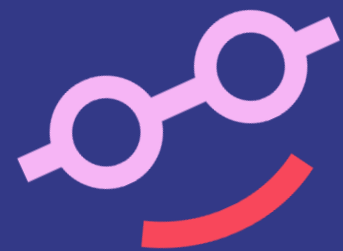




**Harvard**  
FEDERAL CREDIT UNION

# Student Loan Repayment



# Today's Webinar

## Reducing Background Noise

We've muted all attendees to help with audio quality.

## Using the "Q&A" Feature

Submit questions at any point. Let's test it!

## Presentation & Recording

This presentation is being recorded and will be posted on our YouTube channel to re-watch.

## Post-Workshop Survey

Take our post-workshop survey and let us know how we did.

# Meet Your Presenters



**Bety Mayotte**  
Founder & President



**Mel Martinez**  
Loan Servicing & Support Supervisor



# Not-For-Profit Banking at Harvard FCU



## Community Focused

Harvard FCU is dedicated to empowering our community at Harvard and beyond. Once a member, always a member, even if you leave your job. When you join membership extends to all family members.



## Products & Services

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# Today's Agenda

- Your Student Loans
- Repayment Options
- Federal forgiveness and discharge
- Refinancing Options





# STEP 1

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Understand your loans.



# Types of Student Loans

1

## **Federal**

Direct subsidized and unsubsidized, and PLUS (parent and graduate).

2

## **State**

Varies by state.

3

## **Private**

Offered by credit unions, banks, universities/schools and private companies.





# Federal Direct Loans

## Subsidized & Unsubsidized

### Formerly Stafford Loans

Federal loans have changed, you might see Stafford or Direct Loans.

### No Credit Check

The student is borrower, no credit check required.

### Subsidized

Subsidized loans are only available to undergraduates.



### Deferment

You can defer while enrolled at least half-time.

### Grace Period

After graduating you have a 6 month grace period before payments start.

### Rates

Your rates are based off when you borrowed the loan.



# Federal Plus & Graduate Plus Loan

	PLUS	GRADUATE PLUS
BORROWER	Parent (student must complete FAFSA)	Student
GRACE PERIOD	None, but can request deferment	6 months
INTEREST RATE	Varies, depending on when loan was disbursed	
LENDER	Department of Education	

# Private Student Loans

## Lender Options



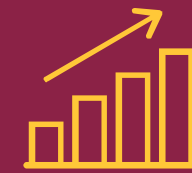
Borrowed through bank, credit union, private company.

## Terms Vary Based On Lender



You can shop around for interest rates. Grace periods may differ from lender to lender as well as repayment terms.

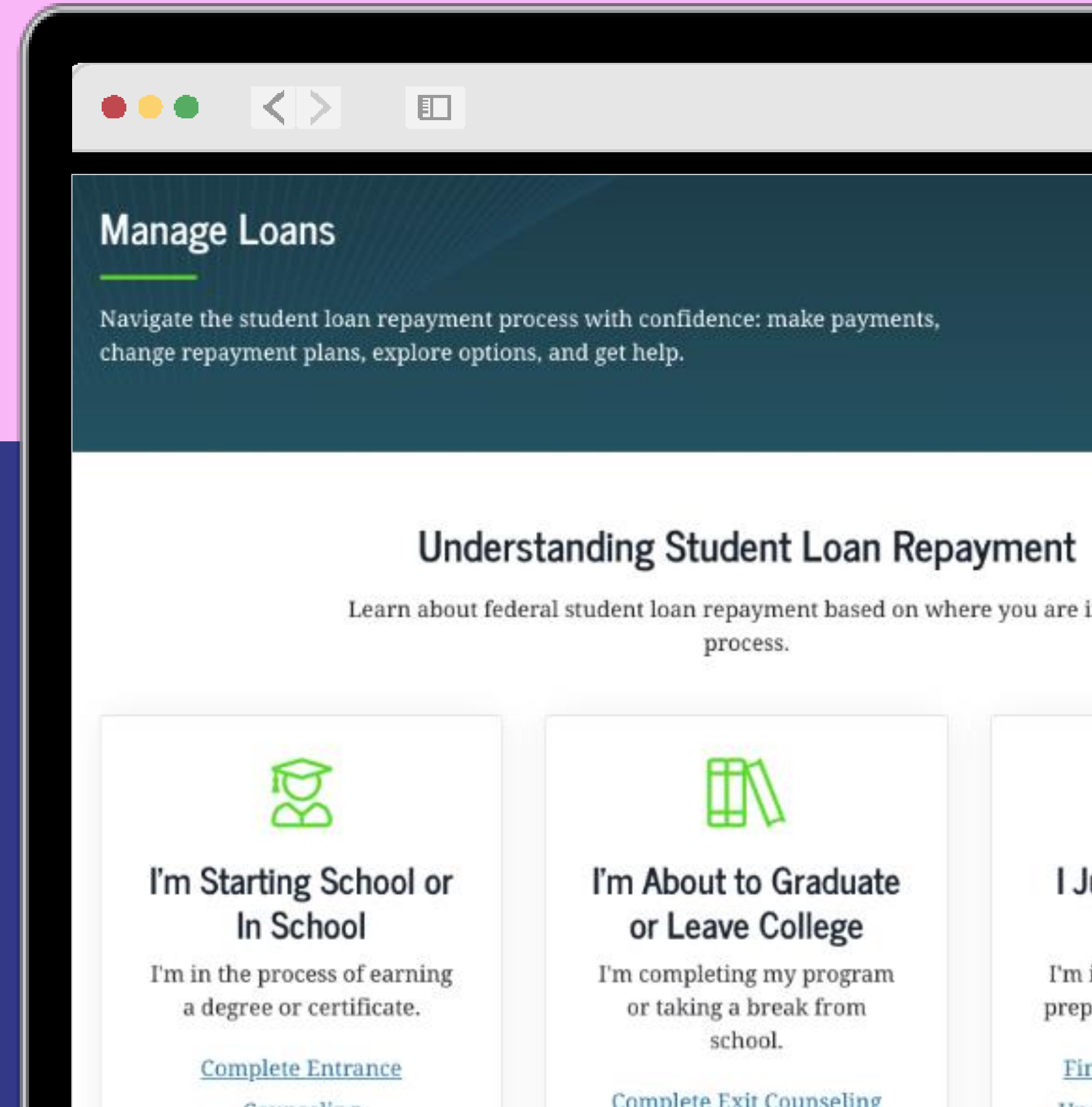
## Potential Benefits



Co-signer release options. Interest Rate reduction with auto-pay.

# Know the details

## Studentaid.gov

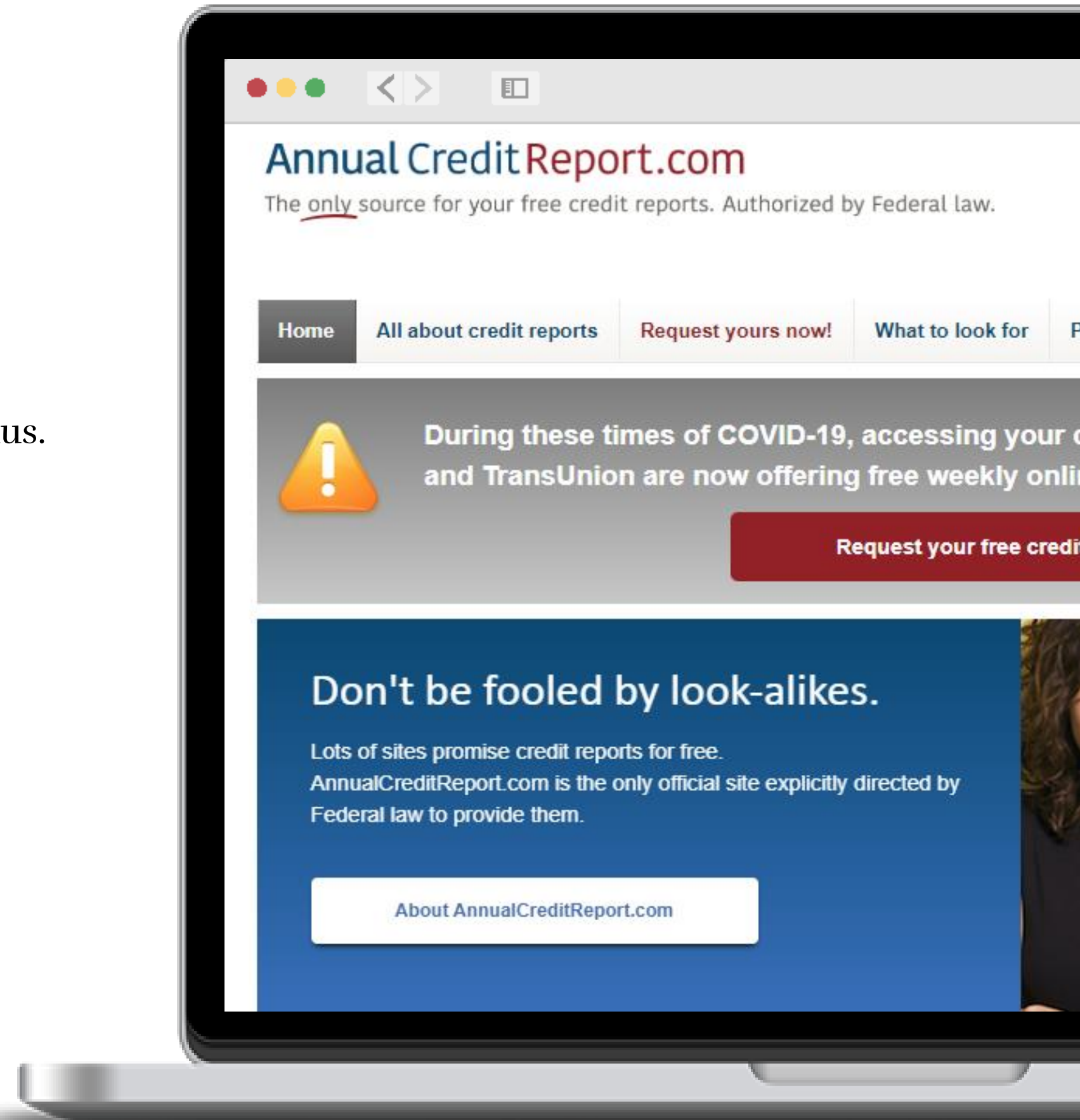




# Free Credit Report

Receive a free weekly copy of report from each of 3 bureaus.

**ANNUALCREDITREPORT.COM**





# STEP 2

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**Know Your  
Repayment  
Options**





**Harvard**  
**FEDERAL CREDIT UNION**

# The Current State of Student Loan Repayment

Presented by: Betsy Mayotte  
The Institute of Student Loan  
Advisors



# Agenda

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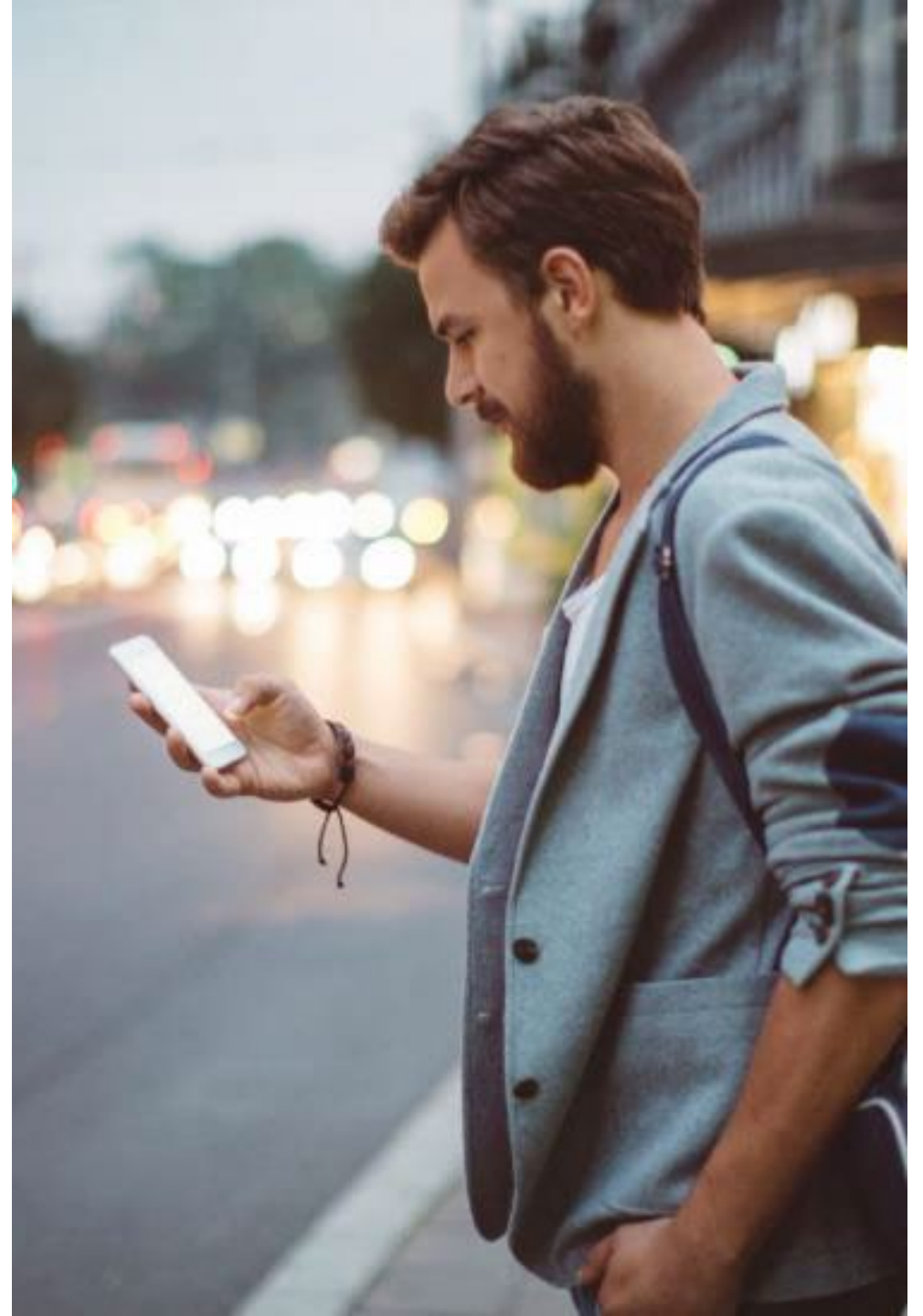
SAVE Litigation Update

ED RIF and PSLF Executive Order

Budget Reconciliation Affects on Student Loans

Repayment Options

Resources



# Current State of Student Loans



# SAVE Litigation

- New payment plan introduced under Biden administration under litigation
- Current injunction has paused new IDR applications – likely for a few months
- We expect IDR recertifications to be extended for those due in the near future
- Borrowers needing to access new IDR plans can request forbearance from the loan servicer
- Borrowers on SAVE will remain in forbearance until this fall
- Other changes coming due to the litigation including how family size is calculated for the IDR plans and whether certain deferments count toward forgiveness
- Forgiveness under ICR and PAYE is being questioned
- IBR forgiveness still being processed
- Borrowers on SAVE can either ride out the forbearance or switch plans when they are available again
- Consolidations still being processed but must use paper application
- PSLF is NOT affected





# Department of Education RIF and PSLF Executive Order





# Congressional Policy Priorities For Reconciliation

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What We're Watching



# On the Menu..

## Elimination of higher education/student loan related tax credits

- Lifetime learning credit
- Student loan interest deduction
- American Opportunity Credit

## Eliminate Grad and Parent Plus loans

- Would start winding down in 2025 and be gone completely by 2028
- Funding would come from private market
- All Stafford loans would have an annual limit of the median cost of the program
- Graduate aggregate limits would be \$100K (\$150K for professional students)
- Total aggregate \$200K
- Undergrad aggregate would be \$50K – no more than \$23K subsidized





Schools allowed to limit loan amounts in certain circumstances

Streamline repayment plans to two

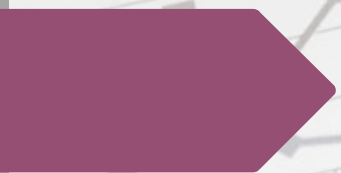
- Standard plan and one IDR plan
- Applies to loans made on or after (likely date of enactment or the July 1<sup>st</sup> after that date)

Repayment assistance plan for distressed borrowers

- Caps total payments to the equivalent of 10-year standard including interest
- Forgives interest not covered by payment
- If calculated payment is less than twice the monthly interest the principal is reduced by half the payment amount
- Payment will be 10% of discretionary income.
  - AGI (including spouse regardless of tax filing status) – 150% of the poverty line

A collage of financial and business-related items including a calculator, a compass, a pen, various charts (bar, line, pie), and a table of numbers, all in a muted, grayscale-like color palette.

# Understanding Repayment Plans



mar	apr	may	jun	jul	aug	sep	oct	nov
125,058	125,487	124,000	154,568	56,845	110,000	150,000	35,000	95,054
97,511	99,011	99,216	101,090	101,684	101,962	124,500	125,000	154,000
95,000	154,200	110,000	89,000	50,000	124,700			



# Non-IDR Plans vs IDR Plans

## Non-IDR Plans

- Payment is based on loan balance
- No forgiveness component
- Payment can change if interest rates change or due to periods of non-payment
- All federal loans potentially eligible for all plans
- Have payment minimums
- Don't require renewal
- Generally don't count for PSLF

## IDR Plans

- Payments based on income
- Forgiveness component after 20 or 25 years
- Payments usually don't change if balance changes
- Not all loans eligible for all plans
- No payment minimums
- Require annual renewal
- Count towards PSLF





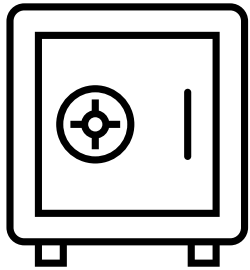
# Non-IDR Plans

- 10-year standard plan
  - Same payment for 120 payments
  - Generally, the cheapest plan
- Extended repayment
  - Extends term to 25 years
  - Must owe at least \$30K
- Graduated repayment
  - Interest only for first 2-4 years, then payments gradually increase
  - Pays loan off in ten years
- Graduated extended
  - Extends term to 25 years
  - Must owe at least \$30K
  - Interest only for first years

All federal Stafford and PLUS loans are eligible regardless of when borrowed or loan program.

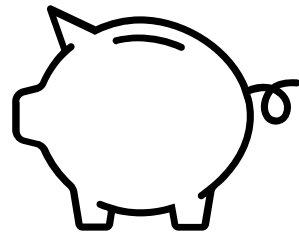
# IDR Plans

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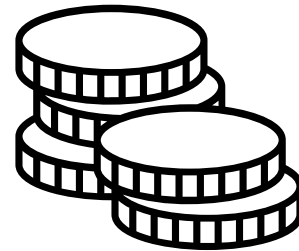
## "Old" IBR

All FFEL and Direct Loans regardless of disbursement date. Parent Plus loans not eligible unless double consolidated.



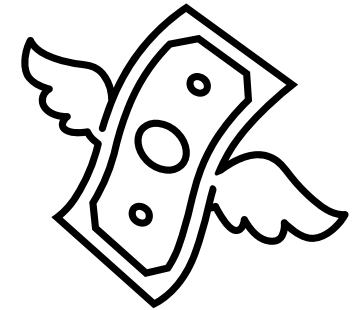
## "New" IBR

Only for borrowers with Direct Loans where none were made prior to July 1, 2014. Parent Plus loans not eligible unless double consolidated



## PAYE

Only for Direct Loan borrowers with no loans prior to October 2007. Parent Plus loans not eligible unless double consolidated



## ICR

Only for Direct Loan borrowers. Parent Plus loans can access if consolidated (no need to double consolidate)

# All IDR's

- Base payments on borrower's income
- Require annual recertification
- Forgive any remaining balance after a certain period
  - Forgiven balance will be taxed as income under all IDR's after 2025 unless Congress extends
  - Forgiveness at risk for all but IBR due to litigation
- Will include spousal income if taxes filed married
  - Spouse included in family size again even if taxes filed separately
- Will include spousal loans if both apply for an IDR
- Subsidize unbilled interest for three years for subsidized loans
- Can have a \$0 payment
- Are PSLF eligible payments if made on an eligible loan while engaged in eligible employment



# Discretionary Income

- Adjusted Gross Income (AGI) – 150%\* of poverty level for borrower's state and family size
- Example:
- AGI is \$62K, family size of 4 living in MD
- $\$62k - \$39,300 \text{ (150\% of \$26,200)} = \$22,700 / 12 = \$1892$
- $10\% \times \$1892 = \$189$
- $15\% \times \$1892 = \$283$
- For married borrowers who file taxes married AGI is total AGI for both spouse's
- For married borrowers who file separately AGI is only borrower's income
  - Exception for community property states
- \*100% for Income Contingent Repayment



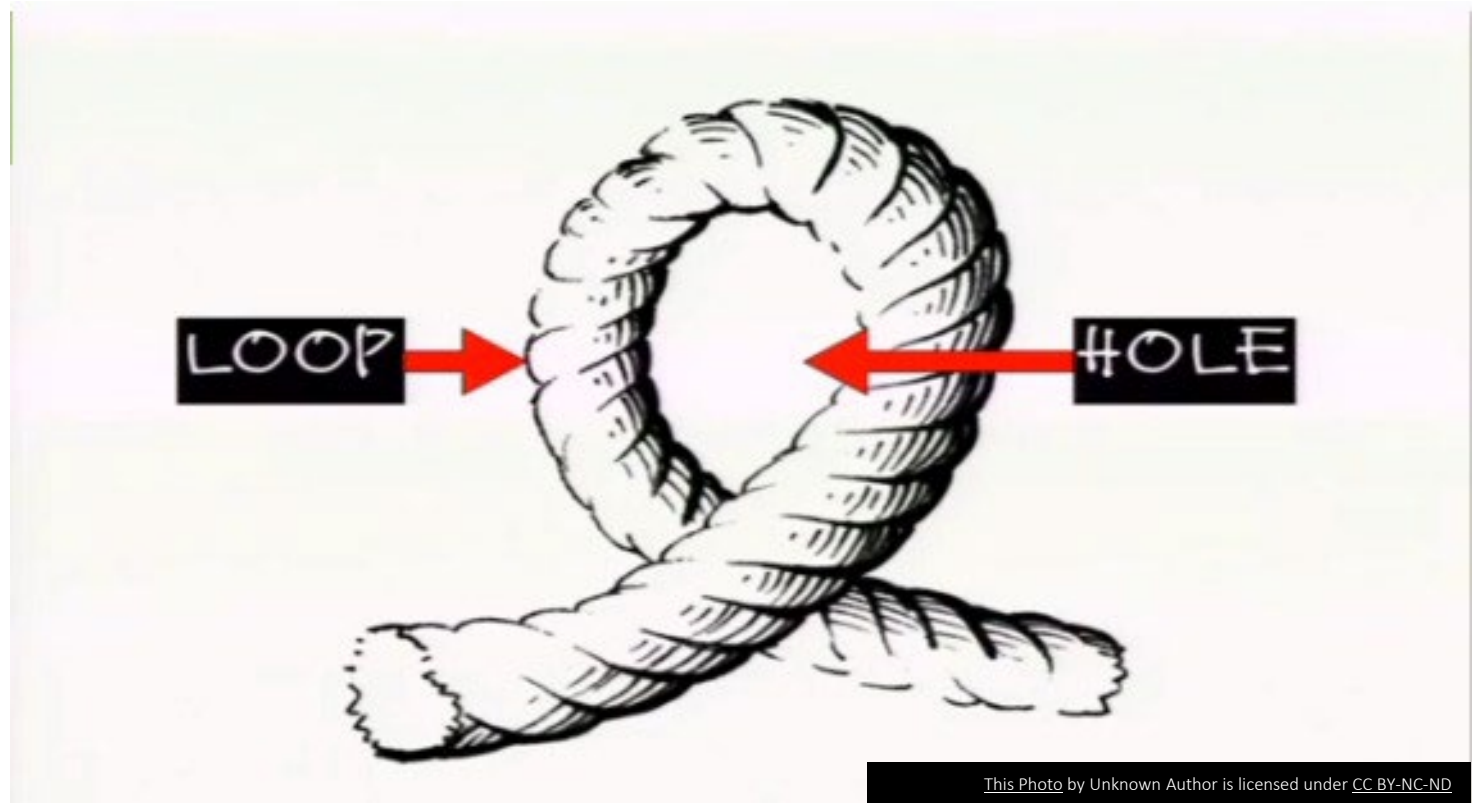


# Partial Financial Hardship

- PFH required for eligibility for some IDR's
- A PFH exists when the annual amount due on your eligible loans, as calculated under the 10-year standard repayment plan, exceeds:
  - 15% of your Discretionary Income for IBR
  - 10% of your Discretionary Income for PAYE and “New” IBR.
- \$60K principal = \$720 under 10-year standard repayment plan
- \$189 discretionary income from prior example is lower – so PFH exists

# Parent PLUS Loans

- Parent PLUS loans are not eligible for any IDR plans UNLESS:
  - They are consolidated under the Direct Loan program ([www.studentaid.gov](http://www.studentaid.gov))
  - They are then eligible for ICR only UNLESS
  - They are “double consolidated”
  - Deadline was and still could be July 1, 2025



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# Double Consolidation Instructions

- Consolidate the loans into two separate consolidations using paper applications to different servicers
- Consolidate the two new consolidations with each other – using a third servicer
- Each consolidation takes an average of 45-60 days
- Aidvantage processes the consolidations for most of the servicers – so be sure to use the correct submission address
- One can use the online application, when available, for the third step but sometimes that results in errors
- Double consolidation must be COMPLETED and funded by July 1 (if deadline remains)



## Comparing Plans

\$95K Balance

AGI \$30K

Family Size = 2

Assumes income growth of 2.5% per year

### Standard Fixed

\$570  
per month

30  
years

\$205k  
total payment

### Income Based Repay - IBR



▼ \$52 - \$112  
per month

▼ 25  
years

▼ \$23.6k  
total payment

### New IBR



▼ \$35 - \$64  
per month

▼ 20  
years

▼ \$11.5k  
total payment

### Pay As Your Earn - PAYE



▼ \$35 - \$64  
per month

▼ 20  
years

▼ \$11.5k  
total payment

### Revised PAYE



▼ \$35 - \$75  
per month

▼ 25  
years

▼ \$15.7k  
total payment

### Income Contingent Repay - ICR



▼ \$213 - \$401  
per month

▼ 25  
years

▼ \$89.3k  
total payment

# Other Options

## Deferments

- Temporarily postpones payments
- Interest still accrues and will capitalize if unpaid
- Based on borrower's eligibility, not student's
- Defaulted loans not eligible

## Forbearance

- Temporarily postpones payments
- Interest still accrues and will capitalize if unpaid
- Granted based on general financial hardship, should be saved as a last resort
- Up to 12 months at a time for a total of, usually, 36 months
- Can be obtained verbally on the phone or by form
- Defaulted loans not eligible



- Current Forgiveness Programs

- Public Service Loan forgiveness
  - Forgives balance on Direct Loans after making 120 eligible payments while working for an eligible non-profit or government employer
- Teacher Loan Forgiveness
- Discharge for
  - Death
  - Total and permanent disability
  - School committed fraud or closed before degree completion
  - Other
- Many state-based forgiveness programs available



# Private Loans

Most do not offer lower payment options unless loan is in default

Can sometimes receive forbearance, often for a fee

Refinancing can lower payments by lowering the interest rate or extending the term

Refinancing can also remove the co-signer from responsibility

If debt to income is too high, try refinancing one at a time

It is almost never recommended to refinance a federal loan into a private loan due to losing access to federal benefits and safety nets

If struggling, contact the loan holder for options as all private loans are unique



- [www.freestudentloanadvice.org](http://www.freestudentloanadvice.org)
  - Explanation of plans
  - Free advice via email
  - FAQ on SAVE litigation
- [www.studentaid.gov](http://www.studentaid.gov)
  - Application for repayment plans and consolidation
  - Loan simulator tool
  - PSLF help tool
  - Explanation of all programs covered here – and then some!
  - Access to your loan information (but not real time)
  - Access to PSLF counts



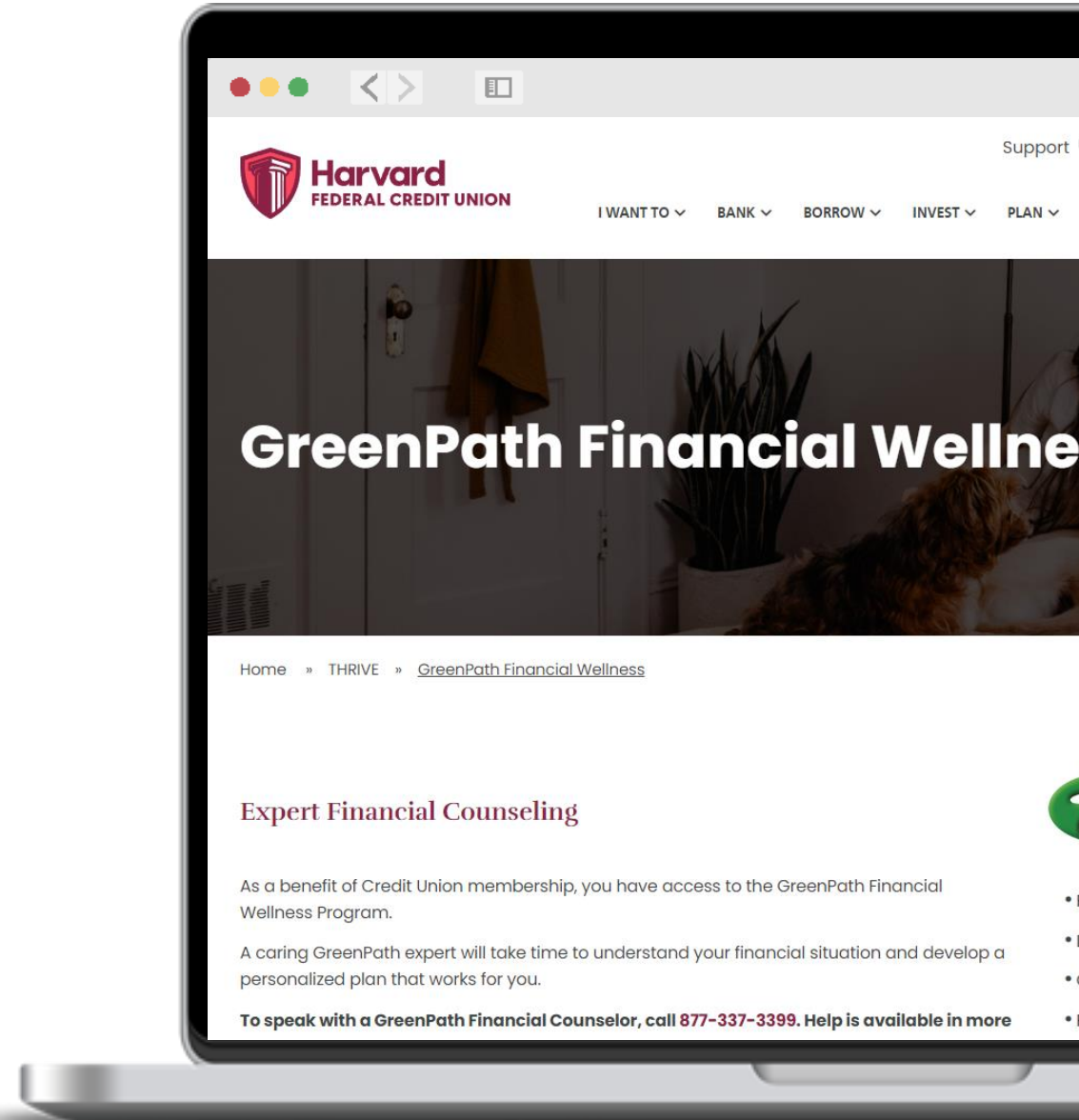
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<https://harvardfcu.org/thrive/greenpath/>





# Questions?



# Disclaimer

This presentation is a general overview of principles you may want to consider. Only you can decide what is best for you. This presentation is educational in nature and is not intended to be, and should not be construed as tax, legal or investment advice. You should always consult a certified advisor for advice on your specific situation. The examples used in this presentation are for illustrative purposes only.



# Let's keep in touch!

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