

KHEAA Advisor

Simplifying the process.

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Levi Jackson Wilderness Road State Park

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If you have a question you would like to see addressed in a public forum such as *KHEAA Advisor*, please send the question or topic suggestion to Meredith Geraci at mgeraci@kheslc.com.



EXIT COUNSELING: REPAYMENT, DEFERMENT, AND FORBEARANCE

All students who have borrowed Federal Direct or Federal Stafford Loans must complete exit counseling when they withdraw, graduate, or drop below half-time status, even if they plan to transfer to another school. Exit counseling helps them understand how to manage their student loans during repayment.

However, students shouldn't wait until exit counseling to learn about their options, as they could benefit from learning this information early in their college years. Below are the highlights of the options available to Federal Loan borrowers. Students should contact their servicer for details about their own loans.

Standard Repayment

Under this option, students pay a fixed amount each month until their loans are paid off. Monthly payments must be at least \$50, and the standard loan term or repayment period is 10 years.

Students who can handle higher monthly payments should consider this plan, which will result in their loans being repaid in the least amount of time and with the least interest.

Graduated Repayment

Payments start out low and increase every two years during the 10-year repayment period. This plan may be right for students who expect their income to increase steadily over time.

Extended Repayment

To take advantage of this plan, students must owe more than \$30,000 in federal student loans, with none of those loans having been taken out before October 7, 1998.

The plan extends the repayment period up to 25 years and offers fixed or graduated payment options. Fixed payments will be the same amount each month, while graduated payments start low and increase every two years.

Students who need to start out making lower payments may want to consider this plan. However, the longer it takes to repay the loans, the more interest students will pay.

Income Contingent Repayment

This option is available only for loans in the Direct Loan Program. Monthly payments change each year based on income, family size, and total federal student loan debt. The repayment period can be extended for up to 25 years, and students may qualify to have any remaining federal student loan debt discharged after 25 years of making regular payments.

This plan gives students the flexibility to meet their loan obligations without causing undue financial hardship.

Income-Based Repayment

Monthly payments are based on income, family size and total federal student loan debt, with payment amounts reviewed each year. The repayment period can be extended for up to 25 years, after which time any balance may be discharged. Students who work in certain public service jobs may have their remaining balance discharged after 10 years.

Check out the IBR calculator at:
<http://www.ibrinfo.org/calculator.php>

A deferment is a period during which borrowers don't need to make payments. While in deferment, the federal government pays the interest on subsidized loans. Interest on unsubsidized loans will continue to accrue. Any interest not paid during a deferment is added to the principal balance.

- In-School: Half-Time, Full-Time
- Economic Hardship
- Unemployment
- Military Service and Active Duty
- Education-Related: Graduate Fellowship, Rehabilitation Training

- Education-Related:
Internship/Residency, Teacher Shortage
- Temporary Total Disability
- Public Service
- Parental Leave/Working Mother

Forbearances are generally granted at the discretion of the loan servicer. Borrowers may stop making payments or reduce the payment amount for a set number of months.

Interest continues to accrue on both subsidized and unsubsidized loans. Unpaid interest is added to the principal balance.



EXIT COUNSELING: DEFAULT AND LOAN FORGIVENESS

Default of Federal Loans

A loan is considered in default after 270 days of non-payment, which leads to serious and long-lasting consequences for the borrower.

- The entire unpaid balance of the loan and any interest is immediately due and payable.
- The borrower loses eligibility for any deferment, forbearance, and repayment plan.
- The borrower loses eligibility for additional federal student aid.
- The loan account is assigned to a collection agency.
- The loan is reported as delinquent to credit bureaus, damaging the borrower's credit rating. This also affects their ability to buy a car or house or to get a credit card.
- Federal and state tax refunds may be taken to pay toward the defaulted loan.
- The balance of the debt increases because of late fees, additional interest, court costs, collection fees, attorney's fees, and other collection costs.
- The borrower's wages can be garnished.
- Legal action can be taken against the borrower, causing restrictions on the borrower's purchase and sale of assets such as real estate.
- A federal employee may have up to 15% of his or her net pay taken to repay a defaulted loan.
- A state-issued professional license can be denied or revoked, leading to the loss of a job and income.
- Student loans are usually not discharged through bankruptcy.

Options

Immediate Payment: The Department of Education can demand immediate payment of the total amount of the loan, plus an additional default fee, usually around 25%.

Settlement Amount: A borrower who cannot pay the full amount can ask for a settlement amount. If a settlement is granted, the borrower must pay the full amount within 30 days.

Loan Rehabilitation Program: A borrower who cannot pay the settlement amount can request the Loan Rehabilitation Program, which requires nine consecutive on-time payments. The payments are based on a minimum 10-year loan term, depending on the type of loan. A borrower who has a financial hardship may be allowed to make a lower payment in a single month, however, all monthly payments must be agreed upon. The borrower may not pay a lump-sum payment for all nine months, as nine monthly payments are required. If the borrower does successfully rehab their defaulted loan, regular monthly payments are reinstated and the default status is removed from the borrower's credit history.



Loan Forgiveness

Under certain circumstances, the federal government will cancel all or part of an educational loan. Other programs will repay all or part of federal student loans.

Most forgiveness programs are in the areas of:

- Volunteer Work, such as AmeriCorps and the Peace Corps
- Military service
- Legal and medical studies in public interest or non-profit positions or in geographic areas that have a shortage of medical professionals. Many hospital and private healthcare facilities use loan forgiveness to recruit occupational and physical therapists.
- Teaching, especially in certain schools and fields. These may include teachers in a school serving low-income students; teachers in special education, math, science, foreign languages, or other fields designated as teacher shortage areas; and employees of public or non-profit child or family service agencies that provide services to high-risk children and their families from low-income communities.
- Public service, such as working for the federal government.

Borrowers who participate in loan repayment programs generally have to report the payments as taxable income.

Visit <http://www.finaid.org/loans/forgiveness.phtml> for more information. Also check with your employer.





Immediate or Interest-Only Repayment

7.25% FIXED interest rate

2% Guarantee fee

0.50% Interest rate reduction for auto debit

Postponed Repayment

7.75% FIXED interest rate

3% Guarantee fee

0.50% Interest rate reduction for auto debit

Kentucky Advantage Education Loans and Kentucky Advantage Parent Loans are currently helping students afford college.

- * Low interest rates for these state-based student loans are FIXED and depend on the repayment plan the borrower chooses. Also, the fees associated with these loans are among the lowest in the nation.
- * The loan decision is credit- and income-based. If the borrower has a limited credit history, questionable credit or no income, then we recommend a credit-worthy co-signer.
- * More information on our student and parent loans can be found [here](#).

HOW TO ACCESS THE LOAN APPLICATIONS

Students

kentuckyadvantageloan.com – This is the direct portal to the KY Advantage Education Loan site.

kheslc.com – Click on APPLY NOW, which displays the first step of the student's online application.

kheaamarketplace.com – The borrower can complete an application once and then shop between multiple lenders.

Great Lakes Fast Choice – The borrower can select a lender and then complete the application with the selected lender.

Call KHESLC at 800.988.6333 – Borrowers may call to have an application sent via email.

Parents

kheslc.com – Click on APPLY NOW, which displays the first step of the parent's online application.

Call KHESLC at 800.988.6333 – Borrowers may call to have an application sent via email.

**For more information,
please call 888.678.4625.**

Both student and parent Kentucky Advantage loans are owned and serviced by KHESLC. Loans are originated and disbursed by KHEAA.

KHEAA VERIFY is our electronic FAFSA verification service available for processing student verifications easily and quickly.

Everyone can use a little help sometimes. That's why KHEAA is proud to offer KHEAA Verify.

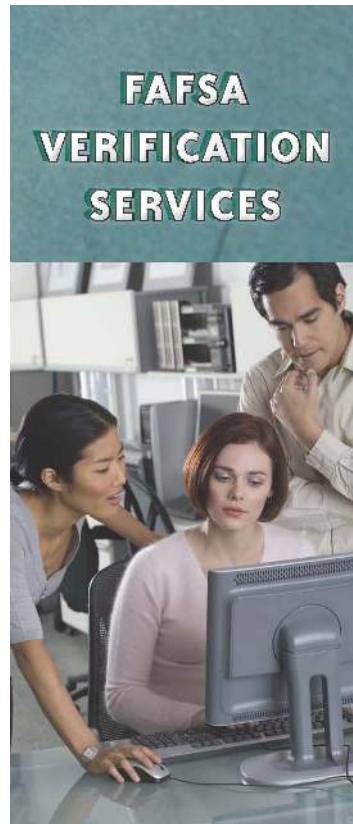
With KHEAA Verify, our team of experts will become a virtual extension of your office without the expense and time of hiring and training new staff. We supplement existing school resources, not supplant them.

Now, instead of having your staff tied up with burdensome, required verifications, you can simply turn that process over to KHEAA.

For details on pricing or to arrange a presentation on this service, call 888.678.4625 or contact your KHEAA/KHESLC representative.

Benefits of KHEAA Verify are:

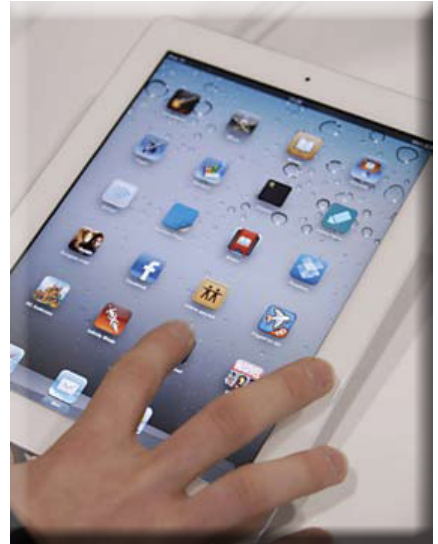
- ❖ Completely electronic process
- ❖ Experienced staff
- ❖ Complete online archival of verification forms and processes
- ❖ Reduced workload for schools
- ❖ Increased efficiency and productivity
- ❖ Improved customer service
- ❖ Inexpensive
- ❖ Easy to use
- ❖ Faster process



KENTUCKY RESIDENTS HAVE CHANCE TO WIN IPAD

Kentucky residents have another chance to win a new iPad from KHEAA in a sweepstakes being held through Facebook. The contest runs through 12 a.m. on December 1.

To enter, a Kentuckian must click on the orange graduate icon on the KHEAA Facebook page, answer one question about college and “like” KHEAA on Facebook.



The contest page cannot be accessed from a mobile device. Only Kentucky residents are eligible. Employees of KHEAA or KHESLC, and their immediate family members are not eligible. Prior winners are also not eligible.

The drawing will be held in early December, and the winner will be notified by email. The winner must respond by email within three calendar days to receive the iPad. If no response is received within three days, another winner will be drawn.

KHEAA will not share or sell any personal information to a third party.

MANAGING COHORT DEFAULT RATES

Reach Out • Stay In Touch • Make It A Priority

Managing your Cohort Default Rate is both important and challenging, especially in these tough economic times! Turn to the folks you've known and trusted for more than 43 years to provide non-profit services to students and families — KHEAA/KHESLC.

Our Cohort Default Management Service is staffed by dedicated, trained and professional staff who will work diligently for you and your student borrowers.

We are persistent, thorough and cost effective.

The Cohort Default Management Service consists of two products:

Early Intervention

- Reaches out to students who have recently graduated, withdrawn or dropped to less than half-time status
- Determines their future educational plans and promotes completion
- Confirms and/or updates borrower demographics
- Educates students on their loan repayment plans, including deferments and forbearance options

Default Prevention

- Contacts delinquent borrowers to encourage payment
- Determines reason for delinquency
- Counsels on solutions
- Verifies and/or updates borrower demographics
- Promotes borrower contact with lenders and servicers

You select the products that best fit your needs. As longtime partners with KHEAA and KHESLC, you are likely eligible for significant discounts in providing these valuable services to your students!

Managing Your Cohort Default Rates



To learn more about our Cohort Default Management Service and how it can help you and your students:

- Call 800.564.6068
- Email cdms@kheaa.com
- Contact your KHEAA/KHESLC representative

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“Like” us on Facebook and
“Follow” us on Twitter to get financial
aid, scholarship and money tips!



[@kheaa](http://www.twitter.com)
[@kheslc](http://www.twitter.com)

www.facebook.com/kheaa
www.facebook.com/kheslc

Mark Your Calendar

- October 10-12, 2012. KASFAA Fall Conference, Clarion Hotel, Lexington
- October 31, 2012. Halloween. Do you have a great office photo to share? Send to ekley@kheslc.com
- Week of November 25, 2012. Kentucky College Application Week
- November 27-30, 2012. FSA Conference, The Peabody Hotel, Orlando
- KHEAA and KHESLC will be closed on the following state holidays:
 - Tuesday, November 6, 2012. Presidential Election Day
 - Monday, November 12, 2012. Veterans Day
 - Thursday & Friday, November 22-23, 2012. Thanksgiving
 - Monday & Tuesday, December 24-25, 2012. Christmas
 - Monday, December 31, 2012. New Year's Eve
 - Tuesday, January 1, 2013. New Year's Day
- January 13, 2013. College Goal Sunday