



Student Loan Consolidation/Refinance 101



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- Basics of Student Loan Consolidation/Refinance
- Key Differences Between Federal and Private Student Loan Consolidation
- Overview of Maine's New Refinance Student Loan Insurance Program
- Financial Education & Responsible Borrowing
- TheLoanForME.com
- FAME Student Loan Specialists

Federal vs. Private Federal Loan Consolidation

- Federal Direct Consolidation Loan
 - Combining multiple federal education loans into a single loan resulting in one monthly payment
 - Private student loans are not eligible
 - Defaulted loans can be consolidated if certain requirements are met before consolidation
 - Interest rate is fixed based on the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest one-eighth of 1%

Federal vs. Private Federal Loan Consolidation

- Repayment begins after the loan is disbursed
- Repayment terms range from 10 to 30 years, depending on the loan amount, other education loan debt, and the repayment plan selected
- Borrower benefits offered with the original loans such as interest rate discounts, principal rebates, and some loan cancellation benefits may be lost with consolidation

Federal vs. Private Federal Loan Consolidation

- Federal loans eligible for consolidation include:
 - Direct Subsidized & Unsubsidized Loans
 - Subsidized & Unsubsidized Federal Stafford Loans
 - Direct PLUS Loans
 - Federal Family Education Loan (FFEL) Program PLUS Loans
 - Supplemental Loans for Students (SLS)
 - Federal Perkins Loans
 - Federal Nursing Loans
 - Health Education Assistance Loans
 - Some existing federal consolidation loans

Federal vs. Private Private Student Loan Refinance

- Private Student Loan Refinance (Consolidation)
 - Borrowers can consolidate multiple private student loans and/or federal education loans into a single loan resulting in one monthly payment with new interest rates and repayment terms
 - Some lenders will not allow the consolidation of federal education loans with private loans
 - Defaulted loans cannot be consolidated
 - Fixed and variable interest rates are offered based on creditworthiness
 - Repayment begins after the loan is disbursed
 - Repayment terms range from 5 to 20 years, depending on the lender and loan amount
 - Borrower benefits offered with the original loans such as interest rate discounts, loyalty incentives, repayment options based on income, and loan forgiveness programs may no longer be available to you with consolidation

Basics of Student Loan Consolidation/Refinance Terminology

- Consolidation vs. Loan Refinance
 - Consolidation – refers to the act of combining many loans into one new loan with one single payment
 - Refinance – refers to an existing student loan(s) being refinanced to become a new loan with new terms such as the interest rate, monthly payment, and repayment period

- Federal Direct Consolidation combines many federal loans into one new loan with a weighted average interest rate

- Private Loans can be used to refinance one student loan or many. When many loans are refinanced they also happen to be consolidated

- Before borrowing:
 - Create list of all federal and/or private student loans, including interest rates, terms, and other features
 - Understand the impact of consolidation/loan refinance on current and future benefits
 - Know that interest rates for private consolidation/refinance loans are based on creditworthiness. Each lender has credit criteria such as a minimum credit score, maximum debt-to-income ratio, and minimum annual income
 - Know that extending the repayment term may increase the total amount of interest paid over the life the loan

- Borrowers should weigh the pros and cons of giving up existing student loan benefits
 - Federal education loans – may be eligible for benefits such as repayment options based on income, loan forgiveness and the option to postpone payments based on financial hardship
 - Private student loans – may be eligible for benefits such as interest rate reductions for ACH payments, rebates for on-time payments, and loyalty incentives

- Borrowers should determine goals for consolidating or refinancing student loans such as:
 - Lower interest rate
 - Change from a variable to fixed interest rate
 - Reduced monthly payment
 - Convenience of a single monthly payment to one lender
 - Reduce overall costs of borrowing
 - Gain financial independence without cosigners

Things to Look for When Selecting a Lender

- Competitive interest rates and fees
- Fixed or variable interest rates
- Annual Percentage Rate (APR)
- Borrower benefits such as loyalty discounts and interest rate reductions for ACH payments
- Length of repayment period
- Quality of customer service
- Lender experience and reputation

Overview of FAME Refinance Student Loan Insurance

- Offered by Maine lenders and insured by FAME
- Launched in June of 2016
- The Maine Private Education Loan Network (MPELN) currently has six lenders offering the refinance/consolidation loan product:
 - Bath Savings Institution
 - Infinity Federal Credit Union
 - Maine State Credit Union
 - Maine Savings Federal Credit Union
 - Seaboard Federal Credit Union
 - University Credit Union



Overview of FAME Refinance Student Loan Insurance

- Available to borrowers with at least one outstanding and fully disbursed student loan in repayment
- Allows for the refinance/consolidation of private or alternative student loans and/or federal education loans (such as Stafford and PLUS)
- Student loans in default status are not eligible
- Partners in the program include:
 - iGrad[®] for financial education
 - CampusDoor for loan origination
 - American Education Services for loan servicing
 - FAME as guarantor/insurer

Overview of FAME Refinance Student Loan Insurance

- FAME sets underwriting standards in order to provide loan insurance to lender
- Lenders can offer fixed and/or variable interest rates which are set by them based on FICO score tiers
- Guarantee fee of 2%, 4% or 6% based on FICO score
- Lender has option of paying all or a portion of guarantee fee on behalf of borrower
- Guarantee fee is capitalized and part of principal balance of loan
- Loan limits
 - Minimum loan amount is \$10,000
 - Maximum loan amount is \$240,000

Overview of FAME Refinance Student Loan Insurance

- Online application available
- Immediate loan repayment of principal and interest
 - Minimum monthly payment of \$50
 - No deferral
- Repayment Terms
 - Maximum term is 15 years for credit unions and 20 years for banks
 - Borrower can select repayment term of 5 or 10 years
 - Lender has option of offering an interest rate reduction of .25% for ACH payments
 - No prepayment penalty

Overview of FAME Refinance Student Loan Insurance

- Available to Maine residents, Maine high school graduates, or borrowers who attended a Maine college or university
- Also available to prior MPELN borrowers
- Borrower and/or cosigner must be party to all education debt being refinanced/consolidated

Overview of FAME Refinance Student Loan Insurance

- Maximum student loan indebtedness (federal and private student loans) is \$240,000
- Borrower and cosigner (if applicable) must be U.S. citizens or non-citizens with permanent resident status
- Borrower must be at least 18 years old, the age of majority in Maine
- Borrower and cosigner (if applicable) must meet credit underwriting guidelines
- Credit union membership, if applicable

Overview of FAME Refinance Student Loan Insurance

- Credit requirements
 - FICO Scores of 680+
 - Maximum debt-to-income ratio of 40%
 - Minimum annual income of \$24,000
 - No derogatory credit items
 - Cosigner may be required for credit approval and must meet all credit underwriting guidelines and a minimum of two years work history

Overview of FAME Refinance Student Loan Insurance

- FAME serves as guarantor/insurer of the MPELN refinance/consolidation program
- FAME insures 90% of the principal & interest on behalf of the lender in the event of default

Overview of FAME Refinance Student Loan Insurance

- Provides Maine based lending options to help borrowers:
 - Minimize the cost of repaying higher education debt
 - Expand their financial resources
 - Remain in Maine
 - Fully participate in the Maine economy as consumers who are part of the workforce

RSLI Financial Education & Responsible Borrowing

- Borrowers are required to complete a 15 minute financial education module through iGrad[®] as part of the lender's application process
- Key learning objectives include:
 - Things to consider before refinancing/consolidating
 - Making the decision – weighing advantages and disadvantages
 - Understanding credit reports, money management, and debt reduction strategies
- Borrowers also have access to additional financial education modules through iGrad on topics such as budgeting, saving, taxes, minimizing debt and repayment strategies
 - Follow-up outreach campaign to borrowers for continued learning

Works for ME ✓

- FAME developed TheLoanforME.com to serve as a useful local student loan resource for Maine borrowers
- The website highlights the partnership FAME has with Maine lenders who offer private student loans and refinance/consolidation loans utilizing FAME's loan insurance
- Primary audiences for this website:
 - families who need to close the gap between what they saved for college and traditional financial aid resources
 - individuals seeking to refinance or consolidate their student loan debt

- The overarching goal of this online tool is to help Maine families become more informed when it comes to student loan borrowing
- The website provides helpful information, resources, and tools, including:
 - Things to consider and steps to take before borrowing
 - A student loan calculator
 - Informational videos
 - Loan comparisons and things to look for from a lender
 - Ideas on how to borrow less
 - Frequently asked questions

FAME Student Loan Specialists

1-800-228-3734



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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

www.FAMEmaine.com



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