

Repayment of Your Student Loan Debt



your dream, your plan, your future

NyFF
NAVIGATING YOUR
FINANCIAL FUTURE

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For additional information about repayment of your student loan, visit www.NavigatingYourFuture.org.

Introduction

Continuing your education is a major life decision that can impact your financial future. The ability to make informed decisions on how to pay for your education will help you make the most of this experience. From grants, scholarships, work-study and student loans, there are many ways to pay for your education at the postsecondary level.

If you obtain student loans to achieve your educational goals, the best advice is to:

- Borrow conservatively. Just because you may qualify for the maximum amount does not mean you have to accept the entire amount.
- Always know how much you owe - interest will be added to the principal amount you borrowed.
- Communicate with your servicer - work proactively to keep your servicer informed of changes to your address, phone number, and employment situation.

This booklet will discuss basic student loan terminology, repayment options, how to stay on track with your payments, how to get help if unable to pay, and consequences of default.

Basic Student Loan Terminology

There are different types of federal student loans available:

Types of Federal Student Loans	
Direct Subsidized Loans	Loans based on financial need.
Direct Unsubsidized Loans	Loans not based on financial need.
Direct PLUS Loans Parents of Undergraduate Students Graduate and Professional Degree Students	Loans borrowed by an undergraduate student's parents, or by a graduate or professional degree-seeking student. In order to qualify, the borrower must have good credit or must obtain a credit-worthy endorser.
Direct Consolidation Loans	Multiple student loans consolidated or merged into one new loan.
Federal Perkins Loans	Campus based loans repaid directly to the school.

If you are not sure what types of federal student loans you have, use your FSA ID (username and password) to access the National Student Loan Data System for a complete list of loans assigned to you: www.NSLDS.ed.gov.

Loans have a life cycle. It is important to understand each period of the loan life cycle in order to manage your student loan debt more efficiently. The chart below explains each stage in the life of your loan.

Student Loan Life Cycle	
In-School Period	The period of time during which you attend an accredited school and your loan was disbursed for that enrollment. You are not obligated to make payments during this time period. However, some loans accrue interest which may be capitalized (added to the principal of the loan).
Grace Period	The period of time immediately after you leave school (or drop below half-time enrollment) but before your first payment comes due.
Repayment Period	The period of time when you are expected to make payments on your student loan.
Delinquency	The status your account enters the first day after a missed payment.
Default	The status your loan enters after 270 days of missed payments.

Basic Student Loan Terminology

Servicer – the agency that manages loan collection and billing for your loans. A complete listing of current servicers for federal student loans can be found at the end of this booklet.

Interest – Interest is a percentage charged on an outstanding principal loan amount. Interest on all federal student loans is calculated on a simple daily basis. The formula for calculating the monthly interest on a loan consists of:

Outstanding Principal x Interest Rate / 365 = Daily Interest

The daily interest figure is then multiplied by the number of days in the month.

The lender first applies a payment to late charges or collection costs, if any, and then to interest. The remainder of the payment is applied to the principal balance.

Captialized Interest - Any unpaid interest will be added to the principal balance and the next payment will be calculated on the new total. This can increase the amount owed drastically if interest is not paid on time.

Please note: The U.S. Department of Education no longer pays interest on subsidized loans during the grace period. Any interest accrued will be the borrower's responsibility.

Choosing A Repayment Plan

When it comes to choosing a repayment plan, the best choice will depend on your income, expenses, and your financial future. A good rule to follow is to choose the plan that offers the highest affordable monthly payments over the fewest number of years.

The higher the loan debt, the higher the monthly payment will be. There are many budget calculators and repayment calculators available to aid you in making the best choice for repayment.

Sites to visit for comparison:

- www.DL.ed.gov
- www.IBRinfo.org
- www.FinAid.org

REMEMBER: Each repayment plan is designed to HELP borrowers stay on track with payments. As your situation changes, you may decide to change your repayment plan to better fit your needs. Keep your servicer informed of any changes in your situation and work together for prompt repayment.

Types of Repayment Plans

Standard Repayment Plan	You pay a fixed amount each month until the loan is paid in full. Minimum monthly payments are at least \$50, and you have up to ten years to repay the loan.
Graduated Repayment Plan	You pay a lower amount each month in the first year of the repayment period, and the monthly payment amount increases over time. Each payment must equal at least the accrued interest on the loan between payments. No scheduled payment amount can be more than three times greater than any other scheduled amount.
Extended Repayment Plan	You pay a fixed amount each month with a maximum loan term dependent on the amount borrowed. This plan is available to students who received their first loan on or after October 7, 1998, and who have loans totaling more than \$30,000.
Income Based Repayment Plan (IBR)	You pay affordable loan payments based on your income and family size. IBR offers forgiveness of remaining student loan debt (if any) after 25 years of qualifying payments. Payments change as your income changes.
Pay As You Earn (PAYE)	For new borrowers after 10/2007, affordable loan payments are based on your income and family size. PAYE offers forgiveness of remaining loan debt (if any) after 20 years of qualifying payments.
Revised Pay As You Earn (REPAYE)	Similar to the PAYE plan, REPAYE offers affordable loan payments for all Direct Loan Borrowers based on income and family size. Forgiveness of loan debt (if any) after 20 years of qualifying payments.

Making Monthly Payments

By signing the Master Promissory Note to obtain your loan, you have agreed to repay the student loan even if:

- You do not complete your program.
- You are not happy with your school's services.
- You do not receive a payment booklet.
- You drop out of school.
- You cannot find a job.

Money management is an important skill to have. Many of us have learned the hard way that ignoring our financial situation can lead to painful consequences. Discipline yourself to be organized, create a budget and stay informed of options to help you keep on track with your payments.

Ideas for making timely payments:

- Consider making payments online.
- Sign up for automatic withdrawal if available.
- Set up a reminder on your phone.
- Make the full scheduled payment each month - smaller payments may cause your loan to become delinquent.
- Contact the servicer immediately if you will be late with a payment or unable to pay.

Communicating with Your Servicer

Servicers maintain your loan account on behalf of the U.S. Department of Education. To know which servicer has been assigned to your federal student loans, please visit www.NSLDS.ed.gov. A complete listing of servicer contact information is located on page 17 of this booklet.

Just as your financial aid office is your student loan “lifeline” while you are in school, your servicer is your “lifeline” after leaving school. Servicer staff can help advise you regarding payment plans, deferments, forbearance, and consolidation.

Helpful Tips:

- Have your Social Security Number and student loan account number ready when contacting your servicer.
- If using the servicer’s website, keep online username and password information in a secure and convenient place.
- Many public libraries and college campuses offer Internet access for those who do not have it at home.
- Keep you servicer notified of any changes to your address, phone number, employment and any other pertinent information that may impact your ability to pay.

Getting Help When You Are Unable to Pay

If you are unable to make your scheduled payments, contact your servicer to discuss your options. You may be able to lower the amount of your monthly payments or even defer payments. With federal student loans it is very important to make payments in the approved amount, otherwise your account may become delinquent or go into default. Some of the common options include deferments, forbearances, and discharges.

Deferments

A *deferment* is a postponement of repayment due to specific circumstances. There are many different types of deferments based on various conditions, loan types, loan dates, and time limits. Some of the more common are listed below:

Types of Deferments	
In-School	For borrowers enrolled at least half-time at an eligible postsecondary institution.
Economic Hardship	Borrowers must meet eligibility requirements to qualify. Designed for those who fall below the 150% poverty guideline threshold.

Getting Help When You Are Unable to Pay

Forbearance

Forbearance is a postponement or reduction of your monthly student loan payment. The difference between forbearance and a deferment is that you are automatically entitled to a deferment if you qualify, while forbearance is granted at the discretion of the servicer. If the servicer decides to grant a period of forbearance, this will typically last somewhere between one and twelve months. However, you may receive forbearance for a longer period. In addition, you must meet conditions similar to those for a deferment.

Discharge

A discharge is a cancellation of the student loan debt, meaning you do not have to repay it. If applying for a loan discharge, you must continue making payments while the application is pending. You may also be able to qualify for a deferment or forbearance while a decision on a discharge is being made. The situations in which a student loan might be discharged are: death, disability, school closure, false loan certification by the institution or by identity theft, or in very rare cases, bankruptcy.



From Delinquency to Default

Unfortunate events can and do occur, and you may find yourself in a situation in which you are unable to make your student loan payments. What if you get injured and incur large medical expenses, get laid off from your job, or need to quit your job to care for an elderly relative? You need to be prepared for such circumstances, unpleasant though it may seem.

By continuing to repay your loan(s), you may be eligible for the following benefits:

- You may be eligible to repay under a graduated, income-sensitive, or extended repayment schedule.
- You may qualify for interest rate reductions.
- You may qualify for deferment or forbearance.
- You may be eligible to receive additional student financial aid.
- You may maintain a positive rating on your credit report.

After two months of missed payments, your servicer will exercise what is called “due diligence.” This means that repeated attempts will be made to contact you to discuss repayment. Please note that delinquent loans are reported to at least one national credit reporting agency. Once you have missed payments for nine months, steps will then be taken to place your loan in default. Defaulting on a student loan has serious consequences - please carefully review the list of possible actions that may be taken.

From Delinquency to Default

If you default on your loan(s):

- You will owe the entire balance immediately.
- You will lose your eligibility for interest rate reductions.
- You will not be eligible for deferments or forbearances.
- You may not be eligible for additional student financial aid.
- You will lose your positive credit rating on your credit report.
- Your loan(s) may be assigned to a collection agency.
- You will pay collection costs and fees.
- Your state or federal income tax refunds may be offset.
- Your wages may be garnished.
- Your Florida lottery winnings may be offset.
- Your professional license may be withheld.
- Your transcript may be withheld per Florida Statute.

There are programs available to take your loans out of default. Two particular programs are called “rehabilitation” and “consolidation.” Each program will require action and communication from you in order to move your loans out of default status.

Resolving Disputes

The Federal Student Aid (FSA) Ombudsman is a federal agency committed to assisting borrowers resolve loan disputes from a third party viewpoint. Please contact the FSA Ombudsman at www.Ombudsman.ed.gov or call 1-877-557-2575.

Consolidation of Your Student Loans

Sometimes, the sheer number of loans you need to take out may seem excessive, especially when they are considered separately. For example, consider a student who attends college year round, each quarter, for four years. If this student took out a loan each quarter, including summer, he or she would have sixteen individual loans at the end of those four years. If each loan was treated separately, based on the \$50 minimum payment, he or she would have payments of \$800 a month and 16 individual checks to mail. In this case, consolidation would be an efficient way to simplify the repayment process. Consolidation may or may not be the right choice for you. If you are considering consolidation, it is useful to know the basics of the process.

Basic Consolidation Considerations

One Monthly Payment: Consolidation combines multiple loans into one new loan with one monthly payment. Having one monthly bill and payment can make the repayment process much simpler.

Lower Monthly Payment: Consolidation will often result in a lower monthly payment, stretching repayment over a longer period. Ultimately, this means paying more money over the life of the loan.

Fixed Interest Rate: Consolidation results in a fixed interest rate. With fixed interest rates, servicers can calculate payments and interest through the last payment on the loan. Being able to plan payments in advance prevents later surprises.

Note: Parents can consolidate multiple loans (which may be for several children) into one new consolidation loan.

Consolidation of Your Student Loans

A word of caution: Many organizations will attempt to entice you into consolidating your student loans with other loans, such as car loans or mortgages, or with advertisements offering lower interest rates and one monthly payment. However, when a student loan is consolidated with another *type* of loan you lose the benefits available with the student loan program such as deferment, forbearance, and discharge options. Carefully evaluate the impact of consolidating student loans with other forms of debt repayment.

For more information about the consolidation process and to estimate your monthly payment amount, please visit:

www.LoanConsolidation.ed.gov or call 1-800-557-7392.



Saving Money on Your Student Loans

Loan Forgiveness Programs

There are a number of career-specific loan forgiveness programs that exist for employees of certain federal, state, non-profit, and private organizations, which may pay for or cancel all or part of your student loans. Most of these organizations involve public service and operate within the fields of health, education, law enforcement, and military service. Each individual program has specific requirements and limitations. For more information on particular loan forgiveness programs, please refer to www.FinAid.org/loans/forgiveness.phtml.

The Public Service Loan Forgiveness Program is available through the U.S. Department of Education and is designed specifically for borrowers who are employed in qualifying public service careers. This comprehensive program cancels or “forgives” any remaining debt after 10 years of employment in an approved non-profit entity and 10 years of eligible payments through the Income Based Repayment Plan. For more details, please visit www.StudentAid.ed.gov.

Education Tax Deductions

Successfully making your monthly student loan payment will also allow you to claim the interest on your student loan as a tax deduction. This deduction may increase your income tax refund or decrease your tax amount owed. Other education-related expenditures that can be claimed as tax deductions include: tuition and expenses, American Opportunity Credit, and Lifetime Learning Credit. Itemizing your tax deductions may seem troublesome, but the IRS has an informative publication on education-related topics at www.IRS.gov/pub/irs-pdf/p970.pdf.

Conclusion

The process of repaying your student loans can seem complicated. Researching all of the various types of loans, repayment options, and consolidation considerations can be overwhelming. However, the process becomes easier over time. If you have made it to the end of this brochure, then you are on the right track to gaining the best tool for repaying your student loan: being an informed and responsible borrower.

By now you should be aware of the type of loans you have, how much you owe, and to whom you will need to make payments. Stay in touch with your servicer by keeping your contact information current and feel free to request assistance if you are having trouble making your payments. Most importantly, look forward to that day when your last payment is sent and your student loan is paid in full.



IMPORTANT CONTACT INFORMATION

U.S. Department of Education Direct Lending Program

www.Direct.ed.gov

1-800-433-3243

Office of Student Financial Assistance

www.FloridaStudentFinancialAid.org

1-800-366-3475

National Student Loan Data System

www.NSLDS.ed.gov

Current Servicers

Cornerstone Education Loan Services

1-800-663-1662

ESA/EdFinancial Services

1-855-337-6884

FedLoan Servicing (PHEAA)

1-800-699-2908

Granite State (GSMR)

1-888-556-0022

Great Lakes Educational Loan Services, Inc.

1-800-236-4300

MOHELA

1-888-866-4352

Navient

1-800-722-1300

NelNet

1-888-486-4722

OSLA Servicing

1-866-264-9762

VSAC Federal Loans

1-888-932-5626



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