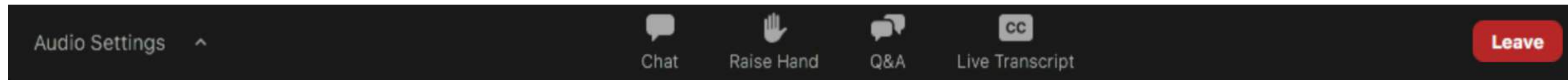




# Managing Student Loan Repayment for Graduating Seniors

**MEFA**<sup>™</sup>

# How to Participate



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# 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

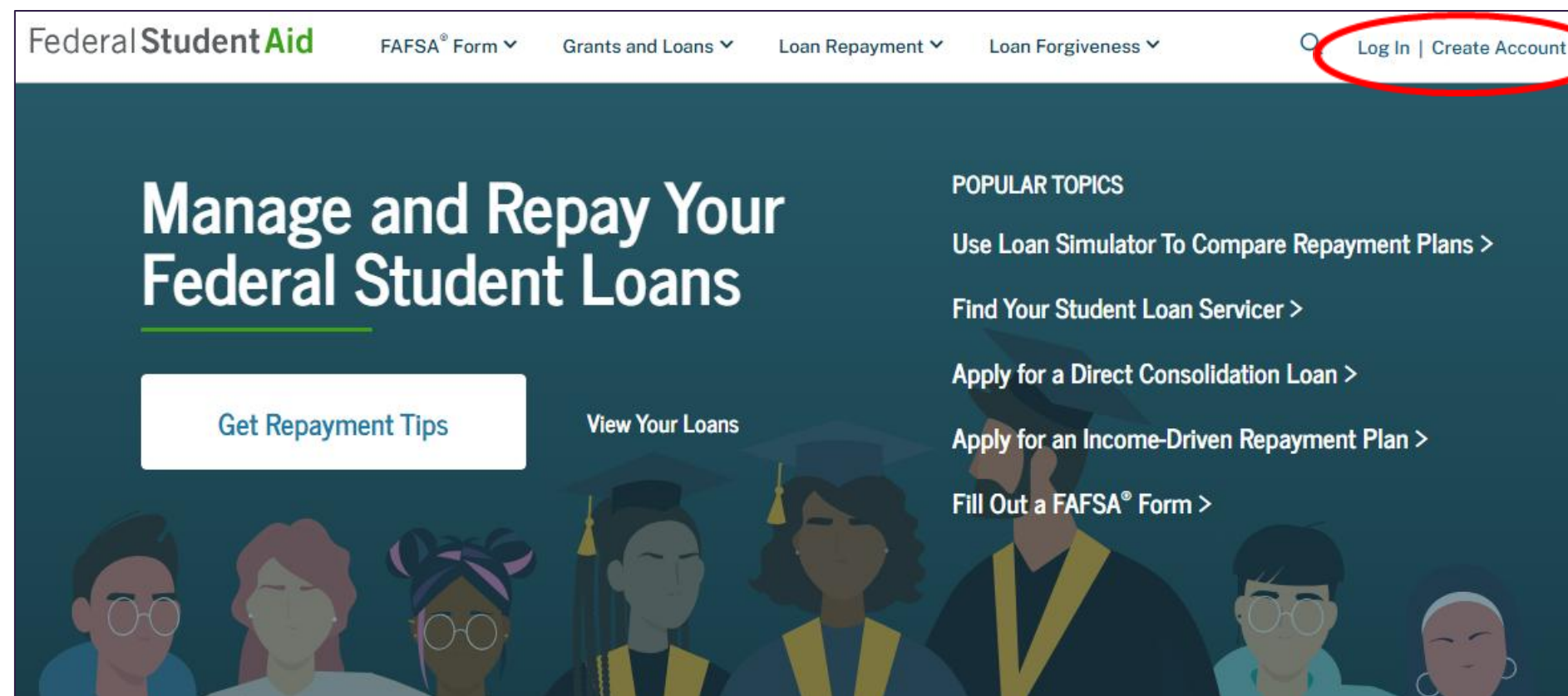
# Gather Information

For each loan find out:

- Your loan servicer (the company you will repay)
- Total debt/loan amount
- Interest rate
- Monthly payment
- First payment due date

# Get Your Federal Student Loan Information

- Visit the Federal Student Aid site and log in: [studentaid.ed.gov](https://studentaid.ed.gov)
- View info for all your federal loans (no private loan info)



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 details on repayment

# Get Prepared

- 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: the time between graduation and start of repayment

# Create Your Post-Graduation Budget

- Use a simple spreadsheet and/or online budgeting tool
- Identify all sources of income
- Identify all bills/expenses including loans
- 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:          |                |               |



# Loan Repayment Tips

# 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](https://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<br>Useful if you expect a rise in income                            |
| Extended                        | Fixed or graduated payments; \$30K min; 25 years   |
| PAYE*                           | Payments are 10% of discretionary income<br>Loan debt forgiven after 20 years                                    |
| Income-Based (IBR)              | Payments are 10 or 15% of discretionary income<br>Loan debt forgiven after 20 or 25 years                        |
| Income-Contingent (ICR)*        | Payments are lesser of 20% of discretionary income or 12-year fixed payment<br>Loan debt forgiven after 25 years |
| Repayment Assistance Plan (RAP) | Option available beginning July 1, 2026<br>Payments are 1-10% of AGI; loan debt forgiven after 30 years          |

\*PAYE and ICR will be discontinued effective July 1, 2028. Borrowers who enroll in PAYE or ICR must switch to any of the other eligible plans listed before July 1, 2028, or they will be automatically moved into RAP.

# 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              |
| <b>Pay As You Earn (PAYE)</b>            | \$223           | \$434         | \$66,022   | \$26,022               | 180 months              |
| <b>Income Based Repayment (IBR)</b>      | \$223           | \$434         | \$61,881   | \$21,881               | 180 months              |
| <b>Income-Contingent Repayment (ICR)</b> | \$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

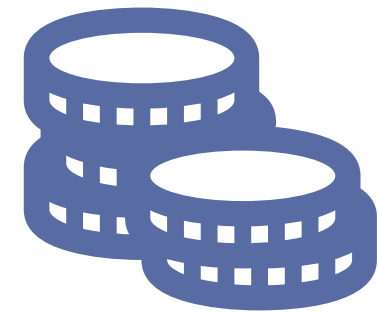
| Repayment Plan | Payment based only on income | Payment based on loan debt                        |
|----------------|------------------------------|---|
| ICR            | 20% of discretionary income  | 12-year standard payment adjusted based on income |
| IBR            | 15% of discretionary income  | 10-year standard amount                           |
| PAYE           | 10% of discretionary income  | 10-year standard amount                           |
| RAP            | 1-10% of AGI                 | 10-year standard amount                           |

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

More Information: [studentaid.ed.gov/sa/repayloans/understand/plans/income-driven](https://studentaid.ed.gov/sa/repayloans/understand/plans/income-driven)

# Private Loan Repayment

# Private Loan Guidance



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](https://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](https://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](https://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](https://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

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[mefa.org](https://mefa.org): Info on repayment and MEFA's Education Refinancing Loan

[studentaid.ed.gov](https://studentaid.ed.gov): Full details on federal loan repayment

[freestudentloanadvice.org](https://freestudentloanadvice.org): Fair, free student loan advice

[irs.gov](https://irs.gov): Info on the student loan interest deduction

[bankrate.com](https://bankrate.com): Calculators, rate comparison, and financial advice

[credible.com](https://credible.com): Compare loan and refinancing options

[annualcreditreport.com](https://annualcreditreport.com): Free credit reports

[creditkarma.com](https://creditkarma.com): Free credit score and credit reports, tips, and tools

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# Thank You!

## Questions?



**(800) 449-MEFA (6332)**



**[collegeplanning@mefa.org](mailto:collegeplanning@mefa.org)**