Student Loan Repayment – Here's What You Need to Know

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PRESENTED BY

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Agenda

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- Federal Student Loan Repayment
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  - SAVE Update
  - Auto Pay
- Federal Loan Forgiveness
- Education Tax Benefits
- Closing Thoughts and Resources



Student Loan Repayment
First Steps

Understanding When Repayment Starts?

When Does Repayment Begin?

- Federal student loans typically enter repayment **after a grace period, often 6 months** after the borrower graduates, leaves school, or drops below half-time enrollment.
- If a borrower doesn’t use their full 6-month grace period, the grace period is preserved.
- If a borrower returns to school after entering repayment, their repayment status may change depending on your enrollment and loan type – i.e. go back into deferment.
- Borrower should confirm with their servicer whether or not they have a new six-month grace period.

Check Your Federal Loans

Check Your Federal Loan Types, Status, and Servicer

Log into **StudentAid.gov** using your username/password (FSA ID).

- Review and make needed updates your "**Contact Information**" (clicking on "Settings" under your name near the top of the page).
  - This is the information Federal Student Aid will use to reach you if there is an issue with your loan.
- On your **"Dashboard"**
  - verify your loan types and check the status of each loan (repayment, grace period, forbearance, deferment, delinquent, or default); and
  - **verify your loan servicer** and contact information.

Set Up an Account with Your Servicer

Set Up an Account with Your Servicer

- Your servicer handles payments and repayment related paperwork
- **Servicers will have the most up to date information**; report details to StudentAid.gov approximately once a month
- The following servicers handle most of the federally owned loans:

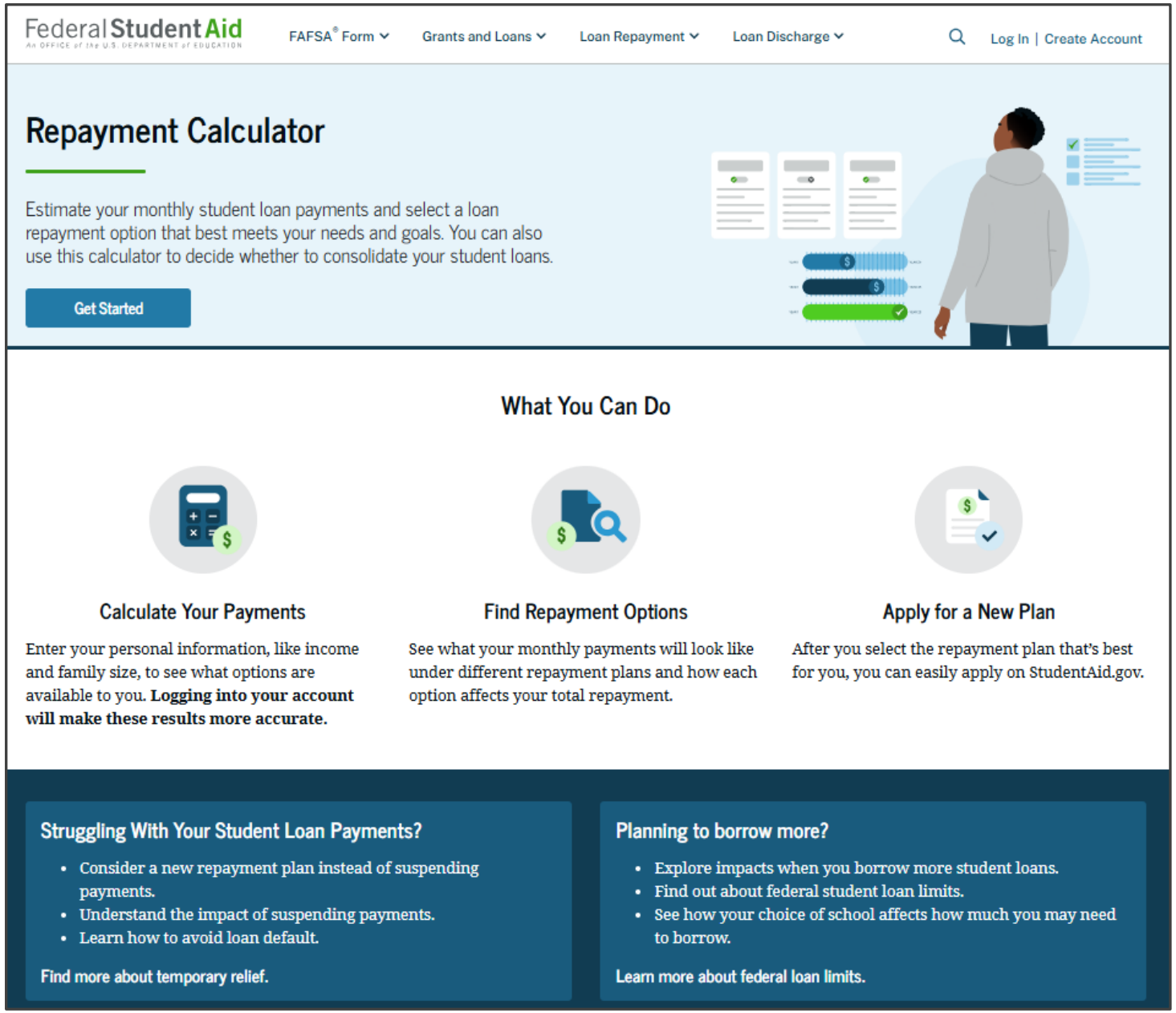
Aidvantage — aidvantage.studentaid.gov; Phone 800-722-1300
Edfinancial — edfinancial.studentaid.gov; Phone 855-337-6884
MOHELA — mohela.studentaid.gov; Phone 888-866-4352
Nelnet — nelnet.studentaid.gov; Phone 888-486-4722
CRI (Central Research, Inc.) — cri.studentaid.gov; Phone 833-355-4311

Federal Student Loan Repayment

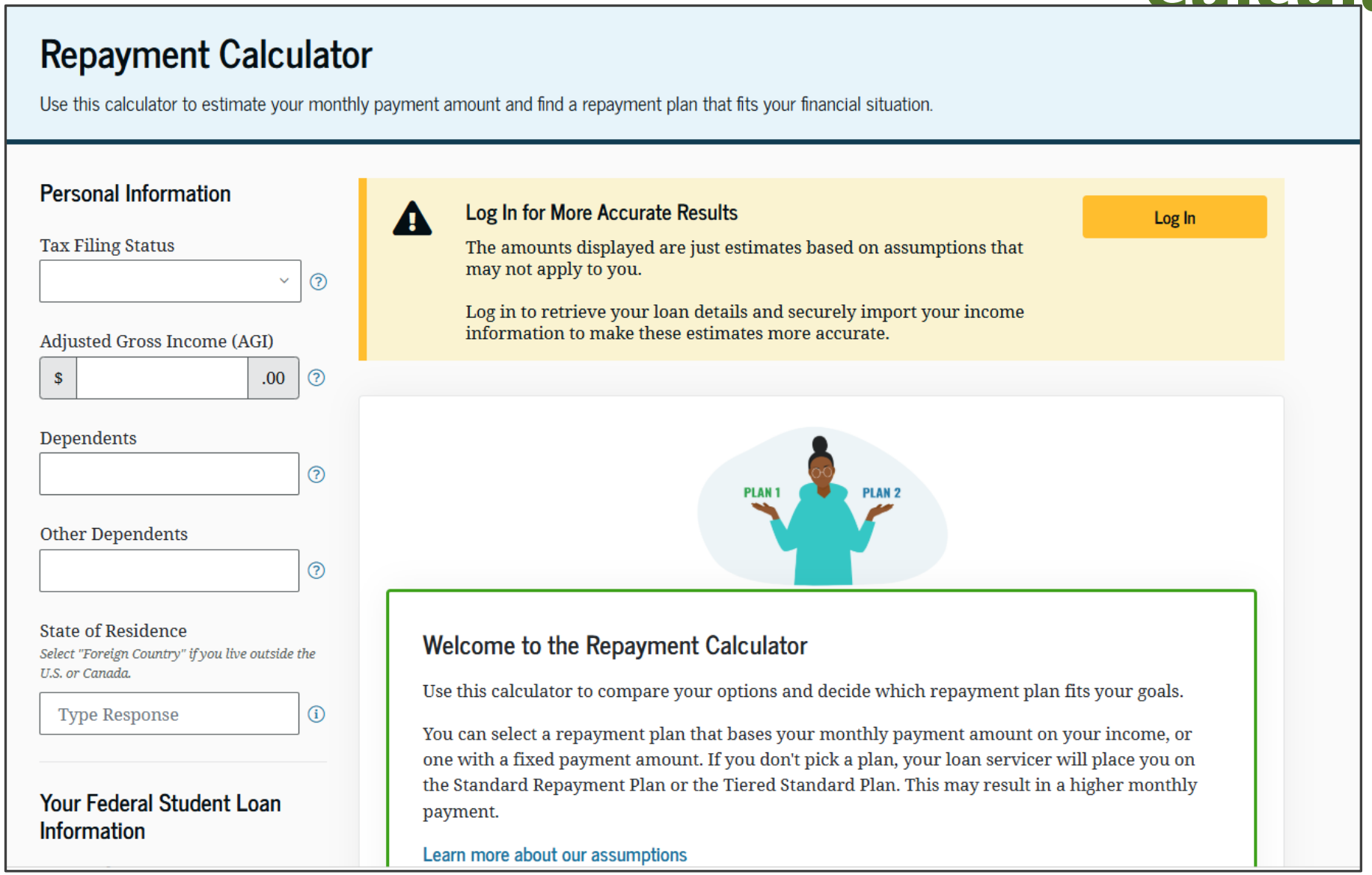
FSA's Loan Repayment

[Federal Student Aid's Repayment Calculator]

- Compare repayment plans and payment amounts
- Apply for a new repayment plan
- Track and apply for Public Service Loan Forgiveness (PSLF)



FSA's Loan Repayment Calculator



Federal Student Loan Repayment Overview

Repayment Plan Changes as of July 1, 2026 (H.R. 1)

- Borrowers with new loans on or after July 1, 2026, will have two options to repay their federal student loans:

  - a **new standard tiered repayment plan** with fixed monthly payments; or

  - the **new income-based plan**, the ***Repayment Assistance Plan (RAP)***

- **All loans must be paid under the same repayment plan**, so borrowers with loans made before July 1, 2026, who take out additional loans on or after July 1, 2026, will only have the new standard repayment plan and RAP as options.

Federal Student Loan Repayment Overview

Repayment Plan Changes as of July 1, 2026

- **Current borrowers with no new loans made on or after July 1, 2026**, will continue to be eligible to enroll in the following repayment plans: current Standard, current Income Based (IBR), Graduated, Extended, or the new income-based Repayment Assistance Plan (RAP).
- Current borrowers can also enroll in **ICR or PAYE repayment plans but must transition** to one of the new eligible repayment plans (RAP, new Standard Plan, or IBR) by July 1, 2028.

Federal Student Loan Repayment – Standard Tiered Plan

Standard Tiered Repayment Plan

New standard tiered plan with 4 fixed terms of 10, 15, 20, or 25 years based on the amount borrowed (or outstanding balance if in repayment).

- Up to $24,999 – 10 years
- Between $25,000 and $49,999 - 15 years
- Between $50,000 to $99,999 - 20 years
- Over $100,000 - 25 years

Federal Student Loan Repayment (RAP)

Repayment Assistance Plan (RAP)

- Payments are **based on the borrower's adjusted gross income (AGI) and family size ($50 off monthly base payment per dependent)**
- The *base* payment will be based on AGI as follows:
  - Up to $10,000 = $120
  - $10,001 to $20,000 = 1 percent of AGI
  - $20,001 to $30,000 = 2 percent of AGI
  - $30,001 to $40,000 = 3 percent of AGI
  - $40,001 to $50,000 = 4 percent of AGI
  - $50,001 to $60,000 = 5 percent of AGI
  - $60,001 to $70,000 = 6 percent of AGI
  - $70,001 to $80,000 = 7 percent of AGI
  - $80,001 to $90,000 = 8 percent of AGI
- Minimum monthly payment is $10

RAP Example

Example:

AGI: $75,000

RAP will calculate 7% of AGI:

$75,000 x .07= $5,250

$5,250/12 months = $437/month

($50/month deduction in payment for each dependent)

Federal Student Loan Repayment (RAP)

Repayment Assistance Plan

- If a borrower is married and **filing separately**, the spouse's AGI will not be included in the payment calculation.
  - The borrower must claim the dependent on their tax return to get the $50 deduction.
- If the monthly payment isn't enough to cover accrued interest, the **interest is waived** and will not be added to the loan balance.
- If the borrower makes an on-time (on or before the due date) payment that reduces their principal by less than $50, the **outstanding principal will be reduced by up**

Federal Student Loan Repayment (RAP)

Repayment Assistance Plan

- No cap on monthly payments, even if the payment amount is higher than the calculated standard repayment plan amount.
- The maximum repayment period is **30 years**. Remaining balance is forgiven after 360 qualifying monthly payments.
- Forgiveness under RAP is **treated as taxable income**, unless it is being forgiven under PSLF.

Existing Borrower Options

Existing Borrowers – No New Loans after July 1, 2026

- Current borrowers with no new loans made on or after July 1, 2026, will continue to be eligible to enroll in the following repayment plans: current Standard, Income Based Repayment (IBR), Graduated, Extended, or the new Repayment Assistance Plan (RAP).
- Current borrowers enrolled in ICR or PAYE repayment plans must transition to one of the new eligible repayment plans by July 1, 2028.
- After all current borrowers move out of all other current IDR or the 10-year Standard plan, they will be sunset.

Repayment Plans Options for Borrowers w/ No New Loans After 7/1/26

- 10-year Standard
- Graduated Repayment
- Extended Repayment

Plans Based on Income/IDR

- “Old” Income-Based Repayment (IBR) Plan
- “New” Income-Based Repayment (IBR) Plan
- Income-Contingent Repayment (ICR) Plan (phased out by July 2028)
- Pay As You Earn (PAYE) Repayment Plan) phased out by July 2028)
- ~~Saving on a Valuable Education (SAVE) Plan (formerly REPAYE)~~

Federal Student Loan Repayment Plans

Repayment Plan	Category	Eligible Loans / Borrowers	Payment and Term	IDR/Time-based Forgiveness	PSLF Treatment
Standard	Fixed	Direct Loans, FFEL Stafford Loans, PLUS loans, and eligible Direct/FFEL Consolidation Loans	Fixed payments; generally 10 years. Consolidation terms may run 10–30 years.	No IDR forgiveness.	PSLF eligible except for Consolidation Loans
Graduated	Fixed	Eligible legacy Direct and FFEL loans.	Payments start lower and generally increase every two years.	No IDR forgiveness.	Not PSLF Eligible
Extended	Fixed	Qualifying legacy Direct and FFEL loans; must owe at least $30,000.	Fixed or graduated payments for up to 25 years.	No IDR forgiveness.	Not PSLF Eligible
"Old" Income-Based Repayment (IBR)	Income-driven	Direct and FFEL borrowers who borrowed before July 1, 2014.	Generally 15% of discretionary income; capped at the 10-year Standard amount.	Remaining balance after 25 years (300 monthly payments) of qualifying payments.	PSLF Eligible
"New" Income-Based Repayment (IBR)	Income-driven	Direct Loan borrowers who never borrowed prior to July 1, 2014.	Generally 10% of discretionary income; capped at the 10-year Standard amount.	Remaining balance after 20 years (240 monthly payments) of qualifying payments.	PSLF Eligible
Pay As You Earn (PAYE) (Phased out by July 2028)	Income-driven	Direct Loan borrowers who never borrowed prior to July 1, 2007.	Income-driven; annual recertification applies.	Remaining balance after 20 years (240 monthly payments) of qualifying payments.	PSLF Eligible
Income-Contingent Repayment (ICR) (Phased out by July 2028)	Income-driven	Direct Loans only.	Income-driven; annual recertification applies.	Remaining balance after 25 years (300 monthly payments) of qualifying payments.	PSLF Eligible
Repayment Assistance Plan (RAP)	Income-driven	Direct Loans only.	1%–10% of AGI based on income tier, minus $50 per tax dependent; $10 minimum payment.	Remaining balance after 30 years (360 monthly payments) of qualifying payments.	PSLF Eligible

Federal Parent PLUS Loan Repayment

Repayment – Parent PLUS Borrowers

Any Parent PLUS Loans **borrowed on or after July 1, 2026** (including federal consolidation loans that include Parent PLUS Loans) can **only be repaid under the new tiered standard repayment plan**.

This includes parents with existing Parent PLUS Loans who borrow a new loan on or after July 1, 2026.

Current Parent PLUS Loan **borrowers who don't borrow** a new PLUS Loan will be able to repay their loans under the 10-year standard, Extended, or Graduated repayment plan until they are fully repaid.

Current Parent PLUS borrowers **who borrow** a Parent PLUS Loan on or after July 1, 2026, will have all their Parent PLUS Loans moved to the **tiered standard repayment plan.**

Repayment – SAVE Forbearance and Litigation

Borrowers in the SAVE Forbearance

As of **August 1, 2025**, interest began accruing on loans in the SAVE plan. Loan balances continue to growing for people still n the SAVE forbearance.

A legal settlement **ended the SAVE plan.**

Borrowers in SAVE forbearance must switch plans. Starting on July 1, 2026, loan servicers began sending notices directing borrowers to **choose a new repayment plan.** Borrowers will have **90 days** to select a new repayment plan. If a new plan is not selected, they'll be moved to the standard repayment plan.

Borrower can change to a new plan now – don't need to wait for 90-day notice.

The months in the SAVE forbearance **do NOT count** toward PSLF (unlike the COVID forbearance, though buyback may be an option).

Enroll in Auto Pay!

Special Auto Pay Interest Rate

- As of July 1, 2026, certain federal Direct Loans are eligible for a 1% interest-rate reduction while enrolled in Auto Pay.
- Eligible loans are those first disbursed on or after July 1, 2012.
- **Deadline to enroll is Dec. 31, 2026.**
- Special benefit ends June 30, 2028, when rate reduction will return to the standard 0.25 %.
- Can’t enroll while new payment plan application is being processed so plan ahead.

Federal Loan Forgiveness

Public Service Loan Forgiveness (PSLF)

Public Service Loan Forgiveness (PSLF)

- Allows the remaining balance on Federal Direct Loans (including Direct Consolidation Loans) to be forgiven once certain requirements are met.
  - These must occur **ALL AT THE SAME TIME.**
    - Make 120 qualifying education loans payments,
    - under a qualifying repayment plan,
    - while working for a qualifying employer (U.S. federal, state, local, or tribal government or qualifying not-for-profit organization)
  - The amount forgiven via PSLF is NOT taxable.

Time-Based/IDR Forgiveness

- Borrowers on an income-driven repayment plan will have any remaining balance on their loans forgiven after 20, 25, or 30 years, depending on when they took out their loans.
- Here are the details:
  - Income-based repayment IBR) plan:
    - 20 years if borrowed on or after July 1, 2014
    - 25 years if not a new borrower on or after July 1, 2014
  - Income-contingent repayment plan: 25 years
  - Repayment assistance plan (RAP): 30 years
- The amount forgiven via this type of forgiveness is taxable and can be substantial.

Education Tax Benefits

Education Tax Benefits

Tax Credits and/or Deductions

- **Maine: Student Loan Repayment Tax Credit Program**
  - Available to individuals who obtained an associate, bachelor's, or graduate degree from any accredited community college, college, or university after December 31, 2007.
  - Provides an annual **refundable** tax credit of **up to $2,500** to eligible Mainers who are repaying student loans (federal and private) and who live and work in Maine.
  - Learn more and apply annually at **Maine Revenue Services.**
  - Previously known as Opportunity Maine.

- **Federal Tax Student Loan Interest Deduction**
  - Tax deduction for the interest paid on student loans for yourself, your spouse, or your dependent. Applies to all loans (federal and private) that were used to pay for higher education expenses. Maximum deduction is $2,500 a year.
  - Learn more at **IRS.gov**

Closing Thoughts and Resources

Closing Thoughts…

- When deciding on which repayment plan is best for you consider the following:
  - When did you take out your first loan?
  - If pursing forgiveness (either PSLF or time-based/IDR):
    - consider picking the plan with the lowest monthly payment
  - If not pursing forgiveness:
    - consider picking the highest payment you can afford, or
    - consider picking the lowest payment available and send extra toward the loans w/ the highest interest rate.
  - If enrolled in an IDR plan, income must be recertified each year (payment amount will likely change).

Free Assistance!

Help is available!

- FAME: Student Loan Help and Financial Wellness Resources:
  - Federal Student Loan Help - FAME Maine
  - Build Your Financial Wellness - FAME Maine
- Institute of Student Loan Advisors (TISLA):
- TISLA website: Free Student Loan Advice
  - Repayment calculator that includes RAP calculations: Student Loan Calculator
  - Borrower specific help: Maine borrowers can connect by email at FAME@freestudentloanadvice.org
- ECMC**:** Proactive (Grace Period) Federal Student Loan Counseling
  - *Borrowers who attended a campus of the University of Maine System, the Maine Community College System, and Thomas College can connect with ECMC Solutions through email, web chat, or phone 877-331-3262, or by making an appointment.*
- Enrich: Free digital financial education platform
  - Enrich provides access financial literacy activities, articles, courses, and more!

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