Student Loans Resource Guide

Repayment Options

As of 2010, all new student loans are originated through the US Department of Education’s Direct Loan program. Direct Loans may be serviced by approved providers. Private student loans will still be repayable to the original lender.

There are seven repayment options through the Direct Loan program. If the standard payment is no longer affordable for you, consider one of the alternate repayment plans listed here. All of the alternate repayment plans reduce the monthly payment by increasing the loan term; this will increase the total interest paid over the life of the loan.

1. **Standard** – Requires that the loan be repaid with 10 years; minimum payment of $50 per loan per month.
2. **Graduated** – Payments start low and gradually increase over time.
3. **Income-based** – Payments are based on income and number of people in the household and qualifying individuals must demonstrate a partial financial hardship.
4. **Income-contingent** – Payments are based on the borrower’s income, family size, and total amount borrowed. The monthly payment amount is adjusted annually, based on changes in annual income and family size.
5. **Pay As You Earn** – This option offers more generous loan terms and is available for those who borrowed a federal loan on or after October 1, 2011.
6. **Extended repayments** – This is available if you have more than $30,000 in loans, borrowed on or after 10/7/1998. Loans may be repaid over a 25-year period.
7. **Consolidation** – Combine multiple loans into one monthly repayment. Eligible loan types include Stafford, PLUS, Perkins and Grad PLUS.

Consequences of Default

If you do not make any payments on your federal student loans for 270 to 360 days (or 120 days for private student loans), and do not make special arrangements with your lender to get a deferment or forbearance, your loans will be in default. Defaulting on your student loans has serious consequences, including, but not limited to:

1. Defaulted loans are reported to the credit bureaus and will appear on the borrower’s and any co-signers’ credit reports for 7 years after the default claim is paid.
2. Interest rates on defaulted loans can be as high as 18.5% (interest is capped at this rate).
3. Loans become due in full immediately, and borrower can be sued for the entire amount.
4. Wages may be garnished (with or without a court order).
5. Borrower is ineligible to receive further state and/or federal financial aid.
6. Federal and state income tax refunds will be withheld (affects borrower and any co-signer).
7. Loan will be assigned to a collection agency or federal government for collection.
8. Borrower is responsible for any attorney’s fees and collection costs.

To avoid default: stay organized, make your payments on time, notify your lender or servicer promptly of any changes that may affect your loan repayment, and if you’re having temporary financial difficulties, ask your lender about deferment options while you are still making payments, before you default on your loan.
There are many options available to help borrowers who are having trouble repaying their student loans. Which options are appropriate for you depends in part on whether your financial difficulty is short-term or long-term, and whether you have already defaulted on the loans.

NOTE: These solutions are mainly for borrowers of federal education loans, as options for borrowers of private student loans are more limited. The main options available to private student loan borrowers are short-term forbearances (suspensions of monthly payments) and an undue hardship bankruptcy discharge.

Postponing Repayment

If you are thinking about defaulting on your student loans due to a short-term financial hardship, ask the lender whether you are eligible for a **deferment** or **forbearance** before you default. For any reason, borrowers may request a 6-month or one-year forbearance if they are unable to make payments on their loans. However, you cannot receive a deferment or forbearance if your loan is in default. If you default on your loans, you are no longer eligible for deferments and forbearances. **IMPORTANT:** Do not stop making payments on your student loans until after you are notified that your deferment or forbearance has been granted.

For more information about deferments and forbearances, contact the original lender or current servicer of your loan. If you have federal loans, contact [www.dl.ed.gov](http://www.dl.ed.gov) or 1-800-4FEDAI (1-800-433-3243) for more information.

Rehabilitation

Loan rehabilitation is an option for borrowers who are 240 days past due. You must make arrangements with the current holder of the loan to repay the loan. After you have made 9 of 10 consecutive payments within 20 days of the due date, you can apply to have the loan rehabilitated. Required payments will be calculated based on the balance owed and the borrower’s income, as in Income Based Repayment (IBR). Borrowers who cannot afford the calculated IBR can negotiate payment based on what is reasonable and affordable for the borrower (requires a review of the borrower’s income and expenses). Borrowers may then negotiate a reduction in fees and interest. This is the only program that will remove the default status of the loans from the borrower’s credit report. However, it does not remove the late payment history. Call the US Department of Education's Default Resolution Group at 1-800-621-3115 for more information.

Consolidation

Many federal student loans can be consolidated to make repayment easier and more convenient. Loans eligible to be consolidated are Stafford loans, Plus and Graduate Plus loans, and Perkins loans. If borrowers are in default and plan to continue college, they may consolidate out of default into the Direct Lending program and borrow new student loans after this process is complete. This will NOT remove the negative impact to their credit score. Call Direct Loans at 1-800-4 FED AID (1-800-433-3243) for more information.

***If borrowers are in default and want to consolidate, they should go through the rehabilitation program first, and then consolidate their loans.
To Apply for a PIN, Request a Duplicate, or Change Your Current PIN: Visit https://pin.ed.gov
Your PIN will be necessary in order to access websites and manage your student loans.

To Take Inventory of All Your Federal Student Loans: Visit http://www.nslds.ed.gov
It is necessary to take inventory of your student loans. Knowing what kind of student loans you have is important in order to better determine what programs or benefits you may be eligible for.

To Calculate an Estimated Repayment Amount for the Various Repayment Options:
Visit https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action
This repayment calculator provides repayment estimates based on your student loan inventory.

Borrowers may want to consolidate their loans in order to get out of default, or to convert other kinds of loans (like FFEL loans) into Direct Loans. Income Based Repayment (IBR) and Pay As You Earn (PAYE) repayment plans, as well as Public Service Loan Forgiveness (PSLF), are among the benefits available to Direct Loan borrowers.

To Manage Your Federal Student Loans and to Find Forms, Applications and Links to Relevant Websites:
Visit https://studentloans.gov
Borrowers may visit this website to find information about the loans they currently hold, loan servicers, and to apply for or request applications for repayment plans, and any other relevant information regarding Federal Student Loans. For instance, a borrower who has applied for a repayment plan (like an IBR) should visit this website for status reports and to verify that all loan servicers have received and implemented the repayment plan (some loan servicers require that you apply directly to them).

This website provides information regarding Public Service Loan Forgiveness.

Need More Help?

The Student Loan Borrower Assistance Project run by the National Consumer Law Center is another source of information and other resources for dealing with debt problems. Visit www.studentloanborrowerassistance.org.

Visit http://askheatherjarvis.com/tools for additional resources.

https://studentloans.gov/myDirectLoan/mobile/repayment/repaymentEstimator.action#view-repayment-plans