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

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

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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 loans made under the Federal Direct Loan Program (FDLP) and/or Federal Family Education Loan Program (FFELP), specifically Stafford, Direct, 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 these 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.TG.org and on TG’s Adventures In Education (AIE™) at www.AIE.org. If you have any questions after reading this information, contact your loan holder or contact TG Contact Center Operations at (800) 845-6267 or tgares@tgslc.org.

Establishing a good credit history

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 repay it become part of your credit history.

If, like most students, you have minimal credit history, how you handle your student loan debt will affect whether lenders 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 history by not repaying your loan or by frequently making late payments, you will likely experience difficulties in obtaining other forms of credit.
When you first borrowed your Stafford, Direct, Grad PLUS, or Student PLUS loan, you signed or e-signed a legal document — a Master Promissory Note (MPN).

Understanding the MPN

The MPN 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 Direct, Grad PLUS, 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.
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 and Direct 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;
  – 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.

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, extended, or Pay As You Earn repayment plan, based on your eligibility.

☑ 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 loan holder

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 call TG Contact Center Operations at (800) 845-6267 or email tgcares@tgslc.org to find out the name and address of your loan holder.

Understand your grace period

If you are a subsidized or unsubsidized Stafford or Direct loan borrower, your loan has a grace period. This is a transitional period that allows you to prepare for the repayment of your loan. 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 or Direct 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 or Direct 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.

* The Consolidated Appropriations Act of 2012 eliminates the interest subsidy during the grace period for subsidized Direct loans first disbursed on or after July 1, 2012, and before July 1, 2014.

Know your options for repayment

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

<table>
<thead>
<tr>
<th>Repayment plans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type</strong></td>
</tr>
<tr>
<td>Standard</td>
</tr>
<tr>
<td>Graduated</td>
</tr>
<tr>
<td>Extended</td>
</tr>
<tr>
<td>Income-Based</td>
</tr>
<tr>
<td>Income-Sensitive</td>
</tr>
<tr>
<td>Income-Contingent</td>
</tr>
<tr>
<td>Pay As You Earn</td>
</tr>
</tbody>
</table>
## Sample comparison of student loan repayment plans

<table>
<thead>
<tr>
<th>Loan balance</th>
<th>Standard</th>
<th>Graduated</th>
<th>Extended</th>
<th><em>Income-Based (IBR)</em></th>
<th><strong>Income-Sensitive (FFELP only)</strong></th>
<th>*<strong>Income-Contingent (FDLP only)</strong></th>
<th>**<strong>Pay As You Earn (FDLP only)</strong></th>
</tr>
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<tbody>
<tr>
<td><strong>$15,000;</strong></td>
<td></td>
<td></td>
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<tr>
<td>Interest rate = 6.8%</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$173</td>
<td>Yrs. 1-2: $119</td>
<td>Yrs. 3-4: $144</td>
<td>Loan balance must be greater than $30,000</td>
<td>$172</td>
<td>Yr. 1: $100</td>
<td>Yr. 1: $124</td>
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<tr>
<td>Term</td>
<td>10 years</td>
<td>10 years</td>
<td>n/a</td>
<td>10 years</td>
<td>10 years</td>
<td>16 years</td>
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</tr>
<tr>
<td>Total Interest</td>
<td>$5,714</td>
<td>$6,833</td>
<td>n/a</td>
<td>$5,722</td>
<td>$6048</td>
<td>$10,183</td>
<td>$8,808</td>
</tr>
<tr>
<td>Total Paid</td>
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<td>$21,833</td>
<td>n/a</td>
<td>$20,722</td>
<td>$21,048</td>
<td>$25,183</td>
<td>$23,808</td>
</tr>
<tr>
<td><strong>$45,000;</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$518</td>
<td>Yrs. 1-2: $356</td>
<td>Yrs. 3-4: $432</td>
<td>$12</td>
<td>Min: $172</td>
<td>Max: $518</td>
<td>Yr. 1: $100</td>
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<tr>
<td>Term</td>
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<td>10 years</td>
<td>25 years</td>
<td>25 years</td>
<td>10 years</td>
<td>17 years</td>
<td>20 years</td>
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<tr>
<td>Total Interest</td>
<td>$17,143</td>
<td>$20,500</td>
<td>$93,701</td>
<td>$59,997</td>
<td>$19,061</td>
<td>$33,505</td>
<td>$61,170</td>
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<tr>
<td>Total Paid</td>
<td>$62,143</td>
<td>$65,500</td>
<td>$93,701</td>
<td>$98,130</td>
<td>$78,505</td>
<td>$44,313</td>
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</tr>
<tr>
<td><strong>$75,000;</strong></td>
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<td>Interest rate = 6.8%</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$863</td>
<td>Yrs. 1-2: $593</td>
<td>Yrs. 3-4: $720</td>
<td>$21</td>
<td>Min: $172</td>
<td>Max: $548</td>
<td>Yr. 1: $100</td>
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<tr>
<td>Term</td>
<td>10 years</td>
<td>10 years</td>
<td>25 years</td>
<td>25 years</td>
<td>10 years</td>
<td>25 years</td>
<td>20 years</td>
</tr>
<tr>
<td>Total Interest</td>
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<td>$156,165</td>
<td>$98,564</td>
<td>$107,073</td>
<td>$160,116</td>
<td>$44,313</td>
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<td><strong>$105,000;</strong></td>
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<tr>
<td>Monthly Payment</td>
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<td>Yrs. 1-2: $830</td>
<td>Yrs. 3-4: $1,009</td>
<td>$29</td>
<td>Min: $172</td>
<td>Max: $548</td>
<td>Yr. 1: $100</td>
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<tr>
<td>Term</td>
<td>10 years</td>
<td>10 years</td>
<td>25 years</td>
<td>25 years</td>
<td>10 years</td>
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<tr>
<td>Total Interest</td>
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<td>$158,574</td>
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<tr>
<td>Total Paid</td>
<td>$145,001</td>
<td>$152,833</td>
<td>$218,634</td>
<td>$98,564</td>
<td>$150,086</td>
<td>$170,905</td>
<td>$44,313</td>
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<td><strong>$135,000;</strong></td>
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<tr>
<td>Interest rate = 6.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$1,554</td>
<td>Yrs. 1-2: $1,067</td>
<td>Yrs. 3-4: $1,297</td>
<td>$937</td>
<td>Min: $172</td>
<td>Max: $548</td>
<td>Yr. 1: $100</td>
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<tr>
<td>Term</td>
<td>10 years</td>
<td>10 years</td>
<td>25 years</td>
<td>25 years</td>
<td>10 years</td>
<td>25 years</td>
<td>20 years</td>
</tr>
<tr>
<td>Total Interest</td>
<td>$51,430</td>
<td>$61,500</td>
<td>$146,100</td>
<td>$98,564</td>
<td>$58,099</td>
<td>$169,833</td>
<td>$183,600</td>
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<tr>
<td>Total Paid</td>
<td>$186,430</td>
<td>$196,500</td>
<td>$281,100</td>
<td>$98,564</td>
<td>$170,095</td>
<td>$44,313</td>
<td></td>
</tr>
</tbody>
</table>

*The Income-Based Repayment (IBR) plan example is calculated based on an adjusted 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 adjusted gross income and family size. Any remaining balance, including interest, is forgiven after 25 years of qualifying payments under this plan. This plan is only offered to student loan borrowers of the FFELP and FFELP. Also, any Stafford, Direct, Grad PLUS, Direct Student 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 or Direct PLUS Loan.

**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 on an adjusted 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).

****The Pay As You Earn Repayment plan example is calculated based on an adjusted gross income of $30,000 and a family size of one living in the contiguous United States. Monthly payment amounts under the Pay As You Earn plan may change annually based on the borrower’s adjusted gross income and family size. Any remaining balance, including interest, is forgiven after 20 years of qualifying payments under this plan. This plan is only offered to certain student loan borrowers of the 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.

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.
- 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 loan holder or TG Contact Center Operations at (800) 845-6267 or tgcares@tgslc.org.

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 Contact Center Operations 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, contact TG Contact Center Operations by telephone at (800) 845-6267 or email at tgcares@tgslc.org.

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.
Your loan holder will send you information about your federal student loan payments before you begin repayment. An online payment calculator is available on TG’s Adventures In Education (AIE™) at www.AIE.org in the “Paying for College” 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), 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 a 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 “Paying for College” 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 on the next page 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 and Direct loan interest rates*
If you borrowed a Stafford or Direct loan before July 1, 2006, it has a variable interest rate that may change each year on July 1. If you borrowed a Stafford or Direct 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 a subsidized Stafford or Direct loan for an undergraduate student disbursed on or after July 1, 2008, depends on when the loan was first disbursed (see chart on the next page). The fixed interest rate remains 6.8 percent for all unsubsidized Stafford and Direct loans and subsidized Stafford and Direct loans for graduate students.**

PLUS loan interest rates
If you borrowed a FFELP Grad 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.

** The Budget Control Act of 2011 discontinued subsidized loans made to graduate and professional students for periods of enrollment beginning on or after July 1, 2012.

Loans and interest capitalization
The federal government pays the interest that accrues on your subsidized Stafford or Direct loan(s) while you are in school and during your grace period (for more information, see “Understanding your grace period” on page 4).*
If you borrowed an unsubsidized Stafford or Direct loan(s), 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 total interest.

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

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.

Subsidized Stafford or Direct interest rate dependent on disbursement date

The fixed interest rates for undergraduate subsidized Stafford and Direct loans first disbursed between 2008 and 2013 are as follows:

**Loans first disbursed:**

- On or after July 1, 2008, and before July 1, 2009: 6.0%
- On or after July 1, 2009, and before July 1, 2010: 5.6%
- On or after July 1, 2010, and before July 1, 2011: 4.5%
- On or after July 1, 2011, and before July 1, 2013: 3.4%
- On or after July 1, 2013: 6.8%*

*This rate is subject to change based on Congressional action.

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<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Interest Rates</th>
</tr>
</thead>
<tbody>
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<td></td>
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<td>$1,000</td>
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* The Consolidated Appropriations Act of 2012 eliminates the interest subsidy during the grace period for subsidized Direct loans first disbursed on or after July 1, 2012, and before July 1, 2014.
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 or Direct 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, Direct, Grad PLUS, 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, Direct, Grad PLUS, or Student PLUS loan.

* The Consolidated Appropriations Act of 2012 eliminates the interest subsidy during the grace period for subsidized Direct loans first disbursed on or after July 1, 2012, and before July 1, 2014.
Deferment types

If your Stafford, Direct, Grad PLUS, 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 and Direct 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.
Federal loan consolidation is another option that may help you manage your student loan repayment.

Federal loan consolidation allows an eligible borrower 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 and Direct loans,
- Federal PLUS loan (parent loans made after October 17, 1986)*,
- Federal Grad PLUS and Student 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 and Direct 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 and Direct 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, if applicable.
• 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 Federal Perkins loans that are consolidated.
• You could impact your eligibility for certain types of loan forgiveness.

Need more information about consolidation?

Contact your loan holder or TG Contact Center Operations at (800) 845-6267 or tgcares@tgslc.org if you need help in determining whether loan consolidation is right for you.
Avoiding DEFAULT

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.

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, Federal Pell grants, Work-Study, and Perkins loans).

• You may be ineligible for assistance under certain 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 Contact Center Operations at (800) 338-4750, or send an email message to tgcares@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

Need help managing repayment?

Contact your loan holder if you have problems making payments on your loans. Your loan holder may be able to provide options to help you meet your payments and avoid default.
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 TG's Adventures In Education (AIE™) at 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 contact TG Contact Center Operations at (800) 845-6267 or tgcares@tgslc.org.

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.
Use this worksheet to see where you stand financially. Subtract your monthly expenses from your monthly income to determine if you have any discretionary funds left. This will help you to discover whether you’re living within, or outside of, your means.

**STEP 1**

**Determine your income**

Be realistic. If you are entering the job market for the first time, ask your school’s career 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 annual 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 rent, utilities, insurance payments, student loan payments, groceries, and anything else with regular monthly payments.

**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. If you do, you are living within your spending plan. If not, re-evaluate your expenses and cut back on items that are not necessities. You may have to reconsider what your needs and wants are.
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 Contact Center Operations 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.TG.org](http://www.TG.org) or at [www.AIE.org](http://www.AIE.org).
TG contact information
Phone: (800) 845-6267
Email: tgcares@tgslc.org
Fax: (512) 336-6566

Department of Education contact information
Phone: (800) 621-3115
Email: studentaid@ed.gov
Fax: (800) 848-0984
TDD: (800) 848-0983
## Important INFORMATION

### Guarantor

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