

ATTACHMENT E: Deferment, Forbearance, Loan Forgiveness & Discharge for Federal Direct Loan Program (FDLP)

DEFERMENT

What is a deferment?

A deferment is a period of time when payment on a loan is temporarily postponed.

Do I qualify for a deferment?

Remember that a deferment is not automatically granted to you. You must apply for it, and you must meet certain criteria. You may qualify for a deferment if you are:

- Enrolled at least half time in an eligible postsecondary school
- Studying full time in a graduate fellowship program or an approved disability rehabilitation program.
- Unemployed or experiencing economic hardship (limited to 3 years).
- Serving on active duty during a war or other military operation or national emergency or performing qualifying National Guard duty during a war or other military operation or national emergency, and if you are serving on or after Oct 1, 2007, for the 180-day period following the demobilization date for your qualifying service.
- A member of the National Guard or other reserve component of the U.S. Armed Forces (current or retired) and are called or ordered to active duty while enrolled at an eligible school, or within 6 months of having been enrolled.
- Also eligible for a deferment during the 13 months following the conclusion of your active duty service, or until you return to enrolled student status, whichever is earlier.

Refer to your master promissory note for specific deferment provisions. Additional deferment provisions are available if you have an older FFELP loan. The date on which your oldest outstanding student loan was first disbursed determines your eligibility for certain deferment types.

Who pays the interest on my loan during a period of deferment?

The *federal government* will pay interest on the following loans during approved periods of deferment:

- Subsidized Direct loan
- Direct Consolidation loan—for the underlying *subsidized* loans that were consolidated

You, the borrower, will be responsible for paying interest that accrues on

- Unsubsidized Direct loans
- Direct PLUS loans
- Direct Consolidation loans—for the underlying *unsubsidized* loans that were consolidated

How do I request a deferment?

To request a deferment, contact your Direct Loan servicer. Also, you can visit www.studentloans.gov

Remember to continue making payments on your account until you have received notification that the deferment has been approved.

FORBEARANCE

What is a forbearance?

A forbearance is a temporary postponement or reduction of payments for a period of time while you are experiencing financial difficulty. A forbearance allows you to either temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments. Consider a forbearance only after you have exhausted applicable deferment options. Interest continues to accrue during a forbearance period and it can add up quickly, increasing your loan's principal balance. You are completely responsible for paying the interest that accrues during a forbearance period.

Under what circumstances may a forbearance be granted?

A forbearance may be granted in such instances as when you:

- Are experiencing personal problems (such as poor health or economic hardship);
- Are affected by circumstances such as a local or national emergency, military mobilization, or natural disaster;
- Have exhausted your eligibility for a medical or dental internship deferment; or
- Are serving in a position that may, after a specified period of service, qualify you for loan forgiveness, partial repayment of your loan, or a national service educational award.

Who pays the interest on my loan during a period of forbearance?

Unlike a deferment, regardless of the type of loan you have, you are responsible for the interest that accrues during a forbearance. It is recommended that you pay the interest as it accrues to avoid interest capitalization. Interest capitalization occurs when unpaid accrued interest is added to the principal balance of the loan, which increases the total outstanding debt. As a result, your monthly payment may also increase.

Where can I find out how much interest will accrue during a period of forbearance?

A Forbearance Cost Calculator can be found on *TG Online* at www.tgslc.org/borrowers/forbearance/calculate.cfm

Where do I apply for a forbearance?

To request a forbearance, contact your Direct Loan servicer. Also, you can visit www.studentloans.gov

LOAN FORGIVENESS & DISCHARGE

What are situations under which my loan(s) may be discharged?

You are obligated to pay back your student loan, and there are serious consequences if you do not repay your student loan. However, there are a few situations in which your loan may be discharged. Your loan may be discharged if:

- You die;
- You become totally and permanently disabled (requires certification from a physician and your loan may be subject to reinstatement under certain conditions);
- Your school fails to pay a refund as required if you withdraw;
- You are unable to complete your program of study due to school closure;
- Your loan was falsely certified as a result of a crime of identity theft; or
- Your school falsely certified or fraudulently completed a loan application in your name without your approval.
- You did not have the ability to benefit from the program

Generally, federal student loans may not be discharged due to bankruptcy unless there is undue hardship.

What are the types of forgiveness programs that are available?

Teacher Loan Forgiveness Program

There is a loan forgiveness program for borrowers who are teachers and meet certain criteria, including, but not limited to:

- You did not have an outstanding balance on a Federal Family Education Loan Program (FFELP) or Federal Direct Loan Program (FDLP) loan on or before October 1, 1998, or on the date you obtained a FFELP or FDLP loan after October 1, 1998.
- You teach as a “highly qualified” teacher in a qualifying low-income school or education service agency for five (5) consecutive, complete academic years.
- The loan for which you are seeking forgiveness was made before the end of the fifth year of your qualifying teaching service.

To find out more about the eligibility requirements for teacher loan forgiveness, you can visit www.studentloans.gov

Public Service Loan Forgiveness Program

This is a loan forgiveness program for FDLF borrowers who are employed in public service positions. You may qualify for forgiveness of the remaining balance due on your eligible federal student loans after you:

- Have made 120 monthly payments on the eligible loan on or after October 1, 2007, while serving in a public service position, and
- Are employed in a public service position at the time forgiveness is requested.

Although loan forgiveness under this program is available only for loans made and repaid under the Federal Direct Loan Program, loans made under other federal student loan programs may qualify for forgiveness if they are consolidated into a Direct Consolidation Loan. However, the required 120 payments must be made after the Consolidation loan is made in order to qualify for forgiveness. For more details about the Public Service Loan Forgiveness Program go to www.studentloans.gov

Who can I contact for questions pertaining to forgiveness and discharge programs?

You may call your Direct Loan servicer. Or visit www.studentloans.gov

Are there any other loan repayment programs that can help me repay my loans?

Yes. There are programs that help borrowers repay their loans. These include, but are not limited to:

- AmeriCorps: For more information, visit www.americorps.gov, or call (800) 942-2677.
- Department of Defense: Available to those serving in various branches of the Department of Defense. For more information, contact your military personnel office.

