Interest Rate Index Change on Certain EXTRA Education and EXTRA MBA Loans

Background

Effective October 1, 2023, part of the way the interest rate is calculated on EXTRA Education Loans first disbursed on/after July 1, 2008 and EXTRA MBA Loans first disbursed on/after July 1, 2009 changed. This is a necessary change that impacts many loans with variable interest rates. Congress has determined that the new rate benchmark is comparable to the previous one. That means the new rate should not change how much you pay over time, on average.

The new rate does not impact any other terms, conditions, or benefits associated with your student loan.

What is changing?

The benchmark used to calculate the variable interest rate on EXTRA Education Loans first disbursed on/after July 1, 2008 and EXTRA MBA Loans first disbursed on/after July 1, 2009 changed from the London Inter-Bank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (SOFR).

Following the direction of Congress, most LIBOR-based loans have transitioned to using SOFR. Since this is a shift to a SOFR-Based Spread-Adjusted Index, this is not a refinance of your student loan; it is merely a change to the benchmark we use to determine your variable interest rate. This happened automatically, and you should not notice a difference in the way we service your loan.

You aren’t alone. This change impacts millions of borrowers like you, with all lenders across the country.

What do I need to do?

You do not need to do anything related to this change.

CFI handled the transition for you, just as the entire banking and lending industry has done for all their customers. We sent you updates prior to the transition, to explain the scope and timing of the rate change.

Will my monthly payment change?

On average, your new interest rate should be comparable to the old rate. That means you will generally pay the same amount that you would have before the change.

As a variable rate loan, CFI will continue to update the variable interest rate on a quarterly basis just as we have done since your loan was disbursed. Only the benchmark used to calculate the variable interest rate has changed. As a result, we will review your loan to determine if a change in the monthly payment amount is needed to ensure that your loan will be paid within the remaining term of the loan.

What is my new interest rate?

Your interest rate remains variable. It will change quarterly, based on the terms and conditions of your loan.

We will calculate your interest rate using the SOFR-Based Spread-Adjusted benchmark index plus whatever margin you originally agreed to when taking out the loan.

CFI will publish the new rates at https://www.cfnc.org/pay-for-college/loan-repayment/current-interest-rates/. The current interest rate is also shown on your monthly statement.

Will this impact my other student loans?

Federal student loans are not impacted by this change. Those loans have interest rates set by law, so no update is needed.

Only EXTRA Education Loans first disbursed on/after July 1, 2008 and EXTRA MBA Loans first disbursed on/after July 1, 2009 were impacted.

Where can I go to see the new SOFR rate?

The Federal Reserve Bank of New York publishes the SOFR rate that is used to create the SOFR-Based Spread-Adjusted Index.

Can I opt-out or are there other options?

No, you cannot opt out.

LIBOR became unavailable after June 30, 2023, and Congress has provided the guidance on how we can adjust the benchmark for your loan. This ensures that both you and CFI have a predictable and stable way to calculate your rate.

Other new loans may have a different benchmark, so you can always explore your refinancing options. A new, refinanced loan will have its own interest rate calculation (still not LIBOR), but your new lender may use an option other than one that is SOFR-based.

Could this happen again?

Federal regulators and Congress took steps to reduce the chances of the benchmark changing again. Although there is always the possibility of a similar change in the future, you should not experience any disruptions.