



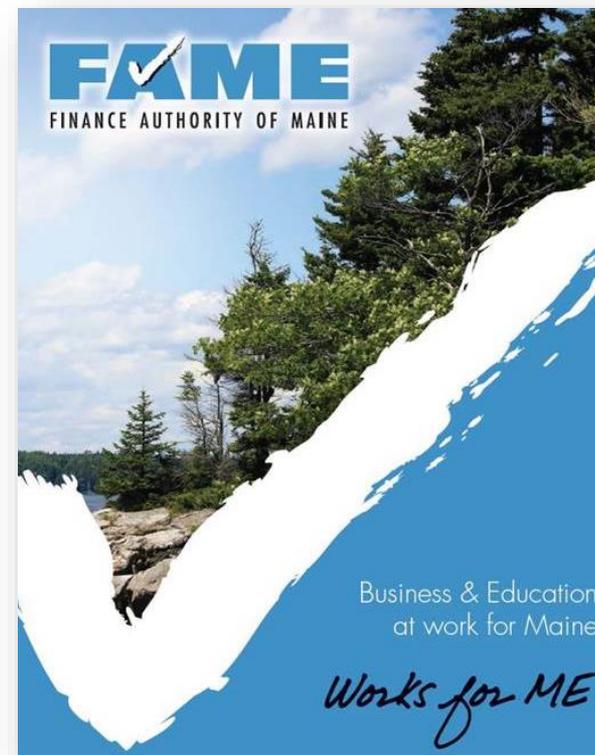
# Resources to Bridge the Gap Between College Costs and Financial Aid

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**April 28, 2017**

- Today We'll Discuss:
  - The truth about student loans
  - Reduce borrowing by saving
  - Before borrowing
  - Federal loan programs
  - Private loans
  - FAME loan programs
  - Supporting loan repayment and financial wellness

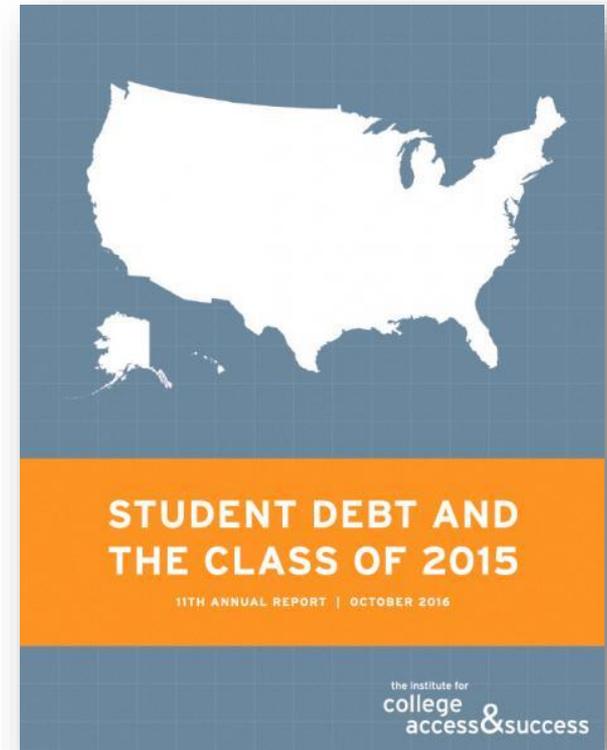




# The Truth About Student Loans

*...that you might not hear on the news*

- Average student loan debt for four year degree holders in Maine (public and private) was \$29,644 (14<sup>th</sup> highest in nation)
- Withdrawn students become defaulted borrowers
- Most have minimal debt, but no degree

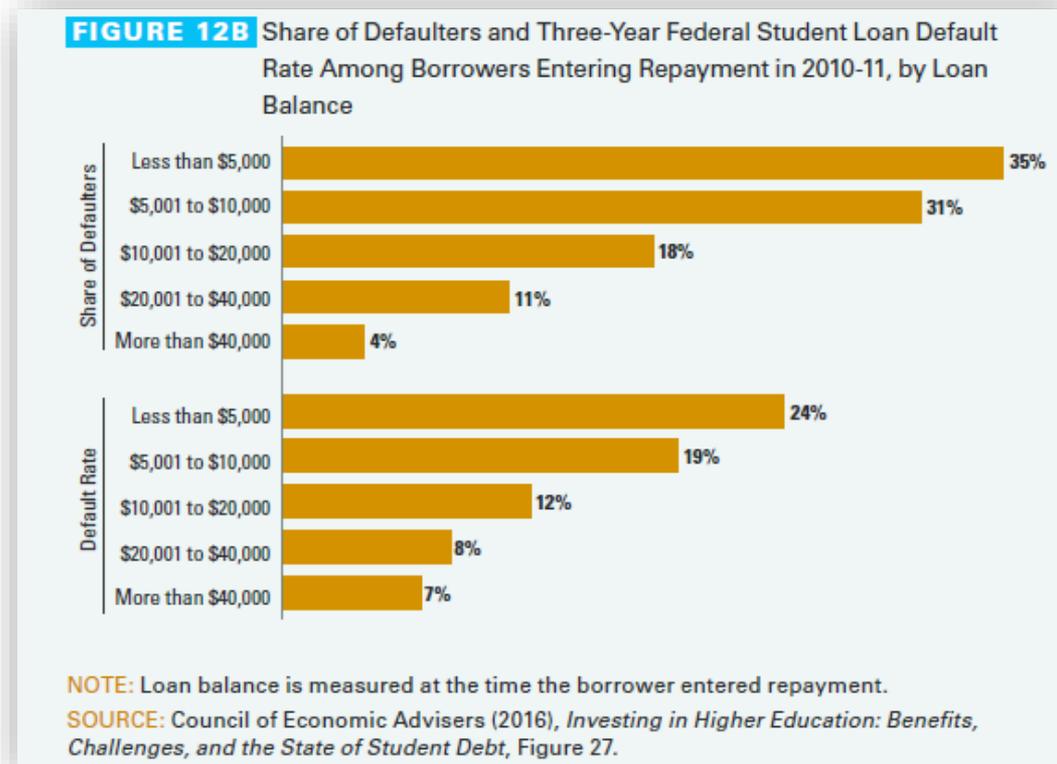


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# The Truth About Student Loans

*...that you might not hear on the news*

- The loan crisis is not about six figure debt, it's about persistence and completion
- This chart is from the College Board's Trends in Student Aid 2016.



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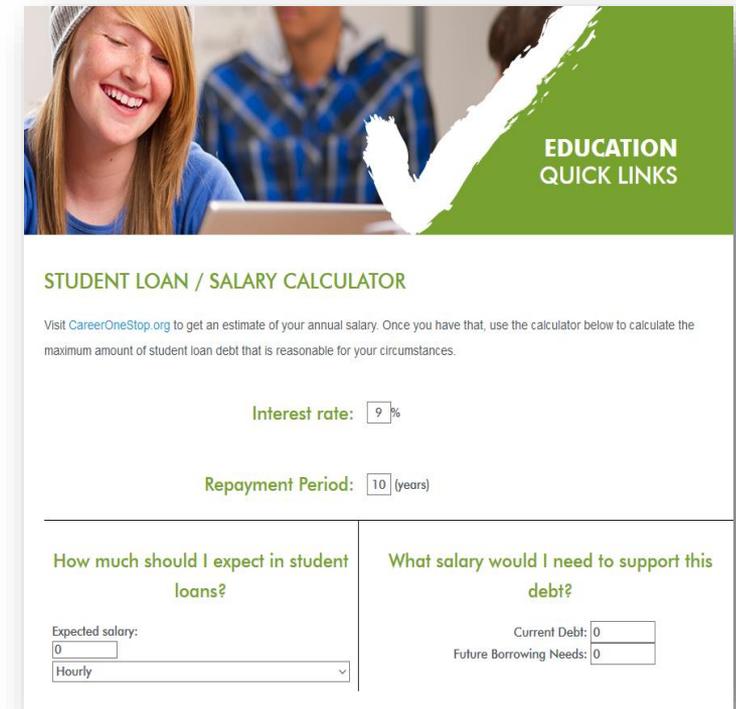
# Reduce Borrowing by Saving

- **Saving can reduce the need to borrow** and often has no impact on financial aid eligibility
- It's never too early (or too late) to start
- Common Savings Vehicles
  - 529s
  - Coverdell Education Savings Accounts
  - Savings Bonds
  - Traditional and Roth IRA withdrawals



# Before Borrowing

- **Compare** award letters to find best financial fit
- **Determine** future earnings:
  - Find expected income at [Careeronestop.org](https://www.careeronestop.org)
  - Use FAME's Student Loan/Salary Calculator
  - Borrow no more than 8 to 10% of available income, or no more than 1<sup>st</sup> year salary
- **Reduce** expenses, increase income, get financially fit!



EDUCATION QUICK LINKS

### STUDENT LOAN / SALARY CALCULATOR

Visit [CareerOneStop.org](https://www.careeronestop.org) to get an estimate of your annual salary. Once you have that, use the calculator below to calculate the maximum amount of student loan debt that is reasonable for your circumstances.

Interest rate:  %

Repayment Period:  (years)

How much should I expect in student loans?	What salary would I need to support this debt?
Expected salary: <input type="text" value="0"/> Hourly <input type="text" value=""/>	Current Debt: <input type="text" value="0"/> Future Borrowing Needs: <input type="text" value="0"/>

# Before Borrowing

- Exhaust all scholarship and grant options –
  - Free Application for Federal Student Aid (FAFSA)
  - Research and apply for outside scholarships
  - Talk to a financial aid counselor
- Remember – federal loans first!
- Borrow only what is needed (okay to decline or return loan refunds)
- Consider a tuition payment plan

# Why Federal Loans First?

- Flexible Repayment
  - Standard
  - Graduated
  - Extended
  - Income Driven
- Deferment options
- Public service loan forgiveness
- Cancellation due to death or disability
- Fixed and possibly lower interest rates
- No credit check or co-signer required for students



- **William D. Ford Federal Direct Loan Program –** available to undergraduate and graduate students attending college at least half time
  - No credit check required
  - One of the lowest-cost loan options
  - Direct Subsidized Loans
    - Need-based, included on award letter
    - Interest (3.76%) does not accrue while the student is in school
  - Direct Unsubsidized Loans
    - Not need-based, included on award letter
    - Interest (3.76% undergrad, 5.21% grad) accrues while the student is in school

# Federal Loan Programs

- **Federal Perkins Loans** – low-interest loan for students with exceptional financial need
  - Awarded by the financial aid office; school is the lender
  - Not available at all schools
  - Interest rate is 5%
  
- **Federal Direct PLUS Loans** – available to parents and graduate students
  - Credit check required
  - Can help pay for expenses not covered by other financial aid
  - Interest rate is 6.31%

- Can help bridge gap between cost of education and financial aid
- Offered by private lenders
- Separate from the financial aid process and generally not included on award letter
- Credit-based, co-signer usually required
- Both national and Maine-based lenders exist

# Private Loans – Things to Consider

- **Eligibility criteria**
- **Interest rates and fees – *fixed or variable?***
  - **Fixed**
    - Rate may be higher than variable rate student loans
    - Not impacted by interest rate changes in the market
    - Provides consistent monthly payments for the life of the loan
  - **Variable**
    - Impacted by interest rate changes and can change throughout the repayment period
    - May be less expensive than a fixed rate loan depending on the interest rate environment

# Private Loans – Things to Consider

- **Annual percentage rate (APR)** – cost of interest and fees expressed over time
- **Repayment and deferment options**
- **Quality of customer service, lender experience and reputation**
- **Additional considerations:**
  - Application process
  - Minimum, maximum, and aggregate loan amounts
  - Repayment term, borrower benefits, deferment and repayment options
  - Prepayment penalties, if any
  - Co-signer release

## ■ Maine Private Education Loan Network

- Powered by FAME and offered through multiple Maine lenders
- Includes both private loans and loan refinance options
- FAME also administers The Maine Loan



# Supporting Loan Repayment & Financial Wellness

- Required financial education modules through iGrad<sup>®</sup> as part of the application process
- Learning objectives include:
  - Things to consider before borrowing
  - Making the decision
  - Understanding credit reports, money management, and debt reduction strategies
- Access to additional financial education modules on topics such as budgeting, saving, taxes, minimizing debt and repayment strategies
- **NEW:** Private Loan Repayment Counseling

# Supporting Loan Repayment & Financial Wellness

## ■ Opportunity Maine State Tax Credit

- Tax benefit for Maine residents paying back eligible student loans
- Degree completion on or after January 1, 2008
- Employed in Maine
- Apply annually for Credit for Educational Opportunity at [Maine.gov/revenue/forms](http://Maine.gov/revenue/forms)
- [liveandworkinmaine.com/opportunity-maine/](http://liveandworkinmaine.com/opportunity-maine/)

## ■ Alfond Leaders Program

- Launched February 21, 2017 in partnership with FAME and the Harold Alfond Foundation
- Student loan repayment assistance to people who live and work in Maine in a STEM-designated occupation at a Maine-based employer (STEM – Science, Technology, Engineering and Math)
- Debt reduction payments paid in two disbursements of up to \$60,000 in aggregate per recipient
- [alfondleaders.org/](http://alfondleaders.org/)

## ■ Federal Education Tax Credits and Deductions

- American Opportunity Tax Credit
- Lifetime Learning Tax Credit
- Student Loan Interest Deduction
- **IRS Publication 970**

# Supporting Loan Repayment & Financial Wellness

- Visit [FAMEMaine.com](http://FAMEMaine.com)
- Salt<sup>®</sup> financial education and counseling  
[SALTMONEY.ORG/FAME](http://SALTMONEY.ORG/FAME)
- Free tools, calculators, and apps to get your financial life in order



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# Supporting Loan Repayment & Financial Wellness

- [TheLoanforME.com](https://www.theloanforme.com) was created to help Maine families become informed borrowers
- Primary audiences:
  - families who need to close the gap between college costs and financial aid
  - individuals seeking to refinance existing student loan debt
- Provides helpful information through FAQ's, videos, tools and calculators



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# Supporting Loan Repayment & Financial Wellness

- Encourage withdrawn students to contact their loan servicer, FAME or their school
- Early awareness of Salt promotes successful loan repayment



**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.

## Word of Caution

- Beware of Student Loan Debt Relief Offers and Credit Repair “Deals”
- 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
  - Encouraging sound financial decision making
  - Stressing the importance of dealing with the debt
  - Encouraging your students to utilize free resources
  - Don't go it alone – we're here to help!



# FAME Financing Specialists

1-800-228-3734



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Questions?

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