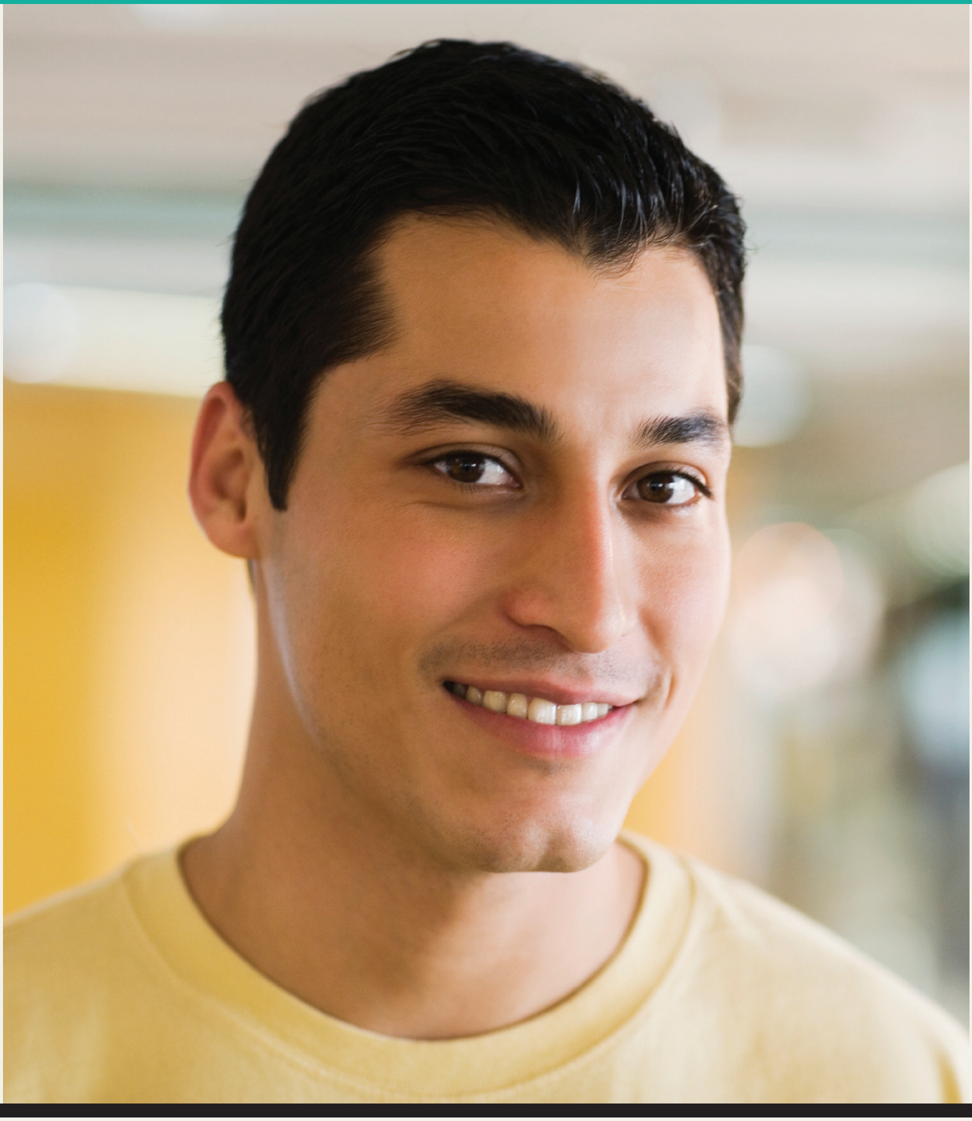
Repayment of Your Student Loan Debt



your dream, *your* plan, *your* future

NyFF
NAVIGATING YOUR FINANCIAL FUTURE

Florida Department of Education (FDOE)
Office of Student Financial Assistance (OSFA)

Repayment of Your Student Loan Debt

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

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 on that subject is to:

- Borrow conservatively! Just because you 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 lender – by keeping your lender informed of your address, phone number, and employment/health/life changes, you are proactively working together to stay on track with repayment.

In order to obtain a federal student loan, you will need to sign a Master Promissory Note (MPN). This document is legally binding and contains the terms and important information pertaining to your loan agreement.

The student loan money will be disbursed (given) directly to your postsecondary institution which will apply the money to your tuition and fees. Any remaining dollars will be refunded to you as designated by your institution – deposited into a checking account, student card, or a paper check mailed to you.

There are different types of federal student loans available. Please see the chart below for more information:

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 have already obtained federal student loans but are not sure which types you have, please visit the National Student Loan Data System for a complete listing of your student loans at www.nslds.gov. You will need your Social Security Number and Free Application for Federal Student Aid (FAFSA) PIN to access your information.

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:

Periods in the 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 particular school 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. Direct loans have a six-month grace period. PLUS loans do not have a grace period. Federal Perkins loans have a nine-month grace period.
Repayment Period	The period of time when you are expected to make payments on your student loan.
Delinquency Status	The status your account enters the first day after a missed payment.
Default Status	The status your loan enters after 270 days of missed payments. At this point your lender may file to default your loan.

Student Loan Interest

What about interest? The loan type and the loan period will determine the interest rate of your student loans and the interest accrual for which you are responsible.

- If you have a subsidized loan, that means the government will pay the interest on your behalf while you are in school at least half-time.

- PLEASE NOTE: effective July 1, 2012, the U.S. Department of Education will no longer pay interest on subsidized loans during the grace period. You are responsible for this interest.

- If you have an unsubsidized loan, that means you are responsible for all interest whether in school or out of school.

Interest is calculated using a simple interest formula:

Outstanding Principal Balance x Interest Rate x Number of days between payments/365

To determine the interest rate on your loan, refer to your loan origination documents. These documents contain valuable information about your loan.

If interest is allowed to accrue while in school, it will be capitalized. This means the unpaid interest will be added to your principal balance. Your next payment will be calculated on the NEW TOTAL. This can increase the amount you owe drastically if you do not pay your interest while you are in school.

There are two ways to repay student loans: repay the entire balance at once or participate in a monthly repayment plan. Most borrowers choose the monthly repayment plan.

Federal Student Loans offer different types of repayment plans. When you leave a postsecondary institution (through graduation, dropping below half-time, or withdrawing) your lender and/or postsecondary institution will send you a notice regarding these different repayment options.

The chart below describes each plan currently offered by the U.S. Department of Education's Direct Lending program:

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.

Choosing the Right 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.navigatingyourfuture.org
- 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 lender informed of any changes in your situation and work together for prompt repayment.

Making Your 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 your financial situation can lead to painful consequences! Learn to be organized, create a budget, stay informed of options to help you keep on track with your payments.

Advice for making payments:

- Consider making payments online.
- Sign up for automatic withdrawal if your lender or servicer offers this option. Deduct these automatic payments from your account balance each month.
- Keep a calendar on your phone to remind you of your payment due date each month.
- Ensure that the monthly payments are received on or before the due date.
- Make sure payments are going to the correct address each month whether or not you received a payment booklet.
- If you realize a payment is late, call the lender and offer to make an immediate payment. Many lenders will take a payment by phone or online.

Do not make smaller payments than you are scheduled to make without prior approval from your lender. This will cause your loan to go into "delinquent" status until the agreed upon payment amount is received.

Communicating with your lender

Lenders often hire servicers to actually maintain your loan account. To know which servicer is maintaining your loans, please visit www.nslds.ed.gov. A complete listing is available on page 17 of this booklet.

Just as your financial aid office is your student loan "lifeline" while you are in school, your lender or servicer is your student loan "lifeline" after school. Your relationship with your lender can be more complex than just sending your monthly check. Lender staff can help advise you about payment plans, deferments, forbearance, and consolidation. Many lender websites also have excellent information regarding student loans, repayment management, and online services (such as account access, payment submission, and various online forms).

Tips for Communicating with Your Lender:

- Know who owns and manages all of your loans. Refer to www.nslds.ed.gov to see who your specific lenders and servicers are.

- Call your lender and speak to a representative directly if you have a complex question that needs an explanation. If you just need to confirm that a payment was received or that a bill was mailed, access your account online or call a customer service number to hear an automated message.

- Have your student loan account number and Social Security Number ready when contacting your lender.

- Keep online username and password information in a secure and convenient place.

- If you do not have Internet access at home, most public and college libraries offer it free.

- Always keep your lender notified of any changes in your address, phone number, and employment/health/life changes.

If you are unable to make your scheduled payments, contact your lender 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	You can receive this type of deferment if you are enrolled at least half-time at an accredited postsecondary institution. There is no time limit on this type of deferment.
Economic Hardship	You can receive this type of deferment if you are having difficulty making payments because of a lack of income in your household. In order to qualify, your income must be below a certain amount. You can receive this type of deferment for up to three years.
Unemployment	You can receive this type of deferment if you are unemployed or you are working fewer than 30 hours a week, and you are looking for full-time work. You must show proof of your search for full-time work. You can receive this type of deferment for up to three years.

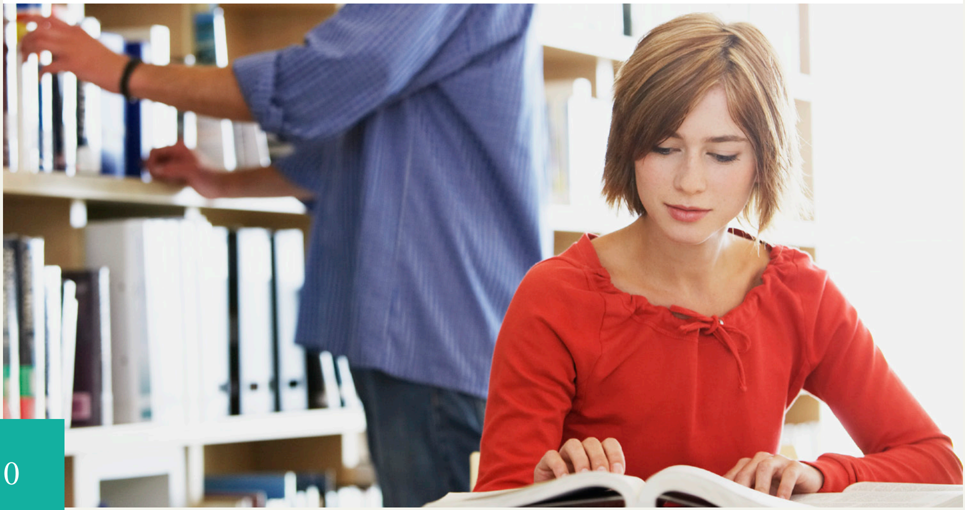
Getting Help When You Are Unable to Pay

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 lender. If the lender decides to grant a period of forbearance, this will typically last somewhere between one and twelve months. However, you may receive forbearance for up to three years. 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.



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, income-based 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 lender 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 bureau. Once you have missed payments for 270 days, 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 academic transcript will be withheld as required by Florida Statute 1009.95.

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. Please refer to www.navigatingyourfuture.org for more detailed information concerning these programs.

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.

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 semester, for four years. If this student took out a loan each semester, 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, lenders can calculate payments and interest through the last payment on the loan. Being able to plan payments in advance prevents surprises later.

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

Consolidation

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 consolidation of 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.

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, and law. Loan forgiveness programs also exist for members of the military and certain law enforcement organizations. Each individual program has specific requirements and limitations. For more information on particular loan forgiveness programs, please refer to the website at www.finaid.org/loans/forgiveness.phtml.

The Public Service Loan Forgiveness Program is now 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 http://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 would increase your income tax return or decrease your tax amount. 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 lender 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.

For questions or further information, please contact the Navigating Your Financial Future Help Desk at 1-800-366-3475.

Important Contact Information

U.S. Department of Education Direct Lending Program
www.direct.ed.gov
1-800-848-0979
www.myedaccount.com

Office of Student Financial Assistance
www.FloridaStudentFinancialAid.org
1-800-366-3475

National Student Loan Data System
www.nslds.ed.gov

Current Servicers:

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1-855-475-3335

Cornerstone Education Loan Services
1-800-663-1662

Direct Loan Servicing Center
1-800-848-0979

Edfinancial Services
1-855-337-6884

Granite State Management and Resources
1-888-556-0022

Great Lakes Educational Loan Services
1-800-236-4300

FedLoan Servicing (PHEAA)
1-800-699-2908

Missouri Higher Education Loan Authority (MOHELA)
1-888-866-4352

National Education Loan Network (NelNet)
1-888-486-4722

OSLA Servicing
1-866-264-9762

Student Loan Marketing Association (SLMA or Sallie Mae)
1-800-722-1300

Florida Department of Education

www.fldoe.org

Scan the QR code with
your SMART phone to
access our NyFF site.

www.navigatingyourfuture.org

www.FloridaStudentFinancialAid.org