



Federal Education Loan Repayment

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Who Is FAME?

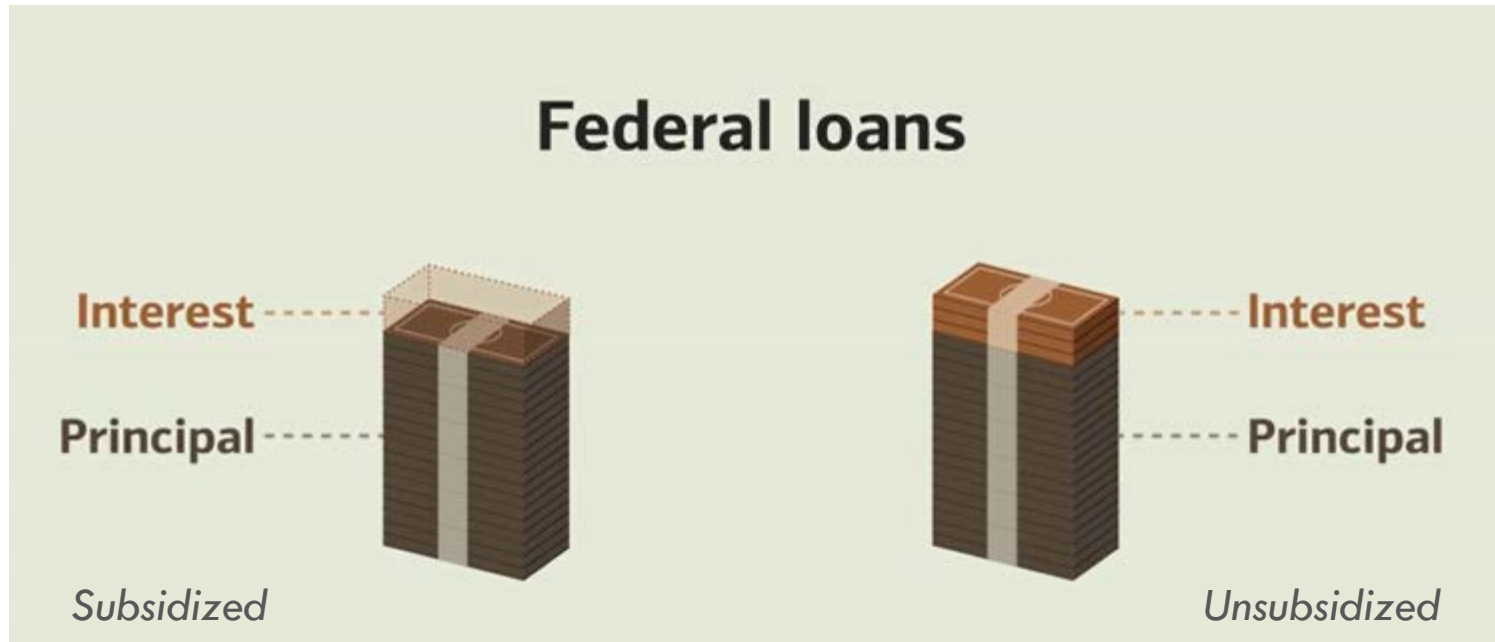
FAME helps Maine students reach their higher education goals by providing free information on planning, saving and paying for college.

- Education Loans
- Repayment Options
- Default Prevention
- Default Resolution



“I thought this was financial aid, not loans.”

- William D Ford Federal Direct Loan Program (Direct)
 - Direct Subsidized
 - Direct Unsubsidized
 - Direct Consolidation
 - Direct Parent PLUS
 - Direct Graduate PLUS
- Federal Family Education Loan Program (FFELP)
 - No new loans issued after 06/30/2010
 - Subsidized Stafford
 - Unsubsidized Stafford
 - Parent PLUS
 - Graduate PLUS
 - Consolidation
- Federal Perkins Loan Program
 - Program terminating after AY 15-16



Did You Know?

- Borrow no more than your 1st year salary.
 - Research high demand jobs in Maine: Nextstepmaine.org
 - Research careers and salaries: Onetonline.org
- Payments made on a federal loan within 120 days of disbursement acts as a partial loan cancellation and reduces the origination fee.
- If a student doesn't need all of their loan, encourage them to return the excess funds through their school's business office.

	Subsidized		Unsubsidized			Perkins		Private/Other	
2011-2012	\$3500	3.4%	\$2000	6.8%	\$0				
2012-2013	\$4500	3.4%	\$2000	6.8%	\$0				
2013-2014	\$5500	3.86%	\$2000	3.86%	\$135				
2014-2015	\$5500	4.66%	\$2000	4.66%	\$54				
TOTAL	\$19000		\$8000						

www.studentaid.ed.gov or SALT

“I borrowed too much and
can’t afford my payment.”

Repayment Options

- Standard
- Graduated
- Extended
- Income Driven

- Information Resources
 - Studentaid.ed.gov
 - famemaine.com
 - Studentloans.gov

Standard Repayment

- How it works:
 - Automatically enrolled
 - Equal monthly payment
 - Minimum \$50
 - Maximum term 10 years
- Best Fit:
 - Can afford monthly payment

Graduated Repayment

- How it works:
 - Opt in
 - Payment starts low
 - Increases every 2 years
 - Maximum term 10 years
- Best Fit:
 - Need low payment early in career
 - Confident that income will increase steadily

Extended Repayment

- How it works:
 - Opt in
 - Choose low fixed monthly or increased over time
 - Must owe at least \$30,000
 - Maximum term up to 25 years
- Best Fit:
 - Need low payment for longer period of time
 - Confident that income will not increase steadily
 - Do not qualify for income driven repayment

- Direct
 - Income Based Repayment (IBR)
 - Pay As You Earn (PAYE)
 - Revised Pay As You Earn (REPAYE) effective December 2015
 - Income Contingent Repayment (ICR)
- FFELP (no new loans after 07/01/2010)
 - Income Based Repayment (IBR)
 - Income Sensitive Repayment (ISR)

IDR Information

Income-Driven Repayment Plan	Payment Amount
IBR Plan for those who are not new borrowers* on or after July 1, 2014	Generally 15 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount
IBR Plan for those who are new borrowers* on or after July 1, 2014	Generally 10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount
Pay As You Earn Plan	Generally 10 percent of your discretionary income, but never more than the 10-year Standard Repayment Plan amount
ICR Plan	The lesser of the following: <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

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

*For the IBR Plan, you are 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 may qualify as new borrowers on or after July 1, 2014.)

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How do I estimate my eligibility and payment amount?

Use our [Repayment Estimator](#) to estimate your eligibility for all repayment plans, including income-driven plans. The Repayment Estimator provides a comparison of estimated monthly payment amounts for all **federal student loan** repayment plans. This comparison is important because the income-driven plans may not provide you with the lowest payment amount based on your individual circumstances. You may find that your payment will be lower under another repayment plan.

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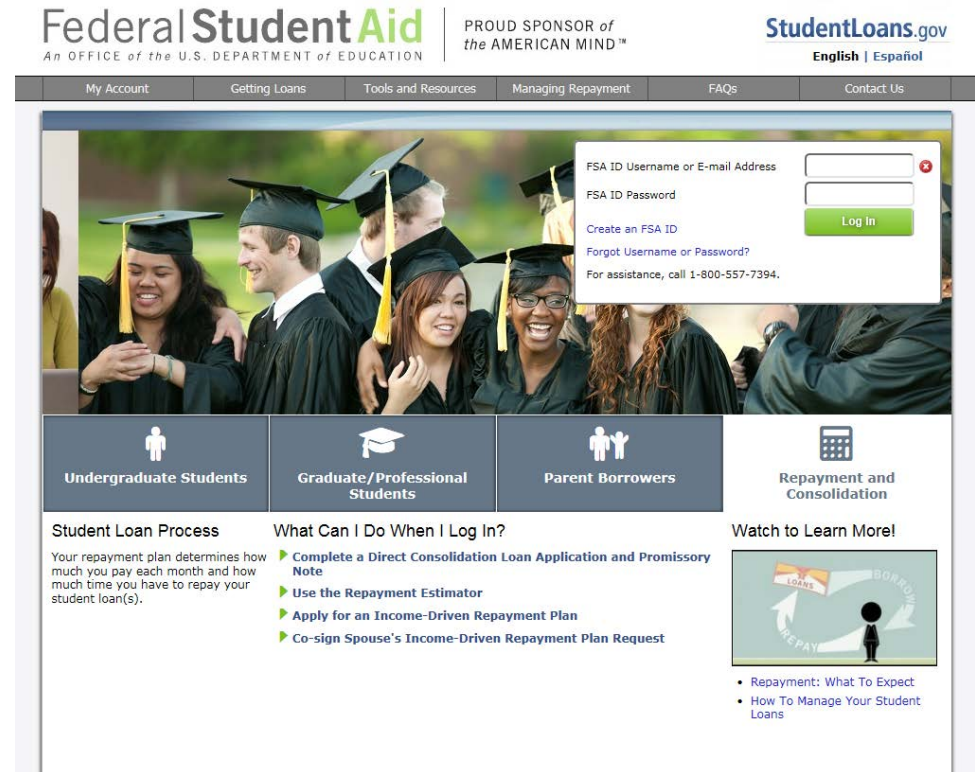
■ Direct loans:

- Online at Studentloans.gov
 - Need FSA Username

- Paper

■ FFELP:

- Online with servicer
- Paper



The screenshot shows the StudentLoans.gov website. At the top, it says "Federal Student Aid" and "PROUD SPONSOR of the AMERICAN MIND™". The navigation menu includes "My Account", "Getting Loans", "Tools and Resources", "Managing Repayment", "FAQs", and "Contact Us". The main content area features a login form with fields for "FSA ID Username or E-mail Address" and "FSA ID Password", a "Log In" button, and links for "Create an FSA ID", "Forgot Username or Password?", and "For assistance, call 1-800-557-7394". Below the login form is a navigation bar with icons and labels for "Undergraduate Students", "Graduate/Professional Students", "Parent Borrowers", and "Repayment and Consolidation". The main content area is divided into three sections: "Student Loan Process" (with a sub-section "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?" (with a list of actions: "Complete a Direct Consolidation Loan Application and Promissory Note", "Use the Repayment Estimator", "Apply for an Income-Driven Repayment Plan", and "Co-sign Spouse's Income-Driven Repayment Plan Request"), and "Watch to Learn More!" (with a video thumbnail and a list of topics: "Repayment: What To Expect" and "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>



Pay As You Earn (PAYE)

- How it works:
 - Opt in
 - Based on income & family size
 - Payment capped at 10% of discretionary income**
 - 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 PAYE
 - First Federal loan issued on or after October 1, 2007
 - Have a Direct loan issued on or after October 1, 2011
 - Maximum term up to 20 years with balance forgiven after 20 years
 - Taxed on amount forgiven
- Best Fit:
 - Recent graduates
 - Long term financial hardship
 - High loan balances
 - Helps if pursuing Public Service Loan Forgiveness
 - Direct only

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Revised Pay As You Earn (REPAYE)

Available mid-December 2015

- 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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Income Contingent

- How it works:
 - Opt in
 - Based on adjusted gross income (AGI), family size, and how much you owe
 - Payment changes as income changes
 - Monthly payment calculated for 12 years repayment multiplied by income factor OR
 - 20% of monthly discretionary income
 - Readjusted every year
 - Unpaid interest capped when no longer eligible for ICR
 - Direct only
 - Maximum term up to 25 years with balance forgiven after 25 years
 - Taxed on amount forgiven
- Best Fit:
 - Consolidated Parent PLUS borrowers
 - No financial hardship but want lower payment
 - High loan balances







Income Sensitive

- How it works:
 - Opt in
 - Based on annual income
 - Must reapply each year
 - Borrower chooses percentage of payment
 - Between 4% and 25% of monthly gross income
 - Payment must be more than monthly accrued interest
 - FFELP only
 - Can only be used for up to 5 years (10 when combined with another income driven plan)
- Best Fit:
 - FFELP Borrowers who do not qualify for IBR
 - No financial hardship but want lower payment
 - High loan balances

- Estimate Payments at [studentloans.gov/repayment plans](https://studentloans.gov/repayment/plans)
 - <https://studentaid.ed.gov/repay-loans/understand/plans>
 - Maximum dependent student subsidized: \$19,000
 - Maximum dependent student unsubsidized: \$8,000
 - Some interest paid while in school: \$900
(no interest paid would be closer to \$1,200)

- Use repayment estimator



Repayment Plan	Repayment Period	Monthly Payment Initial to Final Amounts	Projected Loan Forgiveness ⓘ	Total Interest Paid ⓘ	Total Amount Paid
Standard ⓘ	120 months	\$300 to \$300 	\$0	\$8,135	\$36,035
Graduated ⓘ	120 months	\$170 to \$511 	\$0	\$10,258	\$38,158
Income-Based Repayment (IBR) ⓘ	168 months	\$154 to \$300 	\$0	\$13,520	\$41,420
IBR for New Borrowers ⓘ	233 months	\$103 to \$300 	\$0	\$21,487	\$49,387
Pay As You Earn ⓘ	233 months	\$103 to \$300 	\$0	\$21,487	\$49,387
Income-Contingent Repayment (ICR) ⓘ	195 months	\$195 to \$240 	\$0	\$14,418	\$42,318

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Education Tax Credits & Deductions

- Opportunity Maine State Tax Credit
 - Program may provide significant tax benefits to Maine residents paying back eligible student loans
 - Maine residents that obtain their degrees in Maine
 - 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



I lost my job and can't make
my payment.

Default Prevention

- Why?
 - Delinquencies are reported to credit reporting agencies
 - Decrease credit score
 - Late fees
 - After 270 days you are in default
- How?
 - Income Driven Plans
 - Forgiveness/Cancellation
 - Deferment
 - Forbearance
 - Consolidation
- www.studentloans.gov



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

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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

- 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

- 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

- How it works:
 - Apply online or by paper at 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

■ 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)



NEED HELP?

“You took my tax refund.” or

“My school said I can’t have financial aid until I call you.”

- What is it?
 - After 270 days of missed payments
 - Assigned to collection agency
- What happens?
 - Collections costs – up to 25% (40% for Perkins)
 - Wage Garnishment
 - Treasury offset (tax refunds/social security payment/federal wages)
 - No federal loan benefits
 - Perhaps, no federal or other job
 - Can prevent military advancement

Default Resolution

- Consolidation
- Reinstate eligibility
- Rehabilitation

Default Resolution

- Consolidation
 - PROS:
 - Pays off defaulted loans creating new loan in good standing
 - Process takes 30 – 90 days
 - Regain eligibility for federal student aid, deferments, & forbearances
 - AWG and Tax Offset cancelled
 - Shows as paid collection account on credit report
 - Reduces collection costs to 18.5%
 - CONS:
 - All unpaid interest and collection costs becomes part of the loan amount
- Apply online or with collection agency

- Reinstatement eligibility
 - PROS:
 - Make 6 timely consecutive monthly payments
 - Receive letter stating eligibility for aid
 - Can prevent AWG and Tax Offset
 - CONS:
 - Only once
 - School may require proof that you are still making payments
- Make payment arrangements with collection agency

- Rehabilitation
 - PROS:
 - Make 9 timely consecutive voluntary monthly payments
 - Agency required to set “reasonable and affordable payment”
 - Reduction in collection costs to 16%
 - Can prevent AWG and Tax Offset
 - Collection information on credit report removed as if didn’t happen
 - Loan returned to servicer
 - Payment amount based on income
 - CONS:
 - Only once
 - Takes time
 - Payment amount based on income
 - Make payment arrangement with collection agency

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100+ Ways To Get Rid of Your Loans:

https://www.saltmoney.org/content/media/eBook/100-ways-to-get-rid-of-student-loans-without-paying-them/_/R-101-22831

Student Aid:

www.studentaid.ed.gov

www.studentloans.gov

www.nslds.ed.gov

- Keep track studentaid.gov
- Learn more studentaid.gov or saltmoney.org
- Access loan documents studentloans.gov
- Manage Your Money/Repayment saltmoney.org
- Get help FAMEmaine.com



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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- **DISCRETIONARY INCOME:** For Income-Based Repayment and Pay As You Earn, discretionary income is the difference between your income and 150 percent of the poverty guideline for your family size and state of residence. For Income-Contingent Repayment, discretionary income is the difference between your income and 100 percent of the poverty guideline for your family size and state of residence. The poverty guidelines are maintained by the U.S. Department of Health and Human Services and are available at www.aspe.hhs.gov/poverty.
- **NEW BORROWER:** Someone who has no outstanding balance on a Direct Loan or Federal Family Education Loan (FFEL) Program loan when he or she receives a Direct Loan or FFEL Program loan on or after a specific date.
- **ADJUSTED GROSS INCOME (AGI):** Your or your family's wages, salaries, interest, dividends, etc., minus certain deductions from income as reported on a federal income tax return.
- **DEFERMENT:** a postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue on Direct Subsidized Loans, Subsidized Federal Stafford Loans, and Federal Perkins Loans. All other federal student loans that are deferred will continue to accrue interest. Any unpaid interest that accrued during the deferment period may be added to the principal balance (capitalized) of the loan(s).

- **CAPITALIZATION:** The addition of unpaid interest to the principal balance of a loan. When the interest is not paid as it accrues during periods of in-school status, the grace period, deferment, or forbearance, your lender may capitalize the interest. This increases the outstanding principal amount due on the loan and may cause your monthly payment amount to increase. Interest is then charged on that higher principal balance, increasing the overall cost of the loan.
- **DEFAULT:** Failure to repay a loan according to the terms agreed to in the promissory note. For most federal student loans, you will default if you have not made a payment in more than 270 days.