IS STUDENT LOAN REFINANCE RIGHT FOR ME?

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WHAT IS STUDENT LOAN REFINANCING?

Refinancing is the process of taking out a single new loan to pay off your old ones.

- Federal and private student loans may be included
- May have a new lender/servicer
- New terms – lower interest rate and shorter term
  - Borrower gets to choose
- Calculated savings over the life of your loan

Federal Consolidation

Refinancing is different than federal consolidation programs, which simply combine existing federal loans into one monthly payment. Your total payment amount and total interest will likely remain the same when consolidating.
DISCUSSION TOPICS

- Important Updates
- Take Stock
  - Federal Student Loans
  - Private Student Loans
- Is Refinance Right for Me?
- Calculate Your Savings
UPDATE: CARES ACT

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

- This became law in March 2020
- This law provided relief on Ed-owned federal student loans; suspension of loan payments, stopped collections of defaulted loans, and set the interest rate to 0%.
- This was scheduled to expire on September 30th, 2021, however it will now expire on June 30, 2022 and payments are due to begin 60 days after.

Please Note

Some FFEL Program and HEAL loans are owned by commercial lenders, and some Perkins Loans are owned by the institution you attended. These loans are not eligible for this benefit at this time, but you can contact your servicer to ask about what benefits may be available.

- 0% Interest from 3/13/20 – 06/30/2022 on eligible Fed Loans
- Administrative Forbearance automatic for eligible Fed Loans
- Payments made go directly towards principal

For more information, please visit https://studentaid.gov/coronavirus
UPDATE: STUDENT LOAN DEBT RELIEF

Student Loan Debt Relief Is Blocked

- Courts have issued orders blocking our student debt relief program. As a result, at this time, the Department of Education will not be accepting applications.
- If you’ve already applied, your application is on hold. Subscribe at https://www.ed.gov/subscriptions and check back for updates.
- The Department of Education will post information as soon as further updates are available.
TAKE STOCK: FEDERAL STUDENT LOANS

Find information about your loans:
- You’ll need your FSA ID
- Log in or create an account at https://studentaid.gov

What you should know about your loans:
- Current balance and repayment term
- Interest rate
- Subsidized or unsubsidized
- Monthly payment
- Servicer contact information

Benefits
- Additional deferment after graduation (subsidized loans may not accrue interest)
- Loan cancellation for death and disability
- Forgiveness programs for teaching and public service
- Repayment options including income based
- Consolidation and refinance options
- Default rehabilitation
FEDERAL LOAN BENEFITS

- **Public Service Loan Forgiveness:** Those who work full-time in qualified public service jobs may qualify to have the remaining loan balance forgiven after 120 payments.

- **Teacher Loan Forgiveness:** Those who teach in full-time designated schools or educational service agencies that serve low-income families may qualify up to $17,500 in forgiveness after 5 years of making payments.

- **Income Driven:** [U.S. Department of Education Income-Driven Repayment Proposal](https://studentaid.gov)

*If you have federal loans and anticipate needing or qualifying for federal loan benefits, these will not transfer to a private loan. Therefore, a federal consolidation may be best. Or a combination of federal consolidation and private consolidation.*
Federal Consolidation Solution

- No origination, processing or disbursement fees
- Flexible terms up to 30 years
- Fixed rate: weighted average of loans consolidated
- Federal Student loans only
- No co-signer
- 0.25% rate discount w/ACH
- No credit or income verified

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TAKE STOCK: PRIVATE STUDENT LOANS

Find information about your loans:
- Universities financial aid office
- Annualcreditreport.com
- Experian – Equifax – Trans Union

What you should know about your loans:
- Current balance and repayment term
- Interest rate
- Subsidized or unsubsidized
- Monthly payment
- Servicer contact information

Annual CreditReport.com
The only source for your free credit reports. Authorized by Federal law.

Benefits
- Varies by lender
- Co-signer release
- Interest reduction for automatic payments
- Forbearance options
- Graduated repayment options
- Refinance options
STUDENT LOAN (PRIVATE LOAN) REFINANCE

- Usually no origination, processing or disbursement fees
- Terms: 5, 10, 15 years
- Fixed or Variable rate
- Co-signer may be needed
- 0.25% rate discount w/ACH
- Federal Student loans, Private Student Loans, Institutional
- Underwriting Criteria
CHOOSING WHERE TO REFINANCE

What to Ask:
- Interest rate and Fees
- Repayment terms
- Borrower eligibility
- Application process
- Member service

Benefits to Look For:
- Cash back
- Delayed payments/interest

Why choose a credit union?
Credit unions are not-for-profit organizations focused on serving their communities. As member-owned cooperatives, they have your best interests in mind.

When you choose your credit union to refinance, you’ll enjoy:
- Great rates
- Low fees
- Convenient repayment terms
- A life-long relationship with a lender you can trust

For more information, please visit https://www.cuselect.com/
Current Loans:
- Balance – $61,000 ($41,000 and $20,000)
- Rates – 9% and 9.5%
- Term – 180 months
- Monthly Payment – $630.99

New Loan Opportunities:
- Rate – 4.25%
- Term – 120 months
- New Payment - $624.87
- Difference - $6.12
- Savings - $38,593.10
- Rate – 4.75%
- Term – 180 months
- New Payment - $474.48
- Difference - $156.51
- Savings - $28,171.43

(All rates, terms and calculations are estimated)

https://www.studentchoice.org/student-loan-refinance/calculator/
EXAMPLE 1

Current Loans
- Three federal direct unsubsidized loans: $27,640
- Two federal parent PLUS loans: $67,207
  - Interest Rates: 6.8% - 7.9%
  - 10-year Term: 8 years remaining
  - Monthly Payment: $1,311
  - Total Interest: $30,998

Borrower’s Main Objectives
- Lower interest rates and term
- Take over responsibility of federal PLUS loans

New Loan
- Interest Rate: 3.45% variable
- 5-year Term
- Monthly Payment: $1,723
- Total Interest: $8,552
- Total Savings: $22,446
EXAMPLE 2

Current Loans
- Six federal direct subsidized and unsubsidized loans: $23,460
  - *Interest Rates*: 3.6% - 5.23% (fixed)
  - *10-year Term*: 9 years remaining
- Three private student loans: $32,330
  - *Interest Rates*: 3.25% - 4.6% (variable)
  - *15-year Term*: 14 years remaining

Borrower’s Main Objectives
- Enrolling in graduate school next academic year

Did NOT Refinance
- Both federal and private loans may be deferred in graduate school
- Federal subsidized loan may not accrue interest while in deferment
- Private loans have low interest rate and manageable monthly payment
- Option to refinance after graduate school
THANK YOU FOR ATTENDING!

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Please contact us with any additional questions:
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