

Ali Hangan  
2476 North Logan Street  
Pamona, CA 91767

Ali,

We would like to thank you for completing your student loan counseling and budget session with Take Charge America (“TCA”). If at any point you have additional questions or need further assistance, please do not hesitate to call our Student Loan Department. Our phone number is **877.784.2008**, and our email is **studentloans@takechargeamerica.org**.

Please review the following summary outlining the details of the Comprehensive Counseling Session for your Student Loans.

Servicer	Loan Type	Loan Status	Balance	Interest Rate
Great Lakes	FFEL Stafford Unsubsidized Loan	Forbearance	\$26,405	6.80%
Sallie Mae	FFEL Stafford Unsubsidized Loan	Forbearance	\$20,173	6.80%
Sallie Mae	FFEL Consolidation Loan	Forbearance	\$97,905	3.87%
<b>TOTAL</b>			<b>\$144,483</b>	

## CONSOLIDATION

In order to keep your federal student loan payments affordable, and to bring your loans into the Direct Loan Program so that they may qualify for Public Service Loan Forgiveness (PSLF), you have consolidated your loans into a Direct Consolidation Loan. Once the consolidation is approved, your federal loans will be serviced by **FedLoan Servicing**. The interest rate on your consolidation loan will be the weighted average of your individual interest rates, which is **approximately 4.875%**. You can reduce this rate by 0.25% by setting up auto-debit payments with your servicer.

You will receive a letter shortly after your consolidation application is received, advising you to review the information submitted in the application and to notify your servicer if you wish to make any changes or cancel the consolidation. Review this letter to confirm the information is accurate.

## FORBEARANCE WHILE APPLICATION IS IN PROCESS

Your servicers have both placed applied a temporary forbearance on your student loans to allow for time to process your consolidation application. A forbearance was also applied to both loans to bring the loans current, as the Sallie Mae loans were past due by 141 days and the Great Lakes loan was past due by 175 days. If your forbearance ends before your consolidation has been completed, you can simply contact Great Lakes and Sallie Mae to request additional forbearance.

## INCOME-BASED REPAYMENT (IBR)

In order for your payments to be considered “qualifying payments” towards forgiveness, your loans will need to be enrolled on one of the income-driven repayment plans. Payments on an income-driven plan are based on your Adjusted Gross Income and family size for the year. You have selected to enroll your loans on the **Income-Based Repayment Plan**. Payments on this plan will start at **approximately \$393**. This estimate is based on your AGI of \$133,000 and the approximate federal student loan balance of \$250,000 held by your wife. If this balance is any different, your IBR payment amount may be different.

To maintain your income-driven payments, you will need to re-certify your income each year. You can do this at [www.studentloans.gov](http://www.studentloans.gov) by selecting the “Electronic IBR/Pay As You Earn/ICR Request.” When the system prompts you to select the reason for submitting the request, you would select: *“I am submitting annual documentation for recalculation of my monthly payment amount under my current repayment plan.”*

You should receive notification from FedLoan servicing when you have to re-certify your income each year, but it is strongly recommended that you set your own reminder, so that you remember to re-certify 60 days prior to this anniversary.

## PUBLIC SERVICE LOAN FORGIVENESS

If you continue to work at a qualifying public service organization for ten years, you could qualify for loan forgiveness on your consolidation loan.

It is recommended that you complete the **Employment Certification Form** each year and send this form to FedLoan Servicing to confirm that your employment qualifies and that your loan is on track to receive forgiveness. **A copy of this form is attached.**

You must complete Section 1 and Section 2 of this form and an authorized official from the public service organization at which you work must completely fill out, sign, and date Section 3.

**The key requirements of the Public Service Loan Forgiveness program include:**

1. Your loan must be a Direct Loan to qualify. By consolidating all of your FFEL loans into a Direct Consolidation Loan, your loan will be a Direct Loan.
2. Your loan must be enrolled on a qualifying repayment plan. It is important to select one of the income-driven plans (IBR or ICR) to ensure your payments will count as qualifying payments. IBR typically offers lower payments than ICR.
  - **NOTE: If you are married and you file your taxes jointly, this will typically result in a higher monthly payment because your spouse’s income is considered in your payment calculation. You could consider speaking with a tax advisor about changing your filing status to Married Filing Separate, so that only your income will be considered in the calculation of your payment amount.**

3. You must work full-time at a qualifying public service organization while making payments on your loan for ten years (120 payments). You must still work in public service at the time you request forgiveness
4. While an application is not yet available for Public Service Loan Forgiveness, you should contact FedLoan Servicing once you have made 120 qualifying payments for information about the application process. You can call FedLoan Servicing at **1-800-699-2908**.

## **TEACHER LOAN FORGIVENESS**

During your counseling session, we also explored your eligibility for the Teacher Loan Forgiveness Program, which awards \$5,000 in loan forgiveness for most qualified teachers (and up to \$17,500 for teachers in certain subject areas). Upon completion of the student loan questionnaire, however, it appears your loans will not qualify for the Teacher Loan Forgiveness Program. This program is limited to borrowers who started borrowing after a certain date. However, this does not disqualify you from the Public Service Loan Forgiveness Program, which could award a much greater amount of loan forgiveness after ten years.

## **OTHER RECOMMENDATIONS**

- Set up payments on automatic-debit to take advantage of a 0.25% reduction in your interest rate.
- Stay in touch with your loan servicer and update your contact information if you move so you do not miss any important paperwork.
- You may consider speaking with a tax advisor to ask about taking advantage of tax deductions related to the repayment of your student loans.
- Stay organized. Keep all of your student loan paperwork for your records.

## **UNDERSTANDING YOUR REPAYMENT OPTIONS**

### **INCOME-BASED REPAYMENT (IBR)**

#### BENEFITS

- Payments are capped at 15% of your discretionary income.
- Any outstanding balance is forgiven after 25 years of qualifying payments.
- If you work in certain public service positions, you could receive loan forgiveness after 10 years under the Public Service Loan Forgiveness Program.

#### DRAWBACKS

- By extending your repayment term, the amount of interest you pay over the life of the loan may be higher than under the Standard Repayment Plan.

- Your payments may be so small that your balance may increase (this is called negative amortization). If your loans are **subsidized**, the government will waive any interest that accrues above your monthly IBR payment for the first three years under IBR. For **unsubsidized** loans, the interest may be capitalized (added to your balance).
- If you do receive loan forgiveness after 25 years, you may need to pay income tax on the forgiven balance.
- You must re-submit documentation each year showing your income and family size, otherwise your payment may increase.

## CONSOLIDATION

### BENEFITS

- **Simplicity:** You will have one monthly payment and one lender.
- **Lower Payments:** If you extend the length of your repayment term with a consolidation loan, your total monthly payment could be lower than your current combined monthly loan payments.
- **Multiple Repayment Options:** A Direct Consolidation Loan may be eligible for a number of federal repayment or forgiveness programs, including Income-Based and Income-Contingent Repayment, Pay As You Earn, and Public Service Loan Forgiveness.
- **Maintain Subsidy Benefits:** If you consolidate a subsidized loan you will keep any subsidy benefits for the portion of your consolidation loan that repays your subsidized loan.
- **Postponement Options:** If you have already exhausted your deferment and forbearance options on your individual loans, a consolidation loan may renew those postponement options.
- **Defaulted Loans:** If your loan has defaulted, you may be able to renew your loan's eligibility for certain federal repayment programs through consolidation.

### DRAWBACKS

- **Interest Costs:** While a Direct Consolidation Loan can help you secure a fixed interest rate for your loans, you may pay more in interest over the life of the loan if you extend your repayment term.
- **Loss of Benefits:** You may lose special benefits attached to your original loans if you consolidate. For instance, Perkins loans have cancellation benefits and subsidy benefits that are lost if consolidated.

## BUDGET SUMMARY

<b>Total Monthly Income</b>	<b>\$3,500</b>
<b>Total Monthly Expenses</b>	<b>\$4,043</b>
<b>Disposable Income</b>	<b>\$543</b>

Your budget is created from the numbers given during your assessment, as well as your projected student loan payment of approximately \$393. As can be seen, your budget numbers display a deficit within your budget of **\$543**. Additional modifications within your budget will need to be made to enable your income to cover all expenses. I have included these budget recommendations below:

**Food costs:** Reducing grocery and dining out costs by **\$150** could be achieved by:

- **Planning Meals** - planning out weekly meals, making a list of what is needed and buying only what is on the list.
- **Eating Out** - reducing how often you eat at restaurants, using restaurant coupons, choosing less expensive restaurants, ordering less expensive items, avoiding beverages and ordering less.
- **Eliminate Eating Out** - eliminating eating out until the budget allows for this expense.

**Transportation:** Reducing transportation costs by **\$50** could be achieved by:

- **Carpool** - carpooling or combining trips to save gas, running all errands at once to avoid making multiple trips to the same area.
- **Discount stations** – making note of any discount gas stations in the area.

**Cable/Internet** – Reducing cable/internet costs by **\$75** could be achieved by:

- Contacting the cable company to bundle cable/Internet/phone services, canceling or minimizing cable services or extra channels
- **Eliminate Cable** - eliminating cable entirely and buying a digital converter box.

**Cell Phone** – Reducing cable/internet costs by **\$25** could be achieved by:

- Examining phone bills to identify unused services that could be cancelled, minimizing cell phone plan and services to reduce cost

**Personal Care** – Reducing cable/internet costs by **\$20** could be achieved by:

- Cutting your hair at home, getting cuts less frequently, visiting barber/beauty schools which typically offer discounted prices, or using coupons

A lot of discretion is available within your budget concerning how much is spent on variable expenses. As such, I encourage you to work develop your budget a bit more to determine how much you want to put towards these expenses. Further reduction in expenses will enable greater remaining income, which can be used at your discretion.

If at any point you cannot make your student loan payments and begin to fall behind on other bills, remember that you will have **36 months of forbearance** available on your loan. While forbearance is not a long-term solution, as interest will continue to accrue on your loan, postponing your payments can prevent the loan from falling past due or entering default status.

Category	Category Total	Percentage of Gross Income
Home & Shelter	\$925.00	26.43%

<b>Automobiles</b>	\$0.00	0.00%
<b>Utilities</b>	\$660.00	18.86%
<b>Transportation</b>	\$500.00	14.29%
<b>Groceries &amp; Dining</b>	\$500.00	14.29%
<b>Insurance</b>	\$60.00	1.71%
<b>Medical Expenses</b>	\$5.00	0.14%
<b>Child Care</b>	\$300.00	8.57%
<b>Domestic Court Orders</b>	\$550.00	15.71%
<b>Household Expenses</b>	\$543.00	15.51%

## PAYMENT

Per our conversation, we have set up a 3-payment cycle for your comprehensive counseling session. Payments will be processed in the amount of **\$83.00 on 07/03/14, 08/04/14 and 09/03/14.**

Again, Take Charge America appreciates you utilizing our service to assist in your student loan repayments. Please let us know how we are doing and pass along our information to your friends and family who may also be struggling with their student loan payments.

Sincerely,

*Jessica Ferastoaru*

877-784-2008

[studentloans@takechargeamerica.org](mailto:studentloans@takechargeamerica.org)