

Managing Your Student Loans

BASIC UNDERSTANDING OF THE REPAYMENT PROCESS

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Agenda

Sources of Financial Aid

Loan Servicers

Loan Basics

Repayment Plans

Sources of Financial Aid

What are the sources of financial aid?

Sources of Financial Aid	Types of Financial Aid
Federal Government	Pell Grant, SEOG, Federal Work Study, Student Loans
State Government	TSAC
Colleges and Universities	MTSU Departmental Scholarships
Private Foundations	Foundational Scholarships and Grants
Professional & Services Organizations	Scholarships and Grants outside of MTSU

Student Loan Basics

Two major types of student loans for undergraduate students:

- Federal
 - Held by the Department of Education.
- Private
 - Held by private institutions such as banks or credit unions. Terms and conditions are set by the lender, not the federal government.

Federal Student loans are offered through the William D. Ford Federal Direct Loan (Direct Loan) program. The Department of Education is the lender. Four types of Federal Student Loans:

- Direct Subsidized
- Direct Unsubsidized
- Direct PLUS
- Direct Consolidation

A Comparison: Subsidized v. Unsubsidized

DIRECT SUBSIDIZED LOAN

DIRECT UNSUBSIDIZED LOAN

Available to undergraduate students with financial need.

Available to undergraduate and graduate students. No requirement to demonstrate financial need.

School determines the amount you can borrow. May not exceed your financial need.

School determines the amount you can borrow based on cost of attendance and other financial aid you receive.

US Department of Education pays the interest during the following times:

- While you are enrolled in school at least part-time.
- For the first six months after you leave school.
- During a period of deferment (postponement of payment).

You are responsible for the interest during all periods.

If you choose to not pay the interest while in school, your interest will accumulate and be added to the principal (original) amount of the loan.

Direct PLUS Loan

Eligible to parents and professional students.

Commonly known as a Parent PLUS loan. Parents can borrow on behalf of their students to finance school.

Overview of Direct PLUS Loans:

- The U.S. Department of Education is your lender.
- You must not have an adverse credit history. A credit check will be conducted. If you have an adverse credit history, you may still be able to receive a PLUS loan if you meet additional requirements.
- The maximum PLUS loan amount you can receive is the cost of attendance (determined by the school) minus any other financial aid received.

Loan Servicer

Student loan servicers are companies that facilitate the following functions:

Track loans while borrowers are in school.

Collect payments on a loan.

Responds to customer service inquiries.

Performs other administrative tasks associated with maintaining a loan on behalf of the lender.

- Processes repayment changes, deferments, forbearances, and other activates that prevent default.

Finding your Student Loan Servicer:

- Log into your Studentaid.gov account
- Dashboard
- My Loan Servicers
- Or call the Federal Student Aid Information Center at 1-800-433-3243

Federal Loan Servicers

Loan Servicer	Contact
<u>FedLoan Servicing (PHEAA)</u>	<u>1-800-699-2908</u>
<u>Great Lakes Educational Loan Services, Inc.</u>	<u>1-800-236-4300</u>
<u>HESC/Edfinancial</u>	<u>1-855-337-6884</u>
<u>MOHELA</u>	<u>1-888-866-4352</u>
<u>Aidvantage</u>	<u>1-800-722-1300</u>
<u>Nelnet</u>	<u>1-888-486-4722</u>
<u>OSLA Servicing</u>	<u>1-866-264-9762</u>
<u>ECSI</u>	<u>1-866-313-3797</u>
<u>Default Resolution Group</u>	<u>1-800-621-3115</u> (TTY: <u>1-877-825-9923</u> for the deaf or hard of hearing)

Interest

THE DAILY COST OF BORROWING

Interest - Simply Daily Interest

Interest is the cost of borrowing money and is calculated as a percentage of the unpaid principal amount.

The “simple” in “simple daily interest” means that interest does not compound unless there is a specific reason for it to do so.

The “daily” in “simply daily interest” means that interest accrues **every day**.

Let’s walk through the calculation to determine how much interest accrues in one day on a \$30,000 loan with an interest rate of 6.39%

$(\text{Interest Rate} \div \text{Days in Year}) \times \text{Outstanding Principal Balance}$

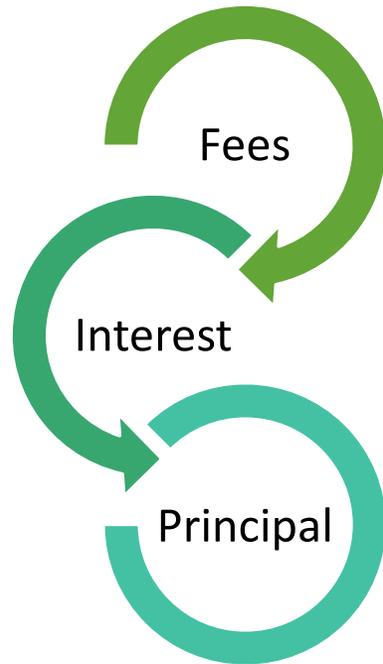
$(0.0639 \div 365) \times \$30,000 = \$5.25$ daily interest

$\$5.25 \times 31 \text{ Days in a month} = \162.75

Interest Rates for Federal Student Loans

	Interest Rate (First Disbursed on or after July 1, 2025 and before July 1, 2026)	Annual Award (subject to change)	Additional Information
Direct Subsidized	6.39% Fixed	Up to \$5,500 depending on grade level and dependency status*	6 months after school
Direct Unsubsidized	7.94% Fixed	Up to \$20,500 (less any subsidized amounts received for same period) depending on grade level and dependency status*	6 months after school
Direct PLUS	Unsubsidized 8.94% Fixed	Maximum amount is the cost of attendance (determined by the school) minus any other financial aid the student receives	May be deferred until 6 months student drop ½ time or 60 days after loan is fully disbursed

How Payments are Applied



First payment on:

- \$30,000 loan
- Interest rate: 6.39%
- Monthly payment amount: \$500.00



Repayment Plans

MAPPING OUT HOW TO PAY OFF STUDENT LOANS

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Repayment Plans – Direct Loans

Types of Repayment Plans:

- Standard
- Extended
- Graduated

Income Based Repayment Plans:

- Income-Based
- Income-Contingent
- Saving on a Valuable Education (SAVE) – no longer available

These are the repayment options as of 2025-2026. In the future, student loan repayment options will be completely different. As soon as 2028, borrowers may have to switch to new repayment plans.

Standard Repayment Plan

All borrowers are eligible for this plan.

Payments are a fixed amount that ensures your loans are paid off within 10 years (within 10 to 30 years for Consolidation Loans).

Eligible Loans

- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans
- all Consolidation Loans (Direct or FFEL)

Saving on a Valuable Education (SAVE)

SAVE Plan is the newest income-driven repayment (IDR) plan. SAVE calculates your monthly payment amount based on your income and family size.

The SAVE Plan eliminates 100% of remaining monthly interest after you make a scheduled payment. This means that if you make your monthly payment, your loan balance won't grow due to unpaid interest that accrued since your last payment.

Eligible Loans

- Direct Subsidized and Unsubsidized Loans
- Direct PLUS Loans made to graduate or professional students
- Direct Consolidation Loans that do not include PLUS loans made to parents

**** This plan is scheduled to be phased out by July 1, 2028. ****

Income-Based Repayment Plan (IBR)

Must have a high debt relative to your income.

Monthly payments will be either 10% or 15% of discretionary income, depending on when you first received your loans, but never more than you would have paid under the 10-year Standard Repayment Plan.

Payments are recalculated each year and are based on your updated income and family size.

Must update your income and family size each year, even if they haven't changed.

- If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return.

Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 years.

You may have to pay income tax on any amount that is forgiven.

Eligible Loans

- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans made to students
- Consolidation Loans (Direct or FFEL) that do not include PLUS loans (Direct or FFEL) made to parents

Income-Contingent Repayment Plan (ICR)

Any Direct Loan borrower with an eligible loan type may choose this plan.

Monthly payment will be the lesser of

- 20 percent of discretionary income, or
- the amount you would pay on a repayment plan with a fixed payment over 12 years, adjusted according to your income.

Payments are recalculated each year and are based on your updated income, family size, and the total amount of your Direct Loans. You must update your income and family size each year, even if they haven't changed.

- If you're married, your spouse's income or loan debt will be considered only if you file a joint tax return or you choose to repay your Direct Loans jointly with your spouse.

Any outstanding balance will be forgiven if you haven't repaid your loan in full after 25 years.

Eligible Loans

- Direct Subsidized and Unsubsidized Loans
- Direct PLUS Loans made to students
- Direct Consolidation Loans

**** This plan is scheduled to be phased out by July 1, 2028. ****

Extended Repayment Plan

If you're a Direct Loan borrower, you must have more than \$30,000 in outstanding Direct Loans.

Payments may be fixed or graduated and will ensure that your loans are paid off within 25 years.

Eligible Loans

- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans
- all Consolidation Loans (Direct or FFEL)

Monthly payment will be lower than under the 10-year Standard Plan or the Graduated Repayment Plan.

You may pay more over than the Standard Plan. Does not qualify for Public Student Loan Forgiveness (PSLF)

Graduated Repayment Plan

All borrowers are eligible for this plan.

Payments are lower at first and then increase, usually every **two years**, and are for an amount that will ensure your loans are paid off within 10 years (within 10 to 30 years for Consolidation Loans).

Eligible Loans

- Direct Subsidized and Unsubsidized Loans
- Subsidized and Unsubsidized Federal Stafford Loans
- all PLUS loans
- all Consolidation Loans (Direct or FFEL)

You pay more over time than the 10-year Standard Plan.

The minimum payment equals the amount of interest that accrues monthly. No one payment will be more than three times greater than any other payment.

Legislation and Repayment Plans

By 2028, many of the current repayment plans will be phased out with only three options remaining. Those plans are:

Standard Repayment

Income-Based Repayment (IBR)

Repayment Assistance Plan (RAP) – **New***

*Repayment Assistance Plan (RAP) will be available July 1, 2026. If you borrowed loans before July 1, 2026, you should have access to other repayment plans.

Loans taken out **after** July 1, 2026 will only have access to the Standard Repayment plan and RAP.

All Done!

Be sure to complete the quiz and the Workshop evaluation form.

Quiz - [Managing Student Loan Quiz](#)

Evaluation - [Workshop Evaluation Form](#)