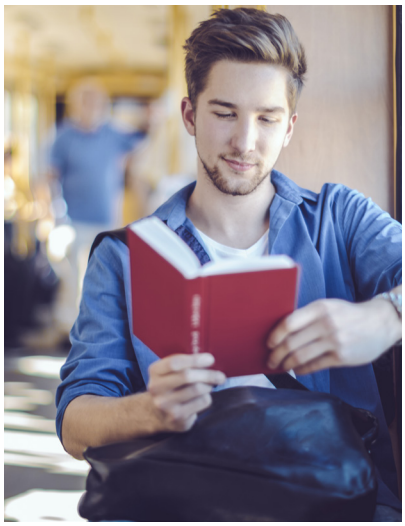
Managing Your Student Loan Debt



Money Management INTERNATIONAL

Changing How America Overcomes Financial Challenges

How well you manage your student loans and other personal finances will impact how quickly you achieve your financial goals.

Handling your student loan responsibly will build a solid financial foundation and positively influence your future consumer purchases such as buying an automobile, buying a house, and obtaining credit cards.

Defaulting on a student loan occurs when the borrower fails to fulfill the repayment terms as defined in the promissory note. A loan goes into default after 270 days without a payment.

The consequences of default are severe and include the following:

- You can be sued for the entire amount of the loan
- Your credit rating can be severely damaged, making it difficult to borrow money for a home or car or receive credit cards
- Record of the default will remain on your credit report for seven years after the loan has been paid in full
- Loss of your eligibility for all federal and state student aid programs, including any future student loans
- Loss of deferment and forbearance options
- Federal tax refunds, Social Security earnings and state income tax refunds may be withheld
- Up to 15% of your disposable income could be garnished
- Non-renewal, revocation or suspension of certain professional licenses, jeopardizing your chances for certain types of employment
- Assignment of your loan to the U.S. Department of Education for collection, resulting in additional collection fees
- You will be liable for the costs associated with collecting your defaulted loan, which could be as much as 25% of your principal and interest balance plus court costs and attorney fees

What are the keys to managing your student loan debt successfully?

- ☑ Know your loan and your lender/servicer
- ☑ Choose the right repayment plan
- ☑ Avoid loan default
- ☑ Manage life events

Know your loan and your lender/servicer

What type of student loan(s) do you have?

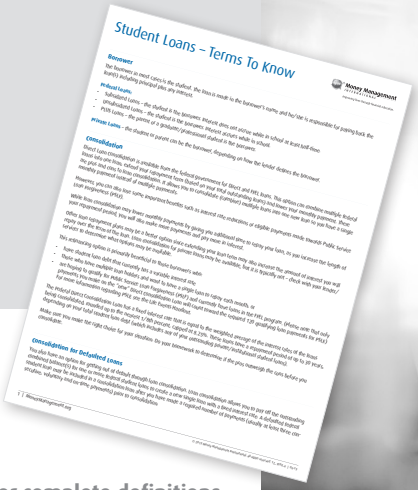
- ☐ Federal
- ☐ Private

What if I don't know what kind of loans I have or who holds or services my loans?

1. NSLDS.ed.gov
2. AnnualCreditReport.com
   This central site allows you to request a free credit report, once every 12 months from each of the nationwide consumer credit reporting companies: Equifax, Experian and TransUnion.

Who are the parties involved?

- ☐ borrower
- ☐ lender
- ☐ holder
- ☐ servicer


Student Loans – Terms To Know

Money Management International

Borrower

The borrower is owed rates is the shaded. The fees is made to the borrower's name and he/she is responsible for paying back the loan(s) including principal plus any interest.

Federal Loans

- Subsidized Loans – the shaded is the borrower interest does not accrue while in school or least half time.
- Unsubsidized Loans – the shaded is the borrower interest accrues while in school.
- PLUS Loans – the parents or a graduate/professional student is the borrower.

Private Loans – the student or parent can be the borrower, depending on how the lender defines the borrower.

Consolidation

Direct Consolidation is available from the federal government for DirectLoans and FFEL loans. This options can combine multiple federal student loans into one loan. Federal loan consolidation loans offer a fixed interest rate, based on your total outstanding loan(s) and round up to the next one-eighth of one percent. The rate is fixed for the life of the loan. Loan consolidation may lower your total monthly payment by stretching your loan term into extension, or eligible payments made towards Public Service Loan Forgiveness (PSLF).

However, you can also lose some program benefits such as interest rate reductions, or eligible payments made towards Public Service Loan Forgiveness (PSLF).

While this consolidation may lower your monthly payment by giving you additional time or naming your loans, in you increase that length of your repayment period. You will also make more payments and pay more in interest.

Only loan management plans may be a better option since extending your loan term may also increase the amount of interest you will pay over the life of the loan. Loan consolidation is not a substitute for a budget. Consolidation is not a solution.

Loan consolidation is generally beneficial to the borrower's wallet.

- Some student loan debt may currently be a variable interest rate.
- Under some circumstances, borrowers may have holders and want to lump a single loan to name, such as mortgage, or
- Borrowers may want to consolidate loans into one loan, refinance or change the terms of the loan.

For more information regarding PSLF, direct consolidation loans and example loan scenarios, see the "Loan" direct consolidation loans and example loan scenarios.

Direct Federal Direct Consolidation Loans has a fixed interest rate that is equal to the weighted average of the interest rates of the loans. Federal consolidation, eligibility is not based on the borrower's FICO score.

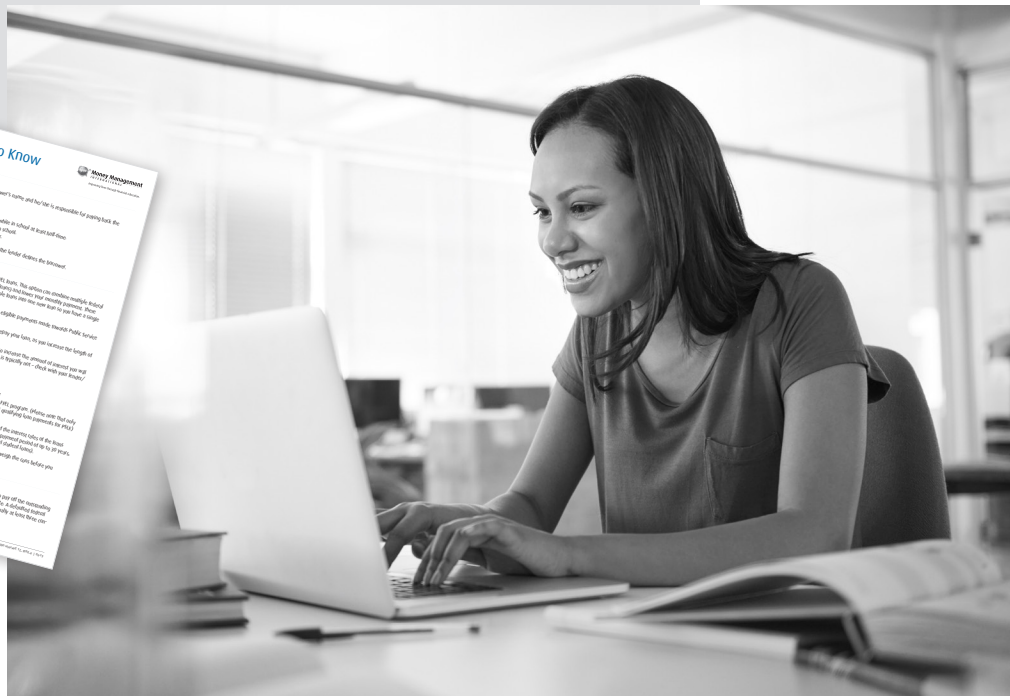
Make sure you make the right choice for your situation, the year borrowers or determine if this you manage the right before you consolidate.

Consolidation for Delinquent Loans

You also have an option for getting out of default through loan consolidation. Loan consolidation allows you to get off the hook. Consolidation permanently cures the default on the original student loans. Consolidation allows you to make a single loan with a direct repayment plan, a defaulted student loan must be included in a consolidation loan. Loan consolidation offers you a new loan with a fixed monthly payment plan, a defaulted student loan, voluntarily find one, prepaying point or consolidation.

1 | MoneyManagement.org

© 2014 Money Management International, all rights reserved. 5/2014 | 14-0171



See Appendix A for complete definitions.

Communicate with your lender/servicer

When should I contact my lender/servicer? If you...

- need copies of your loan documents
- need help making your loan payment
- change your name, address, or phone number
- have a question about your bill
- want to change your repayment plan
- need a deferment or forbearance
- have a question about loan forgiveness
- return to school
- drop below half-time enrollment
- graduate or stop going to school
- transfer to another school

Keep the lines of communication open, both ways. Be sure to open any emails or correspondence from your loan servicer.

Be sure to keep accurate records including: dates, who you talked to, reason for contact and what action is to be taken or what the next steps are. Be sure to include a follow-up on any actions.

Important Documents

- Master Promissory Note
- Borrower's Rights and Responsibilities
- Repayment Information

Choose the right repayment plan

Impose a strategy to learn and compare the options to choose the repayment plan that best meets your individual needs and circumstances based on:

1. Your financial goals
2. What you can afford to pay each month

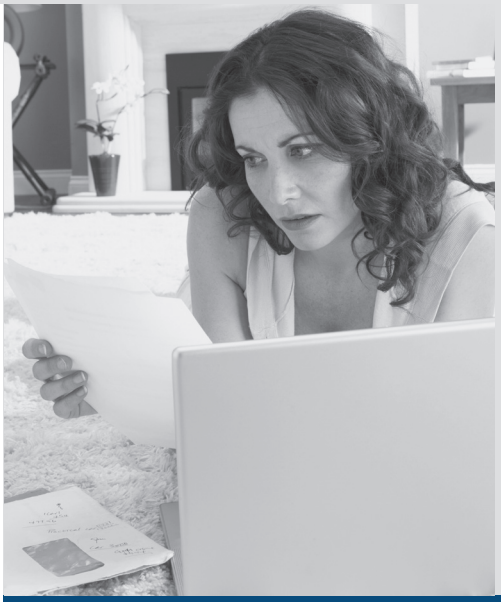
To help make informed decisions, you should compare the:

- Amount of interest
- Monthly payment
- Length of the payment period
- Total cost of paying the loan off, including principal and interest

Tip: *There are no penalties or charges for paying off your student loans (private or federal) early, and you will save money by paying less interest.*

Tip: *Discount for Direct Debit — You may receive a 0.25% reduction in your interest rate by setting up direct debit to make your monthly student loan payments. Check with your lender/servicer for more information. Discount varies by lender for FFELP and private loans.*

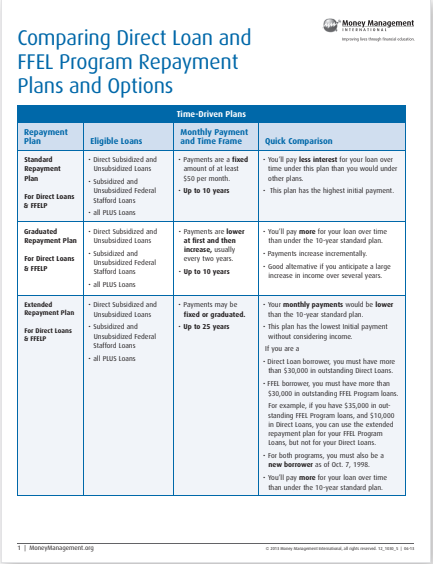
Be sure to talk to your lender/servicer regarding which repayment plan best meets your financial situation and helps you maintain successful repayment of your student loans. If the terms of another plan better meets your needs, you have the option to change your repayment plan.



Loan Repayment Tradeoffs

Longer repayment periods give a lower payment, but can result in a much higher overall cost of the loan, including total interest paid.

Repayment Plan Options



Money Management International
Improving lives through financial education.

Comparing Direct Loan and FFEL Program Repayment Plans and Options

Time-Driven Plans			
Repayment Plan	**Eligible Loans**	**Monthly Payment and Time Frame**	**Quick Comparison**
Standard Repayment Plan **For Direct Loans & FFELP**	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS Loans	• Payments are a **fixed** amount of at least $50 per month. • **Up to 10 years**	• You'll pay **less interest** for your loan over time under this plan than you would under other plans. • This plan has the highest initial payment.
Graduated Repayment Plan **For Direct Loans & FFELP**	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS Loans	• Payments are **lower at first and then increase,** usually every two years. • **Up to 10 years**	• You'll pay **more** for your loan over time than under the 10-year standard plan. • Payments increase incrementally. • Good alternative if you anticipate a large increase in income over several years.
Extended Repayment Plan **For Direct Loans & FFELP**	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS Loans	• Payments may be **fixed or graduated.** • **Up to 25 years**	• Your **monthly payments** would be **lower** than the 10-year standard plan. • This plan has the lowest initial payment without considering income. If you are a • Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans. • FFEL borrower, you must have more than $30,000 in outstanding FFEL Program loans. For example, if you have $35,000 in outstanding FFEL Program loans, and $10,000 in Direct Loans, you can use the extended repayment plan for your FFEL Program Loans, but not for your Direct Loans. • For both programs, you must also be a **new borrower** as of Oct. 7, 1998. • You'll pay **more** for your loan over time than under the 10-year standard plan.

1 | MoneyManagement.org

See Appendix B for repayment plans and options.

Time-Driven

- Standard Repayment Plan
- Graduated Repayment Plan
- Extended Repayment Plan

Income-Driven

- Revised Pay As You Earn (REPAYE) - Direct Loans Only
- Pay As You Earn (PAYE)
- Income Based Repayment Plan (IBR)
- income Contingent Repayment Plan (ICR)
- Income Sensitive Repayment Plan (ISR)

Use the Standard Repayment Plan Table below with an interest rate of 6.8 percent as a starting point. You can explore other repayment plan options if this does not fit your budget.

Visit StudentAid.ed.gov/Repay-Loans/Understand/Plans for more information.

Loan $ Amount	Monthly $ Payment	# of Payments	Interest $ at 6.8%	Total Repay $ Amount
$3,500	$50.00	89*	$971	$4,471
4,500	51.79	120	1,714	6,214
5,500	63.29	120	2,095	7,595
7,500	86.31	120	2,857	10,357
8,500	97.82	120	3,238	11,738
9,500	109.33	120	3,620	13,120
10,500	120.83	120	4,000	14,500
12,500	143.85	120	4,762	17,262
15,500	178.37	120	5,904	21,404
17,500	201.39	120	6,667	24,167
20,500	235.91	120	7,810	28,310
23,000	264.68	120	8,762	31,762
25,000	287.70	120	9,524	34,524
30,000	345.24	120	11,429	41,429
35,000	402.78	120	13,334	48,334
40,000	460.32	120	15,239	55,239
45,000	517.86	120	17,143	62,143
50,000	575.40	120	19,048	69,048

Federal Loan Repayment Plan Forms

To apply for a repayment plan, visit: StudentLoans.gov

*The minimum month payment is $50.00. The loan will be paid off in less than 120 months. These repayment estimates assume that the interest on the loans is either subsidized by the federal government or the borrower paid the interest prior to the conversion to repayment. If the borrower has multiple loans with different interest rates, add together the monthly payment for each loan to determine the total monthly payment amount. Apply the same calculation to determine the total interest and repayment amounts.

Compare Using Calculators

The federal loan programs offer various repayment plans to make your monthly payment affordable and fit in your budget. A repayment estimator is available online to estimate your budget and monthly payments under each plan. To help make informed decisions, you should compare:

- interest rate
- monthly payment
- length of the payment period
- the total cost of paying the loan off, including principal and interest

Online calculator:

Repayment Estimator (Calculator across all plans)
StudentLoans.gov/MyDirectLoan/RepaymentEstimatorLoginRedirect.action

Logging in to the repayment calculator with your FSAID will give you access to import your loans into the repayment calculator. This will give you the most accurate repayment estimates across all plans you are eligible for. The repayment calculator will also display any forgiven amount at the end of the repayment term for income based plans, including Public Service Loan Forgiveness (PSLF).

Note: For income based plan residual balances forgiven at the end of the repayment term that are not part of PSLF, the residual balance is taxable income under current tax law.

Loan Consolidation

- Pros
- Cons

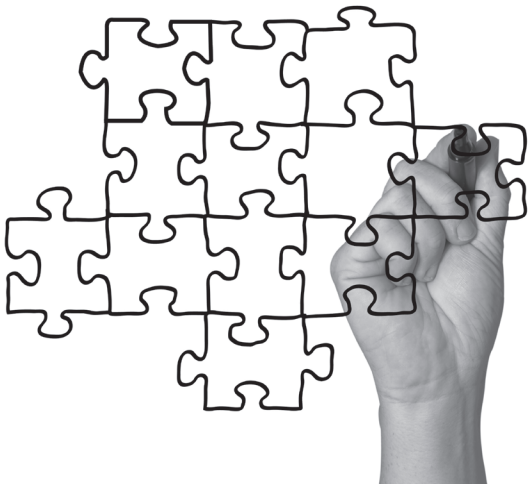
Consolidate Direct Loans:
studentloans.gov/myDirectLoan/launchConsolidation.action

Loan consolidation is an option that is primarily beneficial to those borrowers who:

- have student loan debt that currently has a variable interest rate
- have multiple loan holders and want to have a single loan to repay each month, or
- are hoping to qualify for **Public Service Loan Forgiveness (PSLF)** and currently have loans in the FFEL program (Please note that only payments you make on the "new" Direct Consolidation Loan will count toward the required 120 qualifying loan payment requirement for PSLF).

To consolidate your Direct loans, go to StudentLoans.gov.

You can consolidate your loans for free online or by downloading an electronic form. You will need your FSAID and a few pieces of information such as income, marital status, etc., if you wish to repay your consolidated loan under one of the income based plans.



Repayment Options for Private Loans

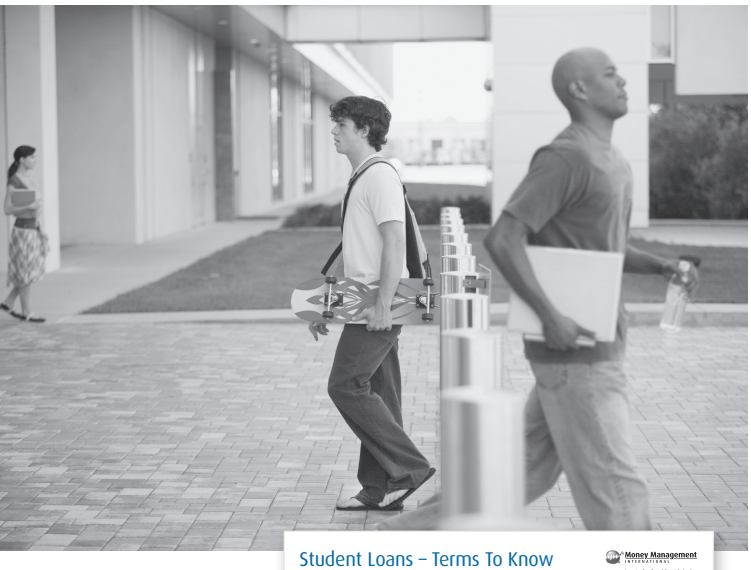
Private loans are governed by the Truth In Lending Act (TILA) and repayment terms will depend upon the terms in the contract you signed when you took out your loan. The terms for each private loan vary from program to program and are defined by the originating lender. In order for you to understand the repayment options, it's important for you to know:

- the date your private loan goes into repayment
- if the interest rate is fixed or variable and what is it based on (LIBOR, Prime, T-Bill)
- how the interest is paid (monthly, quarterly)
- how many months or years do you have to repay the loan
- if there are different repayment plans offered and what they are
- if there is any incentive for auto payments (reduction in interest rate)
- if forbearance is available to temporarily postpone loan repayment

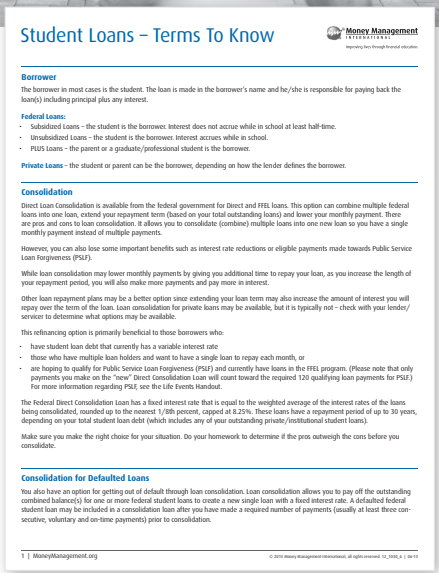
Have a dispute or issue with your private student loan?
You can get help through the Consumer Financial Protection Bureau's Ombudsman program. Visit www.consumerfinance.gov/

Special repayment options may not always be offered by your lender. It is your right and responsibility to ask them about all of the possibilities.

Avoid loan default



For more information regarding options for loan default see:



Student Loans – Terms To Know

Money Management International
Improving lives through financial education

Borrower

The borrower in most cases is the student. The loan is made in the borrower's name and he/she is responsible for paying back the loan(s) including principal plus any interest.

Federal Loans:

- Subsidized Loans – the student is the borrower. Interest does not accrue while in school at least half-time.
- Unsubsidized Loans – the student is the borrower. Interest accrues while in school.
- PLUS Loans – the parent or a graduate/professional student is the borrower.

Private Loans – the student or parent can be the borrower, depending on how the lender defines the borrower.

Consolidation

Direct Loan Consolidation is available from the federal government for Direct and FFEL loans. This option can combine multiple federal loans into one loan, extend your repayment term (based on your total outstanding loans) and lower your monthly payment. There are pros and cons to loan consolidation. It allows you to consolidate (combine) multiple loans into one new loan so you have a single monthly payment instead of multiple payments.

However, you can also lose some important benefits such as interest rate reductions or eligible payments made towards Public Service Loan Forgiveness (PSLF).

While loan consolidation may lower monthly payments by giving you additional time to repay your loan, as you increase the length of your repayment period, you will also make more payments and pay more in interest.

Other loan repayment plans may be a better option since extending your loan term may also increase the amount of interest you will repay over the term of the loan. Loan consolidation for private loans may be available, but it is typically not – check with your lender/servicer to determine what options may be available.

This refinancing option is primarily beneficial to those borrowers who:

- have student loan debt that currently has a variable interest rate
- those who have multiple loan holders and want to have a single loan to repay each month, or
- are hoping to qualify for Public Service Loan Forgiveness (PSLF) and currently have loans in the FFEL program. (Please note that only payments you make on the "new" Direct Consolidation Loan will count toward the required 120 qualifying loan payments for PSLF.) For more information regarding PSLF, see the Life Events Handout.

The Federal Direct Consolidation Loan has a fixed interest rate that is equal to the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8th percent, capped at 8.25%. These loans have a repayment period of up to 30 years, depending on your total student loan debt (which includes any of your outstanding private/institutional student loans).

Make sure you make the right choice for your situation. Do your homework to determine if the pros outweigh the cons before you consolidate.

Consolidation for Defaulted Loans

You also have an option for getting out of default through loan consolidation. Loan consolidation allows you to pay off the outstanding combined balance(s) for one or more federal student loans to create a new single loan with a fixed interest rate. A defaulted federal student loan may be included in a consolidation loan after you have made a required number of payments (usually at least three consecutive, voluntary and on-time payments) prior to consolidation.

1 | MoneyManagement.org

© 2010 Money Management International, all rights reserved. 10_1009_A | 06-10

Student Loans – Terms To Know located in Appendix A

If you do not make your monthly payments as scheduled and you do not make any special arrangements with your lender/servicer, your loan may go into default. Default occurs when you fail to repay a loan according to the terms agreed to in the promissory note. For most federal student loans, you will default if you have not made a payment in more than 270 days. If you default on a federal student loan, you lose eligibility to receive federal student aid and you may experience serious legal consequences. Once the loan is in default, you must still repay the loan and the entire balance (principal, interest, and collection fees) is immediately due and payable.

Short-term solutions to avoid delinquency and default

Deferment

- Enrollment in school (at least half-time)
- Study in a graduate fellowship program
- Rehabilitation training program for disabled individuals
- Unemployment
- Economic hardship
- Military service
- Post-active duty student deferment

Forbearance

1. Discretionary – In certain circumstances, your lender/servicer may have the ability to grant or extend forbearance.
2. Mandatory – If you meet the eligibility criteria for the forbearance, your lender/servicer is required to grant the forbearance.

You will need to work with your lender/servicer to apply for deferment or forbearance. Be sure to keep making payments on your loan until the deferment or forbearance is in place. If you are in default on your loan, you are not eligible for a deferment or forbearance.

Need help resolving a difficult problem with or have a dispute related to your federal student loan? Contact the U.S. Department of Education Student Loan Ombudsman. The Department of Education created the ombudsman office to help borrowers. Learn more at studentaid.ed.gov/sa/repay-loans/disputes/prepare.

Options for Repaying Defaulted Federal Student Loans

1. Payment in Full
2. Loan Rehabilitation
3. Loan Consolidation

Manage life events

Life events occur that are often unplanned and unexpected. These events can impact the best plans and intentions to repay your student loan debt.

At different points in your life, it will be necessary to reassess those plans as major changes occur. Consider this checklist as it relates to managing your student loans.

- **Know your loan types and terms** – Have all your student loan documents in a central location. Refer to the loan types and terms to identify your options. Remember all loans are not the same. You need to separate your federal loans from any private loans.
- **If you can't make your monthly payment, don't ignore your loan debt** — It isn't going away.

You may be able to get immediate relief by simply changing your payment due date, switching repayment plans, and/or qualifying for a deferment or forbearance. If you wait too long to ask for help, you may go into default, which means there are fewer options available to help you.

There are specific considerations, deferments, forbearances and discharges that apply to different life events including:

- Unemployment
- Childbirth
- Divorce
- Military
- Consumer debt
- Bankruptcy
- Returning to school
- Illness
- Death
- Total and permanent disability
- Public service employment
- Teaching.

What is Public Service Loan Forgiveness (PSLF)?

If you are employed by a federal, state, or local government entity, or a 501c3 not-for-profit organization, you may be able to receive loan forgiveness under the Public Service Loan Forgiveness Program. If you have Direct Loans, or can consolidate into a Direct Loan, your loans may be eligible for PSLF. You will need to enroll in an income based repayment plan, make 120 qualifying payments, and apply for forgiveness at the end of the 120 qualifying payments. Forgiven loan balance amounts are not considered taxable income under current tax law. Qualifying payments do not have to be consecutive. You will need an employer verification form from each non-profit or government employer you've worked for, so it is a best practice to submit employer verification forms annually. All PSLF loans are serviced by Fed Loan Servicing, so you should contact them to move your loans if you are serviced by another servicer and want to participate in PSLF. For more information on Public Service Loan Forgiveness visit:

studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation/public-service

Budget.

Recalculate your budget taking into account all sources of incoming monies and expenditures. Identify all your basic needs and financial obligations you have each month. If your budget still doesn't balance, cut back on the wants in your budget or find ways to increase income by finding a part-time job. Consumer credit counseling agencies can help you create a realistic and workable budget.

Budget Worksheet

Money Management INTERNATIONAL
Improving lives through financial education.

	Amount	Adjustments I can make
Monthly take-home pay		
Other Income		
Total Income		
Fixed Expenses: *expenses that don't change each month*		
Housing (rent/mortgage, insurance and taxes)		
Car loan		
Renter's insurance		
Car insurance		
Savings		
Debt payments		
Student loans		
Other		
Total Fixed Expenses		
Variable Expenses: *expenses that can change each month*		
Food at home		
Food away from home		
Electricity/Heating Oil/Natural Gas		
Cell phone		
Clothing		
Gasoline		
Entertainment		
Other		
Other		
Total Variable Expenses		
Periodic Expenses: *expenses that only happen once in a while*		
Car maintenance and repairs		
Other		
Other		
Total Periodic Expenses		
Total Income: *from above*		
***Minus* Total Expenses:** *total of Fixed, Variable, and Periodic Expenses above*		
Over/Under		

1 | MoneyManagement.org

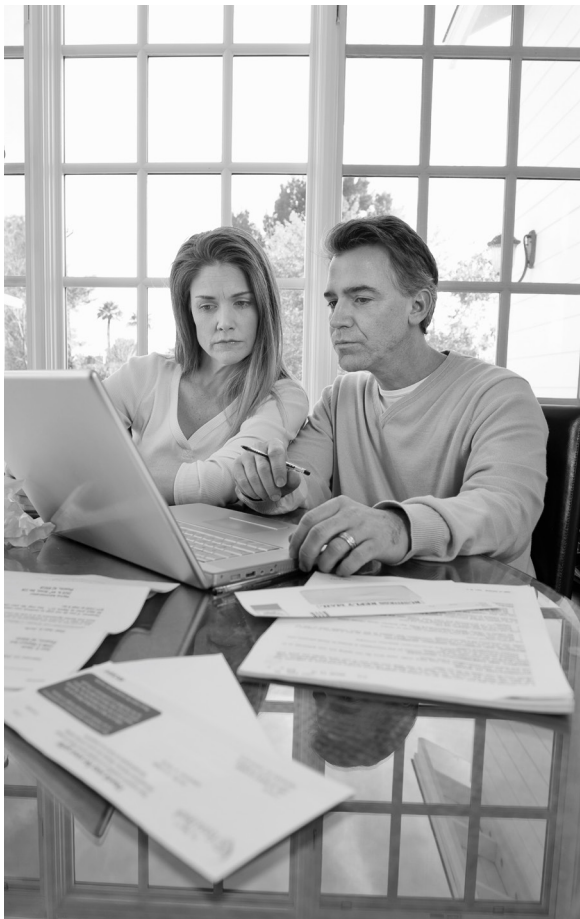
Sample budget categories. There are many budgeting tools available online to assist you with a budget. Visit www.moneymanagement.org and review our budget guides for ways to save money in your budget.

Recognize when actions need to be taken.

You will need to take immediate action to carry out your plans. Actions to take may include: contacting your lender/servicer, completing a form, or requesting a different repayment plan. It will be up to you to take timely action. Don't forget the deadlines – don't wait until it is too late to respond.

Contact your lender/servicer. Ask questions.

Your loan lender/servicer is your best friend in managing your student loan debt. Keep them informed, complete required steps and ask questions.



Remember the keys to managing your student loan debt:

- ☑ Know your loan and your lender/servicer
- ☑ Choose the right repayment plan
- ☑ Avoid loan default
- ☑ Manage life events

Please note that eligibility, plans and options continually change. Please contact your servicer/lender for the most updated information on your particular loans.

Appendix A

Student Loans – Terms To Know

Money Management INTERNATIONAL
Changing How America Overcomes Financial Challenges

Borrower

The borrower in most cases is the student. The loan is made in the borrower's name and he/she is responsible for paying back the loan(s) including principal plus any interest.

Federal Loans:

- Subsidized Loans – the student is the borrower. Interest does not accrue while in school at least half-time.
- Unsubsidized Loans – the student is the borrower. Interest accrues while in school.
- PLUS Loans – the parent or a graduate/professional student is the borrower.

Private Loans – the student or parent can be the borrower, depending on how the lender defines the borrower.

Consolidation

Direct Loan Consolidation is available from the federal government for Direct and FFEL loans. This option can combine multiple federal loans into one loan, extend your repayment term (based on your total outstanding loans) and lower your monthly payment. There are pros and cons to loan consolidation. It allows you to consolidate (combine) multiple loans into one new loan so you have a single monthly payment instead of multiple payments.

However, you can also lose some important benefits such as interest rate reductions or eligible payments made towards Public Service Loan Forgiveness (PSLF).

While loan consolidation may lower monthly payments by giving you additional time to repay your loan, as you increase the length of your repayment period, you will also make more payments and pay more in interest.

Other loan repayment plans may be a better option since extending your loan term may also increase the amount of interest you will repay over the term of the loan. Loan consolidation for private loans may be available, but it is typically not – check with your lender/servicer to determine what options may be available.

This refinancing option is primarily beneficial to those borrowers who:

- have student loan debt that currently has a variable interest rate
- have multiple loan holders and want to have a single loan to repay each month, or
- are hoping to qualify for Public Service Loan Forgiveness (PSLF) and currently have loans in the FFEL program. (Please note that only payments you make on the "new" Direct Consolidation Loan will count toward the required 120 qualifying loan payments for PSLF.) For more information regarding PSLF, see the Life Events Handout.

The Federal Direct Consolidation Loan has a fixed interest rate that is equal to the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8th percent, capped at 8.25%. These loans have a repayment period of up to 30 years, depending on your total student loan debt (which includes any of your outstanding private/institutional student loans).

Make sure you make the right choice for your situation. Do your homework to determine if the pros outweigh the cons before you consolidate.

Terms to Know

Consolidation for Defaulted Loans

You also have an option for getting out of default through loan consolidation. Loan consolidation allows you to pay off the outstanding combined balance(s) for one or more federal student loans to create a new single loan with a fixed interest rate. A defaulted federal student loan may be included in a consolidation loan after you have made a required number of payments (usually at least three consecutive, voluntary and on-time payments) prior to consolidation.

Default

Defaulting on a student loan occurs when the borrower fails to fulfill the repayment terms as defined in the promissory note. If a borrower defaults, the **entire unpaid balance and collection fees** on the applicable loan(s) will become **immediately due and payable**. Loan defaults have serious negative consequences to the borrower's credit and may result in:

- wage garnishments
- denial or loss of a professional license
- the offset of tax refunds

For most federal student loans, you will default if you have not made a payment in more than 270 days. If you default on a federal student loan, you lose eligibility to receive federal student aid and you may experience serious legal consequences.

Deferment

A deferment is used under certain situations to temporarily postpone monthly payments made by the borrower during repayment. For federal student loans, deferments are an entitlement and are granted for specific situations and have specific time limitations and eligibility conditions. Common deferment situations include:

- Enrollment in school (at least half-time)
- Study in a graduate fellowship program
- Rehabilitation training program for disabled individuals
- Unemployment
- Economic hardship
- Military service
- Post-active duty student deferment

While you are in deferment, the **government pays the interest** on your Federal Subsidized Stafford Loans and/or your Federal Direct Subsidized Loans, **but interest accrues** on your Federal Unsubsidized Stafford Loans, your Federal Direct Unsubsidized Loans and your Federal PLUS Loans. You are responsible for paying the interest.

However, you do not have to pay the interest while in deferment; you can allow the accrued interest to be capitalized (added to the principal balance of your loan) when the deferment ends. Remember that capitalized interest increases the amount you will repay.

Most deferments are not automatic and you will likely need to submit a request to your lender/servicer. Contact your lender/servicer for more specific details regarding requesting for a deferment since there are specific eligibility and additional documentation requirements for some deferments.

Terms to Know

Delinquency

If a borrower fails to make a payment by the due date, the account is past due or delinquent. The delinquency continues until the borrower makes a payment covering the past due amount or makes other satisfactory arrangements with the lender to bring the account current. During delinquency, the lender will attempt to resolve the situation with the borrower using due diligence contacts such as telephone calls, letters, emails, skip tracing, and contacting references.

Federal Loans

Your federal student loans were likely made through the William D. Ford Direct Loan Program with the U.S. Department of Education (federal government) as your lender. If you have older student loans made prior to July 1, 2010, your loans could have been made through the Federal Direct Loan Program or the Federal Family Education Loan (FFEL) Program.

Forbearance

A forbearance is available at the lender's discretion to help the borrower by temporarily lowering or postponing making their monthly payments during a difficult time when a deferment is not an option. Interest will continue to accrue (accumulate), and you are responsible for paying the interest on your subsidized and unsubsidized loans (including all PLUS Loans) during forbearance. If you do not pay the interest on your loan during forbearance, it may be capitalized (added to the principal balance) and the amount you pay in the future will be higher.

There are two types of forbearances:

1. Discretionary – Your lender/servicer decides whether to grant forbearance or not.
2. Mandatory – If you meet the eligibility criteria for the forbearance, you lender/servicer is required to grant the forbearance.

Contact your lender/servicer to request forbearance. Most lenders/servicers are willing to help you through tough times, as long as you notify them early, while you're still making payments, and before you default on your loan.

Grace Period

This is a period of time after borrowers graduate, leave school, or drop below half-time enrollment when they are not required to make payments on their student loans.

Holder

The holder of a student loan **owns the loan promissory note** and has the right to collect from the borrower. The **lender** can sell education loans to another entity and thus your **holder** may change. **The holder must notify the borrower if the loan is transferred to another holder.** A contracted third party servicer may be representing your current holder in managing the administration of your loan(s).

- **Federal Direct Loans** – The loan holder is the federal government.
- **FFEL Loans** – The loan holder could be the original lender or another entity that purchased your loan from its original holder or another holder.
- **Private Loans** – The loan holder could be the original lender or another entity if the loan is transferred or sold.

If you have multiple student loans, you could have multiple loan holders. You can view the holder(s) of your federal loans by going to the National Student Loan Data System (NSLDS) at NSLDS.ed.gov.

Terms to Know

Interest

This is a charge assessed to the borrower for the use of loan funds over time. Interest is included in the monthly payment made to the lender. Interest is calculated as a percentage of the unpaid principal amount of the loan.

Lender

A lender is an entity that initially provides money to a borrower with the expectation of repayment in a timely manner. The total loan amount includes the original principal amount borrowed plus interest. An education lender could be the student's college or university, a bank, credit union, or other lending institution; or the U.S. Department of Education. The lender you originally borrowed from may or may not still be the holder of your student loan(s); your loan(s) could have been sold or transferred to a new holder. If you took out multiple student loans, you could have multiple lenders to work with. Multiple lenders could mean you have to make multiple monthly payments. Your lender may have "put" or transferred your loans under the FFEL Program to the federal government.

- **Federal Loans** – (Subsidized/Unsubsidized Loans & PLUS Loans)
  - Direct Loans – the federal government through the U.S. Department of Education is the lender.
  - FFEL Program – a private financial institution is the lender.
- **Private Loans** – a private financial institution is the lender.

Loan Rehabilitation

To rehabilitate your defaulted Direct Loan or FFEL Program loan you and the Department or the guaranty agency (if you have an FFEL Program loan) must agree on a reasonable and affordable payment plan.

Once you have made 9 reasonable and affordable, on time, voluntary, full and consecutive payments within 10 months, your loan is considered rehabilitated and you regain eligibility for benefits that were available on your loan before you defaulted.

These benefits may include deferment, forbearance, a choice of repayment plans, loan forgiveness and eligibility for additional federal student aid. You may only rehabilitate a loan once. If you rehabilitate and then default, you will not have the option on that loan again.

Other benefits of loan rehabilitation include the removal of
- the default status on your defaulted loan,
- the default status reported to the national credit bureaus,
- wage garnishment, and
- any withholding of your income tax refund made by the Internal Revenue Service (IRS).

Private Loans

Private Loans, sometimes called **Alternative Loans**, are sources of funds available to students and parents to help pay for education related expenses. These are typically offered by commercial lending institutions and the lenders define the loan terms and borrowing criteria. There can be vast differences in private loan programs from one lender to another.

Terms to Know

Repayment

This is the period of time when the borrower pays the loan funds to the lender. The repayment begin date can be after a grace period or immediately after the loan is disbursed, with the final payment date being the repayment end date. Repayment terms define the monthly payment date, the amount due, the length of the repayment period, and different plan options.

Servicer

A servicer is a **contracted company** that works **on behalf of the lender** to collect payments on a loan, respond to customer service inquiries, and perform other administrative tasks associated with maintaining student loans.

- **Federal Direct Loans** – The federal government contracts with student loan servicers to manage loan administrative functions. A Direct Loan is assigned to a loan servicer by the U.S. Department of Education after the entire loan amount is disbursed (paid out) to the borrower.
- **FFEL Loans** – The loan servicer could be the original lender or a contracted third party performing administrative tasks on behalf of the lender.
- **Private Loans** – The loan servicer could be the original lender or a contracted third party performing administrative tasks on behalf of the lender.

If you have multiple student loans, you could have multiple loan servicers. You can view the servicer(s) of your federal loans by going to the National Student Loan Data System (NSLDS) at NSLDS.ed.gov.

Subsidized

Subsidized loans are need based. Interest does not accrue while the borrower is enrolled in school at least half-time, during grace period, and during an approved deferment. (Subsidized Direct Stafford Loans with a first disbursement on or after 7/1/12 and before 7/1/14 are not eligible for the federal interest subsidy during the 6-month grace period before repayment begins.)

Term

The length of the repayment period. Keep in mind you will be paying your loan back over a time period that could be up to 10 years, 15 years, 20 years, or as long as 25 years.

Unsubsidized

Unsubsidized loans are not need based. The borrower is responsible for all interest that accrues once the loan is disbursed regardless of the loan status. Interest on unsubsidized loans accrues from the date of disbursement and continues throughout the life of the loan.

Appendix B

Comparing Direct Loan and FFEL Program Repayment Plans and Options

Money Management INTERNATIONAL
Changing How America Overcomes Financial Challenges

Time-Driven Plans			
Repayment Plan	**Eligible Loans**	**Monthly Payment and Time Frame**	**Quick Comparison**
Standard Repayment Plan **For Direct Loans & FFELP**	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS Loans	• Payments are a **fixed** amount of at least $50 per month. • **Up to 10 years**	• You'll pay **less interest** for your loan over time under this plan than you would under other plans. • This plan has the highest initial payment.
Graduated Repayment Plan **For Direct Loans & FFELP**	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS Loans	• Payments are lower at first and then increase, usually every two years. • **Up to 10 years**	• You'll pay **more** for your loan over time than under the 10-year standard plan. • Payments increase incrementally. • Good alternative if you anticipate a large increase in income over several years.
Extended Repayment Plan **For Direct Loans & FFELP**	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS Loans	• Payments may be **fixed or graduated.** • **Up to 25 years**	• Your monthly payments would be lower than the 10-year standard plan. • This plan has the lowest Initial payment without considering income. • If you are a: • Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans. • FFEL borrower, you must have more than $30,000 in outstanding FFEL Program loans. For example, if you have $35,000 in outstanding FFEL Program loans, and $10,000 in Direct Loans, you can use the extended repayment plan for your FFEL Program Loans, but not for your Direct Loans.

Note: Time based plans are not qualified repayment plans under the Public Service Loan Forgiveness (PSLF) program.

Income-Driven Plans			
Repayment Plan	**Eligible Loans**	**Monthly Payment and Time Frame**	**Quick Comparison**
Income-Based Repayment Plan (IBR) **For Direct Loans & FFELP**	• Direct Subsidized and Unsubsidized Loans • Subsidized and Unsubsidized Federal Stafford Loans • all PLUS Loans made to students • Consolidation Loans (Direct or FFEL) that do not include Direct or FFEL PLUS Loans made to parents	• Your maximum monthly payments will be **15 percent of discretionary income**; i.e. the difference between your **adjusted gross income and 150 percent of the poverty guideline for your family size and state of residence** (other conditions apply). • Your payments change as your income changes. • **Up to 25 years**	• **You must have a partial financial hardship.** • Your monthly payments will be lower than payments under the 10-year standard plan. • You'll pay more for your loan over time than you would under the 10-year standard plan. • Your eligibility and payment amount are re-evaluated annually. • If you have not repaid your loan in full after making the equivalent of 25 years of qualifying monthly payments, any outstanding balance on your loan will be forgiven. • Under current IRS rules, forgiven amounts are considered taxable income.
Revised Pay As You Earn (REPAYE) **Direct Loans only**	• Direct Subsidized and Unsubsidized Loans • Direct PLUS loans made to students • Direct Consolidation Loans that do not include PLUS loans (Direct or FFEL) made to parents	• Your monthly payments will be **10 percent of discretionary income**. • Payments are recalculated each year and are based on your updated income and family size. • You must update your income and family size each year, even if they haven't changed. • If you're married, both your and your spouse's income or loan debt will be considered, whether taxes are filed jointly or separately (with limited exceptions). • Any outstanding balance on your loan will be forgiven if you haven't repaid your loan in full after 20 years (if all loans were taken out for undergraduate study) or 25 years (if any loans were taken out for graduate or professional study).	• Any Direct Loan borrower with an eligible loan type may choose this plan. • You'll usually pay more over time than under the 10-year Standard Plan. • **You may have to pay income tax on any amount that is forgiven.** • Good option for those seeking PSLF.

Income-Driven Plans			
Repayment Plan	**Eligible Loans**	**Monthly Payment and Time Frame**	**Quick Comparison**
Income-Contingent Repayment Plan **Direct Loans only**	• Direct Subsidized and Unsubsidized Loans • Direct PLUS Loans made to students (Grad Plus) • Direct Consolidation Loans	• Payments are calculated **each year** and are based on your **adjusted gross income, family size, and the total amount of your Direct Loans.** • Your payments change as your income changes. • **Up to 25 years**	• You'll pay more for your loan over time than under the 10-year standard plan. • Your payment amount is re-evaluated annually. • If you do not repay your loan after making the equivalent of 25 years of qualifying monthly payments, the unpaid portion will be forgiven. • Under current IRS rules, forgiven amounts are considered taxable income.
Income-Sensitive Repayment Plan **FFELP only**	• Subsidized and Unsubsidized Federal Stafford Loans • FFEL PLUS Loans • FFEL Consolidation Loans	• Your monthly payment is based on **annual income**. • **Your payments change as your income changes.** • **Up to 10 years**	• You'll pay more for your loan over time than you would under the 10-year standard plan. • Each **lender's formula** for determining the monthly payment amount under this plan can vary.

Loan Consolidation as a Repayment Plan Option			
Repayment Plan	**Eligible Loans**	**Monthly Payment and Time Frame**	**Quick Comparison**
Direct Loan Consolidation Option	• Direct • FFEL	• Single monthly payments instead of multiple payments • **Up to 30 years**	• May extend the repayment term. • May lower your monthly payment. • You may lose benefits such as interest rate reductions or eligible payments made toward Public Service Loan Forgiveness. • You may make more payments and pay more interest. • Primarily beneficial for borrowers who have: variable interest rate loans, multiple loans, and FFEL loans that once consolidated will qualify for Public Service Loan Forgiveness (PSLF).

We are here to help!

As you work to accomplish your financial goals, we will be here to help and encourage you every step of the way. Take advantage of all the tools and resources that are available to help you navigate the inevitable financial bumps in the road toward financial freedom and security.

Visit **MoneyManagement.org** for more inspiration and education:

- In-depth, money-saving budget guides
- Upcoming personal finance webinars

BANK OF AMERICA

Money Management INTERNATIONAL

Changing How America Overcomes Financial Challenges

About Money Management International

Money Management International is a national nonprofit dedicated to changing lives and creating fresh starts for families and individuals struggling with financial challenges. We deliver aid and education without bias, restriction, or judgment. We are proud to serve counseling and education to consumers in all 50 states.

To schedule an appointment, visit MoneyManagement.org or call 866.515.2227.

Call 866.515.2227

MoneyManagement.org
Facebook.com/MoneyManagementInt
Twitter.com/MoneyManagement
YouTube.com/MoneyManagementInt
Instagram.com/MoneyManagementInt

ECF ELEMENTAL CHLORINE FREE

This document is printed on elemental chlorine free paper. Please help us preserve our planet. If you choose not to keep this document, place in a recycling bin. Thank you.

13_2014_8 | 04-19

NOT A LOAN COMPANY