



**The Truth About Student Loans
JumpStart Conference
May 2016**



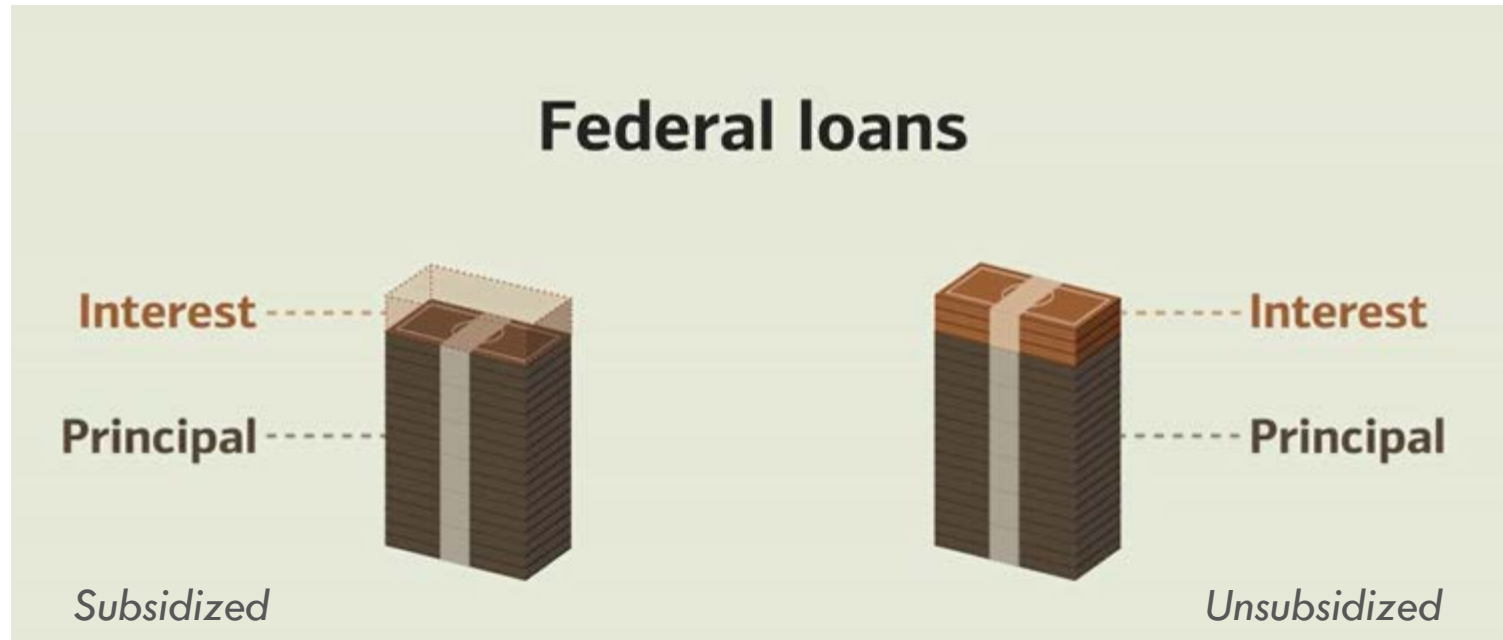
■ TYPES

- William D Ford Federal Direct Loan Program (Direct)
 - Direct Subsidized and Direct Unsubsidized (Award Letter)
 - Direct Consolidation (Opt in during repayment)
 - Direct Parent PLUS and Direct Graduate PLUS (Gap coverage)
- Federal Perkins Loan Program (Award Letter)
- Private Education Loans (Gap coverage)

■ Find out @

- nslds.ed.gov
- [Saltmoney.org](https://saltmoney.org)
- [Studentloans.gov](https://studentloans.gov)

Interest Treatment



Interest Treatment

School Year	Unsubsidized Loan Amount	Interest Rate	2011-2012	2012-2013	2013-2014	2014-2015	Total interest
2011-2012	\$2,000	6.80%	\$136	\$136	\$136	\$136	\$544
2012-2013	\$2,000	6.80%		\$136	\$136	\$136	\$408
2013-2014	\$2,000	3.86%			\$77	\$77	\$154
2014-2015	\$2,000	4.66%				\$93	\$93
TOTAL	\$8,000		\$136	\$272	\$349	\$442	\$1,200

Annual interest accrual = \$loan amount x interest rate%

■ Graduating/Withdrawing – same process

- Exit counseling
- 6 month grace begins
- Contact by loan servicer

■ Information Resources

- FAMEmaine.com
- Studentaid.ed.gov
- Studentloans.gov

Leaving College? Your Loans Go with You



Students who do not complete their degrees are more likely to default on their loans. Student loan default negatively impacts students for many years, but it's avoidable. Don't ignore your loans.

What Happens When Borrowers Default on Their Federal Student Loans?

- Loss of eligibility for federal financial aid and student loan repayment benefits.
- Additional charges, late fees and collection costs are added to the loan balance.
- Federal and state income tax refunds are withheld by the federal government.
- Income and other benefits may be withheld by the federal government.
- The borrower's credit score will be affected, which may impact their ability to get a job, qualify for a loan, sign up for utilities or rent an apartment.

See reverse for tips to avoid default.

The Situation

- Average student loan debt for holder of bachelors' degree
 - National: \$29,400
 - Maine: \$30,908

- Default rate
 - National: 11.8
 - Maine: 10.8 (FAME: 5.6)
- Face of default
 - Opt out
 - More than just student loan debt
 - No credential so lower earning power

Help Already in Place

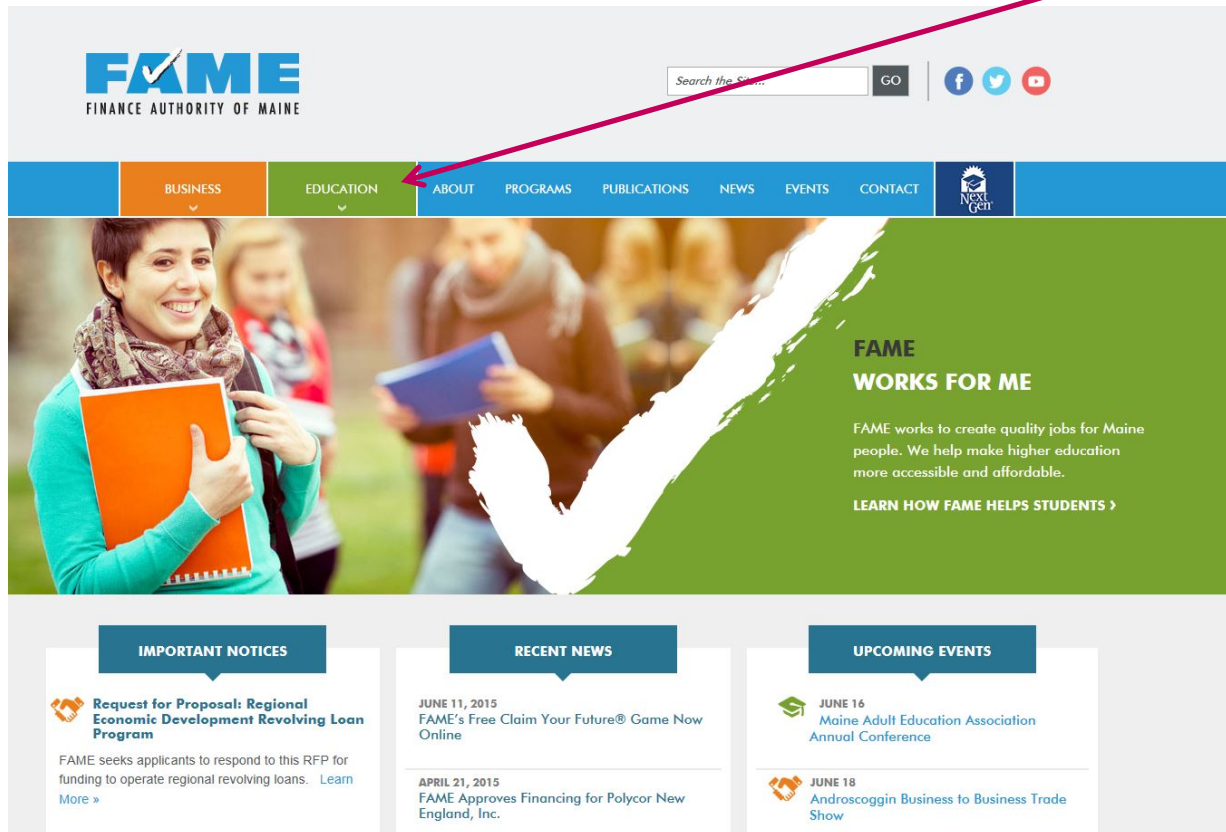
- Improved websites
- Improved education
 - Strategies
 - Entrance Counseling
 - Financial Education in our schools
- Loan limits
- Improved repayment options
- Forgiveness/Cancellation
- Tax benefits



Improved Websites

- FAMEmaine.com
- Studentaid.ed.gov
- Studentloans.ed.gov

Works for ME ✓



The screenshot shows the homepage of the Finance Authority of Maine (FAME). At the top left is the FAME logo. To its right is a search bar with the placeholder text "Search the Site..." and a "GO" button. Further right are social media icons for Facebook, Twitter, and YouTube. Below the header is a navigation bar with several menu items: BUSINESS, EDUCATION (highlighted with a red arrow), ABOUT, PROGRAMS, PUBLICATIONS, NEWS, EVENTS, and CONTACT. A "Next Gen" logo is also present on the right side of the navigation bar. The main content area features a large image of a smiling woman holding an orange folder, with a large white checkmark overlaid on the right. To the right of the image, the text reads "FAME WORKS FOR ME" followed by a paragraph: "FAME works to create quality jobs for Maine people. We help make higher education more accessible and affordable." and a link "LEARN HOW FAME HELPS STUDENTS >". Below this are three columns: "IMPORTANT NOTICES" with a "Request for Proposal: Regional Economic Development Revolving Loan Program" and a link to "Learn More >"; "RECENT NEWS" with two entries dated June 11, 2015 and April 21, 2015; and "UPCOMING EVENTS" with two entries dated June 16 and June 18.

FAME
FINANCE AUTHORITY OF MAINE

Search the Site... GO

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BUSINESS EDUCATION ABOUT PROGRAMS PUBLICATIONS NEWS EVENTS CONTACT


Next Gen

FAME
WORKS FOR ME

FAME works to create quality jobs for Maine people. We help make higher education more accessible and affordable.

[LEARN HOW FAME HELPS STUDENTS >](#)

IMPORTANT NOTICES

 **Request for Proposal: Regional Economic Development Revolving Loan Program**


FAME seeks applicants to respond to this RFP for funding to operate regional revolving loans. [Learn More >](#)


RECENT NEWS

JUNE 11, 2015
FAME's Free Claim Your Future® Game Now Online

APRIL 21, 2015
FAME Approves Financing for Polycor New England, Inc.

UPCOMING EVENTS

JUNE 16
 Maine Adult Education Association Annual Conference

JUNE 18
 Androscoggin Business to Business Trade Show

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An OFFICE of the U.S. DEPARTMENT of EDUCATION

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the AMERICAN MIND®

Search StudentAid.gov


[Prepare for College](#) ▾[Types of Aid](#) ▾[Who Gets Aid](#) ▾[FAFSA: Applying for Aid](#) ▾[How to Repay Your Loans](#) ▾

Minds can achieve anything. We make sure they get to college.
At Federal Student Aid, we make it easier to get money for higher education.




HOW DO I PREPARE FOR COLLEGE?

Learn about exploring careers, choosing and applying to schools, and taking required tests. Use checklists to help get ready.



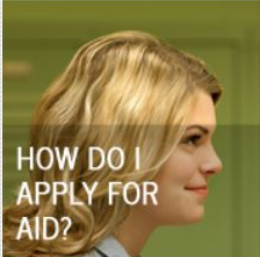
WHAT TYPES OF AID CAN I GET?

Read about the types of financial aid available from the government and other sources: grants, scholarships, loans, and work-study.




DO I QUALIFY FOR AID?

Most people are eligible for financial aid. Find out who gets aid, how to stay eligible, and how to get eligibility back if you've lost it.



HOW DO I APPLY FOR AID?

Learn how to submit your *Free Application for Federal Student Aid* (FAFSA®), how aid is calculated, and how you'll get your aid.



HOW DO I MANAGE MY LOANS?

Choose a repayment plan, pay on time, avoid default, and get help with problems.

Studentaid.ed.gov

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An OFFICE of the U.S. DEPARTMENT of EDUCATION | English | Español

My Account | Getting Loans | Tools and Resources | Managing Repayment | FAQs | Contact Us

FSA ID Username or E-mail Address

FSA ID Password

Create an FSA ID

Forgot Username or Password?

For assistance, call 1-800-557-7394.

Log In

Undergraduate Students | Graduate/Professional Students | Parent Borrowers | Repayment and Consolidation

Student Loan Process
Your repayment plan determines how much you pay each month and how much time you have to repay your student loan(s).

What Can I Do When I Log In?

- ▶ Complete a Direct Consolidation Loan Application and Promissory Note
- ▶ Use the Repayment Estimator
- ▶ Apply for an Income-Driven Repayment Plan
- ▶ Co-sign Spouse's Income-Driven Repayment Plan Request

Watch to Learn More!

Repayment: What To Expect
How To Manage Your Student Loans

Need an FSA ID = username and password

Works for ME ✓

BONUS: What is the #1 money management strategy for a college student?



Improved Education

- Financial Education in our schools
 - Encouraging fiscally sound decisions
 - File the FAFSA! October 1, 2016
 - Compare award letters to find best financial fit
 - Borrow only what is truly needed
 - Okay to decline
 - Borrow no more than 1st year salary
 - Nextstepmaine.org
 - Careeronestop.org
 - Borrow federal first

Improved Education

Borrow no more than 1st year salary

Student loan debt	\$ 30,908.00
Annual income	\$ 31,000.00
Gross monthly	\$ 2,583.33
Take home pay	\$ 2,027.70
Savings	\$ 258.00
Housing	\$ 500.00
Food	\$ 400.00
Transportation	\$ 350.00
Communication	\$ 200.00
Student loan pmt	\$ 300.00
Leftover	\$ 19.70

Student loan debt	\$ 45,000.00
Annual income	\$ 31,000.00
Gross monthly	\$ 2,583.33
Take home pay	\$ 2,027.70
Savings	\$ 258.00
Housing	\$ 500.00
Food	\$ 400.00
Transportation	\$ 350.00
Communication	\$ 200.00
Student loan pmt	\$ 450.00
Leftover	\$ (130.30)

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Improved Education

- SALT
 - Free to Maine students and educators
 - 100+ Ways to get rid of Student Loans
 - Offered by college?
 - Free loan counseling FOR LIFE!
 - Saltmoney.org/FAME
- Claim Your Future
 - Live version: order your own or invite a FAME friend
 - Online version: claimyourfuture.com
- JumpStart conference for more ideas

Improved Education

- Wednesday Webinars
- 5 on the 5th
- Informational Videos

Improved Education

- Entrance Counseling required
 - Complete in the classroom
 - Encourage completion by the student, not the parent

Loan limits

- Undergraduate
 - Dependent: \$31,000
 - Independent: \$57,500
- Graduate
 - \$138,500



Improved Repayment Options

- Standard
- Graduated
- Extended
- Income Driven

Standard Repayment

- How it works:
 - Automatically enrolled
 - Equal monthly payment
 - Minimum \$50
 - Maximum term 10 years
 - Figure \$100 per month for each \$10,000 borrowed
- Best Fit:
 - Can afford monthly payment

Income Driven Plans

- Direct
 - Income Based Repayment (IBR)
 - Pay As You Earn (PAYE)
 - Revised Pay As You Earn (REPAYE)
 - **NEW** effective December 17, 2015
 - Income Contingent Repayment (ICR)

IDR Information

Income-Driven Repayment Plan	Payment Amount
REPAYE Plan	Generally 10 percent of your discretionary income.
PAYE Plan	Generally 10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount
IBR Plan	<p>Generally 10 percent of your discretionary income if you're a new borrower on or after July 1, 2014*, but never more than the 10-year Standard Repayment Plan amount</p> <p>Generally 15 percent of your discretionary income if you're not a new borrower on or after July 1, 2014, but never more than the 10-year Standard Repayment Plan amount</p>
ICR Plan	<p>The lesser of the following:</p> <ul style="list-style-type: none"> • 20 percent 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
<p>*For the IBR Plan, you're considered a new borrower on or after July 1, 2014, if you had no outstanding balance on a William D. Ford Federal Direct Loan (Direct Loan) Program loan or Federal Family Education Loan (FFEL) Program loan when you received a Direct Loan on or after July 1, 2014. (Because no new FFEL Program loans have been made since June 30, 2010, only Direct Loan borrowers can qualify as new borrowers on or after July 1, 2014.)</p>	

<https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven>

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- Direct loans:
 - Online at Studentloans.gov
 - Need FSA Username
 - Paper

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StudentLoans.gov
English | Español

My Account | Getting Loans | Tools and Resources | Managing Repayment | FAQs | Contact Us

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Watch to Learn More!

Repayment: What To Expect

How To Manage Your Student Loans

Income Based Repayment

- How it works:
 - Opt in
 - Based on income & family size
 - Readjusted every year
 - Must have “partial financial hardship”
 - Subsidized loan interest covered by ED for 3 years
 - Unpaid interest capped when no longer eligible for IBR
 - Borrowers with LOANS BEFORE JULY 1, 2014
 - Maximum term up to 25 years with balance forgiven after 25 years
 - Payment capped at 15% of discretionary income
 - Borrowers with LOANS ON OR AFTER JULY 1, 2014
 - Maximum term up to 20 years with balance forgiven after 20 years
 - Payment capped at 10% of discretionary income**
 - Taxed on amount forgiven
- Best Fit:
 - Long term financial hardship
 - High loan balances
 - Helps if pursuing Public Service Loan Forgiveness and have Direct Loans
 - Direct or FFELP
- <https://studentaid.ed.gov/sa/repay-loans/understand/plans/income-driven>

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Revised Pay As You Earn (REPAYE)

■ How it works:

- Opt in
- Based on income & family size
- Payment capped at 10% of discretionary income**
- If monthly payment is less than the monthly interest, the excess interest will be reduced by 50%
- Readjusted every year
- Married persons on REPAYE will have their spouse's income count towards their monthly payment, regardless of whether or not they filed their taxes jointly or separately
 - Exceptions to this are those who are legally separated or cannot reasonably access the spouse's income, such as victims of domestic abuse.
- Doesn't matter when the first Direct or FFEL loan was issued
- Balance forgiven after 20 years, if only borrowed undergraduate loans
- Balance forgiven after 25 years, if borrowed any graduate loans
- Taxed on amount forgiven

■ Best Fit:

- Recent graduates
- Long term financial hardship
- High loan balances
- Helps if pursuing Public Service Loan Forgiveness
- Direct only (can consolidate to become eligible)

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- To estimate payments use repayment estimator



Repayment Plan		First Monthly Payment	Last Monthly Payment	Total Amount Paid	Projected Loan Forgiveness ⓘ	Repayment Period
Standard ⓘ		\$288	\$288	\$34,553	\$0	120 months
Graduated ⓘ		\$163	\$489	\$36,510	\$0	120 months
Revised Pay As You Earn (REPAYE) ⓘ		\$14	\$197	\$25,627	\$12,239	300 months
Pay As You Earn (PAYE) ⓘ		\$14	\$135	\$15,374	\$22,626	240 months
Income-Based Repayment (IBR) ⓘ		\$29	\$288	\$50,042	\$8,149	300 months
IBR for New Borrowers ⓘ		\$14	\$135	\$15,374	\$22,626	240 months
Income-Contingent Repayment (ICR) ⓘ		\$107	\$142	\$32,114	\$0	263 months

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Forgiveness/Cancellation

- Forgiveness/Cancellation Snapshot:
 - Check out “100+ Ways to Get Rid of Your Student Loans” on saltmoney.org
 - Teacher Loan Forgiveness (Stafford)
 - 5 years at low income school
 - First loan on or after 10/1/1998
 - Teacher Cancellation (Perkins)
 - Cancellation for each year of eligible service
 - Public Service Loan Forgiveness
 - 10 years in Public Service
 - **Complete annual certification**
 - Must make payment equivalent to standard 10 year repayment unless qualify for income driven repayment plan
 - Total and Permanent Disability Discharge
 - Unable to work at all
 - Complete application at disabilitydischarge.com
 - Can submit VA or SSA paperwork
 - 3 year conditional period unless service related disability
 - Death Cancellation
 - Provide death certificate
- Bankruptcy: under most conditions Federal Student loans are not dischargeable

Deferment

- How it works:
 - Opt in
 - Payment of principal and interest is temporarily delayed
 - The government pays interest on your *Federal Perkins Loan*, *Direct Subsidized Loan*, and/or *Subsidized Federal Stafford Loan*; all other loan types borrower is responsible for the interest
 - Unpaid interest is capitalized at the end of the deferment
 - Apply online or complete paper and mail to servicer
- Deferment types:
 - Enrollment in school
 - Economic or temporary financial hardship
 - If based on SNAP or TANF, deferment period ends on anniversary date
 - Unemployment
 - Military deployment
 - Natural disaster

Forbearance

- How it works:
 - Opt in
 - Payment of principal and interest is temporarily delayed
 - May be required to pay interest after a certain number of months (servicer discretion)
 - Unpaid interest is capitalized at the end of the forbearance
 - Apply online, via paper form, or over the phone with servicer
- Forbearance types:
 - Discretionary
 - Mandatory

Federal Consolidation

■ How it works:

- Apply online or by paper at [StudentLoans.gov](https://studentloans.gov)
- 5 steps for Federal Direct Consolidation:
 - Choose Loans & Servicer
 - Repayment Plan Selection
 - Terms & Conditions
 - Borrower & Reference Information
 - Review & Sign
- Loans are paid off creating 1 new loan
- Unpaid interest is capitalized and becomes part of the loan amount
- Missed a loan? Can add any federal loan within 180 days
- Creates whole new loan so past forgiveness payments don't carry over

Federal Consolidation

■ Best Fit

- More than one servicer
- High balance so need 30 year term
- Fixed interest rate
- Lower payments
- Need to resolve a default to return to school or regain other federal benefits
- Gain eligibility for Public Service Loan Forgiveness (FFEL, Perkins, Parent PLUS)

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Default Resolution

- Loan Rehabilitation
 - Income based payment
 - 9 months
 - Collection erased
 - Regain eligibility for federal student aid and benefits
 - Improved credit score
- Consolidation
 - 60 days
 - Paid collection
 - New loan in good standing

Education Tax Credits & Deductions

- Opportunity Maine State Tax Credit
 - Program may provide significant tax benefits to Maine residents paying back eligible student loans
 - Maine resident that obtained their degree in Maine on or after January 1, 2008
 - Remain Maine residents and employees in Maine after graduation
 - Apply annually for Credit for Educational Opportunity at Maine.gov/revenue/forms
 - Learn more at Opportunitymaine.org
 - December's Wednesday Webinar: Opportunity Maine
- Federal Tax Credits and Deductions
 - IRS Publication 970
 - American Opportunity Tax Credit
 - Lifetime Learning Tax Credit
 - Student Loan Interest Deduction



NEED HELP?

- You can get smart with your finances before, during and after college with SALT
- Visit saltmoney.org to sign up

The screenshot shows the SALT website's sign-up interface. At the top, there's a navigation bar with the SALT logo, a search bar, and links for SIGN UP and LOG IN. Below the navigation bar, there are tabs for MY MONEY 101, GOALS, LOAN HELP, RESOURCES, and CONNECT. The main content area features a hero section with the text 'Unlock Your Future' and a call to action 'Sign up for free!'. Below this, a message from the Finance Authority of Maine encourages users to 'punch your ticket to money knowledge below.' The sign-up form includes fields for First Name, Last Name, Email, Password, Year of Birth, Finance Authority of Maine, and College Graduation Year. There are also checkboxes for 'Send me tips for managing my finances.' and 'I agree to SALT's Terms of Use and Privacy Policy.' A 'Sign Me Up For SALT >>' button is at the bottom right. A chat support bubble is visible on the right side of the page.



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Public Service Announcement

- Beware of Student Loan Debt Relief Offers and Credit Repair “Deals”
- Student loan debt relief companies charge fees for services that you can get for free.
- Contact FAME or your loan servicer instead

- You are the key influencers and can help by
 - Providing financial education at young age
 - Encouraging fiscally sound decisions using smart award letter comparisons
 - Stressing the importance of dealing with the debt



Questions?

Finance Authority of Maine

5 Community Drive

P.O. Box 949

Augusta, ME 04332

1-800-228-3734

TTY: 207-626-2717

education@FAMEmaine.com

FAMEmaine.com



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