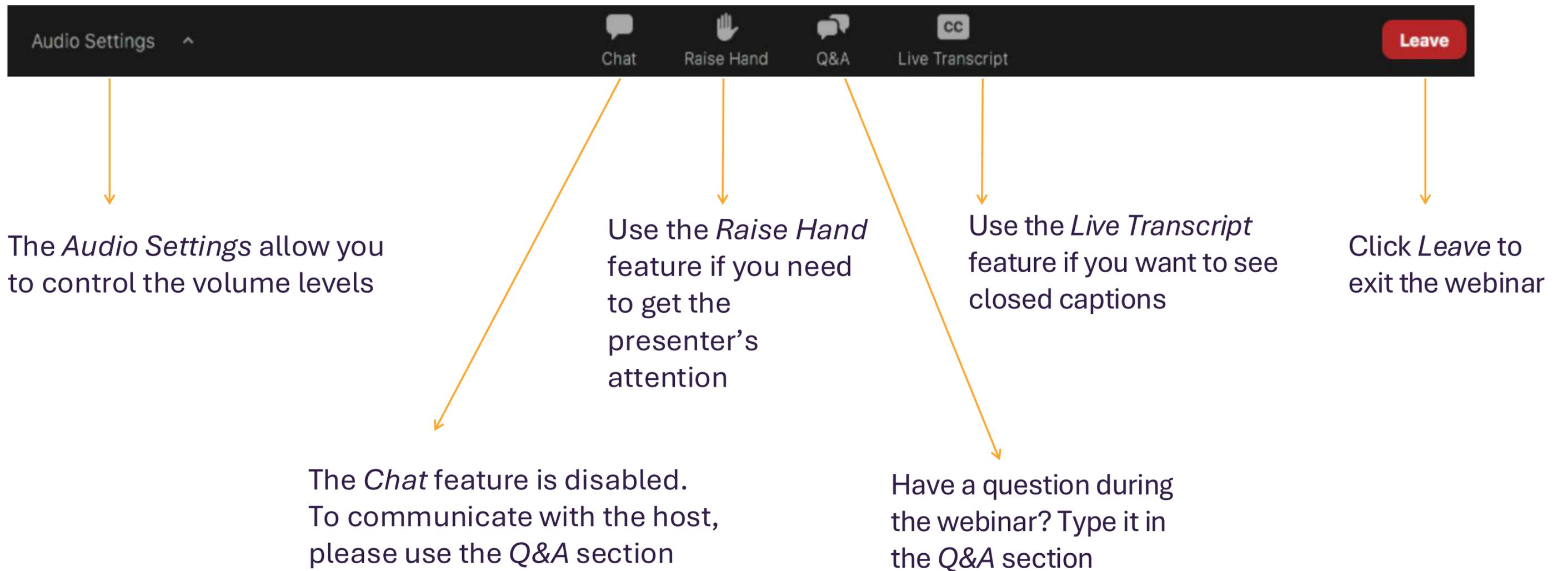




Managing Student Loan Repayment for Graduating Seniors

MEFA[™]

How to Participate



About MEFA

State authority created by the Commonwealth of Massachusetts in 1982, helping families plan, save, and pay for college.



Webinar Topics

- First Steps
- Loan Repayment Tips
- Federal Loan Repayment
- Private Loan Repayment
- Forgiveness Options
- Avoiding and Recovering from Delinquency and Default
- Loan Consolidation and Refinancing
- Resources





First Steps

Create Your Post-Graduation Budget

- Use a simple spreadsheet and/or online budgeting tool
- Identify all sources of income
- Identify all bills/expenses
- Distinguish between needs and wants
- Revise as needed

Budget Breakdown

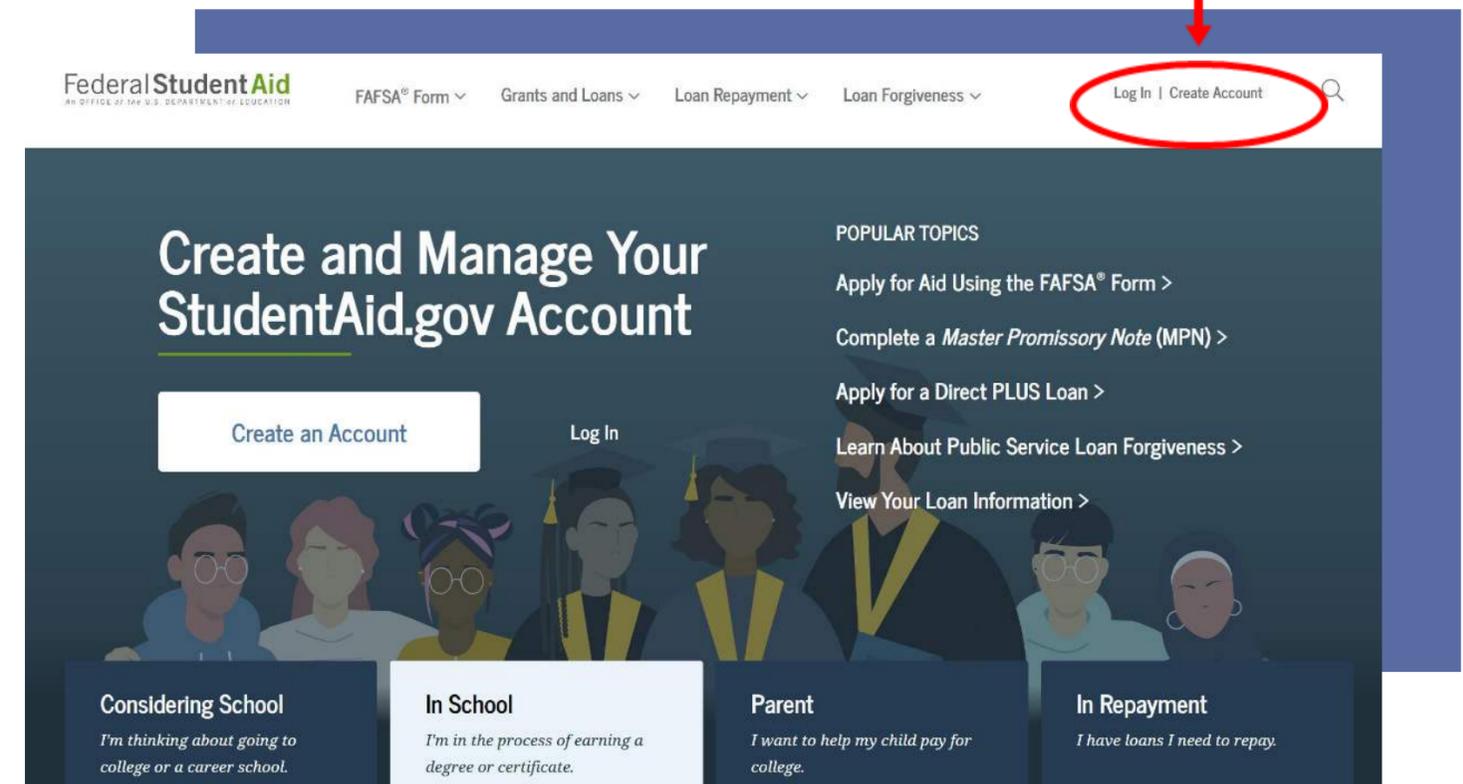
Complete the following table in order to calculate your estimated expenses per month and per year. If you have any miscellaneous items, make sure to define them.

Expense	Cost Per Month	Cost Per Year
Rent/Housing & Related Items		
Utilities		
Transportation		
Food + Toiletries		
Health Insurance		
Cell Phone		
Entertainment/Recreation		
Miscellaneous:		
Miscellaneous:		
Miscellaneous:		
Total Expenditures:		

Get Your Federal Student Loan Information

- Visit the Federal Student Aid site and log in: studentaid.ed.gov
- View information about your federal loans (no private loan info)
- Find out your federal loan servicer (the company you will repay)
- Your loan servicer can provide your payment amount and first payment due date

Log in and view your federal loan details



Get Your Private Student Loan Information

Check with your financial aid office for a list of your private loans

Check each lender's website to find out your loan servicer (the company you will repay)

Your loan servicer can provide your payment amount and first payment due date

Next Steps

- Create an online account for each loan servicer (you may have multiple servicers)
- Download each loan servicer's mobile app if applicable
- Add your loan payments to your monthly budget
- Make a note in your calendar when repayment begins for each loan
 - You may have a grace period: time between graduation and start of repayment



Loan Repayment Tips

Gathering Information

Understand

- Your options for repayment

Determine

- Your interest rate on each loan
- Each loan's total amount

Repaying

- Pay on time!
- Always make at least the minimum payment
- Use automatic debit to simplify repayment
- Consider using a 529 account (if available) to pay off up to \$10k in loans (in total)
- If you have extra funds
 - Pay off your loan with the highest interest rate first
 - Tell your loan servicer to put extra payments toward your principal

Importance of Good Credit

- Paying back your loans on time helps your credit
- Your credit can determine your interest rate when you borrow for future purchases
- Landlords and rental companies may check your credit
- A bad credit decision stays with you for a long time

How To Maintain Good Credit

Pay your bills on time

Avoid default (non-payment) on your loans

Review your credit report annually for accuracy at [AnnualCreditReport.com](https://www.annualcreditreport.com)

Follow-Up

- Contact your loan servicer
 - If you have questions
 - If you cannot pay on time
- Deduct your student loan interest on your federal taxes





Federal Loan Repayment

You Have Federal Loan Repayment Options

- Standard repayment is 10 years
- Extending repayment to a longer term results in
 - A lower monthly payment
 - A potentially higher overall cost
- Get help determining a repayment plan using the Loan Simulator
studentaid.gov/loan-simulator

Try Loan Simulator

Loan Simulator is a new tool to help you make decisions about your student loans. Use it to find a repayment plan that meets your needs and goals or to decide whether to consolidate.

Federal Loan Repayment Options

Standard	Fixed payments over 10 years
Graduated	Lower payments eventually increase; 10 years Useful if you expect a rise in income
Extended	Fixed or graduated payments; \$30K min; 25 years
SAVE* (formerly REPAYE)	Payments are 5% (undergrad loans)/10% (grad loans) of discretionary income Loan debt forgiven after 20 or 25 years
PAYE**	Payments are 10% of discretionary income Loan debt forgiven after 20 years
Income-Based (IBR)	Payments are 10 or 15% of discretionary income Loan debt forgiven after 20 or 25 years
Income-Contingent (ICR)**	Payments are lesser of 20% of discretionary income or 12-year fixed payment Loan debt forgiven after 25 years

*Borrowers cannot currently apply for SAVE, as a federal court order has stopped ED from implementing parts of the SAVE Plan. Borrowers who applied for SAVE before the court order are currently in an administrative forbearance.

**PAYE and ICR time-based forgiveness is currently blocked by a federal court order and may not return

Repayment Plan

Victoria has \$40,000 in Direct Loan debt (\$20,000 unsubsidized; \$20,000 subsidized) at an interest rate of 5.5%. Her income is \$45,000, she is single, and she lives in Massachusetts. Her income increases at a rate of 5% per year.

Repayment Plan	Initial Payment	Final Payment	Total Paid	Total Paid in Interest	Total Time in Repayment
10-Year Standard	\$434	\$434	\$52,093	\$12,093	120 months
Graduated	\$247	\$741	\$55,270	\$15,270	120 months
Extended Fixed	\$246	\$246	\$73,690	\$33,690	300 months
Extended Graduated	\$183	\$384	\$80,351	\$40,351	300 months
SAVE	\$102	\$520	\$61,724	\$21,724	240 months
Pay As You Earn (PAYE)	\$223	\$434	\$66,022	\$26,022	180 months
Income Based Repayment (IBR)	\$223	\$434	\$61,881	\$21,881	180 months
Income-Contingent Repayment (ICR)	\$336	\$380	\$56,602	\$16,602	157 months

Repayment Plan Summary

Most IDR plans have two formulas: for those that do, borrowers always pay the *lesser* of the two

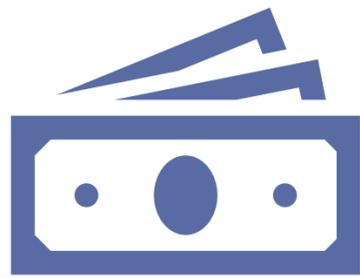
Repayment Plan	Payment based only on income	Payment based on loan debt
ICR	20% of discretionary income	12-year standard payment adjusted based on income
IBR	15% of discretionary income	10-year standard amount
PAYE	10% of discretionary income	10-year standard amount
REPAYE	10% of discretionary income	NONE
SAVE	10% of discretionary income until 7/1/2024, then 5% of discretionary income	NONE

Source: adopted from 2018 FSA Presentation "Income-Driven Repayment Plans"

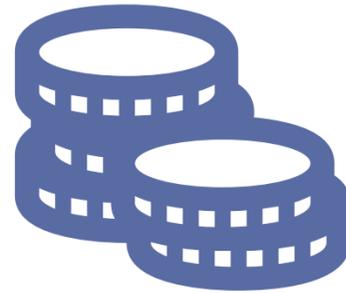
More Information: studentaid.ed.gov/sa/repayloans/understand/plans/income-driven

Private Loan Repayment

Private Loan Guidance



Review the lender and loan servicer websites and your billing statement



Private loans have limited repayment and deferment options



Contact your loan servicer with any questions about repayment

Forgiveness Options

What is Student Loan Forgiveness?

A situation where some (or all) of your student loans are forgiven

- Student loan forgiveness typically occurs for two reasons
- Reward for doing something good
- Relief if something bad happens to you

On the reward side, some common federal student loan forgiveness programs include:

- Public Service Loan Forgiveness (PSLF)
- Teacher Loan Forgiveness
- Department of Defense Loan Repayment
- AmeriCorps and Peace Corps Loan Repayment
- Perkins Loan Forgiveness

Public Service Loan Forgiveness (PSLF)

- Forgives loan balance after 120 qualifying monthly payments
 - Payments do not have to be consecutive
- Must be working full time for qualifying employer during repayment
 - Government organization
 - 501(c)(3) not-for-profit organization
 - Other not-for-profit organization providing qualifying services
- Only Direct Loans qualify
- Only payments made after 10/1/07 qualify
- Must submit the PSLF application after making all 120 payments
- PSLF Help Tool: studentaid.gov/pslf

Other Forgiveness

Teacher Loan Forgiveness

- Must teach full time for 5 complete and consecutive years
- Must teach in a school or agency that serves low-income families
- Only Direct Loans and Stafford Loans qualify
- Up to \$17,500 can be forgiven
- Complete the Teacher Loan Forgiveness Application on studentaid.ed.gov

Perkins Loan Cancellation and Discharge

- For individuals in certain types of public service positions
- Percentage of loan is canceled for each complete year of service
- Qualifying positions: Peace Corps, teacher, U.S. armed forces, nurse, law enforcement officer, Head Start worker, family servicers and early intervention workers
- Contact the school that awarded the loan for forgiveness

Reasons for Loan Discharge

Total and permanent disability of student

Death of the student or borrower

School violated a law

**School closed while student
was enrolled**

Must complete the application and provide documentation

Resource: The (Almost) Complete Guide To Student Loan Forgiveness Options freestudentloanadvice.org/forgiveness-programs

Avoiding and Recovering from Delinquency and Default

Deferment and Forbearance

Deferment

- **Loan payments are postponed**
- **Must meet eligibility requirements**
- **Submit request to loan servicer**
- **Interest does not accrue on subsidized loans**

Forbearance

- **Loan payments are suspended or reduced**
- **Must meet eligibility requirement**
- **Submit request to loan servicer**
- **Interest accrues on all loans**

Deferment and Forbearance Reasons

Deferment

- **Unemployment**
- **Economic hardship**
- **Graduate fellowship**
- **Rehabilitation training program**
- **Military**
- **In school**

Forbearance

- **Medical/dental internship or residency**
- **Student loan debt burden**
- **AmeriCorps**
- **Teacher Loan Forgiveness**
- **DOD Student Loan Repayment Program**
- **National Guard**
- **Medical/other acceptable reasons**

Delinquency and Default

- Delinquency begins the day after the due date when the full payment is not made
- Default occurs after 270 days of delinquency
- Loan servicers try to prevent default, contacting references and sending notices
- Loan servicers want borrowers to keep making payments to help borrowers save on interest payments in the long run
- Loan servicers will provide deferment and forbearance options if needed

Consequences of Default

- Reported to credit bureaus
- No more eligibility for federal student aid
- Loan immediately due and payable in full
- Lose eligibility for repayment plans and deferment or forbearance options
- Collection agencies will contact borrower
- Administrative wage garnishment
- Garnishment of tax refunds

Getting Out of Default: Options

Repay loan in full

**Consolidate and agree to repay under
income-driven plan**

**Consolidate after making 3 consecutive
payments**

**Rehabilitate the loan (make 9 on-time
payments in 10 consecutive months)**



Loan Consolidation and Refinancing

Federal Loan Consolidation

- Combine multiple federal loans into one Direct Consolidation Loan
- Fixed interest rate: weighted average of rates on all loans being consolidated
- Loans must be in repayment or grace period
- Several repayment plan options
- Repayment term: 10 to 30 years based on debt amount and repayment plan
- A student cannot consolidate a PLUS Loan borrowed by the parent
- Cannot consolidate private loans
- No application fee
- Apply on studentaid.gov

Factors to Consider with Consolidation

- One bill per month
- Potential lower monthly payments
- Access to alternative repayment plans
- Ability to switch from variable to fixed interest rate
- Loss of borrower benefits with original loans
- Increasing length of repayment results in larger total loan cost



Education Loan Refinancing

- Similar to consolidation, but with a private lender
- May refinance both federal and private loans, but you will lose repayment benefits associated with federal loans
- Many lender options
- Interest rate could be fixed or variable
- Receive a new interest rate, based on your current financial picture
- Good credit and strong financial picture = lower interest rate and substantial savings
- Will not be the best option for everyone

Consolidation vs. Refinancing

	Direct Student Loan Consolidation	Student Loan Refinancing
Are federal loans eligible?	Yes	Yes
Are private loans eligible?	No	Yes
Is a credit check required?	No	Yes
Can I lower my interest rates?	No	Maybe
Will I save money?	Maybe (but generally no)	Maybe
Will I get one bill?	Yes	Yes

Factors to Consider with Refinancing

- One bill per month
- Potential lower interest rate
- Potential lower monthly payments
- Ability to switch from variable to fixed interest rate or vice versa
- Loss of borrower benefits with original loans
- Increasing length of repayment results in larger total loan cost



Resources

Helpful Websites

Resource Center / Managing Loan Repayment



LOAN REPAYMENT

Managing Loan Repayment

Lauren Danz 5-min

There's plenty you can do to get yourself prepared to start repaying your student loans.

Get to Know Your Loan Servicer

Your lender provides you the money for your loan, and your loan servicer administers your loan and collects your payments. After your lender disburses your loan, the loan servicer:

- + Communicates with you as the repayment period approaches so that you know what to do when it's time to begin repaying the loan
- + Sends monthly bills, keeps track of your payments, and reports your loan status to the credit reporting agencies
- + Answers questions about your loan and manages all other tasks associated with

Share Add to Favorites

mefa.org: Info on repayment and MEFA's Education Refinancing Loan

studentaid.ed.gov: Full details on federal loan repayment

freestudentloanadvice.org: Fair, free student loan advice

irs.gov: Info on the student loan interest deduction

bankrate.com: Calculators, rate comparison, and financial advice

credible.com: Compare loan and refinancing options

annualcreditreport.com: Free credit reports

creditkarma.com: Free credit score and credit reports, tips, and tools

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Thank You!

Questions?



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