GuidanceResources®

Student Loan Guide

Five Things to Know About Your Student Loans

If you attended college and used loans to pay for school, you may have federal loans, private loans, state loans, loans from your school or a combination of the different types. Different loan types have very different terms and conditions, so make sure you know the type of loan you have.

Loan Types

If you have federal loans, you can find all of your loan information in one place online at www.nslds.ed.gov. Once you log in, you can access a list of your federal student loans, including the loan type and information for your loan servicer. A loan servicer is the company that will handle the billing and payments on your federal student loans. For all other types of loans, consult your records, or try contacting the financial aid office of the school you were attending when you took out the loan.

Your Loan Balance

After you have determined the types of loans you have, you will need to determine your total balance. This information will be useful in developing your loan repayment plan. The balance for your federal loans can be found at www.nslds.ed.gov. For your other loans, you will need to contact your lender.

Your Loan Interest Rate

A student loan is just like any other loan — it is borrowed money that will have to be repaid with interest. As interest accrues, it may be added to the total balance of your loan if left unpaid. Some loans have grace periods, which provide time after you leave school before you have to start repaying your loans. Some loans require an immediate repayment schedule as soon as you leave school or cease to maintain at least half-time student status. If you are a recent graduate, or if you recently left school, you may want to consider making student loan interest payments during your grace period to save money on the total cost of your loan.

Options for Repaying Your Loans

Repayment options vary by loan type. Federal student loans offer the greatest variety of repayment options. Options include income-based repayment, income contingent, extended repayment terms or consolidating multiple federal loans into one for repayment. These repayment options often lead to a lower monthly payment; however, they result in higher overall cost for the loan. Under certain circumstances, federal loans may be forgiven, cancelled or discharged. For more information on repaying federal loans, visithttp://studentaid.ed.gov/repay-loans/understand/plans#estimator. For non-federal loans, consult your lender to determine what types of repayment options are available to you.

Terms and Conditions for Loan Repayment

Learn and understand the payment options for all of your loans. Look for ways to reduce the cost of your loans by:

- Reducing interest charges by enrolling for automatic debit
- Paying more than your required monthly payment
- Knowing your options for loan forgiveness, cancellation or discharge.

Resources

National Student Loan Data System: www.nslds.ed.gov

U.S. Department of Education: www.ed.gov

Federal Student Aid: http://studentaid.ed.gov

Federal Education Loan Repayment Options

Federal student loans are real loans, just like car loans or mortgages. It is necessary to repay a student loan even if the student's financial circumstances become difficult.

Student loans cannot be canceled because the student did not get the education or job he or she expected, or because the student did not complete the education (unless the school closed).

Ways to Make Repayments

There are six main options for the repayment of Federal Education Loans.

- **Standard.** Requires the borrower to repay the loan within 10 years. The payment amount will be fixed for the duration of the repayment period. The minimum monthly payment is $50. They are also available for parent or PLUS loans that are made by the U.S. Department of Education to graduate or professional students and parents of dependent undergraduate students for which the borrower is fully responsible for paying the interest regardless of the loan status.
- **Extended.** With repayment terms ranging from 12 to 30 years depending on the amount borrowed, this option offers lower monthly payments but a higher total amount repaid over the lifetime of the loan. Also available for parent or PLUS loans.
- **Graduated.** Like the extended repayment plan, the time to pay off the loan can range from 12 to 30 years; however the payments will gradually increase every two years. The starting payments cannot be less than 50 percent of what the standard payment would be and will not exceed 150 percent of the standard payment amount. The minimum payment must be equal to or exceed the amount of interest that accrues monthly not to be less than $25.
- **Income-contingent.** Payments are determined by the borrower's income and the amount owed on the loan. Adjustments to the payments are made yearly as the borrower's income increases. The maximum loan term is 25 years, after which any remaining balance will be discharged. Any balance that is written off is taxable as income under present law. The minimum monthly payment under this plan is $5. This plan is only available for direct loans, federal student loans made through the William D. Ford Federal Direct Loan Program for which eligible students and parents borrow directly from the U.S. Department of Education at participating schools. Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans are types of Direct Loans.
- **Income-sensitive.** Federal Family Education Loan (FFEL) lenders offer this plan to borrowers as an alternative to the income-contingent payment plan. The income-sensitive repayment plan determines payments as a percentage of the borrower's monthly income. The loan term is 10 years.
- **Income-based.** An alternative to income-contingent repayment and income-sensitive repayment options as the result of the College Cost Reduction and Access Act of 2007. This plan caps the borrower's payments at a lower percentage of a narrower definition of discretionary income, which may result in lower loan payments. This plan is available for Direct Loan and FFEL loans.

Resources

Federal Family Education Loan (FFEL) Program: www.ed.gov/programs/ffel

Federal Student Aid, an Office of the U.S. Department of Education: http://studentaid.ed.gov/repay-loans

StudentLoans.gov: https://studentloans.gov

National Student Loan Data System

The National Student Loan Data System (NSLDS) is a tool for tracking, consolidating and paying off student loans, as well as identifying the grants and scholarships a student has received over their college tenure. The database is updated with each loan that has been given out and the subsequent payment information every month. As an up-to-date resource, it is good to know how to use it and what it does.

What is the NSLDS?

The NSLDS is the U.S. Department of Education's central database for student aid. It receives data from schools, agencies that guarantee loans, the Direct Loan program and other U.S. Department of Education programs. NSLDS provides a centralized, integrated view of Title IV loans (also known as student loans) and grants that are tracked through their entire cycle, from aid approval through closure. NSLDS only shows information regarding federal student loans. Private, state and institutional student loan data is not available on NSLDS, but information on any of these loans can be found on a free annual credit report.

How to Use the NSLDS to Find and Consolidate Student Debt

The NSLDS can be used to make inquiries about and track student loans and grants. The site displays information on loan and grant amounts, outstanding balance, loan status, interest and disbursements. The system also has an integrated link to consolidate loans when you have finished with public funding for education. In order to use the database, you will need to provide your Social Security number (SSN), the first two letters of your last name, birthdate and the PIN you set up while filling out your FAFSA. If you have any questions about logging on or website features, call The Federal Student Aid Information Center at 1.800.4.FED.AID / TTY 1.800.730.8913. The information center is available 8 a.m. to midnight EST Monday through Friday and 9 a.m. to 6 p.m. EST on Saturday.

If you have received public student loans or grants, there can be several reasons wny no data appears. It takes a loan holder 30 to 45 days to get the information into NSLDS. If more than 60 days have passed since you received your loan, contact the school's financial aid office that processed your loan. They can tell you why your loan or grant has not been reported to NSLDS. Federal privacy laws protect this information. The only people who can access your NSLDS information are those individuals that need the information to calculate your future aid eligibility, or to resolve questions about your loans or grants on a need-to-know basis.

If a family member signed on as the primary debtor for you or you had a parent PLUS loan, only the loans which you are responsible for repaying are listed. PLUS loans taken out by your parents on your behalf are not legally your responsibility. Your parents may review their PLUS loans by entering the same website using their own identification and their own PIN.

After logging on, you can click the blue numbers in the far left column to find the details for each of your federal student loans. Basic information for each loan can be seen all at once, but to see how much money will be sent to you and when, or who your loan servicing partner is and their contact information, click on these blue boxes.

There is a wealth of information on the system and you should check it regularly to know where you stand as a student or parent. You are entitled to one six-month grace period after you stop attending a school at least part- time. During this grace period, the lender or loan servicer will contact you and tell you how much your payments will be and how to make them. If you go back to school, you can obtain a deferment so you can temporarily postpone payments. The most important part of student loan borrowing is learning to manage debt. As a borrower, it's your responsibility to keep track of your loans and to make on-time payments and using the NSLDS can help.

Resources

AnnualCreditReport.com: www.annualcreditreport.com

Federal Student Aid: www.studentaid.ed.gov

National Student Loan Data System: www.nslds.ed.gov

Paying Back Your Student Loans

One trillion dollars of both federal and private student loan debt is currently outstanding in the United States, according to the Consumer Finance Protection Bureau, of which a large percentage is in default. After you graduate, there is generally a six-month grace period before your first student loan payment comes due. In that time, it is important to review all of the options for repaying your loan to make sure your payments are affordable based on your income. It is also important to review other options such as loan consolidation or, possibly, whether your student loans are eligible to be discharged.

Federal Loan Repayment Options

Other than your standard repayment plan, which requires fixed payments for 10 years, there are options to lower the payment if you cannot afford the standard repayment. In this case, you want to explore the options of an income-based repayment plan. The maximum you would pay is 15 percent of your discretionary income, which is based on your current aggregate gross income and family size. This option would reduce your monthly payment amount, but it also extends the time of your loan up to 25 years and makes the loan much more costly because you pay more interest over time. A similar option would be the income-contingent repayment plan. This payment is also based on your current income and family household size and is similar in that it extends the time of the loan. However, the amount is recalculated yearly.

The best thing about these repayment options is that if you pay them on time over the 25 years, and there is still a balance outstanding, then the rest of the loan will be forgiven. This may also mean that you will pay income tax on the forgiven amount.

A new option is the pay-as-you-earn plan, which would be for a borrower whose first loan was taken out after October 2007 and who had a loan disbursed after October 2011. The amount you pay monthly is calculated by using 10 percent of your discretionary income based on your aggregate gross income and family household size. Like most payment plans, this extends the time of the loan and makes the loan more costly. It is also forgiven after 20 years, and income tax will need to be paid on the amount forgiven.

To qualify for these programs, your loans need to be Direct Loans, Direct Stafford Loans or Direct PLUS Loans. If you have a Perkins Loan, you will need to consolidate that loan with your Direct Loans in order for it to be eligible for these other repayment plans. By consolidating your loans, you may also reduce your interest rate and have one monthly payment on all of your loans, instead of various payments to different lenders. Private loans cannot be consolidated with federal loans.

Student Loan Forgiveness Programs

There are ways to have your loans discharged by being eligible for a student loan forgiveness program. These programs require you to work in certain job sectors for at least 10 years and make at least 120 consecutive monthly on-time payments. You also need to be paying your student loan on the standard, income-based or income-contingent repayment plan in order for your 120 payments to qualify.

If you are a full-time public service employee — such as a federal, state or local government employee — or a full-time employee for a nonprofit organization that is under a 501(c)(3), then you may be eligible for your student loans to be forgiven. The loans would need to be in the Direct Loans programs and not in default, and the 120 consecutive payments would need to begin in October 2007 or later. If you made 120 consecutive payments before this date, those payments would not qualify for the forgiveness program. It is important to make sure you fill out all proper paperwork at the beginning of your repayment period to certify that your employment is eligible for this program. You also want to periodically check your status in the repayment program as the years go by to make sure you still meet all of the qualifications to have your loans forgiven.

There is also a program for teachers who work in low-income areas to have their loans forgiven. Teachers must teach for five consecutive years in a low-income area and must have made all of their loan payments on time. They are then eligible to receive up to $5,000 in loan forgiveness. This amount increases to $17,500 if they are a special education teacher, or a secondary education teacher in subjects of math and science. Like the public service forgiveness program, you need to fill out all necessary paperwork to make sure you qualify. Also, check the status of your application throughout the years to make sure you are still qualified for the forgiveness program.

Private Lenders

Unfortunately, with private student loans, there are not as many options for repayment schedules. The repayment options likely do not go further than a standard repayment plan, and there are no loan forgiveness programs at this time. It is important to speak with the lender to review any other options than their standard plan. They also might give you a discounted interest rate if you are willing to set up a direct debit from your bank account for your monthly payment.

Being Proactive

Taking a proactive approach and educating yourself on all of the student loan repayment plans will help you to determine the best way to pay back your student loans. Speaking with your lender and setting up a repayment plan before your first payment comes due will allow you to budget for the monthly payment.

Resources

Federal Student Aid – repayment plans: http://studentaid.ed.gov/repay-loans/understand/plans

Federal Student Aid – forgiveness, cancellation and discharge charts: http://studentaid.ed.gov/repay-loans/forgiveness-cancellation/charts

Federal Student Aid – loan consolidation: https://studentaid.ed.gov/sa/repay-loans/consolidation

Student Loan Repayment Program

The U.S. government has been helping students with higher-education costs for over 50 years. To help students and parents who default on these loans, Congress created the reasonable and affordable repayment program. If you take advantage of it, you may be able to make payments of just a few dollars per month and keep the government from intercepting your income tax refund, garnishing your wages or suing you.

What is reasonable?

If you are unable to afford payments or are behind on the ten year standard repayment plan, you can contact your loan servicer to discuss the different repayment options available. Many of the plans available are based on your current income, household size, cost of living, etc. It is important to note that going on a plan with a lower payment means that it will take you longer than 10 years to pay off the loan, which means you will pay more interest making the loan more costly. For most of these plans you will need reapply each year, so if income increases, so will your payment. Most plans will forgive the loan after 20 to 25 years of consecutive payments.

If you are in default, and your loan now sits with a collection agency, your best option would loan rehabilitation. All federal loans that go to collections will be offered this program. You will need to make nine consecutive payments and then they will take your loan out of default and bring it back to current. The amount you would have to pay is an agreed upon amount between you and the collection agency. It’s important to note the collection agency is able to add on collection costs to the balance of the loan increasing to overall amount owed.

If you have multiple federal student loans and only one is in default, you can look into consolidate all of your loans together. The new loan will pay off all of your existing student loans and combine all of your loans into one big loan. You would still have the different extended repayment plan options if you consolidate. If you are consolidating a loan in collections, the agency is able to charge up to 18.5% in fees to the balance of the loan increasing the overall amount owed.

If you are working as a teacher or nurse in a low income area, for a nonprofit, or for a government entity, then you can look into the Public Student Loan Forgiveness programs. Most programs require you to be working full time in one of these sectors for 10 years. To qualify to get your loans forgiven, you need to make 120 payments on time. This adds up to 10 years of payments. You can pick the cheapest repayment plan so that you are able to pay back the least amount towards the loans.

One Strike and You’re Out

The reasonable and affordable repayment program can help you get back on track, but before signing up, understand that it is a once-in-a-lifetime opportunity. If you stop paying and the lender declares you in default again, you will not get another chance to ask for reasonable payments.

Resources

Information on repaying loans: https://studentaid.ed.gov/repay-loans

Federal loan repayment plans: https://studentaid.ed.gov/repay-loans/understand/plans

Public Student Loan Forgiveness: https://studentaid.ed.gov/repay-loans/forgiveness-cancellation/charts/public-service

Can I be released as a cosigner on a student loan?

One positive feature of private student loans over federal student loans is the potential to have the cosigner released after a series of consecutive on-time principal and interest payments. Depending on the terms of the loan (and not all private loans allow for cosigner release), timeframes range from 12 months for Sallie Mae loans to 36 months for Charter One loans. Cosigner release is not available for federal student loans.

In order to qualify for cosigner release, individuals must pass the lender's credit standards in addition to the outlined payment requirements. This typically means that they must have excellent credit and income sufficient to sustain the student loan payments. After meeting the requirements, the primary borrower will need to submit a request to their lender to see if they may qualify. The feature of cosigner release on a student loan can be especially useful for families with multiple children who will need to take out several student loans over the years to fund their children's education.

For those with federal or private student loans that do not allow for cosigner release, consolidating or refinancing the student loan into the student's name only can also meet the desire to have a cosigner released.

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