



Federal Student Loan Debt Management Guide

A Supplement to Entrance and Exit
Counseling



This publication is a compilation of information* from various resources developed by the U.S. Department of Education. SLGFA does not claim any creative credit for the contents inside this booklet.

This guide is designed to be used in conjunction with other entrance and exit counseling materials that your school may utilize to fulfill all student loan counseling requirements. In addition to receiving this booklet, you may be required to complete an online entrance and/or exit counseling session or complete an entrance and/or exit counseling form.

* Information is accurate as of April 2012 and does not reflect any law or regulatory changes made after this date.

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PREFACE

When you're considering college or some form of education beyond high school, financial aid almost always comes to mind. How much aid you'll receive may be a deciding factor in whether or not to attend college or whether you'll be able to attend the college of your choice.

You and your family have the primary responsibility of paying for college. However, when those funds aren't enough, you need to look at other resources. First, you need to make the most of scholarships and grants because the receipt of a Federal Stafford Loan may affect your eligibility for other financial aid. It may be beneficial to contact your school to discuss other types of student assistance that may be available. If you've already done that and still need money, a federal student loan is your best option.

Federal student loans are the better option compared to private student loans because they have lower, fixed interest rates, generous repayment plans, no prepayment penalties and no credit checks (except for federal PLUS Loans). If you are applying for a student loan and are unsure about whether it is a federal or private loan, documents for federal student loans will state somewhere on the form that it is a *federal student loan*.

As with any financial decision, you should understand the process to make informed decisions. This publication provides you with the information you need.

UNDERSTANDING FEDERAL STUDENT LOANS

What are federal student loans?

Federal student loans are provided to eligible student and parent borrowers through participating schools. There are two U.S. Department of Education (Department) student loan programs: Federal Family Education Loan (FFEL) Program and the William D. Ford Direct (Direct) Loan Program.

FFEL Program funds were provided by private lenders such as banks, credit unions, and other private financial institutions and the loans are backed by the federal government, whereas the federal government directly provides the funds under the Direct Loan Program.

Although existing loans may be through either program, as a result of the *Health Care and Education Reconciliation Act of 2010*, no further loans will be made under the FFEL Program as of July 1, 2010. All new loans come directly from the Department under the Direct Loan Program.

What types of federal student loans are there?

- ◆ **Stafford Loans** are for undergraduate, graduate, and professional degree students. You must be enrolled as at least a half-time student to be eligible for a Stafford Loan.

“Half-time” at schools measuring progress in credit hours and semesters, trimesters, or quarters is at least six semester hours or quarter hours per term for an undergraduate program. At schools measuring progress by credit hours but not using semesters, trimesters, or quarters, “half-time” is at least 12 semester hours or 18 quarter hours per year. At schools measuring progress by clock hours, “half-time” is at least 12 hours per week. Note that schools may choose to set higher minimums than these.

There are two types of Stafford Loans: subsidized and unsubsidized.

- ◇ *Subsidized Stafford Loan:* You are eligible for a subsidized Stafford Loan if you are in school at least half-time, have financial need, and are otherwise eligible for federal aid at your school. With a subsidized Stafford Loan, the federal government will pay the interest while you’re enrolled at least half-time, during your grace period, and during deferments.
 - ◇ *Unsubsidized Stafford Loan:* Unsubsidized Stafford loans are for students who do not have financial need. With an unsubsidized Stafford Loan, you are responsible for paying the interest during all periods, starting from the date the loan is first disbursed.
- ◆ **PLUS Loans** are loans parents can obtain to help pay the cost of education for their dependent undergraduate children. In addition, graduate and professional degree students may obtain PLUS Loans to help pay for their own education.
 - ◇ A biological or adoptive parent (and in some cases, a stepparent) who does not have an adverse credit history may

receive a PLUS Loan to help pay for the educational costs of a dependent undergraduate student who is enrolled at least half-time in an eligible institution. The maximum PLUS Loan amount a parent can borrow is equal to the cost of attendance, as determined by the school, minus any other financial aid the student may be receiving.

- ◇ If you are a graduate or professional student, you are eligible for a PLUS Loan if you do not have an adverse credit history and are enrolled at least half-time at an eligible institution. The maximum PLUS Loan amount you can borrow is equal to the cost of attendance, as determined by the school, minus any other financial aid you may be receiving, including any Stafford Loans you receive for the same period of enrollment.
- ◇ PLUS Loans are unsubsidized. The borrower is responsible for interest during the life of the loan. There is no grace period on PLUS Loans.
- ◆ **Federal Perkins Loans** are made through participating schools to undergraduate, graduate, and professional degree students.
 - ◇ Offered by participating schools to students who demonstrate financial need.
 - ◇ Made to students enrolled full-time or part-time.
 - ◇ Repaid by you to your school.
- ◆ **Consolidation Loans** allow student or parent borrowers to combine multiple federal education loans into one loan with one monthly payment.

THINKING ABOUT BORROWING

The loan amounts and types of loans (subsidized, unsubsidized, or a combination of both) that you are eligible to receive each year are determined by your school, based on factors such as your cost of attendance, your Expected Family Contribution (EFC) as determined by the results of your *Free Application for Federal Student Aid (FAFSASM)*, other financial aid, and the length of your program. The actual amounts you are eligible to borrow may be less than the maximum amounts

shown here. If you are enrolled in certain health profession programs, you may qualify for higher annual and aggregate limits on unsubsidized loans.

ANNUAL LOAN LIMITS FOR SUBSIDIZED & UNSUBSIDIZED STAFFORD LOANS ¹		
	Dependent Undergraduate Students²	Independent Undergraduate Students²
First year (freshman)	\$5,500 (maximum \$3,500 subsidized)	\$9,500 (maximum \$3,500 subsidized)
Second year (sophomore)	\$6,500 (maximum \$4,500 subsidized)	\$10,500 (maximum \$4,500 subsidized)
Third year (junior) and beyond	\$7,500 (maximum \$5,500 subsidized)	\$12,500 (maximum \$5,500 subsidized)
Graduate/ Professional	N/A	\$20,500 (maximum \$8,500 subsidized)

AGGREGATE LOAN LIMITS: MAXIMUM TOTAL OUTSTANDING LOAN DEBT		
	Dependent Undergraduate Students²	Independent Undergraduate Students³
Undergraduate	\$31,000 (maximum \$23,000 subsidized)	\$57,500 (maximum \$23,000 subsidized)
Graduate/ Professional	N/A	\$138,500

¹The annual loan limits do not include loan limits for independent undergraduate students enrolled in preparatory course work required for admission to an undergraduate program.

²Dependent students whose parents are unable to get PLUS loans are eligible to apply for the independent undergraduate loan limits.

³The graduate/professional maximum includes Stafford loans received for undergraduate study.

How much interest do I have to pay?

Subsidized and unsubsidized loans have a fixed interest rate. Fixed rates are just that: a set rate for the life of the loan.

The interest rate on subsidized loans for undergraduate students is based on the first disbursement date as listed in the table below. The interest rate for unsubsidized loans is fixed at 6.8 percent.

Interest is not charged on your subsidized loan while you are enrolled at least half-time, during your grace period and during deferment periods. Interest on your subsidized loan is charged during all other periods, starting with the day after your grace period ends (including forbearance periods). Interest is charged on your unsubsidized loan during all periods, starting on the day it is disbursed.

INTEREST RATES FOR SUBSIDIZED STAFFORD LOANS	
First Disbursement Date of Your Loan	Interest Rate
On or after July 1, 2006 and prior to July 1, 2008	6.8 percent
On or after July 1, 2008 and prior to July 1, 2009	6.0 percent
On or after July 1, 2009 and prior to July 1, 2010	5.6 percent
On or after July 1, 2010 and prior to July 1, 2011	4.5 percent
On or after July 1, 2011 and prior to July 1, 2012*	3.4 percent

* On July 1, 2012, the interest rate is scheduled to increase to 6.8 percent, unless the reduced rate is extended by Congress (for current rates, refer to www.studentloans.gov).

Should I pay interest on my loan while I'm in school?

If you choose not to pay on your unsubsidized loan while you're in school, the unpaid interest will be added to the outstanding principal amount of your loan. This is called "capitalization."

Capitalization increases the unpaid principal balance of your loan, and then you will be charged interest on the increased principal amount. It will save you money in the long run if you pay the interest as it accrues on your loan while you're in school or during the grace period. This is true as well if you pay any interest that accrues during periods when you defer loan payments after leaving school.

Also, you may be able to claim a federal income tax deduction for interest payments made on your student loans. For further information, refer to IRS Publication 970, which is available at www.irs.gov.

Am I charged a fee for taking out a student loan?

Loan fees are deducted proportionately from each loan disbursement you receive. This means the proceeds you received were less than the

amount you actually borrowed. You're responsible for repaying the entire amount you borrowed and not just the amount you received in loan disbursements.

- ◆ Direct Loans: For **all** Direct Subsidized Loans and Direct Unsubsidized Loans first disbursed on or after:
 - ◇ July 1, 2007, and before July 1, 2008, the loan fee (also called the origination fee) is 2.5 percent.
 - ◇ July 1, 2008, and before July 1, 2009, the loan fee is 2 percent.
 - ◇ July 1, 2009, and before July 1, 2010, the loan fee is 1.5 percent.
 - ◇ July 1, 2010, the loan fee is 1 percent.
- ◆ The Direct PLUS Loan fee is 4 percent for Direct PLUS Loans made to both parent and to graduate and professional degree student borrowers.
- ◆ FFEL Loans: You may have been charged fees comparable to the fees charged for Direct Loans. Contact your loan holder for more information.

APPLYING FOR A FEDERAL STUDENT LOAN

Apply for a federal student loan by completing the *Free Application for Federal Student Aid* (FAFSASM). The FAFSA also determines eligibility for federal grants, work-study, state and institutional aid. A separate loan application isn't required.

Although not all aid is need based, you'll need to include information from your (and your parents' or spouse's, if applicable) income tax returns and W-2 forms (and other records of income) to help determine what type of aid you may receive.

Complete the FAFSA at www.fafsa.gov on or after January 1 of the year you expect to start college.

RECEIVING LOAN FUNDS

The schools you included in your FAFSA receive the results of your application. The financial aid office at the school considers the cost to attend their institution and the information in the FAFSA to put together an award package for you.

The award letter will include federal student loan, grant, and work-study you can receive as well as state aid, institutional aid, and other sources of aid to help pay your costs.

What do I need to do before accepting any aid?

- ◆ Get a breakdown of direct expenses (tuition, room, board, and fees) and estimates of indirect expenses (travel, books, etc.) for one year of college. To get this information, use the net price calculator on your school's Web site.
- ◆ Know the actual amount (cost of attendance minus financial aid) that you'll have to pay to attend one year of college.
- ◆ Know how much in scholarships and grants (money that doesn't have to be repaid) you've been awarded and the conditions under which they are renewable each year.
- ◆ Know the amount of work-study you've been awarded and the conditions to fulfill the work-study.
- ◆ Find out which types of loans you've been awarded and the amounts.
- ◆ Find out which loans your parents can get to help pay for your education.
- ◆ Know the interest rates, loan terms, monthly repayment amounts, and total repayment amounts of your loans.
- ◆ Know where you can get additional information or have your loan questions answered.

What do I do when I get my award letter?

- ◆ Accept scholarships and grants you're eligible for — be sure you understand any conditions and requirements you must meet to receive these free funds.
- ◆ Accept the loans with the most favorable terms; that is, federal student loans and state aid offered to you. If you see private or commercial loans in your award letter, ask why this type of loan was included, find out the terms, and reject the private loan if the terms aren't favorable.
- ◆ Borrow only what you need and what you'll be able to repay. Remember that federal student loans have to be paid after you graduate, leave school, or stop attending at least half-time.
- ◆ Exhaust all options before looking into private loans. Private loans and credit cards should be your last resort.

What should I do now?

- ◆ Sign a Master Promissory Note (MPN). The MPN is a legally binding agreement that contains the terms and conditions of the

loan. It also explains how and when the loan should be repaid. By signing it, you are promising to repay your student loan. Keep the promissory note and any other loan documents in a safe place until the loan is repaid.

- ◆ Complete entrance counseling. This must be done before the loan is disbursed and is required for first-time borrowers. Entrance counseling is an information session explaining your responsibilities and rights as a student borrower.

How and when do I receive the money from my federal student loans?

- ◆ Generally, your loan will be paid directly to the school in two disbursements (payments). No disbursement will be greater than half the amount of your loan.
- ◆ If you're a first-year undergraduate student and a first-time borrower, your first disbursement can't be made until 30 days after the first day of your enrollment period.
- ◆ Your school usually credits your loan payment to the school charges on your account (tuition and fees, room and board, and other authorized charges).
- ◆ If the loan money exceeds your school charges, the school will pay you the credit balance by check or other means.

Are there restrictions on the use of my federal student loan money?

Yes. You may use the money you receive only to pay for education expenses at the school that awarded your loan. Education expenses include charges such as tuition; room and board; fees; books; supplies; equipment; dependent childcare expenses; transportation; and rental or purchase of a personal computer. Talk to someone at the financial aid office at your school if you need more details.

I don't need to borrow all of this money. Can I return some of it?

Yes. You may cancel all or part of your loan at any time by notifying your school before your loan is disbursed, and within certain timeframes after your loan has been disbursed. These timeframes, and the procedures for canceling a loan, will also be explained in notices that the school is required to send you. Contact your financial aid office for more details.

What can I do to graduate with less debt?

After exploring the various non-loan and low-interest loan options, another option is to reduce your cost of attendance. One way to do this is to start with a less expensive school or community college before

transferring to a four-year college or consider only in-state schools. However, before transferring make sure that the four-year school you want to attend will accept credits from the community college you're attending.

Debt adds up quickly, so keep an eye on it. If accumulating too much debt is your concern, you can:

- ◆ search for more scholarships and grants;
- ◆ work while you're attending school;
- ◆ change your spending habits; and
- ◆ consider transferring to a less-expensive school.

Managing your money and changing your spending habits is also important when you're in school. Resist the urge to get a credit card or get more than one credit card. A credit card can help you build a credit history, if you use it wisely. But don't spend more than you can afford to pay. Use your credit card for emergencies only. If you do decide to get a credit card, make sure you understand how it works and read the fine print. You should also open a checking account and learn how to balance your checkbook.

Here are a few money saving tips and ways to cut costs:

- ◆ Buy used books instead of new ones whenever possible.
- ◆ Use your prepaid meal plan instead of eating out.
- ◆ Take advantage of free activities sponsored by your school.
- ◆ Resist impulse buying. Buy what you need, not what would be nice to have. When you do shop, use coupons and look for sales.
- ◆ Know and understand your cell phone plan. Stay within your free minutes.
- ◆ Brew your own coffee.

What can I do to keep track of my borrowing?

Keep good records. Repaying your student loans is a serious matter. It's important to keep accurate, accessible records.

Set up a file folder for each loan and file all paperwork. Your file should include:

- ◆ Financial aid award letters
- ◆ Loan counseling materials (entrance and exit counseling)
- ◆ Promissory note(s)

- ◆ Account numbers for each of your loans
- ◆ Amount of your student loans, including the amount that was disbursed each semester or year (you may access this information at www.nslds.ed.gov)
- ◆ Name, address, phone number, and Web site of your loan holder or servicer (the entity to whom you send your monthly payments)
- ◆ Loan disclosure and payment schedule sent to you by your servicer before you start to repay your loan
- ◆ Monthly payment stubs (if you pay by check) or printouts of proof of payment (if you pay electronically)
- ◆ Notes about any questions you ask about your loans, the answers, and the name of the person that helped you
- ◆ Documentation proving that you paid your loans in full
- ◆ Any deferment or forbearance paperwork and notes of any phone calls to your servicer

How does my enrollment status affect my student loans?

- ◆ If you're preparing to leave school, withdraw early, or transfer to another school, you must remember to notify your loan holder (to find out who is servicing your loan, visit www.nslds.ed.gov or call 1-800-4-FED-AID) and the school you're currently attending. It is important to contact the appropriate offices at your school if you withdraw prior to completing your program of study so that the school can provide exit counseling, including information regarding your repayment options and loan consolidation.
- ◆ If you have a Stafford Loan that has not previously entered repayment, you enter the grace period when you withdraw, drop below half-time status, or graduate. You enter repayment at the conclusion of the grace period.

Before I take out a loan, what do I need to know about my rights and responsibilities as a borrower?

- ◆ Your primary responsibility is to repay your loans according to the terms and conditions of your loan agreement, even if you do not complete your academic program, are dissatisfied with the education you received, or are unable to find employment after you graduate.
- ◆ Before you begin repayment, your loan holder is required to give you a repayment schedule and detailed information about interest rates, fees, your balance, and repayment options.

- ◆ You have the right to defer payment for certain defined periods, if you qualify.
- ◆ You have the right to request forbearance.
- ◆ You may prepay your loans in whole or in part at any time without penalty.
- ◆ You must attend entrance counseling before receiving loan funds and exit counseling before leaving school.
- ◆ You must make payments on time, or make other arrangements with your loan holder.
- ◆ You must notify your loan holder if you change your name, address, phone number, or enrollment status.
- ◆ You must notify your loan holder if you are unable to make payments.

REPAYING YOUR LOANS

What happens when it's time to repay my loans?

You will receive a notice about exit counseling when you graduate or begin attending school less than half-time. At this session, you'll be given information on your loans and when repayment begins.

When you graduate or withdraw you will have six months before your first payment is due. This is called your grace period. (PLUS Loans don't have a grace period.) This time can allow you to get financially settled, select your repayment plan, and determine the amount of income you need to put toward your student loan each month.

When choosing a repayment plan, what are my options?

There are flexible repayment plans to help you manage this important financial responsibility. The repayment plans below are for Direct and FFEL Stafford Loans. Keep in mind that you may prepay your loans in whole or in part at any time without an early-repayment penalty. You also have the ability to change the repayment plan on your loan(s) once a year. However, you may end an income-based repayment plan at any time to repay under the standard repayment plan.

- ◆ **Standard Repayment Plan**
 - ◇ You generally pay a fixed amount each month for up to 10 years.
 - ◇ Your payment must be at least \$50 a month.
- ◆ **Graduated Repayment Plan**
 - ◇ Your payments start out low at first and then will increase, usually every two years.

- ◇ You must repay your loan in full within 10 years. At a minimum, your payments must cover the interest that accumulates on your loans between payments.
- ◇ This plan is tailored to individuals with relatively low current incomes (e.g., recent college graduates) who expect their incomes to increase in the future. However, you'll ultimately pay more for your loan than you would under the Standard Plan, because more interest accumulates in the early years of the plan when your outstanding loan balance is higher.
- ◆ **Extended Repayment Plan**
 - ◇ If you're a FFEL borrower, you must have more than \$30,000 in outstanding FFEL Program loans. If you're a Direct Loan borrower, you must have more than \$30,000 in outstanding Direct Loans. This means, for example, that if you have \$35,000 in outstanding FFEL Program loans and \$10,000 in outstanding Direct Loans, you can choose the extended repayment plan for your FFEL Program loans, but not for your Direct Loans.
 - ◇ Your fixed monthly payment is lower than it would be under the Standard Plan, but you'll ultimately pay more for your loan because of the interest that accumulates during the longer repayment period.
- ◆ **Income-Sensitive Repayment Plan (for FFEL Program Loans only)**
 - ◇ With an income-sensitive plan, your monthly loan payment is based on your annual income.
 - ◇ As your income increases or decreases, so do your payments. The maximum repayment period is 10 years.
- ◆ **Income-Contingent Repayment Plan (for Direct Loans and Direct PLUS Loans only)**
 - ◇ Your monthly payments will be based on your annual income (and that of your spouse, if married), your family size, and the total amount of your Direct Loans.
 - ◇ Borrowers have 25 years to repay under this plan, the unpaid portion will be forgiven. However, you may have to pay income tax on the amount that is forgiven.

- ◇ Effective July 1, 2009, graduate and professional student PLUS borrowers in the Direct Loan program will be eligible to use the income-contingent repayment (ICR) plan. Direct Loan parent PLUS borrowers will not be eligible for the ICR repayment plan.

◆ **Income-Based Repayment (IBR)**

- ◇ Under this plan, your required monthly payment amount will be based on your income during any period when you have a partial financial hardship.
- ◇ The maximum repayment period under this plan may exceed 10 years.
- ◇ If you repay under this plan and meet certain other requirements over a specified period of time, you may qualify for cancellation of any outstanding balance on your loans.
- ◇ Contact the Direct Loan Servicing Center (for Direct Loans) or your FFEL Lender (for FFEL Program loans) for more information about the Income-Based Repayment Plan.

REPAYMENT PLAN COMPARISON CHARTS

STANDARD REPAYMENT		
Loan Amount	Monthly Payment	Total Paid (Loan + Interest)*
\$10,000	\$115	\$13,810
\$50,000	\$575	\$69,048

*A subsidized Stafford loan repaid at 6.8 percent interest with a standard repayment plan of 10 years.

GRADUATED REPAYMENT			
Loan Amount	Beginning Monthly Payment	Ending Monthly Payment	Total Paid (Loan + Interest)*
\$10,000	\$57	\$135	\$14,353
\$50,000	\$283	\$677	\$71,784

*A subsidized Stafford loan repaid at 6.8 percent interest with a graduated repayment plan of 10 years.

INCOME-SENSITIVE REPAYMENT				
Loan Amount	Gross Monthly Income	Monthly Payment		Total Paid (Loan + Interest)*
		First 5 years: Interest only	Remaining 10 years	
\$10,000	\$1,250	\$57	\$115	\$17,210
\$50,000	\$4,000	\$283	\$575	\$86,028

*A subsidized Stafford loan repaid at 6.8 percent interest with the requested monthly payment to be based on 4 percent of your gross monthly income.

EXTENDED REPAYMENT			
Loan Amount	Monthly Payment	Years in Repayment	Total Paid (Loan + Interest)*
\$50,000	\$347	25	\$104,112

*A subsidized Stafford loan repaid at 6.8 percent interest with an extended repayment plan of 25 years.

INCOME-BASED REPAYMENT				
Loan Amount	Gross Monthly Income	Annual Poverty Level	Monthly Payment	Total Paid (Loan + Interest)*
\$10,000	\$2,000	\$10,400	\$105	\$14,442
\$50,000	\$3,000	\$10,400	\$255	\$76,500**

*A subsidized Stafford loan repaid at 6.8 percent interest with the income-based repayment plan.

**Balance remaining after 25 years of repayment will be forgiven and considered taxable income.

Should I consolidate my loans?

A federal Direct Consolidation Loan can help make payments more manageable for some by combining several federal student loans into one loan with one monthly payment.

You may need to apply for loan consolidation and choose a standard, an extended, a graduated, or an income-contingent repayment plan. Depending on the amount of your debt, standard and graduated repayment plans have 10-year to 30-year repayment periods.

The interest rate for Direct Consolidation Loans is a fixed rate for the life of the loan. The fixed rate is based on the weighted average of the interest rates on all of your loans you consolidate, rounded up to the nearest one-eighth of 1 percent. However, the interest rate will never exceed 8.25 percent.

How can consolidation help me manage my debt?

Loan consolidation can offer you benefits to help manage your education debt. You can:

- ◆ Make lower monthly payments by increasing the repayment period (However, this will increase the total amount you repay over the life of your loan).
- ◆ Make a single monthly payment on one bill to one lender.

Is there a downside to consolidation?

Although consolidation can help many borrowers manage their monthly payments, there are some cases when consolidation may not be right for you.

- ◆ You may lose certain benefits (such as cancellation benefits, interest subsidies, etc.) that were offered on the loans being consolidated.
- ◆ If you are close to paying off your student loans, it may not make sense to consolidate or extend your payments. By extending the years of repayment for your loans, you may be increasing the total amount you have to pay in interest.
- ◆ Discuss your options with the financial aid office at your school.

For more information on Direct Consolidation Loans visit www.loanconsolidation.ed.gov or call the Federal Student Aid Information Center at **1-800-4-FED-AID**.

MAKING YOUR MONTHLY PAYMENTS

You can choose to receive your student loan statement electronically, make a student loan payment online through electronic debiting, or schedule a recurring electronic debit to pay your bill. Some loan holders will even reduce your interest rate as an incentive for paying by electronic debiting. To sign up for electronic debit, contact your loan holder.

What if I have forgotten what type of loan I have and who my loan holder is?

This information should be on the bill you receive from your loan holder. If you have questions about what loans you have, you can review your federal student loan history through the U. S. Department of Education's National Student Loan Data System (NSLDS) at www.nsls.ed.gov, the central database for federal student aid.

You will need your Federal Student Aid PIN to access the database. For information on your PIN visit www.pin.ed.gov.

What if I forgot to send a payment or can't send the full monthly amount? Should I send a partial payment? What if I can't make my payments?

If you can't make your payments, don't ignore the problem.

- ◆ Contact your loan holder immediately to discuss options.
- ◆ Consider changing your repayment plan if your current one is not favorable.
- ◆ Keep track of all communications.

Keep in mind that even though your credit history was not taken into account when you received federal student loans, your credit history will be affected if you do not repay your federal student loans under the repayment plan you agreed to when you entered repayment.

Your loan debt is a legal obligation and can be a 10-year to 30-year financial commitment.

Don't ignore debt. It won't go away.

There are many ways to get help, including changing your payment due date, repayment options, deferment or forbearance.

Why is missing a payment a problem?

If you don't make a payment on time or if you start missing payments, even just one, your loan is considered delinquent and late fees can be assessed.

If you are making late or partial payments, contact your loan holder immediately for help. If you don't make payments for more than 270 days, your loan will go into default and your credit rating could suffer. If your credit rating is affected, you may be denied future education or consumer loans, and you may not be able to obtain a mortgage or rent an apartment.

The consequences of defaulting on a federal student loan are very serious. Failure to repay your loans may result in any or all of the following:

- ◆ Loss of federal and state income tax refunds;
- ◆ Loss of other federal or state payments;
- ◆ Legal action against you;
- ◆ Collection charges (including attorney fees) assessed against you;
- ◆ Denial or loss of professional license;
- ◆ An increase in your interest rate;
- ◆ Loss of eligibility for other student aid and assistance under most federal benefit programs;
- ◆ Loss of eligibility for loan deferments;
- ◆ Negative credit reports to consumer reporting agencies;
- ◆ Assignment of your FFEL Program loan to the U. S. Department of Education (the Department), and/or
- ◆ Your employer withholding part of your wages to give to your guarantor or the Department (administrative wage garnishment).

What is a deferment?

A deferment is a period in which repayment of the principal balance is temporarily postponed if you meet certain requirements. During a deferment, if the loan is subsidized, the government pays the interest charged.

For all unsubsidized loans (including PLUS Loans), you are responsible for the interest that accrues during the deferment period.

If you have unsubsidized loans, when you resume making payments at the end of the deferment period, any unpaid interest will be capitalized

(added to the principal balance).

If you do not meet the requirements for a deferment, you may still be eligible for forbearance.

What is forbearance?

Forbearance allows you to postpone or reduce your monthly payment amount for a limited and specific period if you are temporarily unable to make your scheduled loan payments for reasons including, but not limited to, financial hardship or illness.

You must request forbearance from your loan holder.

You are responsible for the interest that accrues during forbearance on all loan types, including Subsidized Stafford Loans. When you resume making payments at the end of the forbearance period, any unpaid interest will be capitalized (added to the principal balance).

Your loan holder is required to grant you forbearance under certain conditions. These include, but are not limited to, the following:

- ◆ While you are serving in an AmeriCorps position for which you are receiving an education award;
- ◆ While you are serving in a medical or dental internship or residency program and meet certain other requirements;
- ◆ If the total amount you owe each month on all of your FFEL, Direct Loan, and Perkins Loan program loans is 20 percent or more of your total monthly gross income.

For more information on deferment or forbearance go to www.studentaid.ed.gov/repaying and click on “Difficulty Repaying.”

LOAN DISCHARGE OR FORGIVENESS

Some employers such as state or local governments offer loan repayment in return for working in a job that’s in great demand. There are also programs offered by some schools that will assume a portion of your debt. If loan forgiveness is something you’d like to explore, begin by asking at your school or workplace.

What qualifies my loan for discharge?

Discharge refers to the cancellation of a loan, even one in default, due to school closure, false certification, your death, or your total and permanent disability.

Be aware that a student loan, whether in default or not, cannot be discharged in bankruptcy in most cases.

What qualifies my loan for forgiveness?

Forgiveness of a loan is based on the borrower performing certain types of service such as teaching in a low-income school. A defaulted loan can't be canceled based on qualifying service (e.g., teaching).

Where can I learn more about loan discharge and forgiveness?

For a complete list of discharge and forgiveness provisions for Stafford Loans, check the following chart or visit www.studentaid.ed.gov/discharges.

After reviewing the conditions for discharge or forgiveness, if you think you qualify, you must apply with the holder of your loan.

- ◆ **Federal Perkins Loans** – Check with the school that made the loan to you or with the school's loan servicing agent.
- ◆ **Direct Loans** – Contact the Direct Loan Servicing Center at **1-800-848-0979**. TTY users can call **1-800-848-0983**. Or, go to www.dl.ed.gov.
- ◆ **FFEL Loans** – Contact your loan servicer.

STAFFORD AND PLUS LOAN DISCHARGE OR CANCELLATION AND FORGIVENESS SUMMARY CHART

DISCHARGE/FORGIVENESS CONDITION	AMOUNT DISCHARGED/FORGIVEN	NOTES
Borrower's total and permanent disability or death.*	100 percent	For a PLUS Loan, circumstances include the death, but not disability, of the student for whom the parents borrowed.

DISCHARGE/FORGIVENESS CONDITION	AMOUNT DISCHARGED/ FORGIVEN	NOTES
Full-time teacher for five consecutive years in a designated elementary or secondary school serving students from low-income families. Must meet additional eligibility requirements.	Up to \$5,000 (up to \$17,500 for certain teachers in certain specialties) of the total loan amount outstanding after completion of the fifth year of teaching. Under the Direct and FFEL Consolidation Loan programs, only the portion of the consolidation loan used to repay eligible Direct Loans or FFEL Program loans qualifies for loan forgiveness.	For Direct and FFEL Stafford Loan borrowers with no outstanding balance on a Direct or FFEL Program loan as of Oct. 1, 1998, or on or after the date they received a loan. PLUS Loans are not eligible. At least one of the five consecutive years of teaching must occur after the 1997-1998 academic year. To find out whether your school is considered a low-income school, go to FederalStudentAid.ed.gov . Click on "Student, Parents, Counselors." Or call 800-4-FED-AID (800-433-3243).
Bankruptcy (in rare cases)	100 percent	Cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship.
Closed school (before student could complete program of study) or false loan certification.	100 percent	For loans received on or after Jan. 1, 1986.

DISCHARGE/FORGIVENESS CONDITION	AMOUNT DISCHARGED/ FORGIVEN	NOTES
False loan certification now includes identity theft.	100 percent	Effective July 1, 2006.
School does not make required return of loan funds to the lenders.	Up to the amount that the school was required to return.	For loans received on or after Jan. 1, 1986.
Loan forgiveness for public service employees.	100 percent of the remaining outstanding balance on an eligible Direct Loan.	For a borrower not in default and who makes 120 monthly payments on the loan after Oct. 1, 2007.

* If you have a total and permanent disability, this means that:

- (1) You are unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death, that has lasted for a continuous period of not less than 60 months, or that can be expected to last for a continuous period of not less than 60 months, OR
- (2) You are a veteran who has been determined by the VA to be unemployable due to a service-connected disability.

NOTE: This disability standard may differ from disability standards used by other federal agencies (for example, Social Security Administration) or state agencies. Except in the case of certain veterans, a disability by another federal or state agency does not establish your eligibility for a discharge of your loan(s) due to a total and permanent disability.

RESOURCES

Where can I get more information about student loans?

You can go to www.FederalStudentAid.ed.gov and click on “Students, Parents and Counselors.” At this Web site you can:

- ◆ Find information on federal student aid and access sources of nonfederal aid;
- ◆ Apply online using *FAFSA on the Web*SM (the online version of the *Free Application for Federal Student Aid* or FAFSASM).

You can also contact the Federal Student Aid Information Center (FSAIC) at **1-800-4-FED-AID (1-800-433-3243)**. TTY users can call **1-800-730-8913**. Callers in locations without access to 1-800 numbers may call **319-337-5665** (this is not a toll-free number).

Contact FSAIC by mail at:
FSAIC
P. O. Box 84
Washington, D.C. 20044-0084

How do I report student aid fraud, including identity theft?

To report student aid fraud, waste or abuse of U.S. Department of Education funds contact the Office of Inspector General at **1-800-MIS-USED (1-800-647-8733)** or via email at [**oig.hotline@ed.gov**](mailto:oig.hotline@ed.gov). That Web site is [**www.ed.gov/misused**](http://www.ed.gov/misused).

What if I have a student loan problem that I am having trouble resolving?

The U.S. Department of Education created the Student Loan Ombudsman's Office to serve as an advocate for parent and student borrowers. Any borrower needing assistance to resolve a student loan problem may contact the Ombudsman's Office at any of the following:

Web site: [**www.ombudsman.ed.gov**](http://www.ombudsman.ed.gov)
E-Mail: [**fsaombudsmanoffice@ed.gov**](mailto:fsaombudsmanoffice@ed.gov)
Toll Free: 877-557-2575
Fax: 202-275-0549
Mail: U.S. Department of Education
FSA Ombudsman
830 First St., N.E.
Washington D.C. 20202-5144

SLGFA
10 Turtle Creek Lane
Little Rock, Arkansas 72202-1884

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www.youtube.com/teammslgfa

