A guide to repaying your federal student loans
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When you borrowed your federal student loans, you had other priorities than repayment. In particular, you needed money to pursue a higher education, and you needed to concentrate on school. Now that you are in the midst of repayment, your priorities have shifted, and with good reason. This booklet will help you to focus on the importance of repaying your student loan debt, on time and in full.

When you hear about federal student loan debt in the news, you may find yourself tuning in to stories about the negative effects incurred by borrowers who do not repay their loans. However, not as well publicized is the plus side of staying current on your loan. If you make consistent, on-time federal student loan payments, you can stay eligible for borrower benefits and do great things for your credit.

TG wants you to experience these positive effects of repayment. That’s why we have developed this booklet as a guide to provide you with an overview of student loan repayment, including:

- Available repayment plans
- A comparison of payments under each plan
- Other options for managing repayment: deferment, forbearance, and consolidation
- Advice for working with your loan holder
- An explanation of default and its consequences
- Ten tips to help you avoid student loan default
- A brief summary on the rewards of consistent repayment

It may seem simplistic, but it may be helpful to view repayment as a journey. You can't progress if you stay idle. Whatever stage of repayment you are in (whether just beginning, or already several years along), you must keep moving to make it to your destination — independence from student loan debt. Use this booklet to help you keep progressing in your journey.
Learning about available repayment plans

Many borrowers enter into repayment under the standard repayment plan. This is the plan under which you make the same monthly payment for the duration of the repayment period. However, particularly if you’re having difficulty repaying your federal student loans, you may want to inquire with your loan holder about another repayment plan, such as Income-Based, graduated, Pay As You Earn, income-contingent, income-sensitive, or extended. Here are some details on each.

Standard Repayment Plan

- Lowest total interest costs over the life of the loan
- Regular payments of both principal and interest are due monthly, excluding periods of deferment and forbearance
- Minimum monthly payment is $50 or interest accrued, whichever is larger (payment is based on total loan amount)
- Ten-year repayment term

Income-Based Repayment (IBR) Plan

- Available for Stafford, Direct, Grad PLUS, Direct Student PLUS, and certain Consolidation loans; Parent PLUS and Direct PLUS loans borrowed on behalf of a dependent student are not eligible for the IBR plan
- Monthly payments are based on your income, family size, and federal student loan debt under the Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP)
- Repayment term may be greater than ten years
- Total amount paid in interest under this repayment plan will be greater than the total interest paid under a standard repayment plan, but any outstanding principal and interest still owed after 20 or 25 years of qualifying payments (depending on when the loan was disbursed) will be forgiven; under current rules, the forgiven amount is considered taxable income for federal income tax purposes
- Must reapply annually
- Access the IBR calculator at www.AIE.org/IBR to estimate your monthly payment amount, if you meet the required eligibility criteria
Graduated Repayment Plan
- Monthly payments are smaller at the beginning of the repayment period and gradually increase over the repayment period
- No single payment will be more than three times greater than any other payment
- Ten-year repayment term
- Total amount paid in interest under this repayment plan will be greater than the total interest paid under a standard repayment plan

Pay As You Earn Repayment Plan
- Available to certain Federal Direct Loan Program (FDLP) borrowers only
- For Direct, Direct Student PLUS, and certain Consolidation loans; Direct PLUS loans borrowed on behalf of a dependent student are not eligible for this plan
- Monthly payments are based on your income, family size, and FDLP student loan debt
- Must reapply annually
- Repayment term may be greater than ten years
- Total amount paid in interest under this repayment plan will be greater than the total interest paid under a standard repayment plan, but any outstanding principal and interest still owed after 20 years of qualifying payments will be forgiven; under current rules, the forgiven amount is considered taxable income for federal income tax purposes
- Access the Pay As You Earn Repayment calculator on the Federal Student Aid website [http://studentaid.ed.gov/repay-loans/understand/plans/pay-as-you-earn/calculator] to estimate your monthly payment amount, if you meet the required eligibility criteria

Income-Contingent Repayment Plan
- Available to FDLP borrowers only
- Monthly payment is adjusted annually, based on the total amount of your Direct loans, your family size, and your adjusted gross income
- Must reapply annually
- Total amount paid in interest under this repayment plan will be greater than the total interest paid under a standard repayment plan, but any outstanding principal and interest still owed after 25 years of qualifying payments will be forgiven; under current rules, the forgiven amount is considered taxable income for federal income tax purposes
Income-Sensitive Repayment Plan

- Available to Federal Family Education Loan Program (FFELP) borrowers only
- Monthly payment varies according to your gross monthly income
- Payment includes at least monthly accruing interest
- Must reapply annually
- Total amount paid in interest under this repayment plan will be greater than the total interest paid under a standard repayment plan

Sample comparison of student loan repayment plans

<table>
<thead>
<tr>
<th>Loan balance</th>
<th>Standard</th>
<th>Graduated</th>
<th>Extended</th>
</tr>
</thead>
<tbody>
<tr>
<td>$15,000</td>
<td>$173</td>
<td>Yrs. 1-2: $119 Yrs. 3-4: $144</td>
<td>Loan balance must be greater than $30,000</td>
</tr>
<tr>
<td>Interest rate = 6.8%</td>
<td>10 years</td>
<td>10 years</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>$20,714</td>
<td>$21,833</td>
<td>n/a</td>
</tr>
</tbody>
</table>

| $45,000      | $518     | Yrs. 1-2: $356 Yrs. 3-4: $432 | $312 |
| Interest rate = 6.8% | 10 years | 10 years | 25 years |
|              | $62,143  | $65,500   | $93,701  |

| $75,000      | $863     | Yrs. 1-2: $593 Yrs. 3-4: $720 | $521 |
| Interest rate = 6.8% | 10 years | 10 years | 25 years |
|              | $103,572 | $109,167  | $156,165 |

Interest rate = 6.8%
Extended Repayment Plan

- Lengthens the repayment term up to 25 years
- Must have a minimum loan balance of $30,000 to qualify
- Payments can be either fixed or graduated
- Total amount paid in interest under this repayment plan will be greater than the total interest paid under a standard repayment plan

Comparing plans

The payment plan you choose will affect your monthly payment amount, the term (length) of your repayment, and the total amount of interest you pay. The chart below offers examples to help you compare plan payments by these factors.

<table>
<thead>
<tr>
<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>
</thead>
<tbody>
<tr>
<td>Yr. 1: $166</td>
<td>Yr. 1: $100</td>
<td>Yr. 1: $124</td>
<td>Yr. 1: $110</td>
</tr>
<tr>
<td>Max: $173</td>
<td>Yrs. 2-10: $184</td>
<td>Max: $133</td>
<td>Max: $173</td>
</tr>
<tr>
<td>10 years</td>
<td>10 years</td>
<td>16 years</td>
<td>20 years</td>
</tr>
<tr>
<td>$5,792</td>
<td>$6,048</td>
<td>$10,183</td>
<td>$8,808</td>
</tr>
<tr>
<td>$20,792</td>
<td>$21,048</td>
<td>$25,183</td>
<td>$23,808</td>
</tr>
<tr>
<td>Yr. 1: $166</td>
<td>Yr. 1: $100</td>
<td>Yr. 1: $320</td>
<td>Yr. 1: $110</td>
</tr>
<tr>
<td>Max: $518</td>
<td>Yrs. 2-10: $582</td>
<td>Max: $400</td>
<td>Max: $282</td>
</tr>
<tr>
<td>25 years</td>
<td>10 years</td>
<td>17 years</td>
<td>20 years</td>
</tr>
<tr>
<td>$65,854</td>
<td>$19,061</td>
<td>$33,505</td>
<td>$61,170</td>
</tr>
<tr>
<td>$95,564</td>
<td>$64,061</td>
<td>$78,505</td>
<td>$44,313</td>
</tr>
<tr>
<td>Yr. 1: $166</td>
<td>Yr. 1: $100</td>
<td>Yr. 1: $320</td>
<td>Yr. 1: $110</td>
</tr>
<tr>
<td>Max: $536</td>
<td>Yrs. 2-10: $980</td>
<td>Max: $689</td>
<td>Max: $282</td>
</tr>
<tr>
<td>25 years</td>
<td>10 years</td>
<td>25 years</td>
<td>20 years</td>
</tr>
<tr>
<td>$127,010</td>
<td>$32,073</td>
<td>$117,349</td>
<td>$102,000</td>
</tr>
<tr>
<td>$95,775</td>
<td>$107,073</td>
<td>$160,116</td>
<td>$44,313</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>
</tr>
</thead>
<tbody>
<tr>
<td>$105,000</td>
<td>$1,208</td>
<td>Yrs. 1-2: $830</td>
<td>Yrs. 3-4: $1,009</td>
</tr>
<tr>
<td>Term</td>
<td>10 years</td>
<td>10 years</td>
<td>25 years</td>
</tr>
<tr>
<td>Total Interest</td>
<td>$40,001</td>
<td>$47,833</td>
<td>$113,634</td>
</tr>
<tr>
<td>Total Paid</td>
<td>$145,001</td>
<td>$152,833</td>
<td>$218,634</td>
</tr>
</tbody>
</table>

Interest rate = 6.8%

<table>
<thead>
<tr>
<th>Loan balance</th>
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<th>Graduated</th>
<th>Extended</th>
</tr>
</thead>
<tbody>
<tr>
<td>$135,000</td>
<td>$1,554</td>
<td>Yrs. 1-2: $1,067</td>
<td>Yrs. 3-4: $1,297</td>
</tr>
<tr>
<td>Term</td>
<td>10 years</td>
<td>10 years</td>
<td>25 years</td>
</tr>
<tr>
<td>Total Interest</td>
<td>$51,430</td>
<td>$61,500</td>
<td>$146,100</td>
</tr>
<tr>
<td>Total Paid</td>
<td>$186,430</td>
<td>$196,500</td>
<td>$281,100</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 20 or 25 years of qualifying payments (depending on when the loan was disbursed) under this plan. This plan is offered to student loan borrowers of the FFELP and FDLP.

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 and Direct PLUS loans, or Consolidation loans that repaid a parent PLUS 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 based 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 upon 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.

### Comparison of Student Loan Repayment Plans

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<thead>
<tr>
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<th><strong>Income-Sensitive (FFELP only)</strong></th>
<th>*<strong>Income-Contingent (FDLP only)</strong></th>
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<td>Yr. 1: $110</td>
</tr>
<tr>
<td>Max: $536</td>
<td>Yrs. 2–10: $1,379</td>
<td>Max: $915</td>
<td>Max: $282</td>
</tr>
<tr>
<td>25 years</td>
<td>10 years</td>
<td>25 years</td>
<td>20 years</td>
</tr>
<tr>
<td>$178,500</td>
<td>$45,086</td>
<td>$158,574</td>
<td>$142,800</td>
</tr>
<tr>
<td>$95,775</td>
<td>$150,086</td>
<td>$170,905</td>
<td>$44,313</td>
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<tr>
<td>25 years</td>
<td>10 years</td>
<td>25 years</td>
<td>20 years</td>
</tr>
<tr>
<td>$229,500</td>
<td>$58,099</td>
<td>$169,833</td>
<td>$183,600</td>
</tr>
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Exploring additional options for managing repayment

There are other avenues you can take if you are having difficulty making your payments and an alternate repayment plan does not provide the relief you need. Federal student loans have the borrower benefits of deferment, forbearance, and consolidation.

Deferment
A deferment allows you to postpone the repayment of your loan. You are entitled to defer your student loan payments if you meet certain eligibility criteria and you request a deferment. The most common deferments are in-school, unemployment, economic hardship, graduate fellowship, rehabilitation training, and military deferment. To apply for a deferment, or to get more information about deferment, contact your loan holder, servicer, or guarantor. You can also get information and download deferment forms from TG’s website at www.TG.org/forms/deferment.cfm or from the Federal Student Loan Servicing website at www.myedaccount.com.

Forbearance
Under a forbearance, a loan holder or servicer temporarily permits you to cease making payments, provides an extension of time for making payments, or temporarily accepts smaller payments than were previously scheduled. You may qualify for a forbearance based on medical or financial problems that do not meet the requirements for a deferment, or other special circumstances. Your loan holder will determine if you qualify for a forbearance.
Consolidation

If you have several federal student loans, you may be able to combine — or consolidate — them into one loan. You may consider this option in order to:

- Simplify the repayment of multiple loans under one monthly payment,
- Lower your monthly payment amount by extending the repayment period,
- Lock in a fixed interest rate for the entire repayment period of the loan, and/or
- Combine multiple loan balances under a single loan holder — the Department of Education — so that you have to make only one monthly payment.

Note that if you do extend your repayment period under a Consolidation loan, the total amount you will pay in interest over the new repayment period will be greater than the total interest paid under a standard repayment plan.

Gathering advice on working with your loan holder

Maintaining communication with your loan holder is critical to repayment success. Contact your loan holder if you can’t make your payments. Your loan holder will work with you to help you get back on the right track to repayment.

Contact your loan holder if you:

- Change your name, address, and/or phone number
- Change your enrollment status to less than half time
- Leave school
- Change schools
- Change your graduation date
- Graduate
- Have trouble making your loan payment
- Change your deferment status

Don’t remember who your loan holder is? You can Know Who You Owe™ by accessing the National Student Loan Data System (NSLDS). Provided by the Department of Education, NSLDS is a database for federal student aid, including student loans. It gives you current information about what you owe, including outstanding balances, loan
statuses, disbursements, and loan holders (including contact information). NSLDS is available online 24/7 at www.nslds.ed.gov. If you have questions about NSLDS, you can contact the Federal Student Aid Information Center at (800) 433-3243, or at studentaid@ed.gov. You can also contact TG Program Analysis for guidance at (800) 845-6267 or tgcares@tgslc.org.

Understanding default and its consequences

Default occurs when your loan is delinquent — that is, your student loan payments are past due — for at least 270 days. When you default, you have violated your loan agreement — the promissory note you signed when you first borrowed — and the loan holder or servicer can request immediate payment in full.

You might default for any number of reasons, including:

- The monthly payments are too high.
- You earn an insufficient income.
- You have expensive medical bills.
- You want to save some money.
- You can’t find a job.

If your student loan payments are delinquent, don’t allow your loan to go into default. As you’ll see below, default brings serious consequences. Take action now and contact your loan holder or guarantor. Either one can work with you to arrange a repayment option that is best for your financial situation.

By managing the repayment of your student loans, you can meet your responsibilities, avoid financial problems, and help make sure that you have a clean financial record.

What are the consequences of default?

Default can have long lasting, negative effects on your financial future. Some of these potential effects are provided below.

*Higher interest or denial of credit*

Your credit history can be seriously damaged if you default on your student loan. This damage to your credit can affect the interest rate on future loans you are offered (including car loans and home loans) and can result in denial of credit opportunities.
Collection fees and costs
When you have a defaulted loan, you are charged additional collection fees and costs associated with collecting your loan. These costs can substantially increase your loan balance.

Wages garnished
Under federal student loan rules, a certain percentage of your income may be withheld from your pay and sent to your loan holder to reduce the amount of your defaulted student loan.

IRS funds withheld
If you default on your student loan, your loan holder can seize your income tax refund and other federal payments to which you are entitled and apply them to your outstanding loan balance.

Professional license withheld
You may be unable to renew your professional license (e.g., cosmetology, real estate, medical). If this occurs, to have the license reinstated, you must establish a repayment arrangement with your loan holder.

No more federal student aid
If you default on your student loan(s), you will be ineligible for additional federal student aid unless you make and fulfill satisfactory repayment arrangements with the holder of that defaulted loan(s).
What if your loan goes into default? Can you resolve the situation?

If your loan is in default, all is not lost! There are several options to consider to help you improve your situation. These include:

- Contacting the holder of your defaulted loan, which may be your student loan guarantor or the Department of Education. Your loan holder can counsel you about the best options for resolving your default.

- Establishing a new repayment agreement by:
  - **Rehabilitating** your defaulted loan(s) by making nine consecutive, on-time, full, voluntary monthly payments to the holder of each defaulted loan(s).
  - **Consolidating** your defaulted loan(s) by making three consecutive, on-time, full, voluntary monthly payments to the holder of each defaulted loan(s).

If you’re still a student and need additional financial aid, you can also reinstate your eligibility for federal student aid by making six consecutive, on-time, full, voluntary monthly payments to the holder of each defaulted loan(s). Remember to apply for aid as early as possible. By having your financial aid application data on file, your school can award you as soon as your eligibility for federal student aid is reinstated.
Ten tips to help you avoid student loan default

1. Understand your rights and responsibilities regarding your repayment obligation as well as your repayment options.

2. Borrow only the amount you need and only what you can expect to repay.

3. Talk to your loan holder or guarantor if you have any questions about the particular terms of your loan.

4. Keep all records regarding your loan. Make copies of all letters, canceled checks, promissory notes, and any other forms you sign.

5. Notify your loan holder or servicer when you have a change of address, phone number, or name; or if you change schools or your enrollment status.

6. Seek help from your loan holder and/or guarantor as early as possible if you have any difficulty maintaining your student loan payments.

7. Create and maintain a spending plan that is within your monthly income.

8. Keep credit card debt to a minimum, or avoid credit card debt completely.

9. Consider making nominal student loan payments while in school. This will reduce the amount you owe after graduation.

10. Make your loan payments on time.
Understanding loan discharge

Sometimes a borrower encounters circumstances beyond his or her control that make the borrower eligible for federal student loan discharge. The federal programs provide for the discharge of a borrower’s loan due to total and permanent disability, school closure, false certification of borrower eligibility, unpaid school refund, death or, in rare cases, bankruptcy. These discharge programs are available regardless of loan status (that is, defaulted borrowers may qualify if they meet the eligibility requirements for the discharge). Your loan holder can provide you with more details.

Retaining the rewards of consistent repayment

When you stay current on your student loan payments, you retain the benefits to which federal student loan borrowers are entitled. Namely:

- You remain eligible for the alternative repayment plans, deferments, and forbearances mentioned earlier in this booklet.
- You remain eligible for several potential loan forgiveness programs. Loan forgiveness is the release of a borrower’s obligation to repay his or her loan, in whole or in part. There are several loan forgiveness programs available to otherwise eligible federal student loan borrowers (other criteria apply). Among these are:
  - Teacher loan forgiveness,
  - Public service loan forgiveness (available under the FDLP only), and
  - Loan forgiveness of any remaining balance still owed after 20 years of qualifying payments under the Pay As You Earn Repayment plan, or after 20 or 25 years of qualifying payments (depending on when the loan was disbursed) under the Income-Based or Income-Contingent Repayment plan.
- Your healthy repayment habit can have a positive impact on your credit history. Creditors (for car loans and mortgages, for example) review your history to see if you are a good candidate for additional credit. If you have paid your federal student loans on time, they are more likely to approve you for a new loan, and more likely to offer you a lower interest rate than someone who does not have a consistent and reliable repayment history. Do your future self a favor and stay current on your student loan debt.
If you are worried about loan delinquency or default, call TG at (800) 338-4752. A default aversion counselor can explain your repayment options, offer information to help you meet your repayment responsibility, and put you in touch with your loan holder or servicer.