

Comparing College Loan Options

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About MEFA

State authority created by the Commonwealth of Massachusetts in 1982, helping families plan, save, and pay for college

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

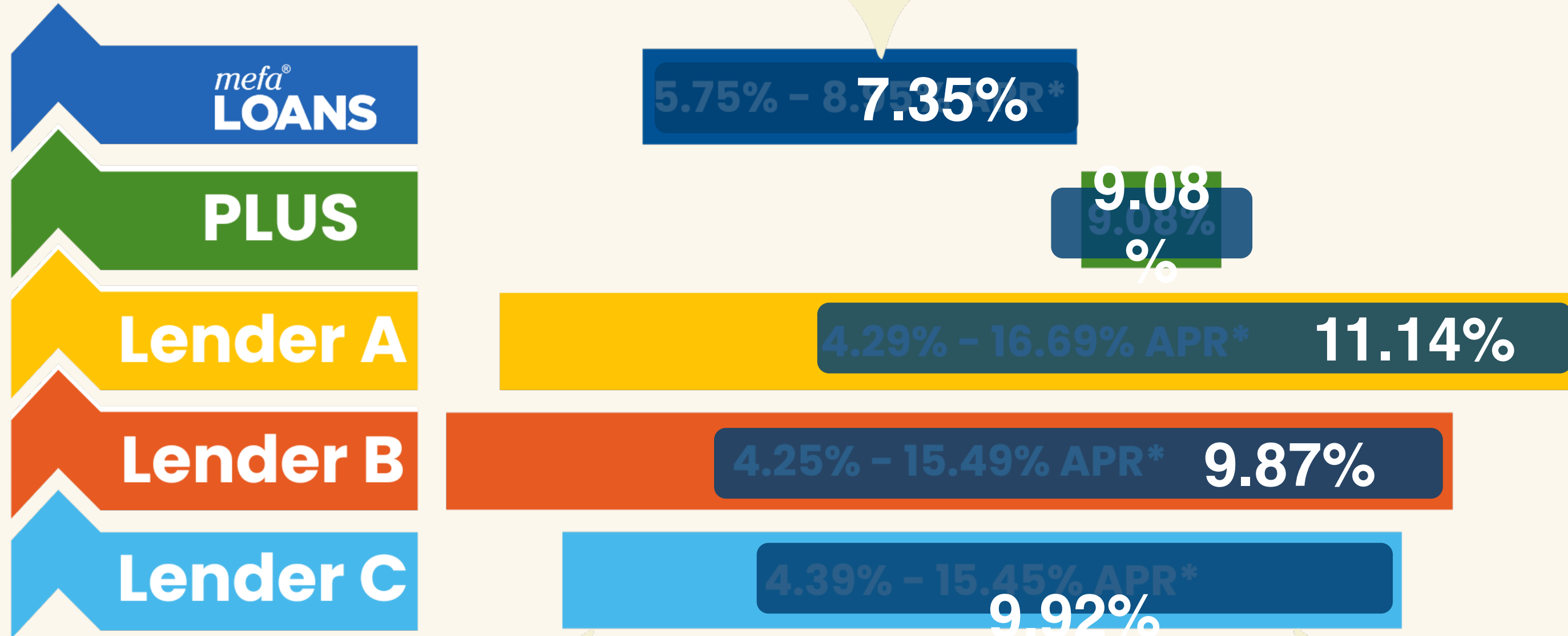




Repayment Term

- 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

Loan Rate Comparison



Look at the full range of rates, not just the lowest rate

Are there any additional fees?

Are the rates fixed?

- 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 in Total Cost Between These Loans:
Immediate Repayment: over \$11,900!
Deferred Repayment: over \$26,000!

MEFA Loan Disclosure

Lender B 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	8.500 %	10 years starting after your final disbursement	\$15,190.80
IMMEDIATE REPAYMENT Pay both the principal and interest amounts while enrolled in school.	\$10,000	8.650 %	15 years starting after your final disbursement	\$18,266.40
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	8.950 %	15 years starting after your final disbursement	\$19,760.88
DEFERRED REPAYMENT Make no payments while in school. Interest will accrue and capitalize once at the beginning of repayment.	\$10,000	8.750 %	15 years starting after your final disbursement	\$21,296.88
STUDENT DEFERRED REPAYMENT Make no payments while in school. Interest will accrue and capitalize once at the beginning of repayment.	\$10,000	8.850 %	15 years starting after your final disbursement	\$21,461.88

LOAN COST EXAMPLES

The total amount you will pay for this loan will vary depending upon when you start to repay it. Interest will begin accruing with the first disbursement. Any interest that is not paid during the "In-School Period" will accrue and will be added to your principal balance when you enter repayment. "In-School Period" means the time that you are enrolled in school plus a 6 month grace period. This example provides estimates based upon four (4) repayment options available to you during the In-School Period.

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 during the In-School Period.	\$10,000	16.550 %	180 MONTHS starting after the In-School Period	\$ 47,335.17
2. MAKE FLAT PAYMENTS Make flat payments of \$25 per month during the In-School Period.	\$10,000	16.550 %	180 MONTHS starting after the In-School Period	\$ 45,022.61
3. PAY ONLY THE INTEREST Make monthly payments of interest but defer payments on the principal amount during the In-School Period.	\$10,000	16.550 %	180 MONTHS starting after the In-School Period	\$ 34,577.74
4. MAKE FULL PAYMENTS Make monthly payments of principal and interest.	\$10,000	16.550 %	180 MONTHS starting after the first disbursement	\$ 27,130.06

Fixed Rate Example

Loan Interest Rate & Fees

Your **interest rate** will be between

4.750% and 16.530%

After the rate is set, it will be fixed for the life of the loan

Your Interest Rate (upon approval)

The 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 fixed. This means that your rate will not increase or decrease for the life of the loan. For more information on this rate, see the reference notes.

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

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	16.530%	10 years starting <u>after</u> the separation period	\$27,261.13
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	16.530%	10 years starting <u>after</u> the separation period	\$32,948.81
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	16.530%	10 years starting <u>after</u> the separation period	\$34,273.53

Variable Rate Example

Loan Interest Rate & Fees

Your **starting interest rate** will be between

8.940% and **16.690%**

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 will pay will be determined after you apply. The rate will be established based on your credit history (and your cosigner's if applicable) and your selected repayment term. 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 actual rate varies with the market and could be lower or higher than the rate on this form. The variable rate is based upon the Prime Rate as published in the "Money Rates" section of *The Wall Street Journal* (Eastern Edition) on the first business day of the immediately preceding calendar month. For more information on this rate, see Reference Notes.

Although the rate will vary after you are approved, **it will never exceed 18.000%** (the maximum allowable for this loan).

Loan Fees

Origination Fee: 0%.

Late Fees: 5.000% of the past due amount or \$5.00, whichever is less.

Collection and Default Charges: In the event of a default, the borrower may incur additional collection charges as permitted under applicable law.

Examples of other lender disclosure statements

REFERENCE NOTES

Variable Interest Rate

- The variable interest rate is based upon the Prime Rate index plus a margin of 0.440% to 8.190% based on creditworthiness, and may be adjusted monthly.
- 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. Your rate will never exceed 18.000%.
- Applying without a cosigner typically results in a higher rate.

Eligibility Criteria

- Borrower and cosigner, if applicable, must be US citizens or permanent resident aliens.
- Borrower must be at least the age of majority in his or her state of residence or be at least 17 years old and apply with a creditworthy cosigner who is the age of majority.
- Borrower must be enrolled at least half time and in an eligible program.
- Both borrower and cosigner, if applicable, are subject to credit approval. Additional documentation may be required.
- The borrower on an individual application and the cosigner on a joint application must have an employment history of at least two years.

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 loan agreement.

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: 6.53% for 2024-25
- 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: <https://www.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

mefa.org/pay/loan-payment-calculator

MEFA's Student Loan Payment Calculator

Amount to borrow: Years before graduation:

Parent or other co-borrower's credit profile: Good Very Good Exceptional

	Immediate Repayment: 10 Years	Immediate Repayment: 15 Years	Interest-Only Repayment: 15 Years	Deferred Repayment: 15 Years	Student Deferred with Co-borrower Release: 15 Years
In-School Monthly Payment	\$119.37 for 48 months	\$94.75 for 48 months	\$70.56 for 48 months	\$0.00 for 48 months	\$0.00 for 48 months
Post-School Monthly Payment	\$119.37 for 72 months	\$94.75 for 132 months	\$117.68 for 132 months	\$157.06 for 132 months	\$157.06 for 132 months
Total Cost of Loan	\$14,324.40	\$17,055.00	\$18,920.64	\$20,731.92	\$20,731.92
Interest Rate	7.35%	7.65%	8.35%	8.40%	8.40%
APR	5.75% - 8.50% **	6.00% - 8.65% **	7.15% - 8.95% **	7.30% - 8.75% **	7.40% - 8.85% **
	<input type="button" value="Loan Details"/>	<input type="button" value="Loan Details"/>	<input type="button" value="Loan Details"/>	<input type="button" value="Loan Details"/>	<input type="button" value="Loan Details"/>

MEFA Loan and PLUS Loan Comparison

	MEFA Loan	Direct PLUS Loan
Interest rate	5.75%-8.95% fixed for 2024-25	9.08% fixed for 2024-25
APR	5.75%-8.95%	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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