

Comparing College Loan Options

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Webinar Topics

- **Loan Terminology**
- **Wise Borrowing**
 - **Minimizing Debt**
 - **Federal Direct Loans**
 - **Loans Details**
 - **Loan Affordability**
 - **Trusted Resources**
 - **Loan Timing**

Understand Loan Terminology

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Interest Rate

- The percentage of the amount borrowed that the lender charges for the use of its money
- Understand the difference between fixed vs. variable
 - Fixed interest rate: monthly payment will remain the same
 - Variable interest rate: monthly payment will adjust with the market
- Find out if there is a cap on variable interest rates
- Most interest rates are tied to the strength of your credit
- The interest rate may be tied to your chosen repayment option
- Pay attention to the full range of potential interest rates, not just the advertised rate

Annual Percentage Rate (APR)

- **Annual cost of the loan, including fees**
- **Expressed as a percentage**
- **Quick way to compare loans**





Repayment Term

- **Specifies the length of time to repay the loan**
- **Has a direct impact on the total cost**
- **Provides flexibility as families consider their monthly budget**
- **Most lenders offer different repayment terms to choose from**

Application and Solicitation Disclosure

- **Statement providing details about the loan and estimated total loan cost examples**
- **Required for private lenders such as [MEFA](#)**
- **Can be found on lender websites and loan comparison tools**
- **Things to look for:**
 - **What are the interest rates?**
 - **What are the fees?**
 - **What will be the total cost?**

Compare Total Loan Cost

Difference of over \$12,500!

MEFA Loan Disclosure

Loan Cost Examples

The total amount you will pay for this loan will vary depending on when you start to repay it. This example provides estimates based upon five (5) different repayment options available to you while enrolled in school.

Repayment Option (while enrolled in school)	Amount Provided (amount provided directly to you or your school)	Interest Rate (highest possible starting rate)	Loan Term (how long you have to pay off the loan)	Total Paid over life of loan (includes associated fees)
IMMEDIATE REPAYMENT Pay both the principal and interest amounts while enrolled in school.	\$10,000	6.640 %	10 years starting after your final disbursement	\$13,944.00
IMMEDIATE REPAYMENT Pay both the principal and interest amounts while enrolled in school.	\$10,000	6.740 %	15 years starting after your final disbursement	\$16,192.80
INTEREST ONLY REPAYMENT Make Interest payments during the In-School Period and defer payments on the principal amount until the end of the In-School period.	\$10,000	6.940 %	15 years starting after your final disbursement	\$17,404.68
DEFERRED REPAYMENT Make no payments while in school. Interest will accrue and capitalize once at the beginning of repayment.	\$10,000	6.890 %	15 years starting after your final disbursement	\$18,394.20
STUDENT DEFERRED REPAYMENT Make no payments while in school. Interest will accrue and capitalize once at the beginning of repayment.	\$10,000	6.990 %	15 years starting after your final disbursement	\$18,543.36

About this example

The repayment example assumes a \$10,000 loan in the first year of school with two disbursements and that you remain in school for 4 years.

Lender B Loan Disclosure

Loan Cost Examples

The total amount you will pay for this loan will vary depending upon when you start to repay it. This example provides estimates based upon three (3) different repayment options available to you while enrolled in school.

Repayment Option (while enrolled in school and during the separation period of 6 billing periods thereafter)	Amount Provided (amount provided directly to you or your school)	Interest Rate (highest possible rate)	Loan Term (how long you have to pay off the loan)	Total Paid over life of loan (includes associated fees)
1. INTEREST REPAYMENT Make interest payments but defer payments on the principal amount while enrolled in school and during the separation period.	\$10,000	15.875%	10 years starting <u>after</u> the separation period	\$26,505.34
2. FIXED REPAYMENT Make payments of \$25 while enrolled in school and during the separation period. Interest will be charged and added to your loan.	\$10,000	15.875%	10 years starting <u>after</u> the separation period	\$31,665.95
3. DEFERRED REPAYMENT Make no payments while enrolled in school and during the separation period. Interest will be charged and added to your loan.	\$10,000	15.875%	10 years starting <u>after</u> the separation period	\$32,927.31

Variable Rate Example

Loan Interest Rate & Fees

Your **starting interest rate** will be between

2.125% and 13.000%

After the starting rate is set, your rate will then vary with the market

Your Starting Interest Rate (upon approval)

The starting interest rate you pay will be determined after you apply. It will be based upon the borrower's credit history and other factors (cosigner credit, repayment option, etc). If approved, we will notify you of the rate you qualify for within the stated range.

Your Interest Rate during the life of the loan

Your rate is variable. This means that your rate could move lower or higher than the rates on this form. The variable rate is based upon the 30-day average Secured Overnight Financing Rate (SOFR) (as published by the Federal Reserve Bank of New York). For more information on this rate, see the reference notes.

Although the rate will vary after you are approved, it will **never exceed 25.000%** (the maximum allowable for this loan).

Loan Fees

Application Fee: \$0.00. **Origination Fee:** The fees that we charge to make this loan range from 0.000% to 0.000% of total loan amount. **Loan Guarantee Fee:** 0.000% to 0.000% of total loan amount. **Repayment Fee:** The fees we charge when you begin repayment range from 0.000% to 0.000% of the total loan amount. **Late Fee:** 5.000% of the amount of the past due payment, up to a maximum of \$25. **Returned Check Fee:** up to \$20.00.

Examples of other lender disclosure statements

REFERENCE NOTES

Variable Interest Rate

- This loan has a variable interest rate, that is based on a publicly available index, the 30-day average Secured Overnight Financing Rate (SOFR) rounded up to the nearest one-eighth of one percent. Your rate will be calculated each month by adding a margin between 1.500% and 12.375% to the SOFR rounded up to the nearest one-eighth of one percent.
- The rate will not increase more than once a month, but there is no limit on the amount that the rate could increase at one time.
- Please see your promissory note for more information about the circumstances in which a replacement or substitute index may be used in place of SOFR.

Eligibility Criteria Borrower

- For full-time, half-time, or less-than-half-time enrollment at an eligible school.
- Must have attained the age of majority in your state of residence at the time you apply. Otherwise a cosigner is needed.

Cosigner

- A cosigner is not required for U.S. citizens and permanent resident aliens, but may help you qualify and/or receive a lower interest rate.
- Must have attained the age of majority in the cosigner's state of residence at the time of loan application.

Bankruptcy Limitations

- If you file for bankruptcy you may still be required to pay back this loan.

More information about loan eligibility and repayment deferral or forbearance options is available in your loan application and promissory note.

Fixed Rate Example

Loan Interest Rate & Fees

Your **starting interest rate** will be between

6.49 % and **9.99 %**

After the starting rate is set, your rate will then remain fixed for the term of the loan.

Your Starting Interest Rate (upon approval)

The starting interest rate you pay will be determined after you apply. It will be based upon your credit history and other factors (chosen repayment option and co-signer credit, if applicable). If approved, we will notify you of the rate you qualify for within the stated range.

Your Interest Rate during the life of the loan

Your rate is fixed. This means that your rate will remain constant over the term of your loan. For more information on this rate, see the reference notes below.

The **maximum rate** on the Student Loan is the fixed rate which will be disclosed to you if you qualify.

Loan Fees

Origination Fee: There is no origination fee on this loan. **Late Charges:** If your payment or any portion of your payment is more than fifteen (15) days late, you agree to pay a late charge of 5% of the payment amount. **Returned Payment Charge:** If you make a payment, and that payment (including an electronic payment) is returned or refused by your bank for any reason you agree to pay a charge of \$15.00 for each such payment returned or refused. This is in addition to any fee that your bank may also charge you. **Charges for Optional Services:** If you request and Lender agrees to provide optional services in connection with your loan, Lender may charge you and you agree to pay the fees for such services. The fees will be disclosed to you before you accept any such service. Optional services may include, but are not limited to: (1) allowing you to make an expedited payment on your loan, and (2) sending documents to you by express delivery or facsimile transmission.

Examples of other lender disclosure statements

Loan Cost Examples

The total amount you will pay for this loan will vary depending upon when you start to repay it. This example provides estimates based upon the three (3) repayment options available to you while enrolled in school.

Repayment Option (while enrolled in school)	Amount Provided (amount provided directly to your school)	Interest Rate (highest possible starting rate)	Loan Term (how long you have to pay off the loan)	Total Paid over 15 years (includes associated fees)
1. DEFER PAYMENTS Make no payments while enrolled in school. Interest will be charged and added to your loan.	\$10,000.00	9.99 %	15 years Starting <u>after</u> the deferment period	\$ 27,073.32
2. PAY ONLY THE INTEREST Make interest payments but defer payments on the principal amount while enrolled in school.	\$10,000.00	9.35 %	15 years Starting <u>after</u> the deferment period	\$ 22,382.68
3. MAKE FULL PAYMENTS Pay both the principal and interest amounts while enrolled in school.	\$10,000.00	9.35 %	15 years Starting <u>after</u> the first disbursement	\$ 18,356.25

About this example

*Assumptions: All loans assume a \$ 10,000 loan in the first year of school with two disbursements, the highest fixed interest rate currently offered and associated fees for the repayment option shown. Other assumptions include a 45 month in-school period, a 6 month grace period (if applicable), and that the borrower remains in school through the expected graduation date.

Co-Borrower

- **Signs the loan agreement along with the student borrower**
- **Has equal responsibility on the loan agreement**
- **Adding one (or two) may increase chances for approval**
- **Those with good credit may help decrease the interest rate**
- **Some loans have co-borrower release options**

Be A Wise Borrower

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1. Minimize Borrowing: Use Savings & Present Income

Balance Due: \$20,000

Past Income (Savings)	
Student Savings	-\$1,000
Parent Savings	-\$4,000
Present Income (Current Wages)	
Parent Contribution to Payment Plan	-\$5,000
Future Income (Borrowing College Loans)	
Education Loan	-\$10,000
	\$0

2. Borrow Federal Direct Student Loans First

- **Student is the borrower**
- **No credit check**
- **Fixed interest rate changes annually: 4.99% for 2022-23**
- **Two types:**
 - **Subsidized: Interest accrues after student leaves school**
 - **Unsubsidized: Interest accrues immediately**
- **1.057% fee deducted from loan amount**
 - **\$5,500 = 5,441.87 credited to student account**
- **Master Promissory Note & Entrance Counseling: StudentAid.gov**
- **No payments while in school**
- **Several repayment options**

Annual Loan Limits	
Freshman Year	\$5,500
Sophomore Year	\$6,500
Junior Year	\$7,500
Senior Year	\$7,500

3. Understand How Loans Work

- You may borrow a loan amount up to the school's cost of attendance minus any financial aid received
- But only borrow what you need!
- Apply for loans one year at a time
- Apply for the loan amount needed for the entire year
- Estimate your monthly payment
 - Think about total loans for 2-5 years
 - Consider your projected salary
- The school will split the loan to pay for the fall and spring semesters
- Loan funds will go directly to the college

4. Assess Loan Affordability

Student Loan Payment Calculator

Amount to borrow: Years before graduation:

My or my co-borrower's credit profile:
 Good Very Good Exceptional Calculate

	<u>Immediate Repayment: 10 Years</u>	<u>Immediate Repayment: 15 Years</u>	<u>Interest-Only Repayment: 15 Years</u>	<u>Deferred Repayment: 15 Years</u>	<u>Student Deferred with Co-borrower Release: 15 Years</u>
In-School Monthly Payment	\$212.37 for 48 months	\$158.94 for 48 months	\$89.12 for 48 months	\$0.00 for 48 months	\$0.00 for 48 months
Post-School Monthly Payment	\$212.38 for 72 months	\$158.94 for 132 months	\$202.06 for 132 months	\$245.56 for 132 months	\$248.67 for 132 months
Total Cost of Loan	\$25,485.12	\$28,609.20	\$30,949.68	\$32,413.92	\$32,824.44
Interest Rate	4.85%	4.95%	5.30%	5.35%	5.50%
APR	3.75% - 5.40% **	4.05% - 5.45% **	4.50% - 5.65% **	4.65% - 5.60% **	4.80% - 5.75% **
	Loan Details	Loan Details	Loan Details	Loan Details	Loan Details

mefa.org/pay/loan-payment-calculator

MEFA Loan and PLUS Loan Comparison

	MEFA Loan	Direct PLUS Loan
Interest rate	4.89%-6.99% fixed for 2022-23	7.54% fixed for 2022-23
APR	4.89-6.99%	Not disclosed
Fee	No origination fee	4.228% origination fee
Student on the loan?	Yes	No
Responsibility to repay	Student & co-borrower(s)	Parent
Transfer responsibility?	Co-borrower release option	No
Credit criteria	Minimum credit score	Minimal credit standards
Repayment term	10-15 years	10-25 years
Repayment options	Immediate, interest-only, deferred	Immediate or deferred
Enrollment status	At least half-time	At least half-time
Consumer safeguards	Student death & disability loan forgiveness	Parent or student death & disability loan forgiveness
Need to file the FAFSA?	No	Yes

5. Get Advice from Trusted Resources

Ask questions of lenders

Look for transparency

Utilize free resources, including MEFA

**Work with the college financial aid
and student accounting offices.
Lender lists on college websites**

6. Be Aware of Timing

- **Bills for the fall semester sent in June/July, due in July/August**
 - **Includes direct costs only (tuition, fees, dorm, meal plans & other direct costs)**
 - **May include health insurance charge, which you can waive if already covered**
 - **Enrollment deposit, private scholarships, and financial aid will be deducted**
 - **If you set up a payment plan and/or loans you may see these credited amounts**
- **Work-study is not typically deducted from the bill**
- **Apply for a MEFA Loan or other private loan at least 2 weeks before the college's bill due date**
- **You may apply for a loan if needed anytime during the academic year**
- **Set up payment plans according to the school's schedule**

Thank You

QUESTIONS?

Call (800) 449-MEFA (6332)
or email collegeplanning@mefa.org

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