

Today we conclude our three part series on student loans by focusing on items related to the payback of your student loan. With a solid foundation from the past two INCISOR editions, the last part of our series offers a glimpse of what lies ahead as you begin to repay loans that you have borrowed for your dental education.

This issue will provide definition to many of the common terms used by lenders on your billing statement, information regarding interest on your student loan, and a table will be provided to give you an idea of the monthly payments that lie ahead.

Hope you enjoy this installment of the INCISOR!

**Sincerely,
Tom Kolb
Student Financial Affairs**

COMMON TERMS

As you enter repayment of your student loans, you may encounter new terminology. Listed below are a number of terms that you will want to be familiar with as you begin to repay your student loan debt.

Accrue

When we speak of "interest accruing on your loan", we mean that the interest due on your loan is accumulating.

Applied to Interest

The amount of the payment(s) applied to unpaid accrued interest. The interest is generally considered the cost of borrowing money. Interest accrues daily on your outstanding principal balance based on your interest rate(s).

Applied to Principal

The amount of the payment(s) applied to your principal balance in order to reduce the amount you borrowed. When a payment is received, it is first applied to any accrued charges (late charges, collection cost, etc.), any outstanding interest, and then to the outstanding principal balance.

Bill Summary

Bill Summary information includes Account Number, Total Amount Due, Principal Balance Outstanding, Last Payment Received (amount), and Due Date.

Consolidation

Combining one or more educational loans into a single new loan. The Direct Loan Program offers a Direct Consolidation Loan for those borrowers who are interested in consolidating their eligible educational loans.

Current Due

The current due amount is your regularly scheduled monthly payment amount. If your full monthly payments are made on time, your current due amount will generally equal your total due amount for the month.

Direct Loan Servicing Center

The U.S. Department of Education's agent contracted to collect Direct Loans and handle deferments, forbearances, and repayment options.

Disclosure Statement

A statement showing your loan term, payment schedule and monthly payment amount for your loans.

ELECTRONIC DEBITING

Electronic Debiting is a service that allows your bank to automatically deduct your monthly Direct Loan payments from your checking or savings account. Your payment will be forwarded to the Direct Loan Servicing Center for processing.

Payments may be deducted only from the borrower's bank account.

Extended Repayment Plan

Under this plan you will pay a fixed amount of at least \$50 each month for 12–30 years, depending on the total amount you owe. Selection of this plan will result in a lower monthly payment; however, total interest paid will be higher than the total interest paid with the Standard Repayment Plan.

Forbearance

A forbearance form can be obtained and used to temporarily suspend or reduce your monthly loan payments. You may qualify for forbearance if you are willing but unable to make loan payments due to certain types of financial hardships.

Grace Period

After you graduate, leave school, or drop below half-time enrollment, you have six months before you must begin repaying your loans. This six-month period is called the "grace period".

* If you have Direct Subsidized Loans, you won't be charged interest during your grace period.

Your payment period begins the day after your grace period ends. Your first payment will be due within 45 days after your repayment period begins.

Graduated Repayment Plan

With this plan payments start out low and increase every two years. The repayment period for your loan will be 12–30 years, depending on the total amount you owe. Generally, the amount you'll repay over the term of your loan will be higher under the Graduated Repayment Plan than under the Standard and Extended Repayment Plans. However, if your income is low when you leave school but is likely to steadily increase, this might be the best plan for you.

Income Contingent Repayment (ICR)

The Income Contingent Repayment plan bases your monthly payment on your yearly income, family size, and loan amount. As your income rises or falls, so do your payments. After 25 years, any remaining balance on the loan will be forgiven, but you may have to pay taxes on the amount forgiven.

To participate in the ICR Plan you must authorize the U.S. Internal Revenue Service (IRS) to inform the U.S. Department of Education (ED) of the amount of your income. This information will be used to calculate your repayment amount, which will be adjusted annually to reflect changes in your A.G.I.

Initial Monthly Payment

The initial monthly payment is an estimate of what your payment amount will be when you first enter repayment. With the Graduated Repayment Plan, your payment will increase every two years. With the Income Contingent Repayment Plan, your monthly payment will be reviewed periodically and will increase as your income level increases.

Interest

A loan expense charged by the lender and paid by the borrower for the use of borrowed money. The expense is calculated as a percentage of the principal amount (loan amount) borrowed.

NSLDS

The National Student Loans Data System (NSLDS) is a centralized database that stores information on all of your student loans both Direct and non-Direct. Also all of your school enrollment information is stored here as well. With your Department of Education PIN, you can access this information online.

Website: <http://www.nsls.ed.gov>

Payoff Amount

The total amount required for the account to be paid-in-full. If you request an estimated payoff amount for your loan(s), the amount will be calculated as follows:

Payoff Amount = Principal Balance Outstanding + Unpaid Accrued Interest + 10 Days of Interest + Unpaid Late Fees/Charges

Repayment Schedule

A statement provided by the Direct Loan Servicing Center to the borrower that lists the amount borrowed, the amount of monthly payments, and the date payments are due.

Separation Date

The actual or anticipated date when the borrower will graduate, leave school, or drop to a less than halftime status. The separation date is used to determine the borrower's grace period and the date that the first loan payment will be due. You have only one separation date on a loan. If you separate from school and begin repayment on your loan, then return to school, you will not receive another separation date.

Standard Repayment Plan

Under this plan you will pay a fixed amount of at least \$50 each month for up to 10 years. For most borrowers, this plan results in the lowest total interest paid because the repayment period is shorter than it would be under the other plans.

INTEREST CALCULATION

By now, you are probably well aware that no matter which repayment plan you choose at graduation, you are going to end up paying interest. Once you enter repayment, even the Direct Subsidized loans that you borrowed begin to accrue interest. As you know, the Direct Unsubsidized loans that you borrowed began accruing interest the day they were disbursed to you.

The interest accumulating on your student loan is calculated by the Direct Loan Servicing Center and automatically applied to your outstanding balance. Your Direct loan billing statement should give a breakdown of the amount of interest accrued since your last payment.

The Direct Loan Servicing Center has an entire section devoted to interest, interest rates, and the calculation of interest on student loans. I encourage you to visit and become familiar with the following website: <http://www.dlsonline.com/>

WHAT ABOUT THOSE MONTHLY PAYMENTS?

When it comes right down to it, most folks just want to know what their monthly payments will be. Below is a payment chart listing estimated monthly payments based on different loan balances.

Estimated monthly payments Standard (120 month) Repayment Plan

Loan balance at repayment	2.82%	3.42%	5.0%	8.25%
\$10,000	95.73	98.51	106.07	122.65
\$20,000	191.46	197.02	212.13	245.31
\$30,000	287.20	295.53	318.20	367.96
\$40,000	382.93	394.05	424.26	490.61
\$65,000	627.05	645.25	694.73	803.37
\$138,500	1325.89	1364.38	1469.01	1698.74
\$189,125	1810.53	1863.10	2005.96	2319.67

The following website offers repayment calculators to determine approximately how much monthly payments will be on your student loans.

<http://www.ed.gov/offices/OSFAP/DirectLoan/calc.html>