

A Guide to

Repaying Your Student Loan

Information on federal student loan repayment options, borrowers' rights and responsibilities, and consequences of default



types of federal student loans

Subsidized Stafford: the government pays the interest while you're in school, and during grace and deferment periods.

Unsubsidized Stafford: you're responsible for paying all the interest. If you allow interest to accumulate while in school, it will be capitalized at repayment.

Perkins: no interest accrues while you're in school or during your grace period. Interest rate at repayment is 5 percent.

Parent PLUS: for qualifying parents to finance the education of dependent students.

Grad PLUS: for qualifying graduate or professional students to finance their education.

Tip: If you're enrolled less than half time or leave school, you'll have six months before your first Stafford loan payment is due. Perkins borrowers have nine months before repayment must begin.

repayment plan options

You can choose from several, and can change plans annually by contacting your lender. You can pay off all or part of your loan early without a penalty or fee.

- **Standard:** payments are the same each month. Up to 10 years to repay.
- **Graduated:** payments start lower and gradually increase. Higher total repayment than standard plan. Up to 10 years to repay.
- **Income-sensitive:** payments adjusted to your income annually. Payment cannot be less than interest due.
- **Income-based:** payments adjusted annually to your income and poverty level. Payment can be less than interest due.
- **Extended:** available to those with more than \$30,000 in Stafford loans. Payments can be fixed or graduated. Up to 25 years to repay.

For more detailed repayment information go to www.edfund.org.



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Sample Loan Repayment Chart

Standard repayment plan at 6.8%

| Loan amount | Monthly payment | Total repaid (principal + interest) |
|-------------|-----------------|-------------------------------------|
| \$5,500 | \$63 | \$7,595 |
| \$12,000 | \$138 | \$16,571 |
| \$19,500 | \$224 | \$26,929 |
| \$27,000 | \$311 | \$37,286 |
| \$31,000 | \$357 | \$42,810 |

difficulty repaying the loan

If unemployment, temporary financial setbacks, illness or other problems make it difficult for you to repay your loan, talk to your lender. You may want to change your repayment plan, combine your loans, or temporarily postpone or reduce payments.

your legal and financial responsibilities as a borrower

- Complete exit counseling.
- Repay your loan, including interest and fees, whether or not you complete your education, obtain employment or are satisfied with your education.
- Notify the holder of your loan of changes to your name, phone number or address; also, if you drop below half-time enrollment, graduate or change your graduation date.
- Make consecutive, on-time monthly payments.

loan forgiveness or discharge

There are many loan forgiveness programs; most require service in a particular field or location. A portion or your entire Stafford or Perkins loan may be forgiven if you take on certain jobs after you graduate. In unusual cases, your loan, or a portion of it, may be discharged—in other words, you won't have to pay it back. Contact your lender for more information or go to www.studentaid.ed.gov.

be aware of the consequences of default

Defaulting on a federal student loan is serious; consequences can include a damaged credit rating, collection costs added to your balance, wage garnishment and a tarnished credit report. If you're having difficulty making payments, contact the holder of your loan at once.

helpful Web sites

Check out your lender's Web site or visit:

www.edfund.org

www.edfund.org/EdWise

www.nsls.ed.gov

www.studentaid.ed.gov

www.MappingYourFuture.org

www.ombudsman.ed.gov



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