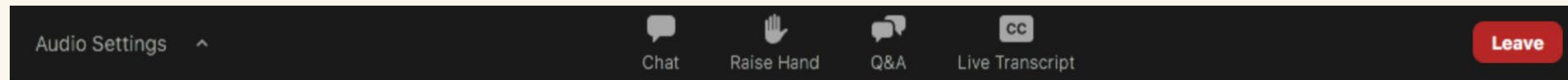


Federal Loan Repayment Options: Choosing the Right Path After the Pause

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About MEFA

State authority created in
1982 helping families plan,
save, and pay for college



Webinar Topics

- Federal Loan Repayment Options
- Income Driven Repayment Plans
- Public Service Loan Forgiveness

Federal Repayment Options

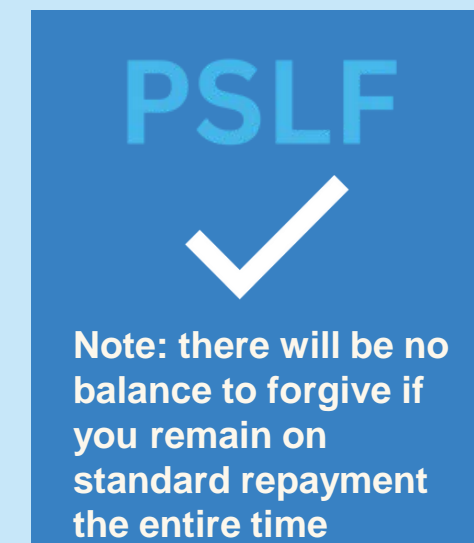
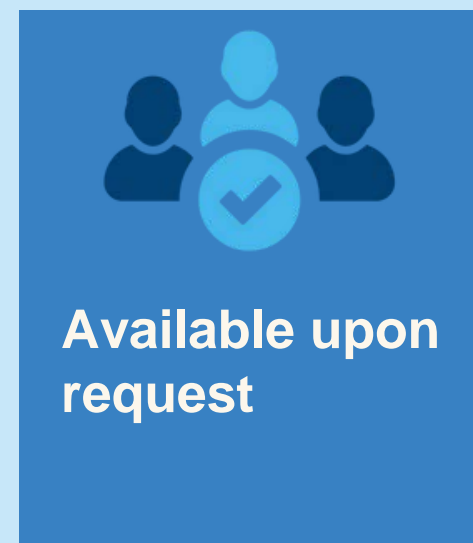
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Payment Pause Ending

- Interest on Federal Loans will begin accruing again on September 1, 2023 for loans in repayment
- The first payments will be due on October 1, 2023 for loans in repayment
- Loan repayment automatically starts as standard repayment if another option isn't chosen
- Options to choose Graduated Repayment, Extended Repayment, or Income Driven Repayment (IDR)

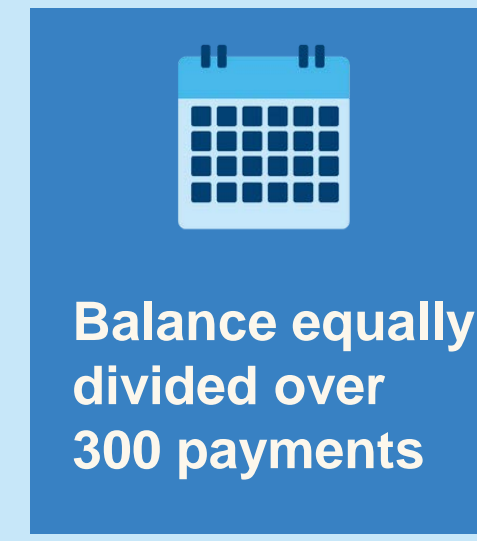
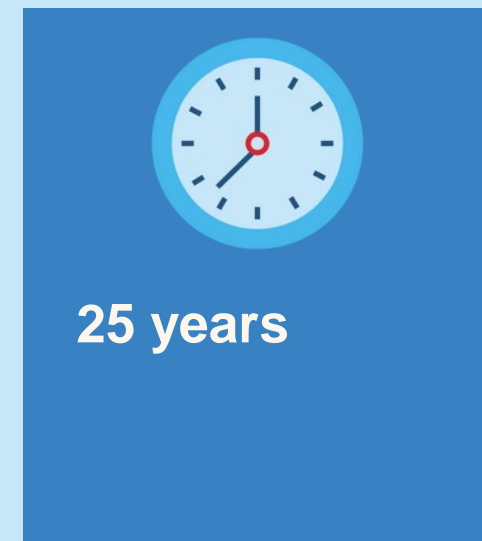
Standard Repayment

- Often the least expensive option over time because of less interest accrual if paid off in 10 years



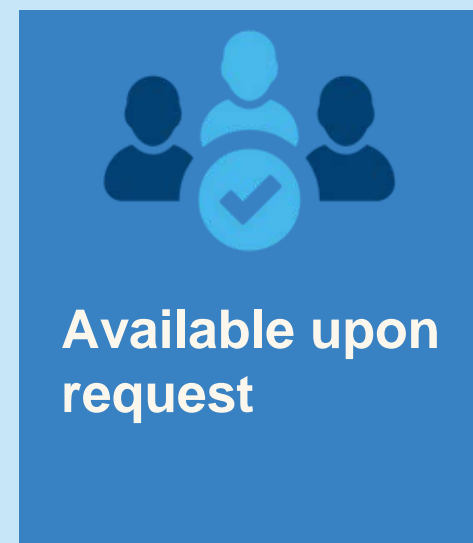
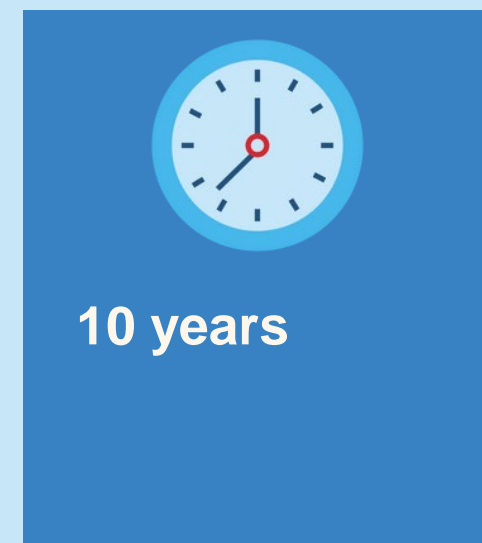
Extended Repayment

- Lower monthly payments but higher total amount paid over the life of the loan



Graduated Repayment

- More expensive in the end than Standard because of interest accrual
- Stepped payment increases



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**
- **Apply on studentaid.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**

Income-Driven Repayment Options

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Income-Driven Repayment

- Income driven repayment plans are plans that consider your post-grad income
- Depending on which option you select, you'll pay between 10% and 20% of your Discretionary Income
- Some plans require you to qualify for Partial Financial Hardship
- Income Driven Repayment Options:
 - Income-Based Repayment (IBR)
 - Saving on Valuable Education (SAVE)
 - Pay as you Earn (PAYE) (sunsetting July 1, 2024)
 - Revised Pay as You Earn (REPAYE) (will transition to SAVE)
 - Income Contingent Repayment (ICR)(sunsetting July 1, 2024)

Discretionary Income Measurement

IBR, PAYE, and REPAYE

Annual Income

-

150% of Federal Poverty
Guideline

=

Discretionary Income

ICR

Annual Income

-

100% of Federal Poverty
Guideline

=

Discretionary Income

SAVE

Annual Income

-

225% of Federal Poverty
Guideline

=

Discretionary Income

View the [Federal Poverty Guidelines](#)

Partial Financial Hardship (PFH) Qualifications

IBR

Amount due on eligible loans under a
10-year Standard Repayment Plan

>

15% of the difference between your AGI and 150% of the
poverty line for your family size in the state where you live

=

Partial Financial Hardship (PFH)

Pay As You Earn

Amount due on eligible loans under a
10-year Standard Repayment Plan

>

10% of the difference between your AGI and 150% of the
poverty line for your family size in the state where you live

=

Partial Financial Hardship (PFH)

Saving on Valuable Education (SAVE)

Payments calculated based on the lesser of:

- Until July 1, 2024: 10% of your discretionary income **OR**
- After July 1, 2024: 5% of discretionary income for undergraduate loans and 10% of discretionary income for loans for other than undergraduate studies. Borrowers with a combination of loans will have a weighted average.

Spouse's income excluded if filing taxes separately (spouse will also not be included in family size when determining federal poverty guidelines)



Direct ✓
FFEL ✓
PLUS ✗



Maximum of 20 years for undergraduate debt (10 years for total debt of under 12,000, for each additional \$1k add 1 year until the max of 20 is met)
Maximum of 25 years for graduate study debt (10 years for total debt of under 12,000, for each additional \$1k add 1 year until the max of 25 is met)



No income threshold for eligibility

PSLF



No cap on payment amount



Income verified annually (new repayment amount calculated)



Unpaid interest is forgiven monthly (no negative amortization)

Income Contingent Repayment (ICR)

Payments calculated based on the lesser of:

- 20% of your discretionary income **OR**
- what you would pay on a repayment plan with a fixed payment over the course of 12 years, adjusted according to your income

Note: This plan is the only available income-driven repayment option for parent PLUS loan borrowers. Although PLUS loans made to parents can't be repaid under any of the income-driven repayment plans (including the ICR Plan), parent borrowers may consolidate their Direct PLUS Loans or Federal PLUS Loans into a Direct Consolidation Loan and then repay the new consolidation loan under the ICR Plan (though not under any other income-driven plan).



Direct ✓
FFEL ✗



Up to 25 years
(After which
any remaining
balance is
forgiven and is
taxable)



No income
threshold for
eligibility

PSLF



No cap on payment
amount



Income
verified
annually (new
repayment
amount
calculated)



Capitalized interest
can't exceed 10% of
the amount of the
loan at the time the
loan entered the
plan. After this,
interest accrues but
does not capitalize.

Income-Based Repayment (IBR) Before 7/1/2014

For borrowers who had loans *before* 7/1/2014



Direct ✓
FFEL ✓



Up to 25 years
(After which
any remaining
balance is
forgiven and is
taxable)



Must show PFH
(do not need to
maintain it)

PSLF



Payment is 15% of
your discretionary
income (based on
family income if
married and filing
jointly). Capped at
what 10-year standard
repayment would've
been.



Income
verified
annually (new
repayment
amount
calculated)



No limit to
interest
capitalization

Income-Based Repayment (IBR) After 7/1/2014

For borrowers who had loans *after* 7/1/2014



Direct ✓
FFEL ✗



Up to 20 years
(After which
any remaining
balance is
forgiven and is
taxable)



Must show PFH
(do not need to
maintain it)

PSLF



Payment is 10% of
your discretionary
income (based on
family income if
married and filing
jointly). Capped at
what 10-year standard
repayment would've
been.



Income
verified
annually (new
repayment
amount
calculated)



No limit to
interest
capitalization

Pay as you Earn (PAYE)

Must be a new borrower on or after October 1, 2007 and have a loan disbursement on or after October 1, 2011

Sunsetting July 1, 2024



Direct



FFEL



Up to 20 years
(After which
any remaining
balance is
forgiven and is
taxable)



Must show PFH
(do not need to
maintain it)

PSLF



Payment is 10% of
your discretionary
income (based on
family income if
married and filing
jointly). Capped at
what 10-year standard
repayment would've
been.



Income
verified
annually (new
repayment
amount
calculated)



Capitalized interest
can't exceed 10% of
the amount of the
loan at the time the
loan entered the
plan. After this,
interest accrues but
does not capitalize.

Revised Pay as You Earn (REPAYE)

Will automatically transition to SAVE



Direct ✓
FFEL ✗



Up to 25 years
(After which
any remaining
balance is
forgiven and is
taxable)



Do not need
PFH to qualify

PSLF



Payment is 10% of
your discretionary
income (spouse's
income is included in
calculation regardless
of filing status). There
is no cap.



Income
verified
annually (new
repayment
amount
calculated)



When the monthly
payment does not
cover the interest,
you are only
responsible for 50%
accrued and unpaid
interest. No cap on
capitalized interest.

Repayment Plan Summary

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	Notes
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	
Revised Pay As You Earn (REPAYE)	\$223	\$531	\$61,724	\$21,724	175 months	
Pay As You Earn (PAYE)	\$223	\$434	\$61,881	\$21,881	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	

Designating a Repayment Option

- Apply online at: [Apply for or Manage Your Income-Driven Repayment Plan | Federal Student Aid](#)
- Or contact your servicer

Public Service Loan Forgiveness (PSLF)

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Public Service Loan Forgiveness

Eligible loan

+

120 eligible payments

+

Being Employed at an Eligible Employer

=

PSLF

Eligible Loan Types for PSLF

- Federal Direct Student Loan
- Federal Direct Consolidated Student Loan
 - Federal Perkins Loans
 - Federal Family Education Loans (FFEL)

Eligible loan

+

120 eligible payments

+

Being employed at an eligible employer

=

PSLF

Eligible Payment Type

- Payment made after October 1, 2007
- Must be on time (received within 15 days of the due date)
- For the full amount of the billed payment
- In a qualified plan (standard or any of the IDR plans)
- Made while employed full-time at a qualified employer

Eligible loan

+

120 eligible payments

+

Being employed at an eligible employer

=

PSLF

Eligible Employer

- Government organizations at any level (U.S. federal, state, local, or tribal) – this includes the U.S. military
- Not-for-profit organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code
- Serving as a full-time AmeriCorps or Peace Corps volunteer also counts as qualifying employment for the PSLF Program.
- Use this [employer search tool](#) to help determine if your employer qualifies for PSLF.
- Must be considered an employee of the organization **NOT A CONTRACTOR**



- [Public Service Loan Forgiveness \(PSLF\) Help Tool | Federal Student Aid](#)
- You don't need to "enroll" in PSLF at the beginning of making payments
- However, you should submit the PSLF form annually after completing each year of qualified service.
- If you don't periodically submit the PSLF form, then at the time you apply for forgiveness, you will be required to submit employment certification for each employer where you worked while making the required 120 qualifying monthly payments.



Picking the Right Repayment Plan

How to Pick the Right Repayment Plan

The contact information your servicer has may need to be updated. It is important that your servicer has accurate contact information so they can reach you with pertinent updates. You should also review your outstanding balances and accrued interest.

01

Review your student loan servicer account



When you completed loan exit counseling, you selected a plan to repay your student loans. If you didn't select a repayment plan, you were automatically placed in the standard plan. If the plan you were previously in no longer aligns with your repayment strategy, you may want to consider switching.

02



Consider your repayment strategy and decide whether you need to change plans

The standard repayment plan is solely based on the amount you borrowed, and divides your balance (plus interest) into equal, fixed monthly payments. Others, known as income-driven repayment (IDR) plans, take your income into account. In many cases, an IDR plan will provide you with a lower monthly payment. If you don't remember which plan you're in, you can find it on studentaid.gov or on loan servicer's portal. You can also find information on your outstanding balances, accrued interest, and current monthly payment. Your loan servicer may also have repayment calculator tools to help you figure out which plan is right for you.

03

Research repayment options and confirm the best plan for you



If you decide to change your repayment plan to a non-IDR plan, log on to your loan servicer's website to initiate the change. If you would like to apply for an IDR plan, you can do so via studentaid.gov. Keep in mind that if you select an IDR plan, you may be asked for additional information to certify your income and family size. If you need help selecting a plan or completing the process, contact your loan servicer.

04



Once you've selected your plan, make the change in your servicer portal or studentaid.gov

The National Association of Student Financial Aid Administrators (NASFAA) is the only national, nonprofit association with a primary focus on information dissemination, professional development, and legislative and regulatory analysis related to federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. Our membership consists of more than 29,000 financial aid professionals at nearly 3,000 colleges, universities, and career schools across the country. NASFAA member institutions serve nine out of every 10 undergraduates in the United States.



Preparing for Repayment

How to Prepare for Successful Student Loan Repayment

Use your FSA ID to log in to StudentAid.gov



01

Your FSA ID (the same you used to complete your FAFSA) will include a username and password. Once logged in, update your personal information and confirm your student loan servicer.



Confirm your student loan servicer

02

Your servicer may vary depending on the type of loan you have. If you don't know who your servicer is, log on to studentaid.gov and visit the "My Loan Servicers" section of your dashboard.

Log in to your loan servicer account and update your contact information



03

Create an account or log in to an existing one via the servicer's website. Review and update your personal contact information, including your email and mailing address, so your servicer can reach you.



Reauthorize or select auto debit for monthly payments

04

If you were previously signed up for automatic debit before the payment pause began, you must reauthorize or select automatic debit through your loan servicer account. This will allow your loan payments to be automatically withdrawn from your bank account every month.

Review payment due date and amount



05

Make note of your monthly payment amount and the date your first payment will be due, and update any changed banking information to ensure you either proactively make a payment by the deadline or are prepared for the funds to be drawn down by auto debit.

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Tips for Repayment

Tips & Tricks to Prepare for Student Loan Repayment

Start Early & Be Ready



Don't delay being proactive if you anticipate encountering any troubles as repayment begins, as there are consequences to not being prepared.

Review Your Personal Budget



Review your personal budget to ensure that you will be able to make your necessary monthly payments. You can find resources to help you create, manage, and maintain your budget on studentaid.gov.

Be Patient & Remain Diligent



With millions of borrowers transitioning into repayment at the same time, it is possible that loan servicers may be overwhelmed with a high volume of inquiries. It is possible you may not reach your servicer via phone the first time you call, and you may need to call a few times before getting connected. You may be able to find the information you're looking for on your own on your loan servicer's website, or by emailing or using live chat features.

Keep Documentation



Keep good documentation of your financial aid and loan servicer records and communications, such as forms, research, who you spoke to, and detailed notes of what you discussed.

Stay Alert to Avoid Scams



1. Your student loan servicer will provide you with free assistance; you should never pay an outside entity to help with your student loans.
2. If you don't know who your servicer is, you can find out by logging on to studentaid.gov and visiting the "My Loan Servicers" section of your dashboard.
3. While you may reach your loan servicer via phone, your servicer will always initiate communications with you via email. Unless you initiate the contact, you should never share personal information over the phone.

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Thank You

QUESTIONS?

Call (800)-449-MEFA (6332)
or email collegeplanning@mefa.org

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