



# New Directions

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*A Guide to Repaying Your Federal Student Loans*

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# Taking on **new directions**

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## **Making the most of your education**

As you leave school, your life will take on new directions in the form of opportunities, challenges, and responsibilities. One very important responsibility you will face is the task of repaying your federal student loan.

This booklet will help you understand your repayment obligations and options with regard to Federal Stafford and Student PLUS loans.

## **Understanding your loan**

Your student loan is a debt you owe for your education. Treat your loan as you would any other kind of debt, such as a loan used to buy a car or a house. You are responsible for repaying your student loan, even if you didn't graduate on time or at all; can't find a job; or feel you didn't receive a quality education.

## **Help is available**

Remember that how you handle the obligation of your student loan can have either a positive or a negative effect on your future. Your debt goes away only when you repay it in full.

The federal student loan programs offer many options to help you repay your student loan. This guide outlines some of those options should you have difficulty making your payments. Becoming familiar with this information will help you throughout your loan repayment.

Information about repaying student loans is available on *TG Online* at [www.tgslc.org](http://www.tgslc.org) and on *Adventures In Education* at [www.AIE.org](http://www.AIE.org). If you have any questions after reading this information, contact your loan holder or call TG Customer Assistance at (800) 845-6267.

## **Establishing good credit**

Loan holders and guarantors like TG must report information on student loans to nationwide consumer reporting agencies. This means that the amount of your debt and how you handle its repayment become part of your credit history.

Most students have minimal credit history, so how you handle your student loan debt affects whether lenders will extend you other forms of credit. By making your payments on time, you can open doors that may help you enjoy the full financial benefits of your education. On the other hand, if you establish a poor credit rating by not repaying your loan or by consistently making late payments, you will likely experience difficulties in obtaining other forms of credit.

### **This booklet is a resource to help you learn more about:**

- Managing your money,
- Your rights and responsibilities as a student loan borrower of a Federal Stafford or Student PLUS loan,
- The consequences of not handling repayment of your student loan,
- Determining what your student loan payments will be, and
- The options available to you if you ever have difficulty making payments.

# Managing your money **effectively**

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To repay your student loan successfully, you must take control of your finances. The results will bring you peace of mind and help ensure your financial freedom in the future. More information about managing your money is available on *Adventures In Education* at [www.AIE.org](http://www.AIE.org).

## **Getting organized**

If you haven't already done so, assemble all of your loan and other financial documents in one place. Review all the documents to make sure you understand your financial obligations. If you have any questions about your student loans, contact your loan holder or TG Customer Assistance at (800) 845-6267.

## **Developing a spending plan**

After you have organized your financial documents, the next and most important step to successfully managing your money is to develop your monthly spending plan. A spending plan is an important tool because it can help you to:

- Identify expected income,
- Define your expenses,
- Evaluate your spending habits,
- Set goals that take your needs into account, and
- Track your spending to make sure it remains within your goals.

"Your spending plan worksheet," shown here, can help you manage your finances. If you have trouble with your finances, talk to your local consumer credit counseling service. You can also work with your loan holder to establish repayment terms that meet your needs.

## **Step 1 — Determine your income**

Be realistic. If you are just entering the job market for the first time, ask your school's placement office for statistics on starting salaries for various jobs. You can also check with the local workforce commission, or visit websites such as [www.salary.com](http://www.salary.com) to do some research.

Once you've arrived at a realistic income figure, subtract 28 percent from it for the approximate amount of taxes that will be deducted from your pay. Divide the remainder by 12 to arrive at your monthly take-home earnings. Use this figure as the basis for your monthly income.

## **Step 2 — Estimate your expenses**

After you arrive at your monthly income after taxes, you're ready to estimate your monthly expenses such as utilities, insurance payments, groceries and anything else with a monthly deadline.

## **Step 3 — Find out if you are living within your spending plan**

Now that you've estimated your income and expenses, it's time to see where you stand financially. Subtract your monthly expenses from your monthly income to determine if you have any discretionary funds left after paying all your monthly expenses. If you do, you are living within your spending plan. If not, re-evaluate your expenses and cut back on items which are not necessities. You may have to reconsider what is a need and what is a want.

# Your spending plan worksheet

Use this worksheet to see where you stand financially. Subtract your expenses from your monthly income to determine if you have any discretionary funds left after paying all your expenses.

## Step 1 Monthly Income

Annual salary	\$ _____
Minus taxes (approximately 28%)	- \$ _____
Net income	= \$ _____
Monthly income after taxes (divide net income by 12)	\$ _____

## Step 2 Monthly expenses

Rent	\$ _____
Combined utilities	+ \$ _____
Groceries	+ \$ _____
Auto expenses	+ \$ _____
Student loans	+ \$ _____
Other loans	+ \$ _____
Credit cards	+ \$ _____
Insurance	+ \$ _____
Medical expenses	+ \$ _____
Entertainment	+ \$ _____
Emergency fund	+ \$ _____
Miscellaneous	+ \$ _____
Savings	+ \$ _____
Total	= \$ _____

## Step 3 Discretionary funds

Monthly income after taxes	\$ _____
Monthly expenses	- \$ _____
Discretionary funds	= \$ _____



A Stafford loan has a six-month grace period, and a Student PLUS loan has a six-month deferment period after you leave school. Start planning now to begin repayment soon.

# Estimating your payments

Your loan holder will send you information about your student loan payments before you begin repayment. An online payment calculator is available on *Adventures In Education* ([www.AIE.org](http://www.AIE.org)) in the “College Student” section. Your school can provide you with the amount of your loan indebtedness or the average indebtedness for student loan borrowers in your program. You may also inquire about your loan information through the National Student Loan Data System ([www.nslds.ed.gov](http://www.nslds.ed.gov)), or by calling TG at (800) 845-6267.

*The following information will help you estimate the monthly payment on your student loan so that you can begin preparing a post-graduation spending plan early.*

## Calculating a monthly payment

To develop an spending plan after you graduate, you’ll need to take into account your student loan payments. The easiest way to estimate your monthly payments is to use an online loan calculator like the one TG offers in the “College Student” section of *Adventures In Education*. To use the calculator, you’ll need the amount you owe, the interest rate on the loan, and the length of the repayment period. Just enter this information and click “Calculate.”

You can also use the chart below to estimate your monthly payment based on the interest rate and amount you owe. If your loan amount isn’t listed, round up to the closest amount and use it as a general guideline for projecting your monthly payment amount.

## Stafford loan interest rates

If you borrowed a Stafford loan before July 1, 2006, it will have a variable interest rate that may change each year on July 1. If you borrowed a Stafford loan on or after July 1, 2006, and before July 1, 2008, it has a fixed interest rate of 6.8 percent. The fixed interest rate on subsidized Stafford loans for undergraduate students disbursed on or after July 1, 2008, depends on when the loan was

first disbursed (see chart below). The fixed interest rate remains 6.8 percent for all unsubsidized Stafford loans and subsidized Stafford loans for graduate students.\*

## PLUS loan interest rates

If you borrowed a FFELP Student PLUS loan on or after July 1, 2006, it has a fixed interest rate of 8.5 percent. If you borrowed an FDLP Student PLUS loan on or after July 1, 2006, it has a fixed interest rate of 7.9 percent.

\* Under the Servicemembers Civil Relief Act, an eligible borrower may request an interest rate reduction to 6.0 percent on any FFELP or FDLP loan made prior to the beginning of the borrower’s military service or activation. The request must be received no later than 180 days after the date of the borrower’s termination or release from military service. The borrower should contact his or her loan holder for more information.

## Stafford interest rate dependent on disbursement date

The fixed interest rates for undergraduate subsidized Stafford loans (Federal Family Education Loan Program [FFELP] and Federal Direct Loan Program [FDLP]) first disbursed between 2008 and 2012 are as follows:

### Loans first disbursed:

After July 1, 2008, and before July 1, 2009	6.0%
After July 1, 2009, and before July 1, 2010	5.6%
After July 1, 2010, and before July 1, 2011	4.5%
After July 1, 2011, and before July 1, 2012	3.4%

## Loans and interest capitalization

The federal government pays the interest that accrues on your subsidized Stafford loans while you are in school and during your grace period (for more information, see “Understanding your grace period” on page 7).

If you borrowed an unsubsidized Stafford loan, you are responsible for paying the interest that accrues (accumulates) while in school and during your grace period. If you choose not to make interest payments while in school or during your grace period, your loan holder will “capitalize” the interest that accrues. Capitalization means that the interest you accrue while in school and during your grace period will be added to the principal amount of your loan at the end of your grace period.

To illustrate the difference between paying back interest as you go or letting it capitalize, consider the following example. If you took out a \$10,700 unsubsidized Stafford loan at 6.8 percent interest and paid the interest while in

school and during the grace period, you’d have monthly payments of about \$123 and, in the end, repay \$4,076 in total interest. If you let interest accrue while you were in school and during the grace period, your monthly loan repayment would increase to \$141, and you’d end up paying \$4,668 in interest.

## Learning more about tax benefits

The Taxpayer Relief Act of 1997 may allow you to claim a federal income tax deduction for interest payments you make on FFELP and FDLP loans. Refer to IRS Publication 970 available at [www.irs.gov](http://www.irs.gov).

Estimated monthly payments* (based on a 10-year repayment plan; no interest capitalized)						
Loan Amount	Interest Rates					
	4.0%	5.0%	6.0%	7.0%	8.0%	9.0%
\$1,000	\$10.12	\$10.61	\$11.10	\$11.61	\$12.13	\$12.67
\$10,000	\$101.25	\$106.07	\$111.02	\$116.11	\$121.33	\$126.68
\$20,000	\$202.49	\$212.13	\$222.04	\$232.22	\$242.66	\$253.35
\$30,000	\$303.74	\$318.20	\$333.06	\$348.33	\$363.98	\$380.03
\$40,000	\$404.98	\$424.26	\$444.08	\$464.43	\$485.31	\$506.70
\$50,000	\$506.23	\$530.33	\$555.10	\$580.54	\$606.64	\$633.38
\$60,000	\$607.47	\$636.39	\$666.12	\$696.65	\$727.97	\$760.05
\$70,000	\$708.72	\$742.46	\$777.14	\$812.76	\$849.29	\$886.73
\$80,000	\$809.96	\$848.52	\$888.16	\$928.87	\$970.62	\$1013.41
\$90,000	\$911.21	\$954.50	\$999.18	\$1044.98	\$1091.95	\$1140.08
\$100,000	\$1012.45	\$1060.66	\$1110.21	\$1161.08	\$1213.28	\$1266.76
\$110,000	\$1113.70	\$1166.72	\$1221.23	\$1277.19	\$1334.60	\$1393.43
\$120,000	\$1214.94	\$1272.79	\$1332.25	\$1393.30	\$1455.93	\$1520.11
\$130,000	\$1316.19	\$1378.85	\$1443.27	\$1509.41	\$1577.26	\$1646.79
\$140,000	\$1417.43	\$1484.92	\$1554.29	\$1625.52	\$1698.59	\$1773.46
\$150,000	\$1518.68	\$1590.98	\$1605.31	\$1741.63	\$1819.91	\$1900.14

\* Unless your loan holder agrees otherwise, the minimum monthly payment will be \$50.

# Repaying your **student loan**

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When you first borrowed your Stafford or Student PLUS loan, you signed or e-signed a legal document — a Master Promissory Note (MPN) — which established your obligation to repay that loan and, in certain cases, future loans. You may have signed or e-signed only one MPN for all of the loans you borrowed. The multi-year feature of your MPN ends on the earliest of the following dates:

- The date your loan holder received your written notice that no further loans could be disbursed under the MPN;
- Twelve months after the date you signed the MPN, if no disbursements were made during this 12-month period; or
- Ten years from the date you signed the MPN.

On the other hand, if your school did not use the multi-year feature of the MPN, or you elected not to use it, you may have signed or e-signed a new MPN every time you borrowed a loan.

The school you attended certified your subsidized and/or unsubsidized Stafford loan or Student PLUS loan for the maximum amount for which you were eligible. You had the opportunity to decline the loans and/or reduce the loan amounts. Your school, loan holder, and/or guarantor notified you of the loan amount and type of loan (subsidized or unsubsidized) you borrowed.

- Your school did not return loan funds to the loan holder as federal regulations sometimes require;
- You are a member of the military who is eligible to have your student loan repaid under the Department of Defense Repayment Program; or
- You are eligible to participate in the Public Service Loan Forgiveness Program (only for borrowers under the Federal Direct Loan Program). Note that a FFELP borrower may be able to consolidate his or her loans into a Direct loan in order to take advantage of this benefit.

## Understanding discharge and forgiveness benefits

- Your loan obligation will be discharged if you become totally and permanently disabled or die.
- Your loan will not be discharged automatically in bankruptcy. To discharge a loan in bankruptcy, you must prove undue hardship in an adversary proceeding before the bankruptcy court.
- If you are a full-time teacher and received your first loan on or after October 1, 1998, and meet certain other qualifications, you may be eligible for loan forgiveness (applicable only to Stafford loans).
- Your loan may be fully or partially discharged if:
  - You were unable to complete your studies because your school closed;
  - Your loan was falsely certified by your school or as a result of identity theft;

## Repayment guidelines for your MPN

- Your payments are due on a monthly basis.
- Unless your loan holder agrees otherwise, the minimum monthly payment will be \$50.
- Your minimum annual payment will not be less than the amount of interest due and payable.
- The maximum repayment period is generally 10 years.
- You may prepay on your loan at any time without penalty. This will reduce the total amount of interest you pay on your loan.
- Your loan holder will give you the opportunity to choose a standard, Income-Based, graduated, income-sensitive, income-contingent, or, if you are eligible, extended repayment plan.
- You have the opportunity to make adjustments to your repayment plan at least once a year.

## Completing successful repayment

Understanding the repayment process and some loan terms will help you repay your loan.

### Stay in touch with your lender

The most important thing you can do during repayment is to stay in close contact with your loan holder. You are responsible for informing your loan holder as soon as possible when you:

- Leave school or graduate;
- Drop below half-time enrollment;
- Change schools;
- Change your name, address, or phone number;
- Change employers;
- Are no longer eligible for a deferment on a loan that is in deferment (see page 10 for more information); and/or
- Have difficulty making your scheduled payments.

If you don't know who your loan holder is, check your loan disclosure statement. You can also contact TG Customer Assistance at (800) 845-6267 to find out the name and address of your loan holder.

### Understanding your grace period

Applicable to Stafford loans, your grace period is a transition period that allows you to prepare for the repayment of your loan. As a Stafford loan borrower, your grace period begins when you drop below half-time enrollment at your school. You can find the length of your grace period, which usually lasts six months, on your disclosure statement.

If you have a subsidized Stafford loan, interest will not accrue during your grace period because the federal government pays the interest due on your loan, just as it did while you were in school. If you have an unsubsidized Stafford loan, the interest will continue to accrue during your grace period. You may choose to pay the interest that accrues on your loan during your grace period, or you may choose to have the interest capitalized and added to your loan principal. Your loan holder can provide information about repayment and deferment options.

### Options for repayment

Before your loan enters repayment, your loan holder will ask you to choose one of the following repayment plans.

- **Standard:** On a standard plan, each monthly payment is the same amount throughout the repayment period. The

payment amount may be adjusted if there are changes in the variable interest rate. This is usually the fastest and least expensive repayment option. Remember, the longer you take to repay, the more interest you will pay.

- **Income-Based:** On an Income-Based Repayment (IBR) plan, the monthly payment amount is based on your income during any period when you are experiencing a partial financial hardship.
- **Graduated:** On a graduated plan, the monthly payment amount generally starts lower than under the standard plan and increases at scheduled times throughout the repayment period.
- **Income-sensitive:** On an income-sensitive plan, the monthly payment amount is adjusted annually based on your monthly income (this plan is available to FFELP borrowers).
- **Income-contingent:** On this plan, the monthly payment amount is adjusted annually, based on the total amount of your Direct loans, your family size and your adjusted gross income (this plan is available to FDLP borrowers).
- **Extended:** Certain borrowers with more than \$30,000 in outstanding principal and interest in FFELP loans may repay these loans over a period not to exceed 25 years.

After you choose a repayment plan, your loan holder will send a repayment schedule and disclosure that provide you with the following information:

- Your outstanding balance;
- The interest expected to accrue through the life of your loan;
- Your scheduled monthly payment amount; and
- The number of scheduled payments you need to make to pay off your loan completely.

When you receive your repayment schedule:

- Review it carefully.
- If you can't afford the scheduled payments, contact your loan holder immediately to discuss alternative repayment options.
- If you can afford to pay more than your loan holder has scheduled, contact your loan holder to find out the benefit of doing so.

## Sample comparison of student loan repayment plans

Loan balance		Standard	Graduated	Extended	* Income-Based (IBR)	** Income-Sensitive (FFELP only)	***Income-Contingent (FDLP only)
<b>\$15,000;</b> Interest rate = <b>6.8%</b>	Monthly Payment	\$173	Yrs. 1-2: \$119 Yrs. 3-4: \$144	Loan balance must be greater than \$30,000	\$172	Yr. 1: \$100 Yrs. 2-10: \$184	Yr. 1: \$124 Max: \$133
	Term	10 years	10 years	n/a	10 years	10 years	16 years
	Total Interest	\$5,714	\$6,833	n/a	\$5,722	\$6,048	\$10,183
	Total Paid	\$20,714	\$21,833	n/a	\$20,722	\$21,048	\$25,183
<b>\$45,000;</b> Interest rate = <b>6.8%</b>	Monthly Payment	\$518	Yrs. 1-2: \$356 Yrs. 3-4: \$432	\$312	Min: \$172 Max: \$518	Yr. 1: \$100 Yrs. 2-10: \$582	Yr. 1: \$320 Max: \$400
	Term	10 years	10 years	25 years	25 years	10 years	17 years
	Total Interest	\$17,143	\$20,500	\$48,701	\$59,997	\$19,061	\$33,505
	Total Paid	\$62,143	\$65,500	\$93,701	\$98,130	\$64,061	\$78,505
<b>\$75,000;</b> Interest rate = <b>6.8%</b>	Monthly Payment	\$863	Yrs. 1-2: \$593 Yrs. 3-4: \$720	\$521	Min: \$172 Max: \$548	Yr. 1: \$100 Yrs. 2-10: \$980	Yr. 1: \$320 Max: \$689
	Term	10 years	10 years	25 years	25 years	10 years	25 years
	Total Interest	\$2,857	\$34,167	\$81,165	\$93,245	\$32,073	\$117,349
	Total Paid	\$103,572	\$109,167	\$156,165	\$98,564	\$107,073	\$160,116
<b>\$105,000;</b> Interest rate = <b>6.8%</b>	Monthly Payment	\$1,208	Yrs. 1-2: \$830 Yrs. 3-4: \$1,009	\$729	Min: \$172 Max: \$548	Yr. 1: \$100 Yrs. 2-10: \$1,379	Yr. 1: \$320 Max: \$915
	Term	10 years	10 years	25 years	25 years	10 years	25 years
	Total Interest	\$40,001	\$47,833	\$113,634	\$98,564	\$45,086	\$158,574
	Total Paid	\$145,001	\$152,833	\$218,634	\$98,564	\$150,086	\$170,905
<b>\$135,000;</b> Interest rate = <b>6.8%</b>	Monthly Payment	\$1,554	Yrs. 1-2: \$1,067 Yrs. 3-4: \$1,297	\$937	Min: \$172 Max: \$548	Yr. 1: \$100 Yrs. 2-10: \$1,777	Yr. 1: \$320 Max: \$915
	Term	10 years	10 years	25 years	25 years	10 years	25 years
	Total Interest	\$51,430	\$61,500	\$146,100	\$98,564	\$58,099	\$169,833
	Total Paid	\$186,430	\$196,500	\$281,100	\$98,564	\$193,099	\$170,905

\*The Income-Based Repayment (IBR) plan example is calculated based on an annual gross income of \$30,000 and a family size of one living in the contiguous United States. Monthly payment amounts under the IBR plan may change annually based upon the borrower's annual gross income and family size. Any remaining balance, including interest, is forgiven after 25 years of qualifying payments under this plan.

\*\*The Income-Sensitive Repayment plan is calculated based on an annual salary of \$30,000 and 4 percent monthly adjusted gross income allocation to the loan payment. Total interest paid over the life of the loan and the term will vary depending on the percentage of income that the borrower chooses to allocate each year to his or her loan payment. This plan is only offered to student loan borrowers of the Federal Family Education Loan Program (FFELP).

\*\*\*The Income-Contingent Repayment plan example is calculated based on an annual gross income of \$30,000 and a family size of one living in the contiguous United States. This repayment amount will be recalculated annually and is subject to change based on the poverty guidelines per family size as determined by the U.S. Department of Health & Human Services. This plan has a maximum term of 25 years and is only offered to student loan borrowers of the Federal Direct Loan Program (FDLP).

Also, any Stafford, Grad PLUS or Consolidation loan made under either the FDLP or FFELP is eligible for repayment under IBR, EXCEPT loans that are currently in default, parent PLUS Loans, or Consolidation loans that repaid a parent PLUS Loan.  
Calculator sources: [www.finaid.org](http://www.finaid.org); [www.studentaid.ed.gov](http://www.studentaid.ed.gov)

- If there are no problems with the repayment schedule and disclosure, sign and return a copy to your loan holder.
- Keep a copy for your records.

Even if you don't receive a repayment schedule from your loan holder, you are still responsible for repaying your loan. If you have questions about repayment, contact your lender or TG Customer Assistance at (800) 845-6267.

You may change the repayment plan on your loan at least once a year. There is no penalty for prepaying any portion of your loan.

### When repayment becomes difficult

It is your responsibility to make your regularly scheduled payments to your loan holder. If you have questions or problems with your loan payments, contact your loan holder. Your loan holder will work with you if you show that you are willing to honor your repayment obligation.

As you make your monthly payments, situations may occur that require you to request adjustment or suspension of your payments. Several options are available to help you make it through these times.

- **Deferment or forbearance:** A deferment or forbearance allows you to temporarily suspend loan payments or make smaller payments (for more information, see pages 10 and 11). To find out if you qualify for this option, contact your loan holder for assistance.
- **Consolidation:** Loan consolidation helps some borrowers meet their responsibilities by lowering the amount of their monthly payments while extending the time of repayment. However, not all borrowers are eligible for consolidation, and some borrowers do not benefit from consolidation (for more information, see page 12). To find out if you qualify for consolidation, contact your loan holder for assistance.

### What happens when you complete loan repayment?

Shortly after receiving your final payment on your student loan, your loan holder will send you a notice that your loan is paid in full, along with your original MPN, or a copy of your MPN, marked "Paid in Full." At the same time, your loan holder will notify the nationwide consumer reporting agencies and your guarantor, if applicable, that you have completed loan repayment.

## FAQs on repayment

If you have trouble making your monthly payments and need help, contact your loan holder to learn more about the many repayment options available to you. In the meantime, these basic questions and answers will give you general information about repayment.

**How do I make my loan payments?** Loan holders use different methods to collect payments. Many loan holders are able to automatically withdraw your payment from your checking account with your approval. Some offer coupon books or monthly statements. If your loan holder offers you a choice of repayment methods, pick the one that's most convenient for you.

**What if I don't receive a repayment schedule?** Even if you don't receive a repayment schedule from your loan holder, you are still responsible for repaying your loan. Contact your loan holder or TG Customer Assistance at (800) 845-6267 if you have questions about loan repayment.

**Will I always make my payments to the same loan holder?** Not necessarily. Sometimes loan holders sell their loans to other institutions, such as a private lender selling loans to the Department of Education. If your loan is sold, you will be notified of the name, address, and telephone number of the new holder of your loan. The sale of your loan does not change the amount you owe or the terms of repayment.

**What is loan servicing?** Most private lenders and the Department of Education employ servicers to manage their student loan accounts. Servicers help loan holders manage a large student loan portfolio. Although a loan holder may retain ownership of its loans, it can contract out administrative functions such as billings and inquiries. Whether your loan is serviced by your original loan holder, or a servicer, it is important for you to maintain close contact with whoever is managing your loan. If you have questions about who is holding or servicing your loan, call TG Customer Assistance at (800) 845-6267.

**What if I can't make a payment?** Contact your loan holder as soon as you realize you need assistance. The worst thing you can do is fail to make a payment without explanation. Loan holders realize that borrowers may experience financial problems from time to time. They generally are willing to work things out with you if you are genuinely unable to make a payment.

# Understanding **deferment** and **forbearance**

You may qualify to have your monthly payments suspended or reduced for a period of time in certain situations. If you have difficulty making your payments and think you might be eligible under the terms and conditions outlined below, contact your loan holder or servicer immediately.

## **Deferment**

A deferment is a period of time during which a lender temporarily postpones regular payments. Deferments are granted for specific situations as defined by Congress and have certain time limitations and conditions for eligibility. You may be eligible for a deferment if your particular situation falls into one of several categories. Contact your loan holder or servicer to find out if you qualify for a deferment. Deferments are entitlements. This means your loan holder must grant one if you qualify. It is your responsibility to request a deferment from your loan holder and to follow up with the documentation necessary to prove that you qualify.

If you are granted a deferment, the federal government will pay the interest that accrues on your subsidized Stafford loan during any deferment period — just as it pays the interest that accrues on such a loan while you are in school and during your grace period. However, you will be responsible for paying the interest that accrues on your unsubsidized Stafford or Student PLUS loan during deferment. Your loan holder may instead capitalize the unpaid interest that accrues during periods of deferment on your unsubsidized Stafford or Student PLUS loan.

## **Deferment types**

If your Stafford or PLUS loan was disbursed on or after July 1, 1993, and you have no outstanding balance on a FFELP loan made prior to July 1, 1993, you may be eligible for deferment based on one of the following conditions:

- Full-time or half-time study at an eligible school
- Study in a graduate fellowship program or a certified rehabilitation training program
- Economic hardship
- Unemployment (less than 30 hours per week or full-time employment not expected to last more than 90 consecutive days)

You may be eligible for a military deferment if you served on active duty during a war or other military operation or national emergency, or performed qualifying National Guard duty during a war or other military operation or national emergency.

You may be eligible for a post-active duty student deferment if you were enrolled in school at the time you were called or ordered to active duty, or were enrolled within six months of being called or ordered to active duty.

You may be eligible to receive additional deferments if you received your first FFELP loan before July 1, 1993. Contact your loan holder for more information.

## Forbearance

Forbearance is another option that may help you during a period of financial difficulty. During forbearance, a loan holder temporarily reduces, extends, or postpones regular loan payments. This option is usually reserved for borrowers who are not eligible for a deferment.

In some cases, a loan holder is required to grant a forbearance. For example:

- When a medical or dental intern enrolled in an internship program has exhausted all of his or her deferment eligibility;
- If the borrower is serving in a national service position under the National and Community Service Trust Act of 1993; or
- If the borrower may be eligible and has applied for teacher loan forgiveness.

However, in most cases, forbearance is granted at the loan holder 's discretion. Loan holders are usually willing to provide you with the help you need to meet repayment responsibilities, if you contact the loan holder up front and demonstrate a desire to repay your debt.

Unlike deferments, the federal government does not pay interest, even on subsidized Stafford loans, during forbearance periods. You are responsible for the interest and may choose to pay the interest as it accrues or to have it capitalized. Capitalization may result in a higher monthly payment amount after the forbearance ends.



If you are having difficulty making payments and you think you may qualify for a deferment or forbearance, contact your loan holder as soon as possible.

# Managing repayment: Consolidation — another option

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Federal loan consolidation is another option that may help you manage your student loan repayment.

Federal loan consolidation allows eligible borrowers to combine several types of federal student loans with varying repayment terms into one new loan. Defaulted loans can be included if satisfactory repayment arrangements have been made with the loan holder (guarantor or Department of Education). Contact TG Collections at (800) 222-6297 for more information.

Federal consolidation loans are made by the Department of Education under the Federal Direct Loan Program. To apply for a Direct Consolidation loan, go to <http://loanconsolidation.ed.gov/>.

## Loans eligible for consolidation

The following types of federal student loans are eligible for consolidation:

- Subsidized and unsubsidized Stafford loans,
- Federal PLUS loan (parent loans made after October 17, 1986)\*,
- Federal Student PLUS loans (also known as Grad PLUS loans),
- Federal Consolidation loans (restrictions apply),
- Federal Perkins Loans (formerly National Defense/ Direct Student Loans),
- Federal Supplemental Loans for Students (SLS),
- Federal Stafford or Guaranteed Student Loans (GSL),
- Federal ALAS Loans,
- Health Education Assistance Loans (HEAL),
- Health Professions Student Loans (HPSL),
- Nursing Student Loan Program (NSLP) Loans,
- Federal Insured Student Loans (FISL), and
- Loans for Disadvantaged Students.

\* *Federal PLUS (parent) loans can only be consolidated with a parent's own student loans.*

## Consolidation pros and cons

You should consider many things before making a decision to consolidate your loans. For example, will the immediate benefit of lower monthly payments make a potentially longer payment period — and potentially higher overall repayment amount — worth it?

The following information will help you assess the pros and cons of consolidation. Apply this information to your particular situation to determine if consolidation is right for you. Note that borrower benefits vary among loan holders.

### Pros

- Your payments are centralized — you make only one payment to one loan holder.
- Depending upon how much you owe, you could receive anywhere from 10 to 30 years to repay the loan.
- Your loan holder must offer you a standard, Income-Based, graduated, income-sensitive, or extended repayment plan. You have the ability to request a new repayment plan at least annually.
- The federal government pays the interest on the underlying subsidized Stafford loans included in your Consolidation loan during authorized periods of deferment.
- You can lock in a fixed interest rate to avoid variable interest rate changes.
- You can prepay your loan at any time.

### **Cons**

- You will receive a fixed interest rate on a Consolidation loan, and you will be locked into that rate for the entire repayment term.
- Your repayment term could be extended. This means you could pay substantially more in interest on your loan.
- You could lose all or part of the grace period on your loan.
- You could lose your eligibility for certain types of deferment. This means that you may have to make payments on your consolidation loan when you wouldn't have had to under the terms of your original loans.
- You could lose loan cancellation options for any Perkins loans that are consolidated.
- You could impact your eligibility for certain types of loan forgiveness.



### ***Need more information about consolidation?***

Contact your lender or  
TG Customer Assistance at  
(800) 845-6267 if you  
need help in determining  
whether loan consolidation  
is right for you.

# Avoiding default

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Given the number of repayment options available to you, you should be able to maintain a good repayment record and avoid default. Of course, during repayment of your loan, circumstances can occur that may make it difficult for you to make your payments.

As a borrower, your failure to make nine scheduled monthly payments (11 months for loans billed less frequently than monthly) can cause your loan to default.

If you miss a payment, you should contact your loan holder immediately to explore any possible solutions to your situation. Should you become 240 days past due (or 300 days for loans billed less frequently than monthly) in your payments without making special arrangements with your loan holder, the entire amount of your loan will become due immediately. Even if you make some payment after this date, your loan holder may still demand payment of your loan in full. After 270 (or 330) days of delinquency, your loan is considered to be in default.

In addition, if you fail to stay in contact with your loan holder and your loan holder cannot reach you, your loan may enter default without your knowledge.

## Need help managing repayment?

Contact your lender if you have problems making payments on your loans. Your lender may be able to provide options to help you meet your payments and avoid default.

## Consequences of default

If you default on a student loan:

- You can be sued for the entire amount of the loan. Your federal and state income tax refunds can be withheld.
- Other state and federal payments can be withheld.
- If you are employed, your disposable income may be subject to “administrative wage garnishment.” This means that your employer must deduct as much as 15 percent from your weekly or monthly paycheck to help the loan holder (guarantor or Department of Education) recover the costs of your defaulted loan.
- Until satisfactory arrangements have been made to repay the defaulted loan, you will be ineligible for additional federal student aid (including, but not limited to, Pell grants, Federal Work-Study, and Perkins loans).
- You may be ineligible for assistance under most federal benefit programs.
- You will be ineligible for deferments.
- You will be liable for the costs associated with the collection of your loan (including court costs and attorney fees).
- The renewal of any professional or occupational license you hold may be denied.
- You will still owe your loan.

## Long-term trouble

In addition to all of the previously mentioned consequences, your default will be included on your credit history — and this is where the long-term trouble begins. Every time you apply for credit, a loan holder examines your credit history to see if you are creditworthy. A defaulted student loan could keep you from obtaining credit cards, car loans, home mortgages, or even education loans for your children. The default will stay on your record for at least seven years from the date of default. During this period, you will likely find it very difficult to convince anyone to extend you credit.

All of this can be avoided if you remember these five simple steps for preventing defaults:

- Understand your obligations and options.
- Develop a sound, realistic financial plan and follow it.
- Stay in contact with your loan holder or servicer. If you have multiple loan holders, inform each one of problems or changes in your circumstances.
- Make your payments on time, or make special arrangements.
- Keep copies of all correspondence, cancelled checks, and any forms you sign.

If you experience difficulties repaying your student loan, contact TG Default Prevention at (800) 530-0140, or send an e-mail message to [prevent.default@tgslc.org](mailto:prevent.default@tgslc.org).



## *How can you avoid default?*

- Understand your loan obligations
- Develop a realistic financial plan
- Stay in contact with your, loan holder or servicer
- Make your payments on time
- Keep copies of your checks and other loan-related documents

# Finding help

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Successful repayment of your student loan is an accomplishment that will contribute to your present and future endeavors. The information provided here can help make the transition into repayment easier.

It is critical that you stay in close contact with your loan holder or servicer and try to resolve any repayment issues with them. If you have a dispute with your loan holder that you cannot resolve together, TG is here to help. You can contact TG at (800) 845-6267\*. TG offers help in both English and Spanish.

## Working with TG

TG Customer Assistance is available to answer your questions and guide you through the repayment process.

If necessary, counselors can refer borrowers to the TG Office of the Ombudsman. The TG Ombudsman makes an impartial review of unresolved borrower complaints with the goal of providing equitable solutions for the parties involved.

If you still have an unresolved dispute after communicating with both your loan holder and TG, the Department of Education also has an Office of the Ombudsman available for you to contact as a final course of action.

Of course, TG's goal is to assist you in successfully repaying your student loan(s), so that you never have disputes that escalate to that level. Let us help you make sure that your life takes on the new directions you planned for.

## About TG

TG promotes educational access and success so that students can realize their college and career dreams. As a public, nonprofit corporation, TG offers resources to help students and families plan and prepare for college, learn the basics of money management, and repay their federal student loans. You can call TG's financial aid experts at (800) 845-6267 if you have questions about financing higher education or managing repayment of your student loans. More information about TG is also available online at [www.tgslc.org](http://www.tgslc.org) or at [www.AIE.org](http://www.AIE.org).



## TG contact information

**Phone:** (800) 845-6267

**E-mail:** [cust.assist@tgslc.org](mailto:cust.assist@tgslc.org)

**Fax:** (512) 219-4633

*\* Customer Assistance has a special TDD line for speech and hearing impaired callers. If you are speech or hearing impaired, call (512) 219-4560.*

## Department of Education contact information

**Phone:** (800) 848-0979

**E-mail:** [studentaid@ed.gov](mailto:studentaid@ed.gov)

**Fax:** (800) 848-0984

**TDD:** (800) 848-0983

# Important information

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## Guarantor

name **TG**  
address P.O. Box 83100  
Round Rock, Texas 78683-3100  
contact TG Customer Assistance  
phone (800) 845-6267  
fax (512) 219-4633  
e-mail cust.assist@tgsdc.org  
website www.tgsdc.org / www.AIE.org

## Consumer credit counseling

name \_\_\_\_\_  
address \_\_\_\_\_  
contact \_\_\_\_\_  
phone \_\_\_\_\_  
fax \_\_\_\_\_  
e-mail \_\_\_\_\_  
website \_\_\_\_\_

## Loan holder

name \_\_\_\_\_  
address \_\_\_\_\_  
contact \_\_\_\_\_  
phone \_\_\_\_\_  
fax \_\_\_\_\_  
e-mail \_\_\_\_\_  
website \_\_\_\_\_

## Department of Education servicer

name \_\_\_\_\_  
address \_\_\_\_\_  
contact \_\_\_\_\_  
phone \_\_\_\_\_  
fax \_\_\_\_\_  
e-mail \_\_\_\_\_  
website \_\_\_\_\_

## Notes

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[www.tgslc.org](http://www.tgslc.org)

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