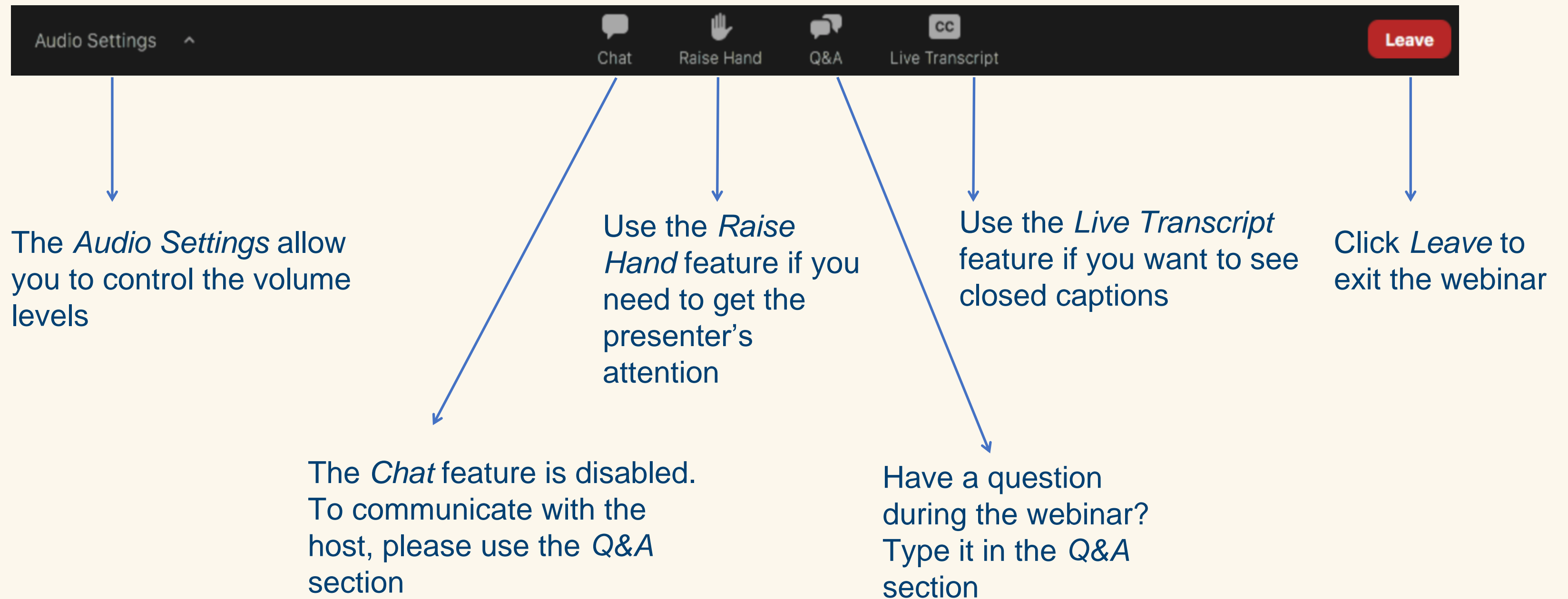


Managing Student Loan Repayment for Graduating Seniors

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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

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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

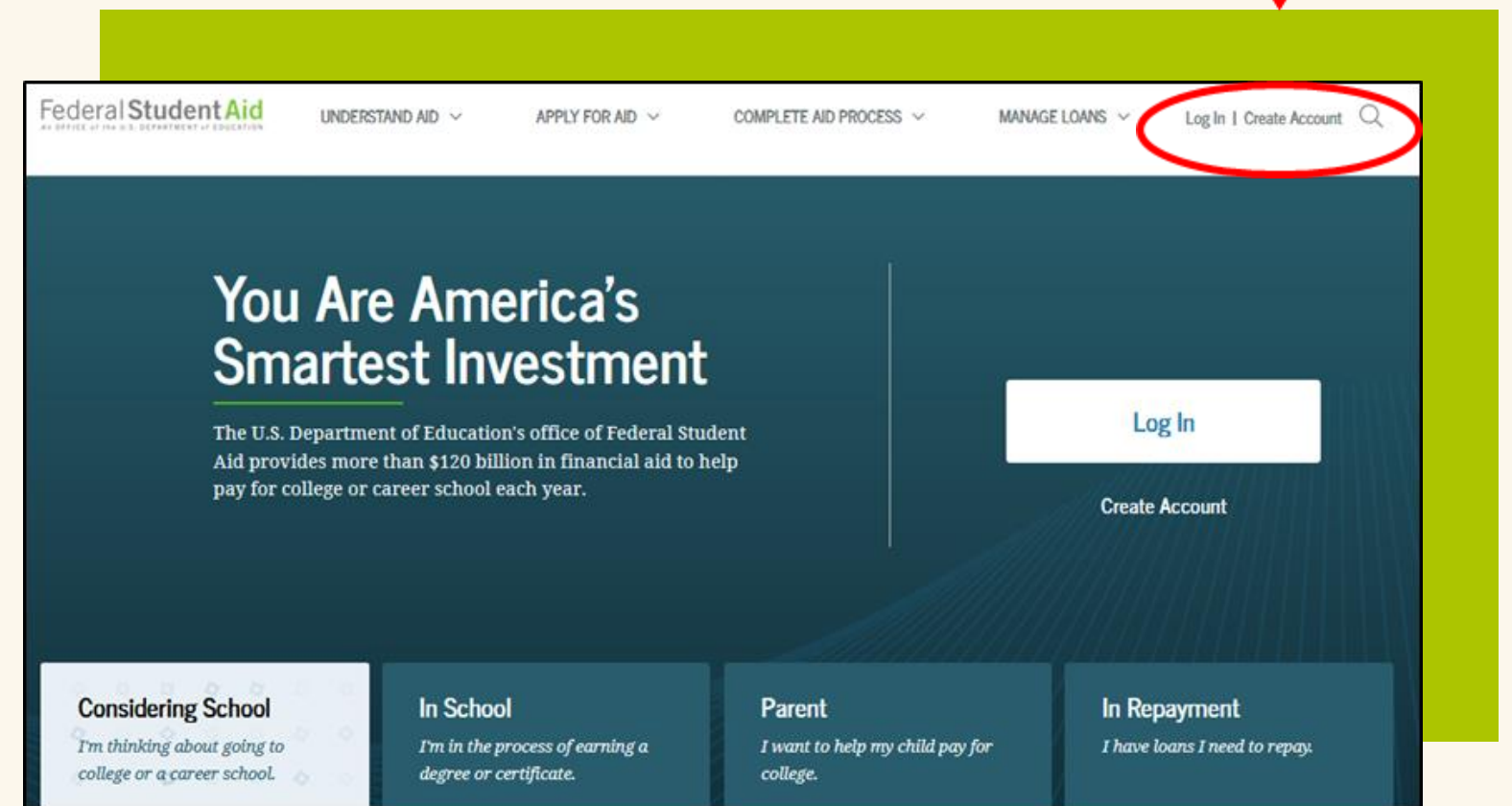
Complete the following table in order to calculate your estimated expenses per month and per year. If you have any miscellaneous items, make sure to define them.

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

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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

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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
REPAYE/SAVE	Payments are 10% of discretionary income Loan debt forgiven after 20 or 25 years
PAYE (Sunsetting 7/2024)	Payments are 10% of discretionary income Loan debt forgiven after 20 years
Income-Based	Payments are 10 or 15% of discretionary income Loan debt forgiven after 20 or 25 years
Income-Contingent	Payments are lesser of 20% of discretionary income or 12-year fixed payment; Loan debt forgiven after 25 years
SAVE (as of 6/2024)	Undergrad loans: 5% of discretionary income Graduate loans: 10% of discretionary income

*Per the American Rescue Plan signed into law on 3/11/21, all student loan forgiveness is exempt from taxation

Saving on Valuable Education (SAVE)

Payments calculated based on:

- Until July 1, 2024: 10% of your discretionary income
- After July 1, 2024: 5% of discretionary income for undergraduate loans and 10% of discretionary income for loans other than undergraduate loans. 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)

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 fixed 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

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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

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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

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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

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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

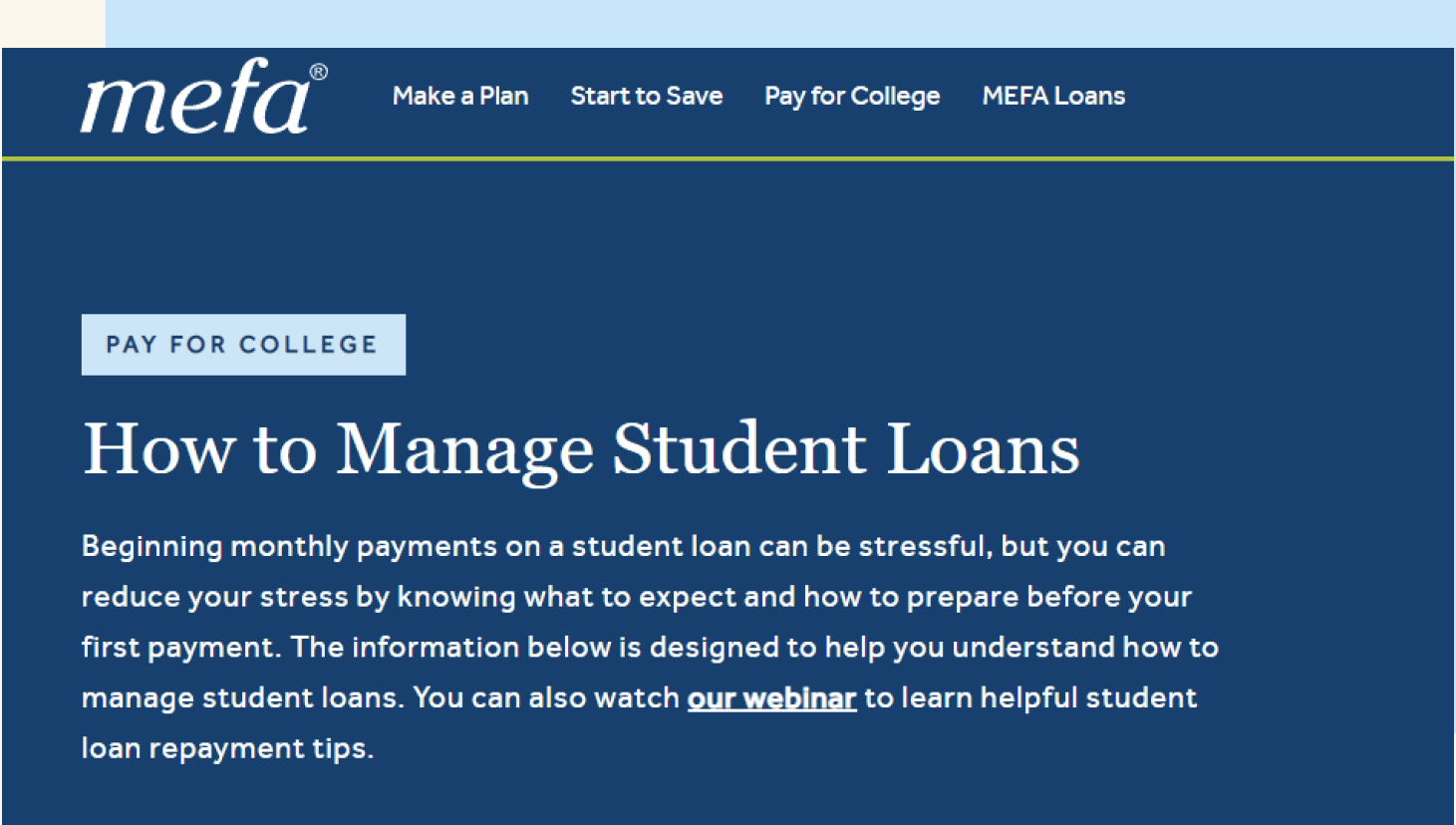
- **One bill per month**
- **Potential lower interest rate**
- **Potential lower monthly payments**
- **Ability to switch from variable to fixed interest rate or vice versa**
- **Loss of borrower benefits with original loans**
- **Increasing length of repayment results in larger total loan cost**

Resources

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Helpful Websites

- 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



The screenshot shows the MEFA website header with the logo and navigation links: 'Make a Plan', 'Start to Save', 'Pay for College', and 'MEFA Loans'. Below the header is a dark blue banner with the text 'PAY FOR COLLEGE' in a light blue box. The main heading is 'How to Manage Student Loans' in white. The introductory text reads: 'Beginning monthly payments on a student loan can be stressful, but you can reduce your stress by knowing what to expect and how to prepare before your first payment. The information below is designed to help you understand how to manage student loans. You can also watch [our webinar](#) to learn helpful student loan repayment tips.'

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Thank You

QUESTIONS?

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

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