Repayment Overview

A Guide to Repaying Your Federal Student Loans

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One important responsibility you'll face as you leave school is the obligation to repay your federal student loans. This booklet provides you with an overview of student loan repayment, including:

- Available repayment plans
- Other options for managing repayment, including deferment, forbearance, and consolidation
- Circumstances under which you may be eligible to have your loan forgiven or discharged
- Consequences of delinquency and default
- Tips to help you achieve repayment success

Throughout this guide, we'll recommend that you contact your loan holder in certain circumstances. Your loan holder may be the lender you borrowed from or a loan servicer. You can find out who your loan holder is by logging onto the National Student Loan Data System (NSLDS) at **https://www.nslds.ed.gov** using your FSA ID and password (the credentials you use to complete your FAFSA online). NSLDS gives you current information about what you owe, including outstanding balances, loan status, disbursements, and loan holders, including contact information.

It's especially important to keep in touch with your loan holder if you:

- Leave school
- Change schools
- Change graduation dates
- Graduate
- Change your enrollment status to less than half time
- Change your name, address, or phone number
- Have trouble making your loan payment

Repayment plans

Standard Repayment Plan

- You're automatically placed on this plan unless you request a different plan
- Lowest interest costs over the life of the loan
- Same monthly payment throughout your repayment period
- Minimum monthly payment is $50
- Ten-year repayment term

If you have difficulty repaying your federal student loans under the standard repayment plan, you may be able to choose one of the alternative repayment plans described below.

Graduated Repayment Plan

- Monthly payments are smaller at the beginning of the repayment period and gradually increase over the repayment period
- Total amount paid in interest under this repayment plan will be greater than the total interest you would pay under a standard repayment plan
- Ten-year repayment term

Extended Repayment Plan

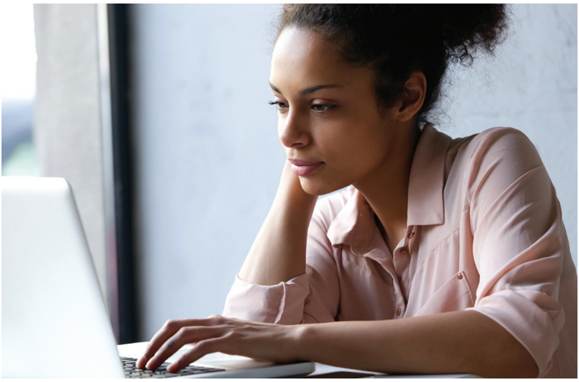
- Lengthens the repayment term up to 25 years
- Must owe more than $30,000 to qualify
- Payments can be either fixed (same amount each month) or graduated (increasing over time)
- Total amount paid in interest under this repayment plan will be greater than the total interest you would pay under a standard repayment plan

Income-Driven Repayment Plans

Under an income-driven plan, your monthly payments are based on your income, family size, and federal student loan debt. The repayment term may be longer than 10 years, and you must reapply annually. The total amount of interest you'll pay under these plans will be greater than the total interest paid under a standard repayment plan, but any outstanding principal and interest still owed after 20 or 25 years (depending on the plan) of qualifying payments will be forgiven. Under current rules, the forgiven amount is considered taxable income for federal income tax purposes.

- Income-Contingent Repayment (ICR) Plan
- Income-Based Repayment (IBR) Plan
- Pay As You Earn Repayment Plan (PAYE Plan)
- Revised Pay As You Earn Repayment Plan (REPAYE Plan)

Please use the U.S. Department of Education's Repayment Estimator to compare your repayment options: **https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action**



Additional options for managing repayment

In addition to flexible repayment plans, you also may be able to take advantage of the benefits of deferment, forbearance, and consolidation.

What is a deferment?

A deferment is a temporary delay in repayment that your lender grants if you meet certain conditions. Generally, a deferment is a borrower entitlement; that is, if you qualify, the loan holder must approve your deferment request.

Things to keep in mind

During deferment, the government will pay the interest on your Direct subsidized loans, but you are responsible for paying interest on any unsubsidized loans. If you don't, the interest will be added to the principal when the deferment is over, which will increase your total loan amount.

Qualifying circumstances

Generally, deferments are granted for:

- Unemployment
- Economic hardship
- Military service
- Enrollment in school on at least a half-time basis
- Study in a graduate fellowship program
- Participation in a rehabilitation training program for disabled individuals

What is a forbearance?

A forbearance is a temporary postponement or adjustment in repayment granted at your loan holder's discretion, usually because you have a financial hardship and don't qualify for a deferment. During a forbearance, your loan holder:

- May reduce or suspend your regular loan payments, or
- Extend your repayment period

Things to keep in mind

You should request a deferment before a forbearance. During forbearance, the federal government will not pay the interest that accrues on your loans during a forbearance period. The interest will be added to the principal when the forbearance is over, which will increase your total loan amount.

Consolidation

If you make payments for multiple loans, you might want to consider combining or consolidating your loans. To help you decide whether consolidating your loans is right for you, consider the pros and cons of loan consolidation. Note that you cannot consolidate a private education loan with a federal consolidation loan.

By consolidating your loans, you may:

- Combine multiple loan balances under a single loan holder — the U.S. Department of Education — so that you have to make only one monthly payment
- Lower your monthly payment amount by extending the repayment period (up to 30 years)
- Lock in a fixed interest rate for the entire repayment period of the loan

If you consolidate your loans into a new loan, you will:

- Pay more interest over the life of your loan if the repayment period is extended. In this case, the best strategy is to repay your loan as soon as you can. Less interest will accumulate with a shorter repayment period.
- Lose some benefits offered with the original loan. (For example, if you include a Federal Perkins loan in the consolidation loan, you will lose the cancellation benefits of the Perkins loan.) You can choose which of your loans you want to consolidate.

Loan discharge and forgiveness

You may find yourself in circumstances beyond your control that make you eligible for federal student loan discharge — for example, total and permanent disability, school closure, false certification of borrower eligibility, unpaid school refund, death, or, in rare cases, bankruptcy. Your loan holder can provide you with more details.

Loan forgiveness programs make borrowing money for education expenses an even better deal for some students. Qualifying borrowers can wipe out their debt over a shorter period of time.

Public Service Loan Forgiveness Program

Congress created the Public Service Loan Forgiveness Program (PSLFP) to encourage individuals to enter certain public service professions. Under this program, you may have a portion of your federal Direct loans forgiven after 120 monthly payments under an eligible repayment plan. Find out more about qualifying public service occupations, particular service organizations, and information on applying at **http://www.trelliscompany.org/student-loan-borrowers/about-student-loans/public-service-loan-forgiveness-program-pslfp/**.

Teacher Loan Forgiveness Program

The Teacher Loan Forgiveness Program (TLFP) is available for teachers who meet certain requirements, for example by teaching in schools that serve low-income students.

Up to $5,000 ($17,500 for secondary math or science or elementary or secondary special education teachers) of the amount borrowed in Direct loans may be forgiven for a teacher who meets the requirements over a five-year period. Find out more about the Teacher Loan Forgiveness Program at **http://www.trelliscompany.org/student-loan-borrowers/about-student-loans/teacher-loan-forgiveness-program-tlfp/**.

Consequences of delinquency and default

Your loan becomes delinquent the first day after you miss a payment and remains delinquent until you make payments to bring your loan current or obtain a deferment or forbearance. If your loan is delinquent for 90 days or more, your loan holder will report the delinquency to credit reporting agencies. If you don't make loan payments for 270 days, your loans enter default. Default can hurt you financially in some long-lasting and serious ways:

- **Your wages could be garnished.** A percentage of each paycheck you receive will be withheld to pay your loans.
- **You'll have to pay any collection fees and costs.** This can substantially increase your loan balance.
- **Your credit will be damaged, which will affect your ability to borrow.** Defaulting could make it hard for you to borrow or to borrow at a favorable interest rate.
- **Tax refunds may be withheld.** Your loan holder could seize your tax refund and other federal payments to which you are entitled.
- **You could be sued.** Your loan holder may take legal action against you to force you into repayment.
- **Any professional licenses or certifications could be withheld.** To have a license reinstated, you must have an established repayment arrangement with your loan holder.
- **You won't be eligible for federal financial aid.** If you default, you will be ineligible for any more financial aid, including student loans, unless your eligibility is reinstated.

What if your loan goes into default? Can you resolve the situation?

If your loan is in default, contact your loan holder. There are options to help you improve your situation, including:

- Rehabilitating your loan by making nine voluntary, on-time, full monthly payments during a period of 10 consecutive months. When you resolve your default this way, your loan holder will remove the record of your default from your credit report. That's good for your financial future. Also, after six consecutive payments, you become eligible for federal student aid, which you might need if you have to finish a degree or certificate program. Without a degree or certificate, you'll find it harder to get a job in your chosen field.
- Consolidating your defaulted loans. If you choose this option, you must either first make three consecutive, on-time, full, voluntary monthly payments to the holder of each defaulted loan, or you must agree to repay the Consolidation loan under an Income-Contingent or Income-Based Repayment plan.

Ten tips to help you avoid student loan default

1. Understand your rights and responsibilities regarding your repayment obligation as well as your repayment options.

2. Borrow only the amount you need and only what you can expect to repay.

3. Talk to your loan holder or guarantor if you have any questions about the particular terms of your loan.

4. Keep all records regarding your loan. Make copies of all letters, canceled checks, promissory notes, and any other forms you sign.

5. Notify your loan holder or servicer when you have a change of address, phone number, or name, or if you change schools or your enrollment status.

6. Seek help from your loan holder and/or guarantor as early as possible if you have any difficulty maintaining your student loan payments.

7. Create and maintain a spending plan that is within your monthly income.

8. Keep credit card debt to a minimum or avoid credit card debt completely.

9. Consider making nominal student loan payments while in school. This will reduce the amount you owe after graduation.

10. Make your loan payments on time.

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