Loans

- **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
  - Studentloans.gov
Interest Treatment

Federal loans

Subsidized

Unsubsidized
## Interest Treatment

<table>
<thead>
<tr>
<th>School Year</th>
<th>Unsubsidized Loan Amount</th>
<th>Interest Rate</th>
<th>2011-2012</th>
<th>2012-2013</th>
<th>2013-2014</th>
<th>2014-2015</th>
<th>Total interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-2012</td>
<td>$2,000</td>
<td>6.80%</td>
<td>$136</td>
<td>$136</td>
<td>$136</td>
<td>$136</td>
<td>$544</td>
</tr>
<tr>
<td>2012-2013</td>
<td>$2,000</td>
<td>6.80%</td>
<td></td>
<td>$136</td>
<td>$136</td>
<td>$136</td>
<td>$408</td>
</tr>
<tr>
<td>2013-2014</td>
<td>$2,000</td>
<td>3.86%</td>
<td></td>
<td></td>
<td>$77</td>
<td>$77</td>
<td>$154</td>
</tr>
<tr>
<td>2014-2015</td>
<td>$2,000</td>
<td>4.66%</td>
<td></td>
<td></td>
<td></td>
<td>$93</td>
<td>$93</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$8,000</td>
<td></td>
<td>$136</td>
<td>$272</td>
<td>$349</td>
<td>$442</td>
<td>$1,200</td>
</tr>
</tbody>
</table>

Annual interest accrual = \$\text{loan amount} \times \text{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
The Situation

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

- 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
FAMEwork 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 >
Federal Student Aid

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.

1. **Prepare for College**
   - Learn about exploring careers, choosing and applying to schools, and taking required tests. Use checklists to help get ready.

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

3. **Who Gets 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.

4. **FAFSA: Applying 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.

5. **How to Repay Your Loans**
   - Choose a repayment plan, pay on time, avoid default, and get help with problems.

Studentaid.ed.gov
Need an FSA ID = username and password
BONUS: What is the #1 money management strategy for a college student?
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
  o Okay to decline
• Borrow no more than 1\textsuperscript{st} year salary
  o Nextstepmaine.org
  o Careeronestop.org
• Borrow federal first
### Improved Education

Borrow no more than 1\textsuperscript{st} year salary

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student loan debt</td>
<td>$ 30,908.00</td>
</tr>
<tr>
<td>Annual income</td>
<td>$ 31,000.00</td>
</tr>
<tr>
<td>Gross monthly</td>
<td>$ 2,583.33</td>
</tr>
<tr>
<td>Take home pay</td>
<td>$ 2,027.70</td>
</tr>
<tr>
<td>Savings</td>
<td>$ 258.00</td>
</tr>
<tr>
<td>Housing</td>
<td>$ 500.00</td>
</tr>
<tr>
<td>Food</td>
<td>$ 400.00</td>
</tr>
<tr>
<td>Transportation</td>
<td>$ 350.00</td>
</tr>
<tr>
<td>Communication</td>
<td>$ 200.00</td>
</tr>
<tr>
<td>Student loan pmt</td>
<td>$ 300.00</td>
</tr>
<tr>
<td>Leftover</td>
<td>$ 19.70</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student loan debt</td>
<td>$ 45,000.00</td>
</tr>
<tr>
<td>Annual income</td>
<td>$ 31,000.00</td>
</tr>
<tr>
<td>Gross monthly</td>
<td>$ 2,583.33</td>
</tr>
<tr>
<td>Take home pay</td>
<td>$ 2,027.70</td>
</tr>
<tr>
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<tr>
<td>Transportation</td>
<td>$ 350.00</td>
</tr>
<tr>
<td>Communication</td>
<td>$ 200.00</td>
</tr>
<tr>
<td>Student loan pmt</td>
<td>$ 450.00</td>
</tr>
<tr>
<td>Leftover</td>
<td>$(130.30)</td>
</tr>
</tbody>
</table>

Works for ME ✔️
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
Filling the Gap

*Source document: Sallie Mae/IPSOS study report titled “How America Pays for College 2013”*
Improved Repayment Options

- Standard
- Graduated
- Extended
- Income Driven
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

<table>
<thead>
<tr>
<th>Income Driven Repayment Plan</th>
<th>Payment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>REPAYE Plan</td>
<td>Generally 10 percent of your discretionary income.</td>
</tr>
<tr>
<td>PAYE Plan</td>
<td>Generally 10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount</td>
</tr>
<tr>
<td>IBR Plan</td>
<td>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. 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.</td>
</tr>
</tbody>
</table>
| ICR Plan                     | The lesser of the following:  
  - 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 |

*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.)

Direct loans:

• Online at Studentloans.gov

• Need FSA Username

• Paper
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

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
  o 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)
To estimate payments use **repayment estimator**

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>First Monthly Payment</th>
<th>Last Monthly Payment</th>
<th>Total Amount Paid</th>
<th>Projected Loan Forgiveness</th>
<th>Repayment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$288</td>
<td>$288</td>
<td>$34,553</td>
<td>$0</td>
<td>120 months</td>
</tr>
<tr>
<td>Graduated</td>
<td>$163</td>
<td>$489</td>
<td>$36,510</td>
<td>$0</td>
<td>120 months</td>
</tr>
<tr>
<td>Revised Pay As You Earn (REPAYE)</td>
<td>$14</td>
<td>$197</td>
<td>$25,627</td>
<td>$12,239</td>
<td>300 months</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$14</td>
<td>$135</td>
<td>$15,374</td>
<td>$22,626</td>
<td>240 months</td>
</tr>
<tr>
<td>Income-Based Repayment (IBR)</td>
<td>$29</td>
<td>$288</td>
<td>$50,042</td>
<td>$8,149</td>
<td>300 months</td>
</tr>
<tr>
<td>IBR for New Borrowers</td>
<td>$14</td>
<td>$135</td>
<td>$15,374</td>
<td>$22,626</td>
<td>240 months</td>
</tr>
<tr>
<td>Income-Contingent Repayment (ICR)</td>
<td>$107</td>
<td>$142</td>
<td>$32,114</td>
<td>$0</td>
<td>263 months</td>
</tr>
</tbody>
</table>
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
  o 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
  o 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
• 5 steps for Federal Direct Consolidation:
  o Choose Loans & Servicer
  o Repayment Plan Selection
  o Terms & Conditions
  o Borrower & Reference Information
  o 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)
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
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
You can get smart with your finances before, during and after college with SALT

Visit saltmoney.org to sign up
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
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