

Office for Financial Success – Financial Tip of the Week

A service of the Personal Financial Planning Department
College of Human Environmental Sciences
University of Missouri-Columbia

(The OFS Tip of the Week is available in PDF format at:

<http://financialsuccess.missouri.edu/tipoftheweek/loanforgiveness.pdf>)

A few pieces of information beyond the information in this week's loan forgiveness tip. (1) This week I began the 'development' of a webpage for archiving past financial tips. The site for the archived tips is available below. All I have included at this point is tips over the past couple months. I hope to add to it over time to include not only future tips, but also some of the tips from the past 6 years. (2) Historically, this is the time of year that I begin including federal student loan interest rate information – I will do that, but there are other transpiring events that are important as well that will be mentioned in this tip (specifically important for current students, recent graduates, and graduates that have consolidated with the Dept of Ed.) ...

Federal Student Loan Forgiveness.

Student loans are a reality for most college students/graduates. Repayment can often cause hardship and the question is often asked "Is there any way out of this?" In most cases, the answer simply is 'no.' Not paying back the loans will damage your credit and make it more difficult for the next student needing to borrow. With that said, however, there are situations where you can get student loans entirely forgiven or partially cancelled. Be sure to do your homework, because some have specific eligibility requirements, and some also have obligations associated with the loan cancellation (i.e., teaching, child care, military, etc.).

1. Death or total/permanent disability.
Not a pleasant thought, but if it occurs, you have a legal right to have 100% of your loans forgiven (unless you were to consolidate with your spouse – one good reason not to).
2. School closes or falsely certifies or originates the loan.
Won't be an "out" for most students, but it does occasionally happen.

More common loan "repayment assistance" programs are available in exchange for working in underserved areas and other types of 'service work.'

3. Teachers.
Borrowers who work as full-time teachers in a designated elementary or secondary school [serving in a low-income or subject-matter shortage area] can cancel a portion of their student loans. Learn more at: (<http://studentaid.ed.gov/PORTALSWebApp/students/english/teachercancel.jsp?tab=repaying>) also (<http://www.aft.org/teachers/jft/loanforgiveness.htm>) offers links to loan forgiveness and scholarship programs for teachers in various states.

4. Childcare providers.
If you are a childcare provider, you may be able to have a portion of your federal loans forgiven. Go here:
(<http://studentaid.ed.gov/PORTALSWebApp/students/english/childcare.jsp?tab=repaying>) for a summary of program details, eligibility info, etc.
5. Military.
Students in the National Guard or other branches of the military [as well as veterans] may be eligible for student loan repayment assistance. For more information, see: (<http://www.1800goquard.com/education/education.html>) or contact a recruiting officer. Additional student resources are available at: (<http://www.finaid.org/military/>).
6. Save the World.
The Peace Corps (<http://www.peacecorps.gov/>), AmeriCorps (<http://www.americorps.org/>), and VISTA (<http://www.friendsofvista.org/>) are the more prominent opportunities to help others and help yourself (loan assistance) at the same time.
7. Lawyers.
Some law schools (about 90) give loan-repayment awards to graduates who work in public service, non-profit, or other high need areas. Equal Justice Works (<http://www.equaljusticeworks.org/>) also has information/resources.
8. Health care providers.
Medical [and nursing] students who are willing to work in certain fields or geographic areas for a set number of years can also receive student loan relief. Resources include:
 - National Health Services Corps (<http://nhsc.bhpr.hrsa.gov/>)
 - Nursing Education Loan Repayment Program (<http://bhpr.hrsa.gov/nursing/loanrepay.htm>)
 - NIH Loan Repayment Programs (<http://www.lrp.nih.gov/>)
 - AAMC State and other loan repayment/forgiveness & scholarship programs (<http://www.aamc.org/students/financing/repayment/start.htm>)
9. Government.
To recruit and retain highly skilled employees, some federal agencies (i.e., Depts. of State and Justice, Securities and Exchange Commission, etc.) offer employees loan assistance by repaying a portion of your loans.
 - Student Loan Repayment Program (<http://www.opm.gov/oca/pay/studentloan/>)
 - Student Loan Repayment Program FAQ (<http://www.opm.gov/oca/pay/StudentLoan/HTML/QandAs.asp>)

With loan repayment assistance/forgiveness, keep in mind that many programs have "fluctuating resources" – the funding is often not constant from year to year. Also, understand any time [or other] obligations required, and apply early.

Other related resources:

FinAid Loan Forgiveness: (<http://www.finaid.org/loans/forgiveness.phtml>)

OFS Student Survival:

(<http://financialsuccess.missouri.edu/studentsurvivalhome.htm>)

Kiplinger's Magazine – February 2006 – "Shrink Your Loans"

Student Loan Consolidation.

Typically at this time of year I begin to provide information related to student loan interest rates (on federal loans) to allow students the information necessary to determine whether or not it makes sense for them to consolidate prior to July 1st (the date each year when interest rates change for the coming year). I will continue to do that, however, it is important to be aware that the days of variable rate student loans may be over soon. Students benefited greatly over the past two years as interest rates on federal student loans hovered around 2.8% - consolidation allowed students to "lock" that interest rate for the duration of their loan repayment.

Just prior to Christmas, Congress voted to slash nearly \$13 billion over the next five years from the federal student loan program and boost interest rates (to a fixed level) on most federal loans. It is likely this will become law next month ... stay tuned.

What will the changes mean to me?

Most importantly, it means that I will want to consolidate my federal loans before July 1st to lock in the current rate (4.7%) – even if I am a student I am eligible to do this and should strongly consider doing so (even if the current law weren't to change, it appears rates are headed up – see below).

- If the law is passed, rates on Stafford Loans will be fixed at 6.8%
- If the law is passed, rates on PLUS Loans will be fixed at 8.5%

The OFS student loan consolidation site

(<http://financialsuccess.missouri.edu/consolidationhome.htm>) has great resources on items such as consolidation myths, how to go about consolidating while in school, alternative loan consolidation, repayment options, calculating what your payment will be, and information such as the UHEAA (State of Utah) federal consolidation program that will reduce your interest rate as much as 2.25% (!) for automatic and on-time payment.

You're likely already being bombarded with solicitations – feel free to schedule an appointment with a financial counselor to discuss consolidation and other financial issues. Appointments can be scheduled at our website:

(<http://financialsuccess.missouri.edu>)

Student Loan Interest Rates.

Think of this rate as a "hypothetical rate" – the rate that federal loans would move to based upon current data ... the "real rate" will be calculated the last business day of May (unless the law changes prior to then).

Current rate = 4.7% (through 6/30/06)

Hypothetical rate based on 1/19/06 data = 5.97%

A primary objective of the MU Office for Financial Success is to provide sound, non-biased information related to your financial life. Financial products are neither sold nor promoted. Our service is free to MU students and an inexpensive educational option for non-students. Visit us (<http://financialsuccess.missouri.edu>) to learn more and/or to schedule an appointment.

Tip Archive.

Free access to prior weekly financial tips ...
<http://financialsuccess.missouri.edu/archive.htm>

The Financial Tip of the Week is a service of the Office for Financial Success

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Interested in a career in Financial Planning? (<http://pfp.missouri.edu>)
Interested in becoming involved with the Office for Financial Success?

Contact me: olesonm@missouri.edu

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