

WINTER 2021

CAMBRIDGE QUARTERLY NEWSLETTER

What's Short
Selling?

The Current State
of Student Loans

Employee
Spotlight:
Sarah Beaton

A PERSONAL FINANCE LETTER PRESENTED BY CAMBRIDGE CREDIT COUNSELING

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WHAT IS "SHORT SELLING?"



1. Wall Street firms "borrow" stocks from a company and promise to pay them back by a certain date.
2. The firms sell these stocks at higher prices, hoping to buy them back later at a lower price.
3. The firms make a profit and return the stocks to the company before the date promised.

STUDENT LOAN DEFERMENT UNTIL SEPTEMBER 2021

Last March, the federal government suspended payments on federal student loans. That payment holiday was later extended to December, and then to February 2021. In one of their first efforts following the new president's inauguration, Mr. Biden made good on his campaign promise to extend the payment moratorium until September of this year. Collection activities, such as wage garnishments and tax refund seizures, have also been suspended. If you are a defaulted borrower and were subjected to a wage garnishment or other collection activity from your loan servicer or a collection agency, you are entitled to a refund.

Though you aren't required to make payments, you might choose to do so anyway, though not if you're a candidate for Public Service Loan Forgiveness. (They shouldn't make payments now, since their goal is to maximize the amount to be forgiven.) Why might you make voluntary payments? At the moment, no interest is accruing on your loans. This means that 100% of any payment you make would be applied entirely to your principal balance. Borrowers who are on track toward Public Service Loan Forgiveness are being credited as if they've been making payments toward the 120 needed before applying for forgiveness. The same is true for anyone enrolled in federal loan rehabilitation.

Perkins loan payments, commercially held FFEL loan program payments, and private loan payments must still be made, though your lender may grant temporary relief if you ask. For now, those with federal student loans should prepare to resume making full payments in the month of October.

Although a number of balance forgiveness options have been discussed by the incoming administration, nothing has been set in stone, and it may take weeks or months before any additional relief is granted. If there are developments, we'll post them on our website, www.cambridge-credit.org. In the meantime, if you're not sure about your options or have questions about Public Service Loan Forgiveness, Teacher Loan Forgiveness, or the factors you need to consider before consolidating or refinancing your loans, please contact our Student Loan Counseling Manager, Todd Friedhaber, (tfriedhaber@cambridge-credit.org, or (800) 757-1788, ext. 5373) for a free consultation.

Sarah Beaton is a member of our Benefits Verification & Proposal Department and a valued member of our internal auditing team. She's been with us since 2016!



Sarah Beaton
BVAD and Auditor

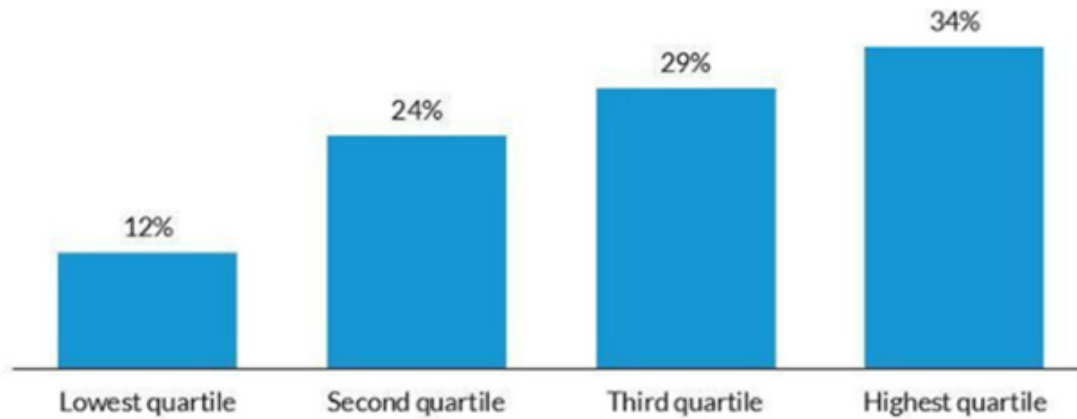
I really enjoy working with fellow Cambridge staff and management to continuously make improvements to our processes and procedures to better serve consumers. Helping our organization run more efficiently so we are providing the best service to our clients is truly rewarding.

Reddit users saw that GameStop's stock had gotten low and recognized the short selling happening.

Reddit users then bought up a significantly large number of shares. This influx brought the value of the stock very high. Since everyone wanted GameStop stocks, they became in demand. The value of the stocks increased ~1,700%.

The firms that had planned on buying GameStop's stocks back at a lower price were now responsible for buying them back at new, much higher price that the influx had created to return the stocks that they borrowed.

Education Debt Held by Households Age 25 and Older in Each Income Quartile, 2016



Source: Survey of Consumer Finances.

Notes: Lowest quartile: \$27,000 and below; second quartile: \$27,001-\$52,000; third quartile: \$52,001-\$97,000; highest quartile: \$97,001 and above.

Percentages do not sum to 100 because of rounding.

URBAN INSTITUTE

A LOAN ROAD AHEAD

This time of year is usually marked by high school seniors and parents/guardians trying to decide which college offer to accept and, (gulp!) how to pay for it. We often hear of students opting to attend community college first, and then finish their education at a traditional college or university. While that strategy can work just fine, we would urge you to take a few key steps before heading down that path.

First, make sure you apply to one or two 4-year schools to see what kind of financial aid package they're offering. You might be surprised to discover that you can already afford their tuition and fees. If you're a good student, let the colleges compete for you.

PRODUCE
IN SEASON
FOR
WINTER



- 1.) BEETS
- 2.) BRUSSELS SPROUTS
- 3.) CABBAGE
- 4.) CARROTS
- 5.) KALE

- 6.) LEEKS
- 7.) ONIONS
- 8.) POTATOES
- 9.) YAMS
- 10.) TURNIPS

Second, if your career path is going to result in a job in the non-profit world (as a teacher, social worker, non-profit hospital or healthcare worker, state or municipal employee – the list is long), then there will be loan forgiveness options available to you after 10 years of loan repayment. We know, that sounds like an eternity, but it's not, and the Biden administration is working to reduce the existing requirements, which are already generous. That can also make your dream school much more affordable, since you'll only be paying back a portion of the loans.

For example, if my son Henry wants to go to an expensive college to become a teacher, my first reaction might be that he'll never make enough in his career to afford his monthly student loan payments. I would be wrong to think that way, however, since Henry could have his loans forgiven. After he graduates, Henry would put his loans into an income-based repayment plan, make 120 payments, and even if his remaining balance at that time was \$50,000, it would be forgiven. (And as we said, those are the current rules. The new administration is looking to make it easier to qualify.)

But wait – Henry is only part of the equation. What about the Parent PLUS loan I may need to take out to cover the costs beyond what Henry is eligible to borrow?

Here again, if you, the borrowing parent, are employed full-time by a non-profit entity, your PLUS loans could be forgiven after 120 payments. Remember, however, that this option is dependent on what you do for a living – not your son or daughter.

That should bring a new perspective to your borrowing strategy.

If you'd like to discuss this or any other topic related to student loan planning and repayment, please call contact our Student Loan Counseling Manager, Todd Friedhaber, tfriedhaber@cambridge-credit.org, or (800) 757-1788, ext. 5373, or our Director of Education, Martin Lynch, mlynch@cambridge-credit.org, (413)-241-2401, for a free consultation.



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