MANAGING YOUR EDUCATION

LOAN REPAYMENT

About MEFA

• Not-for-profit state authority created in 1982
• Helping families plan, save, and pay for college
• Keeping you on track with college planning:
  – mefa.org: Information, tools, & resources
  – Blog: On mefa.org
  – Facebook, Twitter, & LinkedIn
  – Emails: Sign up on mefa.org
  – Webinars: Register online at mefa.org/events
  – YourPlanForTheFuture.org

Agenda

• First Steps
• Federal Loans
  – Repayment Options
  – Deferment and Forbearance
  – Forgiveness
  – Discharge
  – Consolidation
• Private Loans
• Refinancing
• Your Credit
• Helpful Websites
First Steps

• Make the minimum payment on each loan
• Use automatic debit to simplify payment
• If you have extra cash, pay off loans with the highest interest rate first
• Tell your loan servicer to put extra payments toward your principal
• Know which of your loans are federal and which are private
• Contact your loan servicer immediately if you cannot pay

Federal Loans

Types of Federal Loans

• Direct Subsidized Loan
• Direct Unsubsidized Loan
• Direct PLUS Loan
• Direct Consolidation Loan
• Perkins Loan
• Federal Family Education Loan (FFEL): No new loans as of 7/1/10
Visit StudentLoans.gov to View Your Federal Loans

You Have 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; 25 years
• REPAYE: Payments are 10% of discretionary income
  Loan debt forgiven after 20 or 25 years
• PAYE: Payments are 10% of discretionary income
  Loan debt forgiven after 20 years
• IBR: Payments are 10% or 15% of discretionary income
  Loan debt forgiven after 20 or 25 years
• ICR: Payments are lesser of 20% of discretionary income or 12-year fixed payment
  Loan debt forgiven after 25 years
• Income Sensitive: Payments based on annual income; 15 years

Other Federal Loan Options During Repayment

Deferred
• 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 requirements
• Submit request to loan servicer
• Interest accrues on all loans
Public Service Loan Forgiveness (PSLF)

• Forgives loan balance after 120 qualifying monthly payments
  – Payment must be for full billed amount & no later than 15 days after due date
  – 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 public services
• Only Direct Loans qualify
• Only payments made after 10/1/07 qualify
• Must be on an income-driven or standard repayment plan
• Must submit the PSLF application after making all 120 payments

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

• 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

Loan Discharge

• Loans can be discharged due to a total and permanent disability
  – Direct, FFELP, and Perkins Loans qualify
  – Must complete application and provide documentation
  – Discharged amount is considered income for federal tax purposes
  – Nelnet manages the process:
    • (888) 303-7818
    • disabilitydischarge.com
• Loans can be discharged due to the death of the student or borrower
  – Federal student loans are discharged if the student dies
  – PLUS loans are discharged if the parent borrower or student dies
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 & repayment plan
• A student cannot consolidate a PLUS loan borrowed by the parent
• Cannot consolidate private loans
• Apply on StudentLoans.gov
• No application fee

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

Private Loans
Private Loan Facts
- Many different lenders
- Each lender has a loan servicer
- Contact your loan servicer for repayment help
- Limited repayment and deferment options

Education Loan Refinancing
- All federal and private loans are eligible
- Many lender options
- Interest rate could be fixed or variable
- Interest rate based on credit history and other factors
- A co-signer may help you receive a lower interest rate
- Submit application on lender website with requested documentation

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
Your Credit

• Your credit history and score:
  – Determines your trustworthiness in repaying debt
  – Affects your ability to make future purchases
• Maintaining good credit is so important
  – Pay your bills on time
  – Avoid default on your loans
  – Review your credit report annually for accuracy
• Understand your credit score
• Ask for help if you need it

Helpful Websites

• mefa.org: Info on repayment and MEFA’s Education Refinancing Loan
• saltmoney.org: Free online program to help with loan repayment
• studentaid.ed.gov: Full details on federal loan repayment
• irs.gov: Info on the student loan interest deduction
• bankrate.com: Calculators, rate comparison, and financial advice
• annualcreditreport.com: Free credit reports
• creditkarma.com: Free credit score and credit reports, tips, and tools
• mint.com: Free financial management tool

Questions and Discussion

Any Questions?