- Every law student that has received federal loans must complete some sort of exit counseling.
- Complete this requirement online,
<https://www.dl.ed.gov/borrower/CounselingSessions.do?cmd=initializeContext>.
- You will need your FAFSA PIN to complete the online counseling.

Securing bar loans

Bar Loans

- Federal funds cannot be used for bar expenses; you will need to secure funding through a private lender.
- Cannot be consolidated with Federal Direct or PLUS loans.
- May require a co-signer.
- Maximum amount eligible to borrow is \$15,000.
- All bar loan applications must be certified by the Law School Registrar.
- Research thoroughly and read the fine print before accepting the loan.

Lenders

- Citibank Bar Study Loan
 - 800.967.2400 or
<https://www.studentloan.com/findstudentloan/index.htm#top>
- Wells Fargo Bar Exam Loan
 - 800.378.5526 or
https://www.wellsfargo.com/student/graduate/bar_exam/index
- Sallie Mae Bar Study Loan
 - 888.272.5543 or
http://www.salliemae.com/get_student_loan/find_student_loan/grad/law_school_loans/bar_study/

This list is not exhaustive. Furthermore, we do not endorse or recommend one lender over the other. We do, however; strongly recommend that you read all of the fine print and terms on the applications.

Lender Terms and Conditions on bar loans

	Citibank Bar Loan	Wells Fargo Bar Exam Loan	Sallie Mae Bar Study Loan
Borrowing Maximum	\$15,000	\$12,000	\$15,000
Cumulative Debt Limit	\$180,000 (with bar loan, limit is \$195,000)	\$180,000 (including bar loan)	none
Origination Fee	0 - 6% depending on credit	0%	0 - 5% depending on credit
Guarantee Fee	0%	0%	0%
Grace Period	9 months from 5/14/2010	6 months from 5/14/2010	9 months from 5/14/2010
Interest Rate	LIBOR + 4.75 -11.5% depending on credit rating	Prime + 4.50% (if Prime goes below 0% your rate will not be lower than 3.25% which is the contractual floor index rate)	LIBOR +5% to 14% depending on credit rating and co-signer
Repayment Incentives	0.25% for electronic debiting	0.50% rate reduction at repayment upon verification of graduation.	0.50% reduction after 48 on-time payments
		0.25% interest rate reduction when automatic payments are made	0.25% for electronic debiting
Eligibility	Enrolled in final year of law program or have graduated within six months	Current Wells Fargo customer	Enrolled in final year of law program or have graduated within twelve months
	U.S. citizen, U.S. national, or permanent resident alien without conditions and with proper evidence of eligibility	Enrolled in final year of law program or have graduated within six months	Sitting for the bar no later than twelve months after graduation
	An international student borrowing with a credit worthy cosigner who is a U.S. citizen or non-citizen permanent resident.	Have an established, positive credit history	U.S. citizen, U.S. national, or permanent resident alien without conditions and with proper evidence of eligibility
		U.S. citizen, U.S. national, or permanent resident alien without conditions and with proper evidence of eligibility	An international student borrowing with a credit worthy cosigner who is a U.S. citizen or non-citizen permanent resident.

Repaying student loans

The different types of loans

Not all loans are the same. You need to know what loans you have to know what your repayment options will be.

- Federal Direct Stafford loans (subsidized and unsubsidized)
- Federal Perkins loans
- FFELP (Federal Family Educational loans)
- Federal Direct PLUS loans
- Private or alternative loans

Can't remember all of your loans
from undergraduate, graduate,
and law school?

Go to the National Student Loan Data System
website at www.nslds.ed.gov or call 800-433-3243.

Private loans may not be listed.

Federal Student Aid (FSA) Ombudsman

If you have a problem with a federal student loan that you have not been able to resolve through the normal processes, you can contact the Federal Student Aid (FSA) Ombudsman online at

<http://www.ombudsman.ed.gov> or call

877-557-2575.

- Self-Resolution Checklist

<http://www.ombudsman.ed.gov/resources/toolschecklists/self-resolution-checklist.html>

- Ombudsman Assistance Request Form

<https://ombudsman.ed.gov/OmbudsmanWebApp/do?action=getRequest>

Master Promissory Note (MPN)

The MPN is a legally binding agreement between you and the United States Department of Education. It contains all of the terms and conditions of your loans.

You may have multiple MPN's.

- Subsidized/unsubsidized loans
- Federal Perkins loans
- Grad PLUS loans

Payment of interest

- While you were in school, the federal government paid the interest on your direct **subsidized** loans.
- You were charged interest, however, on your **unsubsidized** loans. If you didn't pay this interest, it was added to the unpaid principal of the loan. This is called "capitalization".

TIP: You may be able to claim a federal income tax deduction for the interest payments you make on federal direct loans.

Repayment Incentive Programs

- Repayment incentives are benefits given to you to pay your loans on time.
- Two common repayment incentive program are:
 1. A ***lower interest rate*** if you make your payments using an electronic debit account from your checking or savings account.
 2. An ***interest rebate*** if you make your first 12 payments “on-time”.

Grace period

- You will receive a grace period of six months on repayment of each Direct subsidized and unsubsidized loan you receive. Your six month period begins *the day after you stop attending school*. You do not have to make payments on your loans until after this period ends.
- There are special rules for those students called up to active duty in the United States Armed Forces.

Repayment Plans – general rules

- All plans are different, choose the one that is right for you!
- There is no “one plan that is good for everyone.”
- Interest rates, length of repayment, even the terms of the repayment are different with each plan.
 - Remember, the longer you take to repay usually means the more money you will repay.
- To access a monthly budget calculator, visit the FSA website at <http://www2.ed.gov/offices/OSFAP/DirectLoan/calc.html>

Federal repayment plans

- Standard
- Extended
- Graduated
- Income Contingent (Direct loans only)
- Income Based

Standard Plan

- Fixed time frame - 10 years
- Payments adjust over time to ensure your loans is paid off in 10 years.
- Interest rates go up, your payment goes up or visa versa.
- Ideal for those who want to have their loans paid off by a certain date and can afford to do so.

Extended Plan

- Fixed monthly payment
- Length of time needed to payoff loan adjusts over time
- Interest rate goes up, payment stays the same, but length of time may go up
- Ideal for those who need a fixed monthly payment

Graduated Plan

- Payments start out small and increase over time
- Ideal for those who think that they can pay a higher payment later, but not when they first graduate.

Income Contingent (Direct Loans only)

- Monthly payment is based on annual income (including spouse, if married)
- As your income changes, your payments change
- Ideal for those who are concerned about job changes or job loss
- After 25 years in this plan, the unpaid portion will be discharged. You may, however, have to pay taxes on the amount that is discharged.
- To calculate your estimated loan payments, go to the ICR plan [calculator](#)

Income Based (IBR)

- Monthly payment is capped at an amount that is intended to be affordable based on income and family size.
- Eligible for IBR if the monthly repayment amount under IBR will be less than the monthly amount calculated under a 10-year standard repayment plan.
- Pay for 25 years, you may qualify to have any remaining balance of your loan(s) cancelled.
- If you work in public service and have reduced loan payments through IBR, the remaining balance after 10 years in a public service job could be cancelled.
- For more important information about IBR go to [IBR Plan Information](#). To download an IBR Fact Sheet in PDF format, click [here](#).

Federal Loan Repayment

Most plans offered by private lenders are similar, but not exactly like these plans. Do not be confused by similar sounding titles. Read the fine print.

For more information about repayment,
<http://studentaid.ed.gov/PORTALSWebApp/students/english/repaying.jsp>

Loan Consolidation

- Allows you to combine several loan payments into one single monthly payment.
- Some cases, you will make a decision about consolidation at the same time you pick a repayment plan.
- Federal direct loans cannot be consolidated with a private loan unless you consolidate through a private lender.
- Several consolidation plans to choose from; read the fine print.

Delinquency and Default

- Delinquent - if not paid by the due date. May incur late fees and affect credit rating.
- Default – more than 270 days delinquent. If you default, the entire unpaid amount of your loan becomes due including:
 - Attorney's fees
 - Collection costs
 - Late fees

What if I can't make my payment?

- Contact the lender as soon as possible *before* you miss a payment.
- There are options such as a deferment or forbearance.

Deferment and Forbearance

- Deferment
 - Temporarily stop making payments for a specific reason (military – active duty; return to school at least half-time).
 - Government will pay interest on subsidized loans while in deferment.
- Forbearance – allows you to:
 - Temporarily stop making payments.
 - Temporarily make smaller payments.
 - Extend the time for making payments.
 - Still be required to pay interest on loans while in forbearance.

Loan Forgiveness

- If you meet certain criteria (permanently disabled, death, etc), your loan may be forgiven.

Loan Forgiveness Programs

	<i>Provides</i>	<i>To Whom</i>	<i>For</i>	<i>Funding; Other</i>
College Cost Reduction Act – Loan Repayment for Public Service	Forgiveness of balance after 10 years including Federal Perkins, Direct, FELP, Grad Plus loans as well as private educational loans.	Full-time, law-related work in either non-profit or government (excluding judicial clerkships).	Forgiveness of balance after 10 years in qualifying employment and 10 years of qualifying payments.	*No regulations implemented under this bill. Administered by Dept of Education.
The John R. Justice Prosecutors and Defenders Incentive Act (Section 951)	Up to \$10,000 per year to a maximum of \$60,000.	Full-time state and local prosecutors and public defenders; federal defenders, their juvenile delinquency and tribal counterparts, and those who educate and train	A one-time renewable three-year commitment; priority to those with fewer than three years service.	\$25 Million for six years, IG report on progress in three years. Administered by Dept of Justice.
The Legal Assistance Loan Repayment Program (Section 431)	Up to \$6,000 per year to a maximum of \$40,000.	Full-time Civil Legal Assistance lawyers and those who work with certain disability cases.	A renewable three year commitment; priority for those with less than five years full time experience, and fewer than three years in the office.	\$10 Million. Cannot benefit under this program and either 428K or College Cost Reduction Act program for public service. Administered by Dept of Education.
428K Loan Forgiveness for Service in Service of National Need (Section 430)	Up to \$2,000 per year, to a maximum of 5 years.	Public interest legal services (including prosecution, public defense, or legal advocacy in low income communities at a nonprofit organization	Full-time service in a qualifying position of national need.	\$20 Million for more than a dozen job sectors. Administered by Dept of Education
Perkins Loan Cancellation for Public Service (Section 465)	Up to 100% cancellation of Perkins n 5 years	Federal public and community defenders	Full-time service	No appropriation necessary. Law increases Perkins limits for grad students to \$8,000 per year, \$60,000 max. Administered by Dept of Education

Loan Forgiveness Programs

This list is not exhaustive. Furthermore, we do not endorse or recommend one program over the other. We do, however; strongly recommend that you read all of the fine print.

Fact or Myth?

“If I go into public service work, I don’t have to pay back my student loans.”

Myth.

Very limited programs will forgive a portion of your loans.

Bankruptcy?

- Student loans are dischargeable in bankruptcy only if requiring you to pay the loan would result in an undue hardship to you or your dependents.
- Bankruptcy courts *almost never* find an undue hardship.

Resources

- Department of Education
 - <http://www.ed.gov/index.jhtml>
- Federal Student Aid
 - <http://www.fsa.ed.gov/>
- National Association of Student Financial Aid Administrators
 - www.nasfa.org
- Equal Justice Works (EJW)
 - <http://www.equaljusticeworks.org/>
- American Bar Association
 - <http://www.abanet.org/>

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