NSLP

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Principles of Loan Repayment

Borrowing a Student Loan

Prior to July 1, 2010, there were two federal student loan programs that made Stafford, PLUS, and Consolidation loans - the Federal Direct Loan Program (Direct) and The Federal Family Education Loan Program (FFELP). As of July 1, 2010, all Stafford, PLUS, and Consolidation loans made are Direct loans. If you had student loans prior to July 1, 2010 you may have both FFELP and Direct loans. If all your student loans are made after July 1, 2010, you have all Direct loans.

The types of federal student loans are subsidized, unsubsidized and PLUS. Your school determines the type and amount of loan you'll get. The loan funds are given to you through your school.

Subsidized Loan The interest is paid by the government while you are in school at least half-time and during grace or deferment periods. Beginning July 1, 2012, graduate and professional students will receive only unsubsidized loans. Undergraduates may still qualify for subsidized loans. For new subsidized loans made on or after July 1, 2012 to June 30, 2014, there is no subsidy of interest during the grace period.

Unsubsidized Loan You pay the interest, which starts when your loan is sent to your school. If you choose not to pay the interest, it is added to your loan (capitalized) after your grace ends.

Master Promissory Note You may be able to receive multiple loans for up to 10 years using the same promissory note, unless your school does not allow more than one loan to be made under the same promissory note or if the student gives written notice that no more loans should be made on the promissory note.

Interest For loans made prior to July 1, 2006, the interest rate is variable, with a cap of 8.25%. The variable rate is adjusted each July 1. For loans made on or after July 1, 2006, the interest rate is fixed at 6.8% for the life of the loan. Undergraduate, subsidized loans have a fixed rate of:

- 6.0% if made on or after July 1, 2008
- 5.6% if made on or after July 1, 2009
- 4.5% if made on or after July 1, 2010
- 3.4% if made on or after July 1, 2011

Fees An origination fee is taken out of each disbursement of your loan before you receive the funds. Subsidized and unsubsidized Direct loans have a 1.0% origination fee, while Direct PLUS loans have a 4.0% origination fee.

Principles of Loan Repayment

Borrowing a PLUS Loan

Parent PLUS If you are an undergraduate, dependent student, your parents may be able to borrow a Parent PLUS loan to help you with your educational expenses. Your parent is responsible for repaying the Parent PLUS loan. The terms are the same as the Grad PLUS loan listed below.

PLUS Loan for Graduate and Professional Students (Grad PLUS) If you are a graduate or professional student, you may borrow a Grad PLUS loan on your own behalf. The maximum PLUS loan amount you can borrow is your cost of attendance (determined by the school) minus any other financial assistance you will receive. You are responsible for the interest that accrues. The interest rate for Direct PLUS loans is fixed at 7.9%. The loan fee for Direct PLUS loans is 4.0%. You can defer your payments while you are enrolled at least half-time and for six months following enrollment of at least half-time.

How Much Can I Borrow?

Federal Direct Loan Undergraduate Maximum

Academic Year	Base Subsidized Amount	Additional Unsubsidized*	Supplemental Unsubsidized	Annual Maximum
Dependent undergraduates				
First Year	$3,500	$2,000	$ —	$5,500
Second Year	$4,500	$2,000	$ —	$6,500
Third Year and beyond	$5,500	$2,000	$ —	$7,500
Independent undergraduates/dependents with parents who are unable to borrow under the PLUS program				
First Year	$3,500	$2,000	$4,000	$9,500
Second Year	$4,500	$2,000	$4,000	$10,500
Third Year and beyond	$5,500	$2,000	$5,000	$12,500
Undergraduate independent student - for coursework for enrollment in undergraduate degree or certification program				
	$2,625	$ —	$6,000	$8,625
Undergraduate independent student enrolled in program for professional credential or certification				
	$5,500	$ —	$7,000	$12,500
Graduate certification programs or coursework for enrollment in graduate or professional program				
	$5,500	$ —	$7,000	$12,500
Aggregate Limits				
Dependent undergraduate				
	$23,000	$2,000/yr.	—	$31,000
Independent undergraduate				
	$23,000	$2,000/yr.	not to exceed aggregate	$57,500
Dependent undergraduates with parents who are unable to borrow under the PLUS program				
	$23,000	$2,000/yr.	not to exceed aggregate	$57,500

*Additional loan amount is for loans first disbursed on or after July 1, 2008. The annual undergraduate loan limits have been increased by $2,000. This amount is all unsubsidized dollars regardless of need or PLUS activity not to exceed cost of attendance as determined by the school.

Principles of Loan Repayment

Your Rights and Responsibilities

Keep records of your student loans, especially the promissory note and any loan information you get from your school or loan holder. Never ignore your loan payment. Talk to your loan holder about repayment options if you can't afford your loan payment.

Here are some of your most important rights and responsibilities.

- You must use your loan only for educational expenses.
- You must be given details about your student loan before it's disbursed and again when your loan must be repaid.
- Your school must tell you the anticipated average monthly payment for your loan debt or the average loan debt of other students who borrow to attend the school or study in the same program.
- You must tell your loan holder any time you drop below half-time enrollment or change schools. Tell your loan holder if you change your name, address, phone number, Social Security number, references, and driver's license number. Before you leave school, tell your loan holder your permanent address, the name and address of your expected employer (if known), and the address of your nearest relative.
- You must repay your loan, plus interest, even if you do not finish your program, you are unable to get a job after you finish, or you are unhappy with or do not get the educational or other services you purchased from the school.
- Your loan may be moved to a servicer to manage your account. If the address where you send payments changes, you'll be notified of the name, address, and phone number of the new loan holder.
- You are entitled to a deferment or forbearance of your loan payments in certain circumstances.
- You may prepay your loan at any time without penalty.

Your Student Loan Team

These organizations are involved with your loan — contact them if you need assistance.

Loan Holder organization that has your loan. May be a lender, secondary market, servicer, guaranty agency, or the Department of Education. Talk to your loan holder if you need help:

- changing your repayment plan
- getting a deferment or forbearance to delay or reduce your payment
- consolidating your student loans
- making your loan payment

Servicer manages Direct and FFELP loans for the Department of Education and lenders.

Guaranty Agency provides repayment insurance on your FFELP loans and collects the loan from you if you do not pay your lender.

Department of Education provides you the money for your Direct loan. Also provides information about all your federal student loans on the National Student Loan Data System (NSLDS) at www.nslds.ed.gov or by calling 800-4-FED-AID. Authorized users at schools, loan holders, and guarantors have access to the records on the NSLDS.

Principles of Loan Repayment

Repayment Plans and Payments

Borrowing a federal student loan to invest in your education can affect the rest of your life, and not repaying it can get you in serious trouble. Borrow only what you need and what you can afford to repay. Shortly before your first payment is due, your loan holder sends you a repayment schedule showing your loan amount, payment amount, and when payments are due. Use the chart to estimate your monthly payment based on your loan amount and repayment plan.

Repayment Plans and Payments*

	Standard Up to 10 years		Graduated Up to 10 years**		Income-Contingent*** Up to 25 years		Income-Sensitive**** Up to 10 years		Extended Up to 25 years	
Loan Amount	Monthly Payments	Total Payments	Monthly Payments	Total Payments	Monthly Payments	Total Payments	Monthly Payments	Total Payments	Monthly Payments	Total Payments
$ 5,500	$ 63	$ 7,595	$ 31	$ 8,099	$34	$ 11,446	$ 42	$ 7,692	$ ----	$ ----
7,500	86	10,357	42	11,044	46	15,608	53	10,507	----	----
10,000	115	13,809	57	14,726	61	20,812	67	14,027	----	----
15,000	173	20,714	85	22,089	90	31,189	96	21,066	----	----
23,000	265	31,762	130	33,871	90	45,741	141	32,328	----	----
30,000	345	41,429	170	44,180	90	56,114	181	42,182	----	----
46,000	529	63,524	261	67,742	90	72,972	272	64,707	319	95,781
60,000	690	82,858	340	88,359	90	81,334	351	84,415	416	124,932
100,000	1,151	138,096	567	147,265	90	84,654	578	140,726	614	208,221
138,500	1,594	191,264	785	203,962	90	84,654	796	194,924	961	288,387

Payment amounts based on maximum 6.8% interest rate.

Repayment plans and payments are estimates. Contact your loan holder for repayment information related to your student loan.

*Information obtained from www.directloans.ed.gov

**Only 1st tier of payment displayed.

***For purposes of this chart, income-contingent payment amounts are based on an Adjusted Gross Income (AGI) of $20,000 and family size of 2. The maximum repayment period is 25 years. If you haven't fully repaid your loans after 25 years (time spent in deferment or forbearance does not count) of income-contingent repayment, the unpaid portion may be discharged. You may have to pay taxes on the amount that is discharged. This repayment plan is only available for Direct loans.

****For purposes of this chart, income-sensitive payment amounts are based on an annual income of $25,000. This repayment plan is only available for FFELP loans.

*****IBR payments calculated on $23,000 in student loan debt, interest rate of 6.8% and a household size of 2.

Income-Based Repayment*****

Income	Monthly Payment	Years	Total Payment
$ 25,000	$ 40	25	$ 36,650
30,000	102	21	48,000
35,000	164	13	36,835
40,000	227	11	32,564
45,000	265	10	31,762
50,000	265	10	31,762

You can find budget, repayment, and consolidation calculators in the *Resources and Calculators* section under the *Borrowers* tab at www.nslp.org.

Principles of Loan Repayment

Repayment Plans

You'll start repaying your loan six months after you graduate, leave school, or drop below half-time enrollment. You have a choice of repayment plans, and you may change your repayment plan once a year.

Standard lets you repay the loan in equal monthly payments of at least $50 for up to 10 years.

Graduated allows you to begin with a lower monthly payment which increases gradually over 10 years until the loan is repaid.

Income-Contingent adjusts your monthly payment annually based on your adjusted gross income (AGI), family size, and total amount of your Direct loans. You may repay for up to 25 years. Available only for Direct loans.

Income-Sensitive adjusts your monthly payment annually based on your total income. You can repay for up to 10 years. Available only for FFELP loans.

Extended loan term for up to 25 years is available if you borrow a student loan for the first time after October 7, 1998 and have more than $30,000 in Direct loans or more than $30,000 in FFELP loans.

Income-Based loan term up to 25 years if your loan holder determines you are experiencing a partial financial hardship. Monthly payments are based on a percentage of discretionary income. Under this plan the required monthly payment will be based on your income during any period when you have a partial financial hardship. Your monthly payment may be adjusted annually. The maximum repayment period under this plan may exceed 10 years. If you meet certain requirements over a specified period of time, you may qualify for cancellation of any outstanding balance of your loans. Parent PLUS loans and consolidation loans containing Parent PLUS loans are not eligible for income-based repayment.

Consolidating Your Federal Student Loans

You may lower your monthly payment by consolidating federal student loans with different interest rates, repayment plans, and loan holders into a new loan. However, consolidation may have some disadvantages, so carefully consider the pros and cons.

Loans You May Consolidate

- Direct Subsidized and Unsubsidized Loans
- FFELP Stafford Loan (subsidized and unsubsidized)
- Perkins Loan
- PLUS Loan (for parents and grad/professional students)
- Health Professions Student Loan (HPSL)
- Health Education Assistance Loan (HEAL)
- Nursing Student Loan (NSL)
- National Direct Student Loan (NDSL)
- SLS Loan (formerly ALAS Loans)
- Federally Insured Student Loan (FISL)
- Consolidation Loan

Interest The interest rate is a fixed, weighted average of all the loans you consolidate, rounded to the next highest 1/8%, up to 8.25%.

Repayment You can choose your repayment plan and change your repayment plan annually. You repay the loan over 10 to 30 years, depending on your total federal student loan debt.

Applying Contact Direct Consolidation at www.loanconsolidation.ed.gov or 800-557-7395 for information on applying for a consolidation loan.

Principles of Loan Repayment

Deferment and Forbearance

Sometimes you have a right to postpone payments on your loan by getting a deferment. The most common reasons for deferments include:

- attending school at least half-time, studying full-time in a graduate fellowship program, or participating in a full-time rehabilitation training program for disabled people
- actively looking for employment, but unable to find a full-time job
- experiencing financial difficulties
- serving active duty during war, military operation, or national emergency

Talk to your loan holder about getting a deferment. The federal government pays the interest on your subsidized loan while your payments are deferred but not on your unsubsidized loan.

If you have difficulty making payments, you may also get a forbearance on your loan to delay them. Unlike a deferment, you are responsible for the interest on the loan during a forbearance.

Cancellation and Forgiveness

You can return some or all of your loan if you don't need it. Talk to your school or loan holder about canceling or reducing your loan. Your whole student loan may be forgiven if you die, become totally and permanently disabled, your school closes before you finish your program, your school falsely certifies your loan, or you are a victim of identity theft. Part of your loan may be forgiven if you are a full-time teacher, your school does not make a refund you're owed to your loan holder, or you're employed in public service.

Military Benefits

Some military personnel may get repayment assistance from the Department of Defense. If your National Guard or Reserve unit is called to active duty, or you are a regular, active-duty member of the Armed Forces who is reassigned to another duty station, your loan payments may be temporarily suspended or deferred.

Bankruptcy

If you file for bankruptcy, you must repay your federal student loan unless you can prove undue hardship in an adversary proceeding before the bankruptcy court.

Student Loan Ombudsman

If you can't resolve problems on your student loan with your school, loan holder, servicer, or guarantor, contact:

U.S. Department of Education
FSA Ombudsman
830 First Street, N.E., 4th Floor
Washington, DC 20202

Customer Service: 877-557-2575
Fax: 202-275-0549
Website: www.ombudsman.ed.gov

Principles of Loan Repayment

Consequences of Default

You can get in serious trouble if you don't make your student loan payments when they are due. If you default on your loan by not making monthly payments for 270 days, any of the following can happen.

- You lose federal and state income tax refunds.
- You lose other federal or state payments.
- Legal action can be taken against you.
- You can be charged collection costs (including attorney fees).
- You may lose your professional license.
- Your interest rate may increase.
- You lose eligibility for other student aid and assistance under most federal benefit programs.
- You lose your eligibility for student loan deferments.
- Information about your loans will be reported to national credit bureaus and hurt your credit rating.
- Your employer may be required to take part of your wages to pay your student loan (wage garnishment).

Budget While You're in School

Before you budget, ask yourself these questions:

- Do I have a positive attitude?
- Am I motivated?
- Do I have realistic expectations?

If you answered "yes", the odds are in your favor for setting a budget and sticking to it.
Budgeting while you're in school will help you avoid overspending, set aside part of your income for unexpected expenses, and save for the future.
Live like a student now so you don't have to when you're not.

Monthly Income		
Earnings (after taxes) from work-study or job		$
Money from savings, family, gifts		$
Student loans, scholarships, financial aid		$
Other		$
Total Monthly Income		$
Monthly Expenses		
School	Tuition, fees, books, supplies	$
	Student loan interest	$
Housing	Rent	$
	Utilities, phone, Internet	$
	Other	$
Transportation		
	Car payment, insurance	$
	Gas and repairs	$
	Other (bus, taxi, parking, etc.)	$
Food	(groceries, meals, snacks, etc.)	$
Personal	Childcare	$
	Health Insurance	$
	Medical (prescriptions, etc.)	$
	Clothing, laundry, hair care, etc.	$
	Credit card payment	$
	Other	$
Savings and emergency fund		$
Recreation (travel, movies, books, etc.)		$
Total Monthly Expenses		$
Monthly Income minus Monthly Expenses		$

Principles of Loan Repayment

What is your debt-to-income ratio?

The debt-to-income ratio is a standard tool for assessing whether a borrower will have difficulty meeting his or her repayment obligations. Your monthly ratio should amount to no more than 36% of your gross income. Loan holders prefer to make loans to borrowers whose monthly long-term debt payments—including housing, auto loans, and credit cards—do not exceed 36% of their monthly gross income. Your education loan payments should represent no more than 10% to 15% of your income.

36% or less: This is good—most people carry this amount.

37%-42%: Caution. You should slow down—start lowering debt now before you get in real trouble.

43%-49%: Warning! You're headed for financial difficulties unless you make changes.

50% or more: You probably should get help now to aggressively reduce your debt.

Warning! You have too much debt if you:

- find it difficult to save anything
- are always short of funds
- use your savings to pay debt
- are near or over your credit limit on all or most of your accounts
- miss payments or have overdue dates for your bills
- can't sleep because you are worried about your bills
- use credit cards to pay bills or buy groceries
- can only afford to make minimum monthly payments

Monthly Debt
Monthly mortgage or rent
Minimum monthly credit card payments
Monthly car loan payments
Other loan obligations
Total Monthly Debt
Monthly Income
Monthly gross salary
Monthly overtime
Other income
Monthly Total Income (before tax)
Monthly Debt divided by Monthly Income

Principles of Loan Repayment

Budget Busters

You'll be amazed how much you can save by cutting back on inexpensive, routine purchases.

Could you use $1,965 for tuition, a car, or a vacation? Compare your wants and needs and see how you can add savings to your budget.

2 sodas daily @ $1.00	$ 730 each year
2 fast food combo meals per week @ $4.00	$ 416 each year
1 medium pizza and drink per week @$12.00	$ 624 each year
5 snacks per week @ $.75	$ 195 each year
Total	$1,965 each year

Preventing Default and Managing Money

As a student loan borrower, the more you understand money management the less your chances of defaulting on your loan. Use these online resources to find budget calculators, money management advice, and helpful information about repaying student loans.

- *Financial Management Tools*
- *Ten Steps to Financial Fitness*

You can find these and other online money management resources in the *Students & Borrowers* section at www.nslp.org.

Glossary

Accrued Interest The interest that accumulates on the unpaid principal balance of a loan.

Capitalization Accrued interest added to the outstanding principal balance of the loan.

Disbursement When the borrower's loan funds are released to the school for delivery to the borrower.

Entrance Counseling Debt counseling given to a student before he/she receives a student loan.

Exit Counseling Counseling about student loan repayment options that is given to a student when he/she leaves school.

Financial Aid Package The total amount of financial aid that a school provides a student.

Free Application for Federal Student Aid (FAFSA) The electronic form the student completes to apply for federal Title IV financial assistance.

Grace Period A period that is usually six months after a student graduates or ceases to be enrolled at least half-time and before loan payments begin when no payments are due on the loan.

Grant Financial aid awarded to a student based on financial need that does not have to be paid back.

PIN A personal identification number that belongs to a borrower. The Department of Education assigns a PIN to a borrower who applies for financial aid. This PIN is used for the FAFSA and to access borrower's loan information on the NSLDS.

Principal Balance The unpaid loan balance on which interest is charged.

Scholarship Money that is provided to a student who has achievements in a variety of areas.

Title IV Part of the Higher Education Act of 1965 that provides financial assistance programs to help post-secondary students. It includes grant, loan, and work-study programs.

Work-Study Program A program that pays eligible students an hourly wage to work on- or off-campus to help them fund the cost of higher education.

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Principles of Loan Repayment

Visit NSLP.org for:

Repayment Assistance

Calculate loan payments and figure a budget. Find information about repayment options, deferments, and who to contact with questions about student loan repayment.

Financial Mangement Tools

Find online budget, money management, and student loan repayment resources.

Loan Inquiry

Find information about all of your federal student loans on the National Student Loan Data System (NSLDS) at www.nslds.ed.gov.