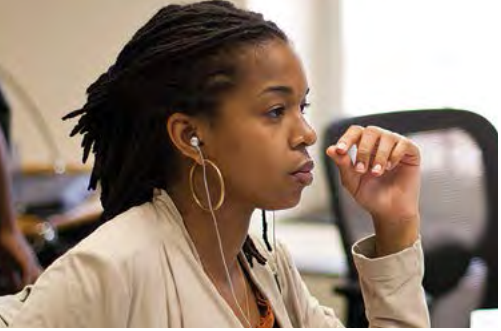
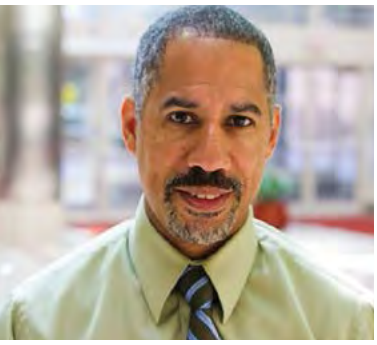


FEDERAL STUDENT LOANS

Repaying Your Loans



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Online Access
This publication is also available at
StudentAid.gov/resources#repaying-loans.

Alternate Formats
On request, this publication is available in alternate formats, such as Braille. For more information, please contact Federal Student Aid using the information provided in the previous section.

Some of the Web addresses in this publication are for sites created and maintained by organizations other than the U.S. Department of Education (ED). They are provided for the reader's convenience. ED does not control or guarantee the accuracy, relevance, timeliness, or completeness of this outside information. Further, the inclusion of particular Web addresses is not intended to reflect their importance, nor is it intended to endorse any views expressed or products or services offered on these outside sites, or the organizations sponsoring the sites.

All Web addresses included in this publication were accurate at press time.

Find detailed federal student aid information at
StudentAid.gov.

This guide provides information about repayment of loans from the following federal student loan programs:

- **The William D. Ford Federal Direct Loan (Direct Loan) Program**—Under this program, loans are made by the U.S. Department of Education (ED).
- **The Federal Perkins Loan Program**—Under this program, loans are made by schools.
- **The Federal Family Education Loan (FFEL) Program**—Under this program, now discontinued, loans were made by banks or other financial institutions. No new FFEL Program loans have been made since July 1, 2010, but you may have an FFEL if you were attending school before that date.

Note: *Although Perkins Loans are made by schools and FFEL Program loans were made by financial institutions, these loans—like Direct Loans—are federal student loans.*

This guide does not provide information about repayment of the following types of loans: PLUS loans made to parents; private education loans (made by a bank or other financial institution under that organization's own lending program, not the FFEL Program); school loans (not Perkins Loans); or loans made through a state loan program.

For information about repayment of private student loans, contact the organization that made the loan. For repayment information about PLUS loans made to parents, contact your loan servicer. For a list of servicers, see **StudentAid.gov/servicer.**

Not sure what type of federal student loan you received?
Log in to "My Federal Student Aid" at **StudentAid.gov/login.**

For most loans, you'll have six or nine months after you graduate, leave school, or drop below half-time enrollment before you must begin making payments. You can use this time to get financially settled, to determine your expected income and expenses, and to select a repayment plan. Once you enter repayment, you must make your payments on time to avoid delinquency and default. Read and complete the to-do lists in this guide to help you get started.

BEFORE YOU GRADUATE, LEAVE SCHOOL, OR ENROLL LESS THAN HALF-TIME

To Do:

☐ Complete Exit Counseling

If you received a federal student loan, you are required to complete exit counseling before you graduate, leave school (for any reason), or drop below half-time enrollment. Exit counseling is a mandatory information session that explains your loan repayment responsibilities and when repayment begins. Contact your school's financial aid office to learn how to complete exit counseling.

☐ Review Your Student Loan Borrowing History

For each federal student loan you received, your school or loan servicer provided you with information (often by e-mail) about it, including the amount you borrowed and the interest rate. It's a good idea to use this information to track your borrowing and to prepare for repayment of your loan. You also have the option to view your federal student loan information using "My Federal Student Aid" at **StudentAid.gov/login.**

What's the difference between a loan holder and a loan servicer?
The loan holder is the organization that holds the promissory note for your loan (that is, the organization that "owns" your loan). ED is the loan holder for all Direct Loans, and also for many FFEL Program loans purchased from the original loan holders. For any Perkins Loan you received, your loan holder will generally be the school that made the loan, though ED may be the loan holder for some Perkins Loans.

Most loan holders use a loan servicer to assist with managing the repayment of the loans that they hold. A loan servicer collects loan payments, responds to your questions about your loan account, and performs other administrative tasks associated with maintaining a federal student loan. Your loan servicer may be the same as your loan holder, or it may be a company that works on behalf of your loan holder.

As you review your borrowing history, you should make note of the following information for each loan that you received:

- **The loan type.** Since you may have different types of federal student loans, school loans, private education loans, or loans you received through a state loan program, make sure you know all the loans you've received. If you need help identifying your federal student loans, check **StudentAid.gov/loans**, or contact the school where you received the loan.
- **The amount you originally borrowed and the current loan balance.**
- **When you need to begin repaying your loan.** It's important to know when you are expected to make your first loan payment. For most student loans, there is a set period of time after you graduate, leave school, or drop below half-time enrollment before you must begin making payments. Depending on the type of loan you have, this period is called a "grace" or a "deferment" period, and it may last six months (for loans made under the Direct Loan Program or FFEL Program) or nine months (for loans made under the Federal Perkins Loan Program). Your loan servicer will let you know when your first payment is due.

- **Where and how to make your loan payments.** Make sure you know the name of the servicer for each of your loans and where to send your payments. ED uses several servicers to handle the billing and other services for all Direct Loans and for the FFEL Program loans it holds. Most schools that make Federal Perkins Loans also use loan servicers. For a list of loan servicers, see **StudentAid.gov/servicer.**
- **The interest rates.** To find the interest rate for your federal student loans, log in to "My Federal Student Aid," available at **StudentAid.gov/login**.

What is principal?
It's the total sum of money borrowed plus any interest that has been capitalized.

What is interest?
A loan expense charged for the use of borrowed money. Interest is paid by a borrower to a lender. The expense is calculated as a percentage of the unpaid principal amount of the loan.

What is capitalization?
It's the addition of unpaid interest to the principal balance of a loan. When the interest is not paid as it accrues during periods of in-school status, the grace period, deferment, or forbearance, your lender may capitalize the interest. The capitalized interest becomes part of the principal, increasing the outstanding principal amount due on the loan and possibly causing your monthly payment amount to increase.

Did You Know?

You are responsible for staying in touch with your loan servicer and making your payments, even if you do not receive a bill. If you don't, you may end up in default, which has serious consequences. See "Understanding Default" at **StudentAid.gov**.

DURING YOUR GRACE OR DEFERMENT PERIOD

To Do:

☐ Consider Your Income and Expenses and Create a Budget

As you prepare to make your student loan payments, you'll want to have an idea of what your earnings and living expenses will be based on your new job. Once you do, you can create a budget to determine how much you can realistically afford to pay in student loan payments each month, and to select a repayment plan that best meets your financial needs. If you haven't yet found a job, there are repayment options available to help you manage your student loans while you search for work. If you need help creating your budget, see **StudentAid.gov/budget.**

☐ Select a Repayment Plan for Your Federal Student Loans

You have a choice of several repayment plans that are designed to meet your needs, including plans that base your payment amount on your income. The amount you pay and the length of time you have to repay your loans will vary depending on the repayment plan you choose. The charts on the following pages summarize the repayment plans that are available for each loan type and the borrowers who qualify for each plan.

For more detailed repayment plan information and to calculate your estimated repayment amount under each of the different plans, use the *Repayment Estimator* at **StudentAid.gov/repayment-estimator.**

Note: *Although you may select or be assigned a repayment plan when you first begin repaying your student loan,* ***you can generally change repayment plans at any time.*** *Contact your loan servicer to discuss repayment plan options.*

REPAYMENT PLAN OPTIONS FOR DIRECT LOANS AND FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM LOANS

The repayment plan options below do not include PLUS loans made to parents, Direct Consolidation Loans and FFEL Consolidation Loans, or Federal Perkins Loans. For information about repayment plan options for PLUS loans made to parents, see the brochure *Direct Loan Basics for Parents* at **StudentAid.gov/resources#loan-basics-parents.** For information about repayment of consolidation loans, see **StudentAid.gov/consolidation.** For information about repayment of Federal Perkins Loans, contact the school that made the loan.

Traditional Repayment Plans

PLAN	ELIGIBLE BORROWERS	ELIGIBLE LOANS	QUICK COMPARISON
Standard Repayment Plan	All borrowers	• Direct Subsidized Loans • Direct Unsubsidized Loans • Subsidized Federal Stafford Loans • Unsubsidized Federal Stafford Loans • Direct PLUS Loans • FFEL PLUS Loans	• Time you have to repay: Up to 10 years. • Your payments will be a fixed amount of at least $50 per month. • You'll pay less interest for your loan over time under this plan than you would under the other plans.

Graduated Repayment Plan	All borrowers	• Direct Subsidized Loans
		• Direct Unsubsidized Loans
		• Subsidized Federal Stafford Loans
		• Unsubsidized Federal Stafford Loans
		• Direct PLUS Loans
		• FFEL PLUS Loans
			• Time you have to repay: Up to 10 years.
			• Your payments
			  ◦ will start out low and increase every two years;
			  ◦ must be at least equal to monthly interest due; and
			  ◦ will not be more than three times greater than any other monthly payment.
			• You'll pay more for your loan over time than under the 10-year Standard Repayment Plan.

Extended Repayment Plan	• Direct Loan borrowers who have more than $30,000 of Direct Loans to repay, and who obtained their Direct Loans on or after Oct. 7, 1998. • FFEL Program borrowers who have more than $30,000 of FFEL Program loans to repay, and who obtained their FFEL Program loans on or after Oct. 7, 1998. *Note: There are additional eligibility requirements. View repayment plan details at* **StudentAid.gov/repay.**	• Direct Subsidized Loans • Direct Unsubsidized Loans • Subsidized Federal Stafford Loans • Unsubsidized Federal Stafford Loans • Direct PLUS Loans • FFEL PLUS Loans	• Time you have to repay: Up to 25 years. • Your payments will be an amount that ensures that your loan will be paid in full in 25 years. You can choose to make either fixed or graduated payments (payments that start out low and then increase every two years). • Your monthly payments will be lower than the 10-year Standard Repayment Plan. • You'll pay more for your loan over time than under the 10-year Standard Repayment Plan.

Income-Driven Repayment Plans

The following income-driven repayment plans will set your monthly payment at an amount that is intended to be affordable based on your income and family size. For details, visit **StudentAid.gov/idr.** Under all three income-driven repayment plans, your monthly payment amount is recalculated annually based on your income.

PLAN	ELIGIBLE BORROWERS	ELIGIBLE LOANS	QUICK COMPARISON

Pay As You Earn Repayment Plan	• Direct Loan Program borrowers who meet these requirements:
	  • You must be a new borrower* on or after Oct. 1, 2007.
	  • You must have received a disbursement of a Direct Loan on or after Oct. 1, 2011.
	  • To be initially eligible, the required payment amount under this plan must be less than what you would pay under the 10-year Standard Repayment Plan.
		• Direct Subsidized Loans
		• Direct Unsubsidized Loans
		• Direct PLUS Loans made to students
		• Direct Consolidation Loans that did not repay PLUS loans made to parents
			• Time you have to repay: Up to 20 years.
			• If you have not repaid your loan in full after having made the equivalent of 20 years of qualifying monthly payments, any outstanding balance on your loan will be forgiven. You may have to pay income tax on any amount that is forgiven.
			• Your payments will generally be 10 percent of your discretionary income,** but never more than the 10-year Standard Repayment Plan amount.
			• You'll pay more for your loan over time than you would under the 10-year Standard Repayment Plan.

Income-Based Repayment (IBR) Plan	• Direct Loan Program and FFEL Program borrowers who meet this requirement: • To be initially eligible, the required payment amount under this plan must be less than what you would pay under the 10-year Standard Repayment Plan.	• Direct Subsidized Loans • Direct Unsubsidized Loans • Subsidized Federal Stafford Loans • Unsubsidized Federal Stafford Loans • Direct or FFEL PLUS Loans made to students • Direct or FFEL Consolidation Loans that did not repay PLUS loans made to parents	• Time you have to repay: Up to 20 years for new borrowers* on or after July 1, 2014, and up to 25 years for all other borrowers. • If you have not repaid your loan in full after making the equivalent of 20 or 25 years (as specified above) of qualifying monthly payments, any outstanding balance on your loan will be forgiven. You may have to pay income tax on any amount that is forgiven. • Your payments will generally be 10 percent (for new borrowers* on or after July 1, 2014), or 15 percent (for all other borrowers) of your discretionary income,** but never more than the 10-year Standard Repayment Plan amount. • You'll pay more for your loan over time than you would under the 10-year Standard Repayment Plan.

Income-Contingent Repayment (ICR) Plan	Direct Loan Program borrowers	• Direct Subsidized Loans
		• Direct Unsubsidized Loans
		• Direct PLUS Loans made to students
		• Direct Consolidation Loans (including Direct Consolidation Loans made after July 1, 2006 that repaid PLUS loans made to parents)
			• Time you have to repay: Up to 25 years.
			• Your payments will be the lesser of:
			  • 20 percent of your discretionary income;** or
			  • the amount you would pay on a 12-year Standard Repayment Plan multiplied by a percentage based on your income.
			• If you do not repay your loan after making the equivalent of 25 years of qualifying monthly payments, the unpaid portion will be forgiven. You may have to pay income tax on the amount that is forgiven.
			• You'll pay more for your loan over time than under the 10-year Standard Repayment Plan.

**For the Pay As You Earn and IBR plans, you are a new borrower if you had no outstanding balance on a Direct Loan or Federal Family Education Loan (FFEL) Program loan when you received a Direct Loan on or after the date specified above for each plan.*

Note: There are additional eligibility requirements. View repayment plan details at **StudentAid.gov/repay**.

***For the IBR and Pay As You Earn plans, discretionary income is the difference between your total income and 150 percent of the poverty guideline for your family size and state of residence. For the ICR Plan, discretionary income is the difference between your total income and the poverty guideline for your family size and state of residence. If you are married, under certain circumstances your discretionary income may include your spouse's income.*

WHEN YOU ARE IN REPAYMENT AND MAKING YOUR PAYMENTS

To Do:

☐ Make Your Payments

Your Repayment Schedule

Your loan servicer will provide you with a loan repayment schedule that states

- when your first payment is due,
- the number and frequency of payments, and
- the amount of each payment.

Your loan servicer also will give you the opportunity to pay any interest that accrued (accumulated) on your loans while you were enrolled in school and during grace or deferment periods. If you don't pay this interest, it will be capitalized (see page 6).

Paying Off Your Loan Early

You may prepay all or part of your federal student loan at any time without penalty. Any extra amount you pay in addition to your regular required monthly payment is applied to any outstanding interest before being applied to your outstanding principal balance.

Interest Payments

You may be eligible to deduct a portion of the interest paid on your federal tax return. Student loan interest payments are reported both to the Internal Revenue Service (IRS) and to you on IRS Form 1098-E, *Student Loan Interest Statement.*

Up-front Interest Rate Reduction

You may have received an up-front interest rate reduction on a Direct Subsidized Loan, Direct Unsubsidized Loan, or Direct PLUS Loan that was first disbursed before July 1, 2012. You'll need to make all of your first 12 required monthly payments on time to keep your interest rate reduction.

Benefits for Military Service
Members of the U.S. armed forces are eligible for special benefits on their federal student loans. To learn about these benefits, see "Military Student Loan Benefits" at **StudentAid.gov/resources#military-loan-benefits.**

Stay Out of Default

Don't miss a payment! If you don't pay the full amount due on time or if you start missing payments—even one—your loan may be considered delinquent and late fees can be charged to you. **If you are making late or partial payments, contact your loan servicer immediately for help.** You may be able to change your repayment plan to one that allows for a longer repayment period or to one that is based on your income. Also, ask your loan servicer about your options for loan consolidation, deferment, or forbearance. NEVER ignore delinquency or default notices from your loan servicer.

What is "default?"
"To default" means you did not make your payments on your student loan as scheduled according to the terms of your promissory note, the binding legal document you signed at the time you took out your loan. To learn what may happen if you default, what steps you can take to keep your loan from going into default, and what your options are for getting out of default, go to **StudentAid.gov/end-default.**

Loan Consolidation

If you have multiple federal student loans, you can combine them into a single Direct Consolidation Loan. This may simplify repayment if you are currently making separate loan payments to different loan servicers, as you'll only have one monthly payment to make. Consolidation may also allow you to extend the period for repaying your loan, and this may result in a lower monthly payment. There may be tradeoffs, however, so you'll want to learn about the advantages and possible disadvantages of consolidation before you decide to consolidate.

See **StudentAid.gov/consolidation** for more information.

Deferment and Forbearance

Deferment and forbearance offer a way for you to postpone or lower your loan payments temporarily while you're back in school, in the military, experiencing financial hardship, or in certain other situations.

Learn more about deferment and forbearance at **StudentAid.gov/deferment-forbearance.**

Check Your Eligibility for Loan Forgiveness, Cancellation, and Discharge

You may qualify to have some or all of your loan amount forgiven if you work in certain public service jobs (for example, teaching in a low-income school or working for certain types of public service organizations). Additional requirements apply to receive these benefits. In certain other circumstances, such as if you were unable to complete your program of study because the school closed, your obligation to repay your federal student loan may be discharged.

See **StudentAid.gov/forgiveness** for more information.

Resolve Loan Problems Quickly

If you have a problem related to your federal student loan (for example, if you believe that your account balance is incorrect), you may be able to resolve it by simply contacting your loan servicer and discussing the issue.

To learn more about what you can do to be better prepared to resolve a problem, see "Resolving Disputes" at **StudentAid.gov/repay**.

RESOURCES

Federal Student Aid's Website
StudentAid.gov

For videos, infographics, and other federal student aid publications, visit **StudentAid.gov/resources.**

Repay Your Loans

Get information about managing repayment of your federal student loans at **StudentAid.gov/repay.**

Financial Aid for Graduate and Professional Degree Students

Are you planning to go to graduate or professional school but need help paying for your education? See **StudentAid.gov/grad.**

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Printed February 2015

Photos: U.S. Department of Education

Note: The information in this document was compiled in fall 2014. For updates or additional information, visit **StudentAid.gov** or call 1-800-4-FED-AID.

Notice to Limited English Proficient Persons
If you have difficulty understanding English, you may request language assistance services for the U.S. Department of Education information that is available to the public.

These language assistance services are available free of charge. If you need more information about interpretation or translation services, please call 1-800-USA-LEARN (1-800-872-5327) (TTY: 1-800-437-0833), or e-mail us at: **ed.language.assistance@ed.gov**. Or write to:

U.S. Department of Education
Information Resource Center
LBJ Education Building
400 Maryland Ave. SW
Washington, DC 20202

To view federal student aid publications and resources in Spanish, go to **StudentAid.gov/recursos.**