

## Repayment of Your Student Loan Debt

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NAVIGATING YOUR  
FINANCIAL FUTURE

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For additional information about Repayment of Your Student Loan, visit [www.navigatingyourfuture.org](http://www.navigatingyourfuture.org).

**Introduction**

Choosing to continue your education, go back to school, finish a goal you set for yourself long ago, or start school for the first time – these are some of the most important decisions you can make for yourself and your future.

However, unless you are one of the few students who can actually pay out-of-pocket for education costs, you may also have student loans. With the rising cost of education and the increasing number of options for various types of loans, student loans are becoming more commonplace today. This means that educational opportunities that might not have been available to you are now at your fingertips.

Once you finish school, reality sets in – the bills start coming, and the student loan that once provided you with opportunity may begin to feel like a burden. Understanding your student loan repayment options and learning how to be financially responsible will help you in the repayment of your loans. Let’s face it there is no “out” with a student loan. Choosing not to repay your student loan will affect you and others. Not only will your credit and finances suffer, but also the pool of money available for other students will decrease when you don’t pay your loan.

Remember that you’re not alone. Men and women live every day with student loans and pay them off successfully. Your life doesn’t have to be bogged down by debt, and you don’t have to feel controlled by financial obligations. Instead, with the information provided here, you can focus on your education, the pursuit of a rewarding career, and handle your loans without worry.

## Basic Student Loan Terminology

Some basic loan terminology is provided below to help you handle your loans, understand the information you may receive in the mail, and start planning for a future of successful debt management. Knowing the types of loans you receive, your lender's name and address, and the details of the repayment process are all keys to successful repayment of your student loans.

**Borrower** – The person (you or your parents) who receives loans to pay for school.

**Disbursement** – The term used when money is transferred from a lender to you or your school.

**Promissory Note** – The document you sign agreeing to borrow and repay money for school.

**Loan Types** – Many terms describe the types of loans you receive to pay for school. Knowing the exact types of loans you have is important, as loans have different repayment and program options. The loans described in the following chart refer to federal student loan programs.

## Basic Student Loan Terminology

Types of Federal Student Loans	
<b>Federal Family Education Loan Program (FFELP)</b>	Federal program that governs federal loans for which you make repayment to a lender (Stafford Loans, PLUS Loans, and Federal Consolidation Loans.)
<b>Subsidized Federal Stafford Loans</b>	Loans based on financial need.
<b>Unsubsidized Federal Stafford Loans</b>	Loans not based on financial need.
<b>Federal PLUS Loans</b>	Loans borrowed by an undergraduate student's parents, or by a graduate or professional degree-seeking student. In order to qualify, the borrower must not have adverse credit or must obtain a credit-worthy endorser.
<b>Federal Consolidation Loans</b>	Multiple student loans consolidated or merged into one new loan.
<b>Federal Perkins Loans</b>	Loans for which you make repayment to the school.
<b>Federal Direct Loan Program</b>	Loans for which you make repayment directly to the federal government.

## Basic Student Loan Terminology

**Student Loan Agencies** – Lenders are the institutions that lend you money for school, or institutions that buy your loan from another lender. Lenders, schools, or the government may decide to hire another agency, called a servicer, to actually manage loan collection and billing. A guaranty agency is the institution that guarantees repayment of your loan to the lender, if you do not pay it back. For most of you, the Florida Department of Education, Office of Student Financial Assistance (OSFA) is the agency that guarantees repayment of your loans.

**Student Loan Status** – Your student loan will proceed through various stages, or “periods” during its life cycle, depending on where you are in your studies or the repayment process. Unlike most other loans, you don’t necessarily need to immediately repay student loans.

Periods in the Student Loan Life Cycle	
<b>In-School Period</b>	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.
<b>Grace Period</b>	The period of time immediately after you leave school (or drop below half-time enrollment) but before your first payment comes due. Stafford loans have a six-month grace period. PLUS loans do not have a grace period. Federal Perkins loans have a nine-month grace period.
<b>Repayment Period</b>	The period of time when you are expected to make payments on your student loan.

## Basic Student Loan Terminology

Periods in the Student Loan Life Cycle	
<b>Delinquency Status</b>	The status your account enters the first day after a missed payment.
<b>Default Status</b>	Once payments are missed for nine months, your lender is allowed to default your loan. When your loan defaults, your lender requests payment of your loan from the guaranty agency, which then becomes responsible for your loan.

**Repayment Plan Choices** – FFELP loans and Federal Direct loans generally have four specific repayment plans and a minimum monthly payment amount of \$50. FFELP loan borrowers can change their repayment plans once every twelve months, and some lenders tailor payment options. Federal Direct loan borrowers can change their repayment plan at any time. On the following page are specific repayment plans for FFELP loans. Federal Direct loan borrowers have similar options, but their terms are slightly different.

Types of Repayment Plans	
<b>Standard Repayment Plan</b>	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.
<b>Graduated Repayment Plan</b>	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. You usually have to repay the loan within ten years.
<b>Extended Repayment Plan</b>	You pay a fixed amount each month and have up to 25 years to repay. 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.
<b>Income-Sensitive Repayment Plan</b>	You pay a monthly amount based on your yearly income and loan amount. As your income increases or decreases, so do your monthly loan payments. Each payment must at least equal the interest accrued on the loan between scheduled payments, and no scheduled payment amount can be more than three times greater than any other scheduled payment amount.

**Consolidation** – Consolidation allows you to combine multiple student loans into one new student loan. Consolidation usually creates smaller monthly payments over a longer time period, but it may also increase the overall cost of the loan. The repayment options for Consolidation loans are the same as those listed for FFELP loans or Federal Direct loans.

**Additional Loan Fees** – Loans can have additional fees added to principal and interest such as administrative costs, late fees, or collection costs. The administrative fee for FFELP loans is up to 4% of the loan. This fee is deducted proportionately from each loan disbursement received.

**Rehabilitation** – The act of repaying your defaulted loan according to guaranty agency requirements and moving your defaulted loan back into repayment status.

**Deferment** – Temporarily postpones repayment of your student loan principal payments for eligible circumstances.

**Forbearance** – Temporarily postpones or reduces repayment of your student loan, and is granted at the discretion of the lender.

**Discharge** – Cancellation of entire loan balance due to disability, death, school closure, false certification, or in very rare cases, bankruptcy.

## Basic Student Loan Terminology

**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:

$$\begin{aligned} & \text{Outstanding Principal Balance} \\ & \times \text{Interest rate} \\ & \times (\text{Number of days between payments} / 365) \end{aligned}$$

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.

Types of Interest Rates on Student Loans	
<b>Variable Interest Rate</b>	Interest rate that is adjusted on a yearly basis. The variable interest rate on student loans is adjusted each year on July 1.
<b>Fixed Interest Rate</b>	Interest rate that stays the same until the loan is repaid. Federal Perkins loans have a fixed interest of 5%. Federal Consolidation loans disbursed after February 1, 1999, have a fixed interest rate, which is a weighted average of current rates charged on loans being consolidated. Any Stafford loan disbursed on or after July 1, 2006, will have a fixed interest rate of 6.8%.

## Basic Student Loan Terminology

Types of Interest Rates on Student Loans	
<b>PLUS Loans &amp; Interest Rate</b>	PLUS loans can have both variable and fixed interest rates, depending on the disbursement date. Interest begins to accrue as soon as the loan is disbursed, including any period in which the student is still in school, and periods of repayment, deferment, forbearance, and grace. Any loan disbursed on or after July 1, 2006, will have a fixed interest rate of 8.5%, if it is a FFELP loan, or a fixed interest rate of 7.9% if it is an FDLP (Federal Direct Loan Program) loan.
<b>Subsidized Stafford Loans &amp; Interest Rates</b>	Stafford loans can have both variable and fixed interest rates, depending on the disbursement date. Subsidized Stafford loans do not accrue interest while a student remains in school, nor during periods of grace and deferment. They do accrue interest during periods of repayment and forbearance. Any loan disbursed on or after July 1, 2006, will have a fixed interest rate of 6.8% for repayment purposes.
<b>Unsubsidized Stafford Loans &amp; Interest Rates</b>	Unsubsidized Stafford loans begin to accrue interest as soon as the loan is disbursed, including any period in which the student is still in school, and periods of repayment, deferment, forbearance and grace. Any loan disbursed on or after July 1, 2006, will have a fixed interest rate of 6.8% for repayment purposes.
<b>Consolidation Loans &amp; Interest Rates</b>	With Consolidation loans, the unsubsidized portion of the loan accrues interest during the entire life of the loan. The subsidized portion of the loan does not accrue interest while a student remains in school, nor during periods of grace and deferment. The subsidized portion will accrue interest during periods of repayment and forbearance.

## Knowing Your Repayment Options

There are two ways to repay student loans: repay the whole balance at once, or participate in a monthly repayment plan. If you took out a loan because you didn't have the money to pay for school out-of-pocket, then you probably don't have the financial resources to repay the whole balance at once. Therefore, most people are going to participate in a monthly repayment plan.

### Basic Payment Plans

In the previous section, you learned that FFELP and Federal Direct loans have four basic repayment plans to choose from: standard, graduated, extended, and income-sensitive. When you leave school, your school and or lender will send you a notice regarding these repayment options.

### Choosing the Right Payment Plan

When it comes to choosing a repayment plan, only you can tell what's right for you – the best choice will depend on your income, your expenses, and your future financial plans. A good rule to go by is to choose the plan that offers the highest affordable monthly payments over the fewest number of years. Also, to really plan ahead, you can always make a higher payment each month on your student loan with no penalty.

Paying off a student loan is best done sooner rather than later. You may have to limit luxuries and big expenditures for a while. Creating a budget will help you to determine what you can and can't afford. Most likely, you will pay at least \$50 a month toward your student loan.

## Knowing Your Repayment Options

The higher the loan debt, the higher the monthly payment will be. Refer to [www.navigatingyourfuture.org](http://www.navigatingyourfuture.org) for more information on budget calculators and other payment plan information.

The following narratives show different situations, and how some graduates might make decisions regarding their repayment options in accordance with their specific circumstances.

### Standard Repayment:

Josh graduated from college in 2007 with a degree in Computer Science and \$16,000 in student loan debt. Immediately after graduation, he obtained a well-paying position as a Network Administrator for a large insurance company. Josh chose the standard repayment plan, since it offered him a fixed monthly payment amount and the opportunity to pay off his loans in the least amount of time. With the standard repayment plan, he paid a fixed amount of \$196 every month for ten years, for a total of \$23,520. Over the course of his repayment, he paid the \$16,000 in principal, plus \$7,520 in accrued interest.

### Extended Repayment:

Florence graduated from college in 2007 with a degree in Management and \$16,000 in student loan debt. After graduation, she had a hard time finding a good source of steady income. Finally, she found a job working in a coffee shop for an hourly wage. Florence chose the extended repayment plan, because her low income and dubious promotion opportunities did not allow her to make a large monthly payment. As a result, she paid a fixed amount of \$155 every month for fifteen years, for a total of \$27,900. Over the course of her repayment, she paid the \$16,000 in principal, plus \$11,900 in accrued interest.

## Knowing Your Repayment Options

### Graduated Repayment:

Corynne graduated from college in 2007 with a degree in International Relations and \$16,000 in student loan debt. After graduation, she began working in a low-ranking position with a non-profit aid agency in Sub-Saharan Africa. Since she started off in a low-paying position with considerable promotional potential, Corynne chose the graduated repayment plan, spread out over fifteen years. When she started her new job, she paid \$110 per month toward her loans. This monthly payment amount increased approximately 13% every two years over the course of her repayment. After five years, Corynne received a promotion to Program Coordinator in a refugee camp, making it much easier to handle her payments, which had by then increased to \$141 per month. By the time she was promoted to Regional Director after twelve years, she could easily make her monthly payment of \$204. By the end of the fifteen-year repayment period, she paid a total amount of \$30,680, which included the original \$16,000 in principal, plus \$14,680 in accrued interest.



## Consolidation

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 were to be treated separately, based on the \$50.00 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's 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 later surprises.

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

## Consolidation

***Federal Family Education Loan (FFEL) Program and William D. Ford Federal Direct Loan Program (Direct Loans):*** Lenders provide Federal Consolidation loans under the FFEL Program, and Direct Loans also offers Federal Consolidation loans. Many organizations will attempt to entice you into consolidating your student loans with other loans, such as car loans or mortgages, with advertisements offering lower interest rates and one monthly payment for all of your bills. However, when a school loan is consolidated with another type of loan you lose the benefits of the FFEL and Direct Loan Programs, such as deferment, forbearance, and discharge options that are not available with other loans. Carefully evaluate consolidation of student loans with other forms of debt.



## Making Your Monthly Payments

Money management is an important skill area in which many of us could use a little help. Unless you opted for a degree in Finance, you will probably learn about money management like most people: through experience. Some months you just don't have enough income to pay your bills. At other times, you may have a difficult time understanding your financial statements, and the thought of organizing your finances may seem overwhelming. These feelings are natural, but they can be controlled if you remain aware of your options, learn useful organizational skills, and take the time to create a budget.

**First things first — when you sign the promissory note agreeing to receive and pay back your student loans, you agree to:**

- Make your full monthly payments according to the repayment plan that you selected.
- Ensure that your monthly payments are received at the payment address on or before the repayment due date.
- Send your payments to the correct address, regardless of whether or not you received a bill.

### Tips for Making Your Monthly Payments

- Plan to make your student loan payment from one paycheck per month. On the day you're paid, write and mail a check to your lender.
- Record the date that you mailed the check on your planner or calendar.
- Sign up for automatic withdrawal if your lender or servicer offers this option. This eliminates the need to write and mail a check each month. Just remember to deduct these automatic payments from your account balance.

## Making Your Monthly Payments

- If you realize a payment is late, call the lender and offer to make an immediate payment. If the option is available, most lenders will take a payment by phone or online payments.
- Be careful about making a payment in an amount smaller than that scheduled without the prior approval of the lender. The loan will remain in a delinquent status until the lender receives the agreed-upon payment amount.
- Many lenders offer incentive programs, such as a reduction of your interest rate, for on-time payments or for using automatic withdrawal. Contact your lender to find out what benefits might be available to you.



## Communicating with Your Lender

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 Web sites 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.navigatingyourfuture.org](http://www.navigatingyourfuture.org) for more information on researching lenders and servicers.
- Call your lender and speak to a representative directly if you have a complex question that needs an explanation. Do not go through the automated system. 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 passwords and security information, if necessary) ready when contacting your lender.
- Keep online user name and password information in a secure and convenient place.
- If you don't have Internet access at home, most public and college libraries offer it for free.
- Take notes using the Student Loan Information Log. See the Log near the back of this booklet or download it from [www.navigatingyourfuture.org](http://www.navigatingyourfuture.org).
- Always keep your lender notified of any changes in your home telephone, address, employment information, and e-mail address.

## 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. This section describes what happens if payments are continually missed, while the next section discusses programs that are available to help you in the event of financial need.

After two months of missed payments, lenders request assistance from the guaranty agency in contacting you concerning the delinquent account. Lenders are also required to report the repayment status of delinquent loans to at least one national credit bureau. During this time, you may receive calls from multiple agencies wanting to discuss the loans. Once you have missed payments for nine months, your lender is allowed to default your loans. If your loans enter into default, the lender requests payment of your loans from the guaranty agency. The guaranty agency then becomes responsible for your loans.

### **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.

## 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.
- The guaranty agency may file a civil suit against you.
- Your loan(s) may be transferred to the U.S. Department of Education for collection.

Even if you default on your student loans, further options remain available to you in the form of programs designed to take your loans out of default. These include rehabilitation and, in some cases, consolidation. Please refer to [www.navigatingyourfuture.org](http://www.navigatingyourfuture.org) for more detailed information concerning these programs.

## Getting Help When You Are Unable to Pay

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 remain in a delinquent status. As mentioned in the Terminology section, some of the common options include: income sensitive repayment plans, 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	
<b>In-School</b>	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.
<b>Economic Hardship</b>	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.
<b>Unemployment</b>	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 to 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 four situations in which a student loan might be discharged are: death, disability, school closure, false certification, or in very rare cases, bankruptcy.



## 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, 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 Web site at <http://www.finaid.org/loans/forgiveness.phtml>.

### 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, Hope Credit, and Lifetime Learning Credit. Itemizing your tax deductions may seem troublesome, but the IRS has an informative publication on education-related topics at <http://www.irs.gov/publications/p970>.

## 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 loans: being an informed and responsible borrower.

By now you should be aware of the type of loan 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 by phone at 1-800-560-9106.



## Student Loan Information Log

### Account Information:

Account Number: \_\_\_\_\_

Security Login / Password: \_\_\_\_\_

### Repayment Information:

Loan Disbursement Date: \_\_\_\_\_

Types of Loans: (Check all that apply.)

Subsidized Stafford Loan     Unsubsidized Stafford Loan:

Federal Direct Loan     Federal Consolidation Loan

PLUS Loan     Perkins Loan

Other: \_\_\_\_\_

Amount Borrowed (Total Principal): \_\_\_\_\_

Interest Rate: \_\_\_\_\_

Repayment Start Date: \_\_\_\_\_

Expected Last Payment Date: \_\_\_\_\_

Payment Due Date: \_\_\_\_\_

Monthly Payment Amount: \_\_\_\_\_

Amount of Deferment or Forbearance Time Used: \_\_\_\_\_

## Student Loan Information Log

Loan #1	Payment Address	Correspondence Address	Phone and Fax Numbers	Web site
Loan Holder Name				
Guaranty Agency				
School Financial Aid Office				
Loan #2	Payment Address	Correspondence Address	Phone and Fax Numbers	Web site
Loan Holder Name				
Guaranty Agency				
School Financial Aid Office				
Loan #3	Payment Address	Correspondence Address	Phone and Fax Numbers	Web site
Loan Holder Name				
Guaranty Agency				
School Financial Aid Office				

### KEY

**Payment Address** - The lender or other institution that collects and posts your student loan payments.

**Loan Holder** - The lender or other institution that owns your student loan.

**Correspondence Address** - The lender or other institution that receives and processes forms for such things as deferments or forbearances.

**School** - The financial aid office at the school for which you borrowed this student loan.

**Guaranty Agency** - The institution that will pay the lender for your loan in the event that you default on your student loan.

