Your Guide to Repaying Student Loans

This guide provides you with important information designed to help you effectively manage and repay your student loan.

Types of federal student loans

- Subsidized Stafford Loan - a need-based loan for which interest is paid by the federal government while you are enrolled in school at least half-time and during grace and deferment periods.
- Unsubsidized Stafford Loan - a non-need-based loan for which interest isn't paid by the federal government.
- Graduate and Professional Student PLUS Loan - a non-need-based loan available to graduate and professional students who are eligible to borrow up to their cost of attendance minus other estimated financial assistance.
- Direct Loan – a federal student loan that has either been disbursed by the U.S. Department of Education or has been transferred there from another lender.

Master Promissory Note (MPN)

- Your rights and responsibilities are included in detail on your Master Promissory Note (MPN).
- Your MPN is the binding legal document you signed to receive and repay your student loans.
- You may have an MPN with a multi-year feature which allows you to continue your borrowing using the same promissory note. However, if you attended a school that required a new note each year or you changed lenders, you may have multiple promissory notes.

Your student loan is your responsibility and by signing your MPN, you agreed to:

- Notify your lender when you:
  - Make changes to your name, address, and telephone number.
  - Graduate or withdraw from school.
  - Drop below half-time enrollment.
  - Transfer to a new school.
- The **most** important reason for staying in contact with your lender:
  - If you're having problems making your student loan payments, they can help you identify solutions, such as deferment, forbearance or alternate repayment schedules.

Loan sales

Your lender may sell your loan to another lender. If this happens, you should receive notification in writing from your new lender, including their contact information and whether terms and conditions will remain the same.

Payment of interest

The federal government pays interest that accrues only on subsidized Stafford loans during periods of half-time enrollment, grace period and authorized periods of deferment; you are responsible for interest that accrues on unsubsidized Stafford Loans.

When does repayment begin?

Your federal Stafford and Direct loans have a grace period of six months before repayment begins. This grace period begins the day after you stop attending school at least half time, withdraw or graduate. This allows you time to get settled before you are required to start making payments.

Your lender will advise you of your first payment due date while you are in your grace period. If you do not receive this information, it is your responsibility to contact your lender.

You may be eligible to defer repayment of your Graduate and Professional Student PLUS loan for the six-month period immediately following the date after you stop attending school or drop to less than half-time status. Contact your lender for more information.

Repayment tips

- Keep all your loan papers and correspondence organized in a file for quick reference.
- Know the amount of your student loan payments.
- There is no penalty for making payments during your grace period or paying ahead.
- When your lender becomes aware that you are no longer enrolled at least half-time, they will send you a repayment schedule.
- Your lender automatically arranges for a standard repayment schedule, but will provide you with information about other repayment options.
- Use automatic payment withdrawal to make your student loan payment.
  - Ensures that payments are made on time.
  - May result in an interest rate discount.

Tax benefits

You may be eligible for available tax benefits such as interest deduction, the Hope Credit and the Lifetime Learning Credit. Contact the IRS or a tax advisor for more information, or review IRS publication 970, *Tax Benefits for Education*, available at www.irs.gov.

Repayment options

You have the option to prepay your loan, pay your loan on a shorter schedule and change repayment schedules. Following are the repayment schedules available for your federal Stafford loans:

Standard Repayment Schedule

- Minimum monthly payment is $50, but may be higher depending on the balance of your loan(s).
- Equal monthly payment amount.
- Maximum repayment period of 10 years.

Graduated Repayment Schedule

- Begins with lower payment amounts that increase over time.
- Maximum repayment period of 10 years.

Income-Sensitive Repayment Schedule (only for Federal Family Education Loan Program)

- An adjusted payment amount based on gross income.
- Payment cannot be lower than the interest accruing each month.
- Eligibility and payment amount will be verified annually.
- Up to a 10-year repayment period allowed.

Income-Contingent Repayment Schedule (only for Direct Loan Program)

- An adjusted payment amount based on income, family size and total student loan debt.
- Borrower pays lesser of:
  - Amount of monthly payment over 12-year period multiplied by an income percentage factor or
  - 20 percent of monthly discretionary income.
- Any unpaid interest capitalizes once a year, but won't exceed 10 percent of the original amount owed.
- If 10 percent over the original loan amount is reached, interest will accumulate (accrue) but will not capitalize.
- Eligibility is re-evaluated annually.
- You must authorize the IRS to report your annual current income to your lender.
- ** Any outstanding loan balance after 25 years of repayment is forgiven, however it may be taxable.

Income-Based Repayment Schedule

- An adjusted payment amount based on income, family size and total student loan debt.
- Payment will not be more than 15 percent of the amount by which your adjusted gross income exceeds 150 percent of the poverty line for your family size.
- If the monthly payment amount is not enough to pay accrued interest on a subsidized federal Stafford loan, the Department of Education will pay the remaining interest for up to three years.
- Eligibility is re-evaluated annually.
- You must authorize the IRS to report your annual current income to your lender.
- ** Any outstanding loan balance after 25 years of repayment is forgiven, however it may be taxable.

Extended Repayment Schedule

- Available to new borrowers on or after October 7, 1998 who have a balance of more than $30,000 in student loans from the Federal Family Education Loan Program or from the Federal Direct Loan Program.
- Payment amounts can be either fixed annually or graduated.
- The maximum repayment term is 25 years.

Remember that for the Graduated, Income-Sensitive, Income-Based and Extended Repayment schedules, more interest may accrue over the life of the loan because the principal balance decreases at a slower rate.

Comparison of repayment schedules

As noted above, your payment amount depends on a variety of factors, including your loan balance and in some circumstances, your income and family size. See below for a sample comparison of repayment schedules:

- You are single and have two children. Your gross income is $30,000 annually ($2,500 monthly). For the year in question, the poverty level for your family size (three in your household) is $17,600.
- 150 percent of the poverty level is $26,400. Your income exceeds this amount by $3,600.
- You have borrowed $32,000 in unsubsidized Federal Stafford loans. The interest rate for these loans is 6.8 percent.

Below are repayment schedules including estimated payment amounts for loans totaling $32,000:

Repayment Schedule	Repayment Period	Estimated Monthly Payment Amount	Total Interest Paid	Total Amount Paid
Standard	10 years	$368	$12,191	$44,191
Graduated	10 years	$253 for 2 years $307 for 2 years $374 for 2 years $454 for 2 years $552 for 2 years	$14,578	$46,578
Income-Sensitive or Income-Contingent	10 years	$197 for 1 year $370 for the remaining 9 years	$12,979	$44,979
Income-based	Up to 25 years	Minimum monthly payment $31 Maximum monthly payment $264	$53,948**	$82,392**
Extended (with standard repayment plan)	Up to 25 years	$222	$34,630	$66,630
Consolidation (interest rate increases to 6.875%)	Up to 30 years	$246	$26,967	$58,967

** See Income-Based Repayment schedule definition for details

For specific questions about your payment amount, contact your lender.

Solutions for repayment problems

Repaying your student loan is a serious obligation. Remember, you are required to make your student loan payments even if you:

- Do not complete your education.
- Do not complete your program within the regular completion time for that program.
- Are not employed upon completion of your studies.
- Do not find employment in your field of study.
- Are not satisfied with the education you received.

If you are having trouble making your scheduled monthly payment, there are options to help. You may be able to lower your monthly payment by utilizing one of the alternate repayment schedules or you may be eligible to temporarily postpone your payments through deferment or forbearance.

Deferment

A deferment allows you to postpone your scheduled monthly payments. The length of your deferment depends on the type of deferment you qualify for.

- Economic hardship
- Unemployment
- In-School
- Graduate fellowship program
- Rehabilitation training program
- Military service

Refer to your MPN for specific deferment provisions. Additional deferment provisions are available for loans made before July 1, 1993.

For more information about deferments, contact your lender or visit Mapping Your Future's Deferment Navigator at mappingyourfuture.org/money/deferments. The date you received your first outstanding student loan determines your deferment eligibility.

To request a deferment:

- Contact your lender,
- Submit the required documentation for the deferment, and
- Continue making payments on your account until you receive notification of approval.

Forbearance

If you are unable to make your scheduled payments, but do not meet the criteria to qualify for a deferment, your lender may allow you to:

- Reduce the amount of your payment.
- Temporarily stop making payments.

This is called forbearance. You must contact your lender to request forbearance. Most forbearances are granted at the discretion of the lender. Examples of the types of situations for which your lender may grant a discretionary forbearance are:

- If you are experiencing personal problems (such as poor health or economic hardship).
- If you are affected by circumstances such as a local or national emergency, military mobilization or natural disaster.
- If you have exhausted your eligibility for an unemployment or economic hardship deferment.
- If you are serving in a position that may qualify you for loan forgiveness, partial repayment of your loan or a national service educational award.

Under certain circumstances, lenders are required to grant forbearance, such as if your student loan payment is greater than 20 percent of your monthly income or if you are in an internship or residency.

Remember: No matter what type of loan you have, you are responsible for the interest that accrues during forbearance. You may choose to pay the interest as it accrues or allow it to be added to the principal balance of the loan. Adding accrued interest increases your total outstanding debt and may increase your monthly payment.

What if I have multiple loans and/or lenders?

If you have multiple loans and/or lenders, there are some options that may make repaying your loan easier.

Federal Consolidation Loan: Through the Federal Consolidation Loan Program, a lender buys all of your eligible loans and combines them into a single loan with one monthly payment. Consolidation offers both benefits and drawbacks:

- Extends your repayment period up to 30 years, depending on your loan balance.
- Results in one monthly payment.
- Includes the option to prepay, request a shorter repayment schedule or change repayment plans.
- Has a fixed interest rate based on the weighted average interest of all the loans to be included in the consolidation and rounded to the next one-eighth percent, not to exceed 8.25 percent.
- May cost you more in interest over the life of the loan if you choose a longer repayment period.
- Can result in loss of eligibility for certain borrower benefit programs deferments, forgiveness, cancellation, and grace benefits.

Your loans must be in the grace period or in repayment to qualify for a Federal Consolidation Loan. If you choose to waive your grace period, your grace period will end as of the day the consolidation loan is completed. If you previously consolidated while your loans were in an in-school status, you also waived your grace period. (In-school consolidation was eliminated for applications received beginning July 1, 2006.)

If you are interested in this type of loan, you should contact your lender to determine if it is in your best interest. Borrower benefits may differ between lenders. If your lender does not provide Federal Consolidation Loans, they may be able to refer you to a lender who does.

Consolidation repayment example:

You're considering consolidating the following loans:

Loan A: $2,625 balance, 4.13 percent interest
Loan B: $3,500 balance, 5.2 percent interest
Loan C: $5,500 balance, 6.1 percent interest
Loan D: $5,500 balance, 6.8 percent interest

If you consolidate these loans (a total of **$17,125**), you'll have **15 years (180 months)** to repay your consolidation loan. The weighted average interest rate of the loans is **5.839 percent**. This is rounded up to the nearest 1/8th of one whole percent, resulting in your fixed interest rate of **5.875 percent**.

If you repay your consolidation loan under an equal payment plan, your monthly payment will be **$143.36**. In the end, you will have paid **$25,804.18**, which includes **$8,679.18** in interest.

In comparison, if you do not consolidate and choose to stay with the standard repayment schedule, your payment will be **$188.84** each month over a 10-year period. In the end, you will have paid **$22,660.44**, which includes **$5,535.44** in interest. In this case, a standard repayment schedule can save you **$3,143.74 in interest**.

Loan discharge and forgiveness

Generally, you are obligated to repay your student loan regardless of what happens. With few exceptions, federal student loans may not be discharged or cancelled due to bankruptcy. However, there are a few situations in which your loan may be discharged or forgiven.

Your loan may be discharged if you:

- Become totally and permanently disabled.
- Attend a school that fails to pay a refund due upon your withdrawal from school.
- Are unable to complete your program of study due to school closure.
- Have a loan that was falsely certified as a result of an identify theft.
- Attend a school that falsely certified your ability to benefit or fraudulently completed a loan application in your name without your approval.

Your loan may be forgiven if:

- You teach in a qualifying low-income school for five consecutive years and you meet other eligibility requirements.
- You are a public service employee and you meet the other eligibility requirements (for the Federal Direct Loan Program).
- You are employed in military service in a designated area of national need and you meet the other eligibility requirements. See mappingyourfuture.org/paying/loanForgiveDetails.htm#nationalneed for more details.

  Note: This program is subject to federal funding allocation and availability.

Contact your lender if you think you may be eligible for any of the discharge or forgiveness programs listed above.

Loan repayment programs

There are certain programs that help borrowers repay loans. These include but are not limited to:

- AmeriCorps service program americorps.org or 800.942.2677.
- Loan repayment for serving as an enlisted person in the National Guard or Reserve programs (contact your recruiter for information)

Delinquency and default

It is very important that you make your loan payments on time. If you are having trouble making your monthly payment, you should immediately contact your lender. They have options to assist you, but you must ask for assistance!

If you fail to make your student loan payments for 270 days, your loan may be considered in default. The consequences of defaulting on your loan are very serious and may result in:

- Damage to your credit rating.
- Referral of your account to a collection agency.
- Collection costs.
- Garnishment of your wages.
- Withholding of your state or federal Treasury payments (including federal tax refunds, Social Security benefits, etc.)
- Civil lawsuit and any applicable costs.
- Loss of deferments, forbearance entitlements and flexible repayment options.
- Loss of eligibility for further federal financial aid.
- Suspension of your professional license.

Access to your loan information

You may review and monitor all of your federal student loan debt, by accessing the National Student Loan Data System (NSLDS) online at nslds.ed.gov or by calling 800.433.324 (toll-free). You will need your federal PIN number to view your loan history. You received a PIN when you completed the Free Application for Federal Student Aid (FAFSA). If you do not remember your PIN, visit fafsa.ed.gov to re-apply for a new one. Please note that the NSLDS website does not list your alternative or private student loans.

Assistance with a student loan dispute or problem

The Federal Student Aid (FSA) Ombudsman works with student loan borrowers informally to resolve loan disputes that borrowers are unable to resolve with their lender or guarantor. The goal is to find creative alternatives for borrowers who need help with their federal loans. You can reach the FSA Ombudsman at:

Office of the Ombudsman
United States Department of Education
4th Floor UCP-3/MS 5144
830 First Street NE
Washington, DC 20202
877.557.2575 (toll-free)
fsahelp.ed.gov or ombudsman.ed.gov

Rights and responsibilities

I understand that I have the right to the following:

- Written information on loan obligations, including loan consolidation and information on my rights and responsibilities.
- A copy of the promissory note and return of the note when the loan is paid in full.
- Before repayment, information on interest rates, fees, the balance owed on loans, a loan repayment schedule and an explanation of default and its consequences.
- Written notification, no later than 45 days after a lender assigns, sells or transfers my loan.
- A grace period, if applicable; prepayment of the loan without penalty.
- Federal interest benefits, deferments and forbearances, if applicable.

I understand that I am required to do the following:

- Repay the loan according to the repayment schedule and notify the lender of anything that affects my ability to repay or eligibility for deferment or cancellation.
- Notify the school and lender if I graduate, withdraw, drop below half-time, transfer to another school or change my name, address or Social Security number.
- Notify the lender if I fail to enroll for the period covered by the loan.
- Attend an exit interview before leaving school.

I understand that counselors are available in the Financial Aid Office to answer any questions I may have about my federal student loans.

I understand that my receipt and review of this guide certifies that I have met my obligation to participate in exit counseling as prescribed by federal statute.

If I need more information about my federal student loans, I can visit the National Student Loan Data System (NSLDS) at nslds.ed.gov or call them at 800.433.3243.

Repaying student loans is an important step in establishing a good credit history. Your success is important to us and we're behind you all the way. If you have questions or need assistance, don't forget that your lender, guarantor or school are here to help.