YOUR FEDERAL STUDENT LOANS

Learn the Basics and Manage Your Debt

START HERE
GO FURTHER
FEDERAL STUDENT AID

Student Aid on the Web

www.FederalStudentAid.ed.gov
Click on "Students, Parents and Counselors"

At this Web site you can

- Find information on federal student aid and access sources of nonfederal aid.
- Apply online using *FAFSA on the Web*SM (the online version of the *Free Application for Federal Student Aid* or FAFSASM).

Federal Student Aid Information Center (FSAIC)

1-800-4-FED-AID (**1-800-433-3243**)
TTY users can call **1-800-730-8913**

Callers in locations without access to **1-800 numbers** may call **319-337-5665** (this is not a toll-free number).

FSAIC

P.O. Box 84
Washington, DC 20044-0084

Office of Inspector General Hotline

To report student aid fraud (including identity theft), waste or abuse of U.S. Department of Education funds

1-800-MIS-USED (**1-800-647-8733**)
E-mail: **oig.hotline@ed.gov**
Web site: **www.ed.gov/misused**

Updates!

For any changes to federal student aid programs since this booklet was printed, please visit **www.FederalStudentAid.ed.gov** and click on "Students, Parents and Counselors."

YOUR FEDERAL STUDENT LOANS

Learn the Basics and Manage Your Debt

START HERE
GO FURTHER
FEDERAL STUDENT AID

U.S. Department of Education Federal Student Aid

November 2008

This publication is in the public domain. Authorization to reproduce it in whole or in part is granted. While permission to reprint this publication is not necessary, the citation should be: U.S. Department of Education, Federal Student Aid, Students Channel, *Your Federal Student Loans: Learn the Basics and Manage Your Debt*, Washington, D.C., 2008

To order copies of this publication, write to:

U.S. Department of Education

P. O. Box 1398
Jessup, MD 20794-1398

or fax your request to:
301-470-1244

or e-mail your request to:
orders@FSApubs.org

or call in your request toll-free:
1-800-394-7084 or **1-877-433-7827** (**1-877-4-ED-PUBS**). If 877 service is not yet available in your area, call **1-800-872-5327** (**1-800-USA-LEARN**). Those who use a telecommunications device for the deaf (TDD) or a teletypewriter (TTY), should call **1-800-437-0833**.

or order online at **www.FSAPubs.org**

This publication is also available on the Federal Student Aid Web site at **www.FederalStudentAid.ed.gov/pubs**

On request, this publication is available in alternate formats, such as Braille, large print, or CD. For more information, please contact the Federal Student Aid Information Center at **1-800-433-3243** (**1-800-4-FED-AID**). TTY users (for the hearing-impaired) should call **1-800-730-8913**.

Contents

FIGURES

APPENDICES

PREFACE

Considerations

When you're considering college—or some form of education after high school—financial aid almost always comes to mind. How much aid you'll receive may be a deciding factor in whether or not to attend college or whether you'll be able to attend the college of your choice.

You and your family have the primary responsibility of paying for college. But when those funds aren't enough, you need to look at other resources. First you need to make the most of scholarships and grants. If you've already done that and still need more money, a federal student loan (a loan from or guaranteed by the federal government) is your best option (see cautions regarding private loans on page 7).

Every year, more than $83 billion in federal student aid (grants, work-study, and loans) is available to students. Everyone can receive a federal student loan because not all federal student loans are based on financial need.

As with any financial decision, you should understand the process to make informed decisions. This publication provides you with the information you need.

Organization of Content

Each section covers the different stages of the student aid lifecycle.

The four stages in the federal student aid lifecycle are:

Prepare	Apply	Receive	Repay
Learn what you need to know about federal student aid.	Learn how to apply and what happens when you apply for federal student aid.	Learn when and how you will receive your aid.	Learn how you will repay the loan and what to do if you're having difficulty repaying your loan.

Questions

If you ever have any questions about federal student aid, you can always:

- call us at **1-800-4-FED-AID** (**1-800-433-3243**),
- talk to your high school counselor, or
- contact the financial aid office at the school you plan on attending.

Remember

Federal student loans are real loans, just like car loans or mortgage loans. You must repay a student loan even if your financial circumstances become difficult. Federal student loans usually can't be written off in bankruptcy. They can't be canceled because you didn't get the education or job you expected, and they can't be canceled because you didn't complete your education (unless you couldn't complete your education because your school closed).

PREPARE

Talk With Your Family and Others

Paying for a postsecondary education (college or career school) is an investment. It requires planning. It takes money. So talk with your family openly and early, don't wait until your senior year. You can also talk to a guidance counselor at your school; they often have helpful information about planning for a postsecondary education.

Suggestions

Find out which college expenses your family will cover and which ones will be your responsibility. College costs are not just tuition, room, and board. Other costs can include

1) **Fees**: Fees will depend on the school you're attending. This list can be obtained directly from the school. Fees include activity fees, parking decal fees, etc.

2) **Books and school supplies**: Books can be expensive. The national average at four-year private colleges in 2006–07 was about $1,000 a year. School supplies can include book bags, notebooks, pens, pencils, paper, folders, stapler, desk organizing system (trays, pen holder, etc.), computer paper, etc.

3) **Equipment, room materials, and miscellaneous expenses**: Equipment may include computer, printer, etc. Furnishings may include such items as reading lamps, microwave, refrigerator, sheets, towels, etc. Other expenses can include clothing, cell phone use, and entertainment.

Create a budget to maintain control of your financial situation, limit spending, and borrow wisely.

How do I meet the costs of college?

You and your family have the primary responsibility of paying for college through

- scholarships,
- qualified prepaid or 529 savings plans,
- personal savings, and
- money from summer work.

If these resources are not enough and you still need additional money, turn to

- the federal government and
- institutional and state aid.

Why the federal government? The federal government is the main provider of financial aid for college. Every year, students, and parents, receive more than $83 billion in aid. With all these funds available, applying for aid from the federal government is a good option.

Federal student aid from the federal government can be one of the following:

- **Grants**: Free money that doesn't have to be repaid, except in some cases when you withdraw from school.
- **Work-study**: You earn money to pay for your education.
- **Loans**: You borrow money for school, which you must repay with interest.

This publication covers all facets relating to loans. Read Appendix A to become familiar with the types of federal student loans we're covering in this publication. For comprehensive and updated information on all of the federal student aid programs, including grants and work-study, visit *Student Aid on the Web* at: **www.FederalStudentAid.ed.gov**. You can also access *Funding Education Beyond High School*: *The Guide to Federal Student Aid*, an annual publication on federal student aid programs, at: **www.FederalStudentAid.ed.gov/guide** or order a copy by calling the *Federal Student Aid Information Center* toll-free at **1-800-4-FED-AID** (**1-800-433-3243**). TTY users (for the hearing-impaired) can call **1-800-730-8913**. Callers in locations without access to **1-800** numbers may call **(319) 337-5665**. (This is not a toll-free number).

As I prepare for college, can I find out now how much federal student aid I might get?

Yes. To get an early estimate of your federal student aid eligibility use *FAFSA4caster*℠. It's a free online tool to help students and families financially plan for college. Fill it out. The tool will instantly display the types of federal student aid you might receive. In addition to estimated award amounts for any federal grant programs, it gives you examples of award packages based on the scenarios you select. (See Appendix B for an example).When you're ready to apply for aid, *FAFSA4caster* will automatically move your information to your federal student aid application, *FAFSA on the Web*℠ (**www.fafsa.ed.gov**), thus reducing the time it takes for you to complete your application. You can access *FAFSA4caster* at **www.FederalStudentAid.ed.gov** (click on "*FAFSA4caster*").

Who can get federal student loans?

To be eligible for federal student aid, you must:

- be a U.S. citizen or eligible noncitizen (for most programs) with a valid Social Security number;
- be working toward a degree or certificate;
- have a high school diploma or a General Educational Development (GED) certificate; pass an approved ability-to-benefit test (if you don't have a diploma or GED, a school can administer a test to determine whether you can benefit from the education offered at that school); meet other standards your state establishes that the U.S. Department of Education has approved; or complete a high school education in a home school setting approved under state law;

- register (if you haven't already) with the Selective Service, if you're a male between the ages of 18 and 25; and
- maintain satisfactory academic progress once in school.

These are general eligibility requirements. To get more detailed information, see *Funding Education Beyond High School: The Guide to Federal Student Aid* at **www.FederalStudentAid.ed.gov/guide**.

Many students are going to private lenders or online to look for financial aid. **Always** exhaust scholarships, grants, and federal student loans before turning to private or alternative student loans. Why? Private or alternative student loans often carry high and variable interest rates* and may require credit checks.

Avoid credit cards to pay for your education, interest rates are very high and payments are due every month.

Do all schools participate in the federal loan program?

No. You need to contact your school to find out if it participates in the Federal Student Aid program.

- Federal Perkins Loans* are offered and made through participating schools to undergraduate, graduate and professional degree students who demonstrate financial need. This loan is repaid to your school.
- If your school participates in the Direct Loan Program℠,* the U.S. Department of Education is your lender.*
- If your school participates in the Federal Family Education (FFEL℠)* Program, the federal government guarantees loans made under the FFEL* Program but you'll have to choose a lender* (either your own bank or financial institution or private lender that participates in the federal student aid program) to fund your loan.* You have the right to work with a lender of your choice and although some schools do have preferred lender lists* (list of banks and private lenders your school suggests) you're not limited to those options because, either way, the federal government backs your loan (see Appendix C).

RECAP—Funds to pay for your education should first come from:

- Family resources, scholarships, and grants.
- If you've exhausted those options, federal student loans are your next best option.

How are federal loans different from private loans?

While every student wants scholarships and grants, not everyone can cover the entire cost of college or career school through those options. Loans* can make your education possible and affordable.

**See Glossary on page 29.*
Financial aid terms frequently used in this publication will appear with an asterisk. You'll find these terms and their meaning in the Glossary beginning on page 29.

Federal student loans and private loans are available to students to help pay for their education. Federal student loans have lower, fixed interest rates,* generous repayment plans,* no prepayment* penalties and no credit checks (except for PLUS Loans).

In contrast, private loans, which may be aggressively marketed to students through TV ads and other media, are substantially more expensive than federal student loans. They generally have higher, variable interest rates* that may substantially increase the total amount you repay. The interest rate you receive might depend on your credit* score. Private loans can also have prepayment* penalty fees.

If your bank or other private lender provides loans that are backed by the federal government, then they are participating in the FFEL* program. Be sure to ask if they do. Documents for a federal student loan will state somewhere on the form that it is a *federal student loan*. Some private student loan lenders have forms that look similar to the federal forms and might confuse some students (see Appendix D for tips on selecting lenders).

The following table shows that a federal student loan is a better option than a private student loan.

FIGURE 1

Federal Student Loans vs. Private Loans

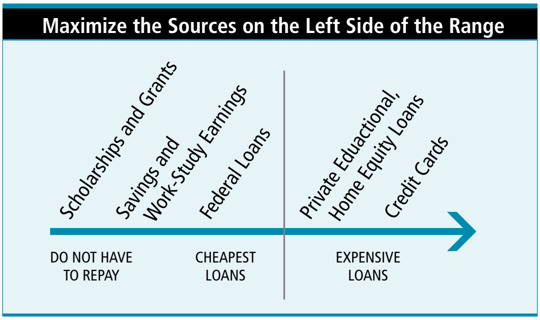
Federal Student Loans (loans from the government or guaranteed by the government)	Private Student Loans (loans from a bank, credit union, or other financial institution)
You will not have to start repaying your federal student loans until you graduate, leave school, or change your enrollment status to less than half-time.*	Many private student loans require payments while you are still in school.
The interest rate* on a Stafford Loans is fixed, currently at **6.0 percent** for subsidized* loans for undergraduate students and **6.8 percent** for unsubsidized* loans for undergraduate and graduate students, and almost always lower than on a private loan—and much lower than on a credit card!	Private student loans can have variable interest* rates greater than **18 percent**.
Students with greater financial need might qualify for a subsidized* loan. The government pays the interest on subsidized loans while a borrower is enrolled in school at least half-time and during certain other periods.	Private student loans are not subsidized. No one pays the interest on your loan but you.
You don't need to pass a credit check to get a federal student loan (except for PLUS Loans). Federal student loans help you establish a good credit record.	Private student loans may require an established credit record. The cost of a private student loan depends on your credit score, which you may not yet have as a student.
You don't need a co-signer* to get a federal student loan.	You may need a co-signer* to get the best possible deal.
Free help is available at **1-800-4-FED-AID**.	You need to find out if there is free help.
Some interest is tax deductible.	Interest is not tax deductible.
Loans can be consolidated into the Direct or FFEL Consolidation programs which have favorable repayment plans and other benefits. See **www.loanconsolidation.ed.gov** for more information for Direct Consolidation Loans. For FFEL Consolidation Loans contact your lender.*	Private student loans can't be consolidated into a federal loan consolidation program. They can only be consolidated into a private bank loan, if available.

See Glossary on page 29.

Financial aid terms frequently used in this publication will appear with an asterisk. You'll find these terms and their meaning in the Glossary beginning on page 29.

FIGURE 2

Maximize Sources of Aid You Don't Have to Repay



Source: Helping Families Finance College: Improved Student Loan Disclosures and Counseling. Report by Consumer's Union, July 2007.

> ### Be careful!
> Private loans and credit cards are consumer loans, and are very expensive ways of financing your education.

Can my parents get a loan?

Yes. Parents of dependent students and students pursuing a graduate or professional degree can borrow from the PLUS Loan* program. The terms and conditions applicable to PLUS Loans made to parents of dependent students also apply to PLUS Loans made to graduate and professional degree students. These terms and conditions include:

- a requirement that the applicant not have an adverse credit history,
- a repayment period that begins on the date of the last disbursement of the loan and a fixed interest rate of 8.5 percent for FFEL PLUS Loans and 7.9 percent for Direct PLUS Loans.

What are the eligibility requirements for PLUS Loans?

PLUS applicants must meet the general eligibility requirements for federal student aid. If a parent is borrowing on behalf of a dependent undergraduate student, the student must also meet these general eligibility requirements. For example, the PLUS applicant and the student must:

- be a United States citizen or eligible noncitizen,
- not be in default* on a federal student loan, and
- not owe a refund on a federal education grant.

As with PLUS Loans made to parent borrowers, eligible graduate and professional degree students may borrow under the PLUS program up to their cost of attendance,* minus other financial aid received.

APPLY

Apply for a federal student loan by completing the *Free Application for Federal Student Aid* (FAFSA℠).* The FAFSA also determines eligibility for federal grants, work-study, state and institutional aid. A separate loan application isn't required.

- **Collect the documents** needed to apply.
  - Your Social Security number. Be sure it's correct!
  - Your driver's license (if any)
  - Your W-2 forms and other records of money earned
  - Your (and your spouse's, if you are married) Federal Income Tax Return
    - IRS 1040, 1040A, 1040 EZ
    - Foreign Tax Return, or
    - Tax return for Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, the Marshall Islands, the Federal States of Micronesia, or Palau
  - Your parents' Federal Income Tax return (if you are a dependent student)
  - Your untaxed income records
  - Your current bank statements
  - Your current business and investment mortgage information, business and farm records, stock, bond and other investment records
  - Your alien registration or permanent resident card (if you are not a U.S. citizen)

Although not all aid is need based, you'll need to include information from your (and your parents', if applicable) income tax returns and W-2 forms (and other records of income) to help determine what type of aid you may receive. Tax return not completed at the time you apply? Estimate the tax information, apply, and correct the information later.

- **Complete the FAFSA at www.fafsa.ed.gov** on or after Jan. 1 of the year you expect to start college.

  A useful tool in preparing to complete the online application is the *FAFSA on the Web Worksheet* (available in English or Spanish). The worksheet, designed for applicants who prefer to fill something out in writing before applying online, lists the FAFSA questions and provides boxes for students' (and parents') answers. The order of questions on the worksheet follows that of *FAFSA on the Web*, which differs from the paper FAFSA. You can view and download the worksheet in PDF at **www.FederalStudentAid.ed.gov/worksheet**.

****See Glossary on page 29.***

Financial aid terms frequently used in this publication will appear with an asterisk. You'll find these terms and their meaning in the Glossary beginning on page 29.

- **Review the *Student Aid Report* (SAR)***—The U.S. Department of Education will send you a SAR, a summary of the FAFSA data you submitted. Review your SAR and, if needed, make changes or corrections and submit for reprocessing. Your complete, correct SAR will contain your Expected Family Contribution (EFC)*—the number used to determine your federal student aid eligibility.

The U.S. Department of Education also sends your FAFSA results to the schools you included on the FAFSA. The schools then develop your award packages. This process is covered in the next section.

Don't forget … Fill out an application!

You MUST submit the *Free Application for Federal Student Aid* (FAFSA)* to receive federal student aid. Fill out this application as soon as you can on or AFTER Jan. 1 on the year you plan on attending college.

State and Institutional Aid

Some school and state student aid is based on the data you provide on your FAFSA. Because such aid is often provided on a first-come first-served basis, submit your FAFSA as soon as possible on or after Jan. 1 to be considered for this aid.

If your parents are going to apply for a loan* for your education, they must complete a PLUS Loan* application and promissory note* available from the school, lender or state guaranty agency.*

RECEIVE

Your Award Letter

The schools you included in your FAFSA receive the results of your application. The financial aid office at the school considers the cost to attend their institution and the information in the FAFSA to put together an award package for you.

The award letter will include federal student loan, grant, and work-study you can receive as well as state aid, institutional aid, and other sources of aid to help pay your costs.

Review the financial aid award letter you receive from each school.

Once admitted, the school will send you the financial aid award letter that lists the grants, scholarships, work-study, and loans for which you're eligible.

- Aid is based on the school's cost of attendance (all direct and indirect expenses, including tuition, fees, room and board, books, transportation, and supplies) minus the EFC.*
- Award letters are unique to each school and vary in the amount of information included.

Some schools might include optional private loans in your award letter. Before you accept any loans, make sure you:

- understand the source of your loan (government or private) and
- understand the terms of the loan.

Every award package is individually tailored. If you have any questions or don't understand what's in your award letter, contact the school. The school will also tell you what actions you need to take after you review your award letter. Always ask questions. Be an informed borrower. Know what you're receiving and what the terms of repayment are.

What should I consider?

When you receive your award letter, start by:

- Accepting scholarships and grants you're eligible for—be sure you understand any conditions and requirements you must meet to receive these free funds.
- Accepting the loans with the most favorable terms; that is, federal student loans and state aid offered to you. If you see private or commercial loans in your award letter, ask why this type of loan was included, find out the terms, and reject the private loan if the terms aren't favorable.
- Borrowing only what you need and what you'll be able to repay. Remember that federal student loans have to be paid after you graduate, leave school, or stop attending at least half-time.*
- Exhausting all options before looking into private loans. Private loans and credit cards should be your last resort.

See Glossary on page 29.

Financial aid terms frequently used in this publication will appear with an asterisk. You'll find these terms and their meaning in the Glossary beginning on page 29.

Before you accept any aid:

- Get a breakdown of the direct expenses (tuition, room, board, and fees) and estimates of indirect expenses (travel, books, etc.) for one year of college;
- Know the actual amount (cost of attendance* minus financial aid) that you'll have to pay to attend one year of college;
- Know how much in scholarships and grants (money that doesn't have to be repaid) you've been awarded and the conditions under which they are renewable each year;
- Know the amount of work-study you've been awarded and the conditions to fulfill the work-study;
- Find out which types of loans* you've been awarded and the amounts;
- Find out which loans your parents can get to help pay for your education;
- Know the interest rates,* loan terms, monthly repayment amounts, and total repayment amounts of your loans; and
- Know where you can get additional information or have your loan questions answered.

NOTE: Your award letter or financial aid package doesn't transfer with you if you go to another school. Contact the financial aid office at your new school as early as possible to find out what to do.

What should I do now?

- Sign a promissory note.* The promissory note is a legally binding agreement that contains the terms and conditions of the loan. It explains how and when the loan should be repaid. By signing it, you are promising to repay your student loan. Keep the promissory note and any other loan documents in a safe place until the loan is repaid.
- Complete entrance counseling. This is a must before the loan is disbursed and required for first-time borrowers. Entrance counseling is an information session explaining your responsibilities and rights as a student borrower.

Loans add up!

Remember that loans accumulate over the two, four, five years or more that you will attend school. You should know the full estimated cost of attendance for the total number of years you plan to attend school. This will give you an idea of the total cost of the federal student loans you may be taking out. You can see estimated monthly payment amounts for different repayment plans on page 22.

How and when do I receive the money from my federal student loans?

- Generally, your loan will be paid directly to the school in two disbursements* (payments). No disbursement will be greater than half the amount of your loan.
- If you're a first-year undergraduate student and a first-time borrower, your first disbursement can't be made until 30 days after the first day of your enrollment period.
- Your school usually credits your loan payment to school charges on your account (tuition and fees, room and board, and other authorized charges).
- If the loan money exceeds your school charges, the school will pay you the credit balance by check or other means.

For more information on disbursement* dates, check with your school's financial aid office.

What can I use my federal student loan money for?

You may use the money you receive only to pay for education expenses at the school that awarded your loan. Education expenses include school charges such as tuition; room and board; fees; books; supplies; equipment; dependent childcare expenses; transportation; and rental or purchase of a personal computer. Talk to someone at the financial aid office at your school if you need more details.

I don't need to borrow all this money. Can I return some of it?

Yes. You may cancel all or part of your loan at any time by notifying your school before your loan is disbursed, and within certain timeframes after your loan has been disbursed. These timeframes, and the procedures for canceling a loan, will also be explained in notices that the school is required to send you. Contact your financial aid office for more details.

Always consider what you'll have to repay

Repayment of student loans should be only a small percentage of your salary after you graduate. If you expect to pay more than 15 percent of your annual salary for student loans, you might have difficulty making your monthly payments. Ask your school's financial aid office for starting salaries of recent graduates in your field of study to get an idea of how much you are likely to earn after you graduate. Estimates of salaries for different careers are available in the *Occupational Outlook Handbook* at **www.bls.gov/oco**. You also should research employment opportunities advertised in the area where you plan to live.

What if I still need more money? Where should I look?

Try these free sources of information:

- other federal agencies: **www.students.gov**
- your state education agency
- a college or career school financial aid office
- a high school or TRIO counselor
- your library's reference section
- FREE online scholarship searches
- foundations, religious or community organizations, local businesses, or civic groups
- organizations (including professional associations) related to your field of interest
- ethnicity-based organizations (for example, **www.chci.org** for Hispanic students; **www.cbcfinc.org** for African-American students; **http://honda.house/gov/capac** for Asian-American students)
- your employer or your parents' employers

ALERT: Some companies may offer to search for money for college for a fee. You don't need to pay for help to find money for college and you shouldn't share your personal information with anyone. For more information on how to avoid fraud and identity theft, visit **www.studentaid.ed.gov/LSA**.

Graduate With Less Debt

After exploring the various non-loan and low-interest* loan options, another option is to reduce your cost of attendance*—start at a less expensive school or community college before transferring to a four-year college (make sure the four-year school you're interested in accepts course credits from the community college you're attending), and consider in-state vs. out-of-state schools.

Debt adds up quickly, so keep an eye on it. If accumulating too much debt is your concern you can:

- search for more scholarships and grants;
- work while you're attending school;
- change your spending habits; and
- consider transferring to a less-expensive school.

Manage your money and change your spending habits

Resist the urge to get a credit card or get more than one credit card. A credit card can help you build a credit* history, if you use it wisely. But don't spend more than you can afford to pay. Use your credit card for emergencies only. If you do decide to get a credit card, make sure you understand how it works and read the fine print. You should also open a checking account and learn how to balance your checkbook.

A few more tips to save money:

- Buy used books instead of new ones whenever possible.
- Use your prepaid meal plan instead of eating out.
- Take advantage of free activities sponsored by your school.
- Resist impulse buying. Buy what you need, not what would be nice to have. When you do shop, use coupons and look for sales.
- Know and understand your cell phone plan. Stay within your free minutes.
- Brew your own coffee.

Keep Track of How Much You're Borrowing

Keep good records. Repaying your student loans is a serious matter and it's important to keep accurate, accessible records.

Set up a file folder for each loan and file all paperwork. Your file should include

- Financial aid award letters
- Loan counseling materials (entrance and exit counseling*)
- Promissory note(s)*
- Amount of your student loans, including the amount that is disbursed each semester or year (you may access this information at **www.nslds.ed.gov**) see below
- Name, address, phone number, and Web site of your lender* or loan servicer* (the entity to whom you send your monthly payments)
- Loan disclosure and payment schedule sent to you by your lender before you start to repay your loan
- Monthly payment stubs (if you pay by check) or printouts of proof of payment (if you pay electronically)
- Account numbers for each of your loans
- Notes about any questions you ask about your loans, the answers, and the name of the person you talked to
- Documentation proving that you paid your loans in full
- Any deferment* or forbearance* paperwork and notes of any phone calls to the lender

*See Glossary on page 29.
Financial aid terms frequently used in this publication will appear with an asterisk. You'll find these terms and their meaning in the Glossary beginning on page 29.

Use the U.S. Department of Education's National Student Loan Data System (NSLDS)* at **www.nslds.ed.gov**, the central database for federal student aid, to keep track of all your federal student loans.

Other things to remember

- If you're preparing to leave school, withdraw early or transfer to another school, you must remember to notify your lender* and the school you're currently attending.
- Stafford Loans: the U.S. Department of Education is your lender for Direct Loans[SM]; a different agent is your lender for FFEL Loans.
- Visit **www.nslds.ed.gov** or call **1-800-4-FED-AID** to find out who your lender is.
- If you have a Stafford Loan that has not previously entered repayment, you enter the grace period* when you withdraw, drop below half-time* status, or graduate. You enter repayment at the conclusion of the grace period.*

Borrower's Rights and Responsibilities

To learn what are your rights and responsibilities as a student borrower,* see Appendix E. If you need to take a break from school or can't go full-time, see Appendix F.

REPAY

What You Need to Do

Exit counseling

You will receive a notice about exit counseling when you graduate or begin attending school less than half-time.* At this session, you'll be given information on your loans and when repayment begins.

When you graduate or withdraw you will have six months before your first payment is due. This is called a grace period.* (PLUS Loans don't have a grace period). This time can allow you to get financially settled, select your repayment plan* and determine the amount of income you need to put toward your student loan each month.

Why is the amount the school told me I must repay more than the amount I actually received?

In addition to interest,* there are fees and charges required to get these loans.

Loan fees* are deducted proportionately from each loan disbursement* you receive. This means the proceeds you received were less than the amount you actually borrowed. You're responsible for repaying the entire amount you borrowed and not just the amount you received in loan disbursements.*

- Direct Loans: For ***all*** Direct Subsidized Loans and Direct Unsubsidized Loans first disbursed on or after July 1, 2007, and before July 1, 2008, the loan fee (also called origination fee) is 2.5 percent.
- The Direct PLUS loan fee is 4 percent for Direct PLUS Loans made to both parent and to graduate and professional degree student borrowers.
- FFEL Loans: You may be charged fees comparable to the fees charged for Direct Loans. Contact your lender* for more information.

Interest

Interest* accumulates on your loan.* Interest is a percentage of the original loan amount (the loan principal) that's added to what you have to pay. It's a charge for using borrowed money. Everyone has to pay interest, no matter what type of loan they have; education loans are no different.

- **Unsubsidized**: If you borrowed an unsubsidized loan, interest starts accruing (accumulating) from the time the funds are disbursed to you, and you're responsible for paying that interest. You can chose to either pay it while you are in school or let it accrue* and be added to the principal* balance of your loan. This is called "capitalization."

*See Glossary on page 29.
Financial aid terms frequently used in this publication will appear with an asterisk. You'll find these terms and their meaning in the Glossary beginning on page 29.

Capitalization* increases your loan principal* balance because you will then have to pay interest on the increased loan principal amount. The total amount you repay over the life of your loan will be greater than if you paid interest while you were in school.

- **Subsidized**: The federal government pays interest* on subsidized loans during school and certain other periods.

What is the interest rate on my federal student loan?

Stafford loans first disbursed on or after July 1, 2006, have a fixed rate of 6.0 percent for subsidized* loans made to undergraduate students and 6.8 percent for unsubsidized* loans made to undergraduate and graduate students.

Interest Rate Reductions for Subsidized* Loans

Over a four-year period beginning July 1, 2008, the fixed interest rate on subsidized Stafford loans made to undergraduate students in the Federal Family Education Loan (FFEL) Program℠* and the William D. Ford Federal Direct Loan Program℠* (Stafford Loans) will be gradually reduced. The applicable interest rates for loans made during this period are:

FIGURE 3

Interest Rate Reductions for Subsidized Loans

First disbursement of a loan:		Interest rate on the unpaid balance
Made on or after	And made before	
July 1, 2008	July 1, 2009	6.0 percent
July 1, 2009	July 1, 2010	5.6 percent
July 1, 2010	July 1, 2011	4.5 percent
July 1, 2011	July 1, 2012	3.4 percent

These reduced interest rates apply only to subsidized Stafford loans made to undergraduate students first disbursed on or after July 1 of each year through June 30 of the next year. Unsubsidized Stafford loans made to undergraduate students will continue to have the current fixed interest rate of 6.8 percent, as will all Stafford loans (both subsidized and unsubsidized) made to graduate and professional students. This interest rate reduction does not affect any loans that were first disbursed before July 1, 2008. The interest rates of those prior loans remain unchanged.

Updates!

For any changes to federal student aid programs since this booklet was printed, please visit **www.FederalStudentAid.ed.gov** and click on "Students, Parents and Counselors."

How is interest calculated?

Interest on all loans borrowed under the U.S. Department of Education's programs is calculated on a simple daily basis.

The following formula demonstrates how the simple interest is calculated between payments

Average daily balance between payments **x**
Interest rate **x**
(Number of days between payments/365.25) = Monthly interest

How interest accrues between payments made on April 15 and May 15, for example:

Average daily balance: $10,000 **x** Interest rate: .08
Days between payments (30/365.25) **x** .08214 =
Monthly interest: $65.71

How are loan payments applied to my loan balance?

- The loan holder* first applies your payment to late charges or collection costs on your account (if any).
- Then, to the interest that has accumulated (accrued interest).
- The remainder of the payment is then applied to the principal balance.

Just as the accrued interest varies monthly (depending on how many days elapse between the receipt of payments), the amount of a payment applied to accrued interest and the amount applied to principal also will vary monthly.

A breakdown of how your payments are applied should be on your billing statement. If not, ask your loan holder* or servicer* for that information.

See Glossary on page 29.
Financial aid terms frequently used in this publication will appear with an asterisk. You'll find these terms and their meaning in the Glossary beginning on page 29.

Repayment Options

When choosing a repayment plan, what are my options?

There are flexible repayment plans to help you manage this important financial responsibility. The repayment plans* below are for Direct and FFEL Stafford Loans.

- **Standard Repayment Plan**: You generally pay a fixed amount each month for up to 10 years. Your payment must be at least $50 a month.
- **Graduated Repayment Plan**: Your payments start out low at first and then will increase, usually every two years. You must repay your loan in full within 10 years. At a minimum, your payments must cover the interest that accumulates on your loans between payments. This plan is tailored to individuals with relatively low current incomes (e.g., recent college graduates) who expect their incomes to increase in the future. However, you'll ultimately pay more for your loan than you would under the Standard Plan, because more interest accumulates in the early years of the plan when your outstanding loan balance is higher.
- **Extended Repayment Plan**: If you're a FFEL borrower, you must have more than $30,000 in outstanding FFEL Program loans. If you're a Direct Loan borrower, you must have more than $30,000 in outstanding Direct Loans. This means, for example, that if you have $35,000 in outstanding FFEL Program loans and $10,000 in outstanding Direct Loans, you can choose the extended repayment plan for your FFEL Program loans, but not for your Direct Loans.

  Your fixed monthly payment is lower than it would be under the Standard Plan, but you'll ultimately pay more for your loan because of the interest that accumulates during the longer repayment period.
- **Income-Sensitive Repayment Plan (for FFEL Loans only)**: With an income-sensitive plan, your monthly loan payment is based on your annual income. As your income increases or decreases, so do your payments. The maximum repayment period is 10 years.
- **Income-Contingent Repayment Plan (for Direct Loans and Direct PLUS Loans)**: Your monthly payments will be based on your annual income (and that of your spouse, if married), your family size, and the total amount of your Direct Loans. Borrowers have 25 years to repay under this plan, the unpaid portion will be forgiven. However, you may have to pay income tax on the amount that is forgiven.

  Effective July 1, 2009, graduate and professional student PLUS borrowers in the Direct Loan program will be eligible to use the income-contingent repayment (ICR) plan. Direct Loan parent PLUS borrowers will not be eligible for the ICR repayment plan.

- **Income-Based Repayment** (**IBR**): Under this plan, your required monthly payment amount will be based on your income during any period when you have a partial financial hardship. Your monthly payment amount may be adjusted annually. The maximum repayment period under this plan may exceed 10 years. If you repay under this plan and meet certain other requirements over a specified period of time, you may qualify for cancellation of any outstanding balance on your loans. Contact the Direct Loan Servicing Center (for Direct Loans) or your FFEL lender (for FFEL Program loans) for more information about the Income-Based Repayment Plan.

NOTE: Federal Perkins Loans have different repayment options. Your payment depends on the amount that you borrow, but the minimum is $40 per month.

Prepare for your new financial responsibilities

A lot will be going on as you prepare to graduate. Not only do your loans enter repayment after your grace period,* but there are other financial responsibilities you need to think about.

- Think about all the living expenses you will have.
- Get rough estimates of salaries in different careers by checking the *Occupational Outlook Handbook* at **www.bls.gov/oco**
- Check jobs advertised, and living expenses, in the area where you plan to live.
- Get a handle of your financial situation by knowing exactly where all your money goes.
- Put all your expenses on paper (see Appendix G) to give you an idea of what expenses you might have.

FIGURE 4

Estimated Monthly Payments for Direct and FFEL Stafford Loans

Initial Debt When You Enter Repayment	Repayment Plan: Standard (not to exceed 10 years)		Repayment Plan: Extended[a]		Repayment Plan: Graduated[b] (not to exceed 10 years)		For Direct Loans Only: Income Contingent[c] (Income = $25,000): Single		For Direct Loans Only: Income Contingent[c] (Income = $25,000): Married/HOH[d]	
	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid
$ 3,500	$ 50	$ 4,471	Not available		$ 25	$ 5,157	$ 27	$ 6,092	$ 25	$ 6,405
5,000	58	6,905	Not available		40	7,278	38	8,703	36	9,150
7,500	83	10,357	Not available		59	10,919	57	13,055	54	13,725
10,500	121	14,500	Not available		83	15,283	80	18,277	76	19,215
15,000	173	20,714	Not available		119	21,834	114	26,110	108	27,451
40,000	460	55,239	277	83,289	316	58,229	253	72,717	197	84,352

Payments are calculated using the fixed interest rate of 6.8 percent for Stafford Loans first disbursed on or after July 1, 2006.

[a] *For a FFEL borrower, the requirement is that the borrower (1) must have had no outstanding balance on a FFEL Program loan as of Oct. 7, 1998, or on the date the borrower obtained a FFEL Program loan on or after that date, and (2) must have more than $30,000 in outstanding FFEL Program loans. For a Direct Loan borrower, the requirement is that the borrower (1) must have had no outstanding balance on a Direct Loan Program loan as of Oct. 7, 1998, or on the date the borrower obtained a Direct Loan Program loan on or after that date, and (2) must have more than $30,000 in outstanding Direct Loan Program loans. The amounts were rounded to the nearest dollar and were calculated based on a 25-year repayment plan.*

[b] *This is an estimated monthly repayment amount for the first two years of the term and total loan payment. The monthly repayment amount will generally increase every two years, based on this plan.*

[c] *Assumes a 5 percent annual growth (Census Bureau) and were calculated using the formula requirements in effect during 2006.*

[d] *HOH is Head of Household. Assumes a family size of two.*

You can find a repayment calculator at **www.FederalStudentAid.ed.gov**.

Why do I have an outstanding balance?

Repayment schedules and payment coupon books are designed on the assumption that all payments will be made on time. If you do this and pay the correct amount each month, you'll pay your loan in full by the end of the repayment schedule. If you're delinquent,* excess interest* will accrue.* You might also have collection charges or late fees. Interest also accrues during forbearance* and deferment.* So, if you pay the correct monthly payment amounts but have delinquency during repayment, you'll have an outstanding balance at the end of the repayment schedule. Similarly, if extra interest has accrued, your balance will go up. You're responsible for paying that outstanding balance.

Can I do anything to lower my monthly payments?

The Direct Loan Programs offers a 0.25 percent rate discount* for automatic payments. For FFEL Program loans, check with your lender.* You might also be able to switch payment plans, see page 20 for available plans, and check with your lender* for details.

Are there any repayment incentive benefits?

A repayment incentive can be an up-front interest* rebate to borrowers. For example, Direct Stafford Loans offer borrowers a rebate amount equal to 1.5 percent of the loan amount borrowed. This is the same amount that would result if the interest rate was lowered on a loan by approximately 0.24 percent, but the borrower receives the rebate up front.

- The **Direct Loan Program** currently offers two repayment incentive programs. One is the interest rate reduction for having payments automatically debited from the borrower's bank account (discussed in the preceding section). The other is the up-front interest rebate that is equal to a "certain percentage" of the loan amount borrowed, and is the same amount that would result if the interest rate was lowered by a "specified percentage." The result of the rebate is an increase in the net loan amount that the borrower receives up-front when the loan is disbursed.
- A lender* in the **FFEL Program** might offer incentives for making payments on time, such as a reduction in the interest rate. Contact your lender* to find out if any incentives are offered.

What are Internal Revenue Service (IRS) tax credits?

The IRS offers two federal income tax credits (tax credits offer dollar-for-dollar reductions in your final tax liability) to certain taxpayers for higher education expenses.

- The *Hope Tax Credit*, worth up to $1,650 per student, is available for first- and second-year students enrolled at least half-time.*
- The *Lifetime Learning Tax Credit* is a tax benefit equal to 20 percent of a family's tuition expenses, up to $10,000, for virtually any postsecondary education and training. This applies to undergraduate, graduate and professional degree students and even for less than half-time* study.

For more information on the Hope and Lifetime Learning tax credits, and other tax benefits for postsecondary students, go to **www.irs.gov**. IRS Publication 970, *Tax Benefits for Higher Education*, which explains these credits and other tax benefits, is available online, or call **1-800-829-1040**. TTY callers should call **1-800-829-4059**.

See Glossary on page 29.
Financial aid terms frequently used in this publication will appear with an asterisk. You'll find these terms and their meaning in the Glossary beginning on page 29.

Consolidation Loans

Should I consolidate my loans?

A federal consolidation loan may help make payments more manageable for some by combining several federal student loans into one loan with one monthly payment. You need to apply for loan consolidation and choose a standard, an extended, a graduated, an income-contingent (for Direct Consolidation Loans) or an income-sensitive (for FFEL Consolidation Loans) repayment plan. Depending on the amount of your debt, standard and graduated repayment plans have 10- to 30-year repayment periods.

The interest rate for both Direct and FFEL Consolidation Loans is a fixed rate for the life of the loan. The fixed rate is based on the weighted average of the interest rates on all of the loans you consolidate, rounded up to the nearest one-eighth of 1 percent. However, the interest rate will never exceed 8.25 percent.

How can consolidation help me manage my debt?

Loan consolidation can offer you benefits to help manage your education debt. You can:

- Make lower monthly payments by increasing the repayment period (However, this will increase the total amount you repay over the life of your loan).
- Make a single monthly loan payment on one bill to one lender.

Is there a downside to consolidation?

Although consolidation can help many students manage their monthly payments, there are some cases when consolidation may not be right for you.

- You may lose certain benefits (such as cancellation benefits, interest subsidies, etc.) that were offered on the loans being consolidated.
- If you are close to paying off your student loans, it may not make sense to consolidate or extend your payments. By extending the years of repayment for your loans, you may be increasing the total amount you have to pay in interest.
- Discuss your options with the financial aid office at your school.

For more information on Direct Consolidation Loans visit **www.loanconsolidation.ed.gov** or call the Federal Student Aid Information Center at **1-800-4-FED-AID**. For FFEL Consolidation Loans, contact your lender.*

Making Your Monthly Payments

When you make your payments on time, you may qualify for certain repayment benefits—and you are taking steps toward building a solid credit* history. Information on Direct Loan repayment incentives* (such as reduced interest rates) to encourage borrowers to make payments on time is available at **www.dl.ed.gov**. Contact your lender* or loan servicer* to discuss setting up automatic payments.

What if I've forgotten what type of loan I have and who my loan holder is?

This information should be on the bill you receive from your loan holder. If you have questions about what loans you have, you can review your federal student loan history through the U.S. Department of Education's National Student Loan Data System (NSLDS)* at **www.nslds.ed.gov**, the central database for federal student aid. You will need your Federal Student Aid PIN* to access the database. For information on your PIN visit **www.pin.ed.gov**.

What if I forgot to send a payment or can't send the full monthly amount? Should I send a partial payment?

If you can't make your payments, don't ignore the problem.

- Contact your lender* immediately to discuss options.
- Consider changing your repayment plan* if your current one is not favorable.
- Keep track of all communications. Use the sample log below.

FIGURE 5

Sample Communication Log

Date:
Lender:
Phone number or e-mail:
Person you spoke to:
Reason you called:
Where your questions answered or issues resolved?
What were the answers to your questions?
Follow-up actions:

ALERT: Although your credit* history was not taken into account when you received federal student loans, your credit history will be affected if you do not repay your federal student loans under the repayment plan* you agreed to when you entered repayment.

What if I can't make my payments?

Your student loan debt is a legal obligation and can be a 10- to 30-year financial commitment.

Don't ignore debt. It won't go away.

There are many ways to get help, including changing your payment due date,* repayment options, deferment* or forbearance.*

*See Glossary on page 29.

Financial aid terms frequently used in this publication will appear with an asterisk. You'll find these terms and their meaning in the Glossary beginning on page 29.

Why is missing a payment a problem?

If you don't make a payment on time or if you start missing payments—even one—your loan is considered delinquent and late fees can be assessed. If you are making late or partial payments, contact your lender* or servicer* immediately for help. If you don't make payments for more than 270 days, your loan will go into default* and your credit* rating could suffer. If your credit rating is affected, you may be denied future education or consumer loans, and you may not be able to obtain a mortgage or rent an apartment.

What is a deferment?

A deferment* is a period in which repayment of the principal balance is temporarily postponed if you meet certain requirements. During a deferment, if the loan is subsidized, the government pays the interest* charged.

For all unsubsidized loans (including PLUS loans), you are responsible for the interest that accrues during the deferment period.

If you have unsubsidized loans, when you resume making payments at the end of the deferment period, any unpaid interest will be capitalized* (added to the principal balance).

If you do not meet the requirements for a deferment, you may still be eligible for forbearance.*

What is forbearance?

Forbearance* allows you to postpone or reduce your monthly payment amount for a limited and specific period if you are temporarily unable to make your scheduled loan payments for reasons including, but not limited to, financial hardship or illness.

You must request forbearance from your loan holder.*

You are responsible for the interest* that accrues* during forbearance on all loan types, including Subsidized Stafford Loans. When you resume making payments at the end of the forbearance period, any unpaid interest will be capitalized* (added to the principal balance).

Your loan holder* is required to grant you forbearance under certain conditions. These include, but are not limited to, the following:

- While you are serving in an AmeriCorps position for which you are receiving an education award.
- While you are serving in a medical or dental internship or residency program and meet certain other requirements.
- If the total amount you owe each month on all of your FFEL, Direct Loan, and Perkins Loan program loans is 20 percent or more of your total monthly gross income.

For more information on deferment or forbearance go to **www.studentaid.ed.gov/repaying** and click on "Difficulty Repaying."

Loan Discharge or Forgiveness

Some employers such as state or local governments offer loan repayment in return for working in a job that's in great demand. There are also programs offered by some schools that will assume a portion of your debt. If loan forgiveness* is something you'd like to explore, begin by asking at your school or workplace.

What qualifies my loan for discharge?

Discharge* refers to the cancellation of a loan, even one in default,* due to school closure, false certification, your death, or your total and permanent disability.

NOTE: A loan, whether in default or not, cannot be discharged in bankruptcy in most cases.

What qualifies my loan for forgiveness?

Forgiveness* of a loan is based on the borrower performing certain types of service such as teaching in a low-income school. A defaulted loan can't be canceled based on qualifying service (e.g., teaching).

Where can I learn more?

For a complete list of discharge and forgiveness provisions for Perkins Loans and Stafford Loans, check the following two charts: Perkins Loan Discharge and Cancellation Summary (Appendix H) and Stafford and PLUS Loan Discharge and Forgiveness Summary (Appendix I). Or visit **www.studentaid.ed.gov/discharges**.

After reviewing the conditions for discharge or forgiveness, if you think you qualify, you must apply with the holder of your loan.*

- **Federal Perkins Loans**—Check with the school that made you the loan or with the school's loan servicing agent.
- **Direct Loans**—Contact the Direct Loan Servicing Center at **1-800-848-0979**. TTY users can call **1-800-848-0983**. Or, go to **www.dl.ed.gov**.
- **FFEL Loans**—Contact your lender or its loan servicing agent.

NOTES

Glossary

Accrue

The process whereby interest accumulates on your loan. When we speak of "interest accruing on your loan," we mean that the interest due on your loan is accumulating.

Aggregate Loan Limit

The maximum total outstanding loan debt you can have when you graduate.

Borrower

An individual who signed and agreed to the terms in the promissory note and is responsible for repaying a loan.

Capitalization

Adding unpaid interest to the loan amount borrowed.

Capitalization increases the unpaid principal balance of your loan and interest is charged on the increased principal amount. This occurs at the end of a deferment, forbearance or grace period on unsubsidized loans, and at the end of a forbearance period on a subsidized loan and increases the total amount you will repay over the life of your loan. To save money, pay interest before it's capitalized.

Consolidation

The process of combining one or more eligible federal educational loans into a single new loan. The Direct Loan Program offers a Direct Consolidation Loan for those borrowers who are interested in consolidating their eligible educational loans.

Co-signer

A person, other than the borrower, who signs the promissory note as a back up for repayment on the loan. A co-signer is pursued for collection on the loan if the borrower fails to fulfill his repayment obligations.

Cost of Attendance (COA)

The total amount it will cost you to go to school—usually expressed as a yearly figure. It's determined using rules established by law. The COA includes tuition and fees; on-campus room and board (or a housing and food allowance for off-campus students); and allowances for books, supplies, transportation, loan fees, and, if applicable, dependent care. It also includes miscellaneous and personal expenses, including an allowance for the rental or purchase of a personal computer. Costs related to a disability are also covered. The COA includes reasonable costs for eligible study-abroad programs as well. For students attending less than half-time, the COA includes tuition and fees and an allowance for books, supplies, transportation and dependent care expenses; and can also include room and board for up to three semesters, or the equivalent, at the institution. But no more than two of those semesters, or the equivalent, may be consecutive. Talk to the financial aid administrator at the school you're planning to attend if you have any unusual expenses that might affect your cost of attendance.

Credit (financial)

A summary of a person's financial strength, including his or her history of paying bills and ability to repay future loans. Students are often turned down for private loans because they have not established a credit history and have no income with which to repay debts. People who pay their bills after the due date, have defaulted on debts, or declared bankruptcy are usually judged to have poor credit. Several private companies gather consumers' financial information to create reports used by businesses and lenders to determine how much to lend and how much interest to charge each consumer. Federal law requires credit rating agencies to provide consumers with one free report on their credit each year.

Credit Bureau

Organization that tracks and reports the manner in which borrowers repay their loans (not only student loans).

Default

Failure to repay a loan according to the terms of the promissory note. There can be serious legal consequences for student-loan defaulters.

Deferment

A postponement of payment on a loan that is allowed under certain conditions and during which interest does not accrue for subsidized loans.

Delinquent

Delinquency status indicates that borrowers' accounts have become past due on payment. This occurs when borrowers' loan payments are not received by the due dates. Accounts remain delinquent until borrowers bring their accounts current with payments, deferments, or forbearances. If borrowers' accounts have become delinquent and the borrowers are unable to make payments, deferments or forbearances should be considered.

Dependent Student

A student who does not meet any of the criteria for an independent student. An independent student is at least 24 years old, married, a graduate or professional student, a veteran, a member of the armed forces, an orphan, a ward of the court, or someone with legal dependents other than a spouse. Please see the fact sheet "Am I Dependent or Independent?" at **www.studentaid.ed.gov/pubs** for more detailed information.

Direct Consolidation Loans

A federal program that allows you to combine one or more federal student loans into one new Direct Consolidation Loan. Only one monthly payment is made to the U.S. Department of Education. In certain circumstances, students who have loans under the Federal Family Education Loan Program (FFEL) may consolidate them into Direct Loans.

Direct PLUS Loans

Direct PLUS Loans are unsubsidized loans available to parents of dependent students, and to students enrolled in graduate or professional programs. These loans are available regardless of financial need and the amount of eligibility depends on the total cost of education.

Direct Subsidized Loan

Also referred to as Federal Direct Stafford Loan. A loan from the U.S. Department of Education made on the basis of the student's financial need and other specific eligibility requirements. The federal government does not charge interest on these loans while borrowers are enrolled at least half-time, during a six-month grace period, or during authorized periods of deferment

Direct Unsubsidized Loan

Also referred to as Federal Direct Unsubsidized Stafford Loan. A federally financed student loan made to students meeting specific eligibility requirements. Interest is charged throughout the life of the loan. The borrower may choose to pay the interest charged on the loan or allow the interest to be capitalized (added to the loan principal) when the loan enters repayment.

Disbursement

Payment of loan proceeds by the lender. During consolidation, this term refers to sending payoffs to the loan holders of the underlying loans being consolidated.

Discharge (Cancellation)

The release of borrowers from their obligations to repay all or part of their Direct Loans. Direct Loans are discharged if a borrower dies, becomes totally and permanently disabled, was a victim of identity theft, or did not receive a refund owed to them. Borrowers might also be eligible for a discharge if they are unable to complete their program of study because the school closed while they were still attending or the school falsely certified the borrower's eligibility to receive a loan. In certain cases, a borrower's loan may be discharged in bankruptcy.

Borrowers can have their federal student loans discharged (i.e., forgiven, canceled, or repaid) if the student dies or becomes permanently disabled, or if they work in one of many in-demand fields such as teaching or healthcare.

Discounts—Electronic Debit Account (EDA)

If you repay your loans through the EDA repayment option, you could receive a quarter point (.25 percent) discount on your interest while in repayment.

Due Date (Payment Due Date)

The date during the month when payment of your current due amount must be received. If you have any past due amounts or fees or outstanding charges, these are due immediately.

Monthly payments must be received by the payment due date. Therefore, if you do not have your payments debited electronically from a bank account, you may want to mail your payments well in advance to ensure they arrive and are applied to your account(s) by the due date.

Electronic Debiting

Electronic Debiting is a service that allows your bank to automatically deduct your monthly Direct Loan payments from your checking or savings account. Your payment will be forwarded to the Direct Loan Servicing Center for processing. Payments may be deducted only from the borrower's bank account.

Entrance Counseling

Entrance counseling is an information session which takes place before the loan is disbursed and is required for first-time borrowers. The session explains your responsibilities and rights as a student borrower.

Exit Counseling

You will receive a notice about exit counseling when you graduate or attend school less than half-time. At this session, you'll be given information on your loans and when repayment begins.

Expected Family Contribution (EFC)

Your EFC is the number that's used to determine your eligibility for federal student financial aid. This number results from the financial information you provided in your *Free Application for Federal Student Aid* (FAFSA) application. Your EFC is reported to you on your Student Aid Report or SAR.

FAFSA4caster

An online tool designed to help students and families financially plan for college, you can get an early estimate of your federal student aid eligibility by using *FAFSA4caster*.

Federal Family Education Loan Program (FFEL Program)

A federal program that provides loans to eligible student and parent borrowers. The program consists of Federal Subsidized and Unsubsidized Stafford Loans, Federal PLUS Loans, and Federal Subsidized and Unsubsidized Consolidation Loans. Funds are provided by private lenders such as banks, credit unions, and other private financial institutions. The loans are backed by the federal government.

Forbearance

A period during which your monthly loan payments are temporarily suspended or reduced. You may qualify for a forbearance if you are willing but unable to make loan payments due to certain types of financial hardships.

A complete list of Direct Loan forbearances and their eligibility criteria can be seen at **www.dlservicer.ed.gov**.

Forgiveness (loans):

For Child Care Providers

If you receive a degree in the field of early childhood education, become a childcare provider in a facility that serves a low-income community, and meet other eligibility requirements, you may be eligible to have up to 100 percent of your combined Direct Loan or FFEL debt canceled. However, this type of loan forgiveness depends upon the availability of federal funds. If no funds are available, you will not be able to receive this type of forgiveness.

For Teachers

The Teacher Loan Forgiveness Program was instituted by the U.S. Department of Education to encourage individuals to enter and remain in the teaching profession.

The program grants loan forgiveness of up to $17,500 for teachers in certain specialties and up to $5,000 for other teachers, who teach for five years in certain low-income schools and meet other requirements. This forgiveness benefit is available to Direct Loan and Federal Family Education Loan (FFEL) program borrowers who did not have an outstanding balance on a Direct Loan or FFEL Program loan on Oct. 1, 1998, or on the date they obtained a Direct Loan or FFEL program loan after Oct. 1, 1998.

For Public Service Employees

There is a new loan forgiveness program for public service employees. Under this program, the amount forgiven is the remaining outstanding balance of principal and accrued interest on an eligible Direct Loan for a borrower who is not in default and who makes 120 monthly payments on the loan after Oct. 1, 2007. The borrower must be employed full-time in a public service job during the same period in which the qualifying payments are made and at the time that the cancellation is granted.

Free Application for Federal Student Aid (FAFSA)

The FAFSA or *FAFSA on the Web*, the online version, is the FREE application used to apply for federal student aid.

Grace Period

After borrowers graduate, leave school, or drop below half-time enrollment, loans that were made for that period of study have several months before payments are due. This period is called the "grace period."

Grace periods extend from 6 to 12 months after borrowers leave school:

- Most FFEL and Direct Loans have six-month grace periods.
- Perkins Loans have grace periods of either six or nine months, depending on when the loan was first disbursed.
- Some health professions (loans administered by the U.S. Department of Health and Human Services that are included in consolidation loans by the U.S. Department of Education) have grace periods of 9–12 months.

During the grace period, no interest accrues on subsidized loans. Interest accrues on unsubsidized loans during grace periods, and this interest is capitalized when borrowers' loans enter repayment.

Borrowers' repayment periods begin the day after their loans' grace periods end. First payments will be due within 60 days after the repayment periods begin.

Each loan has only one grace period. If borrowers return to school after the grace periods has expired, the borrowers' loans qualify for deferment while borrowers are enrolled but return to repayment after borrowers leave school. There is no additional grace period.

Guaranty Agency

The guaranty agency is an organization that administers the FFEL Program in your state. This agency is an excellent source of information on FFEL Loans. For the name, address and telephone number of the agency serving your state, you can contact the Federal Student Aid Information Center at **1-800-4-FED-AID (1-800-433-3243)**.

Half-time

At schools measuring progress in credit hours and semesters, trimesters, or quarters, "half-time" is at least six semester hours or quarter hours per term for an undergraduate program. At schools measuring progress by credit hours but not using semesters, trimesters or quarters, "half-time" is at least 12 semester hours or 18 quarter hours per year. At schools measuring progress by clock hours, "half-time" is at least 12 hours per week. Note that schools may choose to set higher minimums than these. You must be attending school at least half-time to be eligible for a Stafford Loan. Half-time enrollment is not a requirement to receive aid from the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work-Study and Federal Perkins Loan programs.

Independent Student

An independent student is at least 24 years old, married, a graduate or professional student, a veteran, a member of the armed forces, an orphan, a ward of the court, or someone with legal dependents other than a spouse. Please see the fact sheet "Am I Dependent or Independent?" at **www.studentaid.ed.gov/pubs** for more detailed information.

Interest

A loan expense charged by the lender and paid by the borrower for the use of borrowed money. The expense is calculated as a percentage of the unpaid principal amount (loan amount), which includes the original amount borrowed and any capitalized interest. Accrued interest is interest that *accumulates* on the unpaid principal balance of the loan.

Interest Paid

Interest is calculated and accumulates daily based on an interest rate charged on your loans. The Interest Paid amount is the total amount of interest you would be expected to pay for a particular loan(s).

Interest Rate

The current rate at which interest is calculated on your loan(s).

Lender

The organization that made the loan initially; the lender could be the borrower's school (for Federal Perkins Loans); a bank, credit union, or other lending institution (for FFELs); or the U.S. Department of Education (for Direct Loans).

Loan

Money borrowed from a lending institution or the U.S. Department of Education that must be repaid.

Loan Fee

A fee payable by the borrower that is deducted proportionately from each loan disbursement.

Loan Holder

An entity that holds a loan promissory note and has the right to collect from the borrower. Many banks sell loans, so the initial lender and the current holder could be different.

Loan Principal

The total sum of money borrowed. Loan principal includes the original amount borrowed plus any interest that has been capitalized.

Loan Servicer

An organization that administers and collects education loans payments on behalf of the lender.

Loan Type

The kind of Federal Loan program name by which you obtained your student loans. For example your loan type will say "Stafford Subsidized" if your loan was a Subsidized loan obtained through the FFEL or Direct Loan Programs (Stafford Loans).

NSLDS

The National Student Loan Data System (NSLDS) is a centralized database that stores information on all Department loans and grants. NSLDS also contains borrowers' school enrollment information. Borrowers can access this information online using their Department of Education PIN. Web site: **www.nslds.ed.gov**.

Parent Borrower

Parents that have at least one PLUS Loan to finance their dependent child's education.

Past Due

The amount that you were scheduled to pay in previous month(s) but did not. The past due amount is also called the delinquent amount. Your account is considered "delinquent" if you have missed any monthly payments. Past Due amounts are due immediately.

Payment Due Date

The date during the month when payment of your current due amount must be received. If you have any past due amounts or fees and charges outstanding, these are due immediately. Monthly payments must be received by the payment due date. Therefore, if you do not have your payments debited electronically from a bank account, you may want to mail your payments well in advance to ensure they arrive and are applied to your account(s) by the due date.

Perkins Loans

Formerly known as National Defense Student Loan, National Direct Student Loan. Federal Perkins Loans are low-interest (5 percent) loans for both undergraduate and graduate students with exceptional financial need. Your school is your lender. The loans are made with government funds with a share contributed by the school. You must repay these loans to your school.

PIN (Federal Student Aid PIN)

Your PIN serves as your identifier to allow access to personal information in various U.S. Department of Education systems.

Your PIN also acts as your digital signature with some online forms. Use your PIN to electronically sign your online Consolidation Loan application and Promissory Note and deferment, or forbearance forms.

If you do not already have a PIN, you can request one online at **www.pin.ed.gov**. The PIN you will receive will be your universal U.S. Department of Education PIN.

Preferred Lender List

A list of lenders that a college suggests its students consider when taking out federally guaranteed student loans. Students who receive a "preferred lender" list from a school should remember that those lists are not legally binding. Borrowers can choose from any federally approved lender and may often find a better deal outside of the list.

Prepayment

A prepayment is an amount in excess of the amount due on a loan. If borrowers have more than one federal student loan, they must specify which loan they are prepaying. Like all other federal student loan payments, a prepayment will first be applied to any outstanding fees and charges, next to outstanding interest, and then to the principal balance of the loan(s). There is never a penalty for prepaying principal or interest on federal student loans.

Promissory Note

A promissory note is a binding legal document you sign when you get a student loan. It contains the loan terms and conditions under which you're borrowing and the terms under which you agree to pay back the loan. It will include deferment and cancellation provisions available to the borrower. It's very important to read and save this document because you'll need to refer to it later when you begin repaying your loan or at other times when you need information about provisions of the loan, such as deferments or forbearances.

Rebate

The amount of the up-front interest rebate given to borrowers. You usually must make all of your first 12 required monthly payments on time or the rebate amount will be added back to the principal balance on their loans. Check with your lender.

Refund

The total amount of funds returned to the loan program as unused for the student's education expenses.

Rehabilitation

The process of bringing a loan out of default and removing the default notation on a borrower's credit report. To rehabilitate a Direct or a FFEL Loan, you must make at least 9 full payments of an agreed amount within 20 days of their monthly due dates over a 10 month period to the U.S. Department of Education. To rehabilitate a Perkins Loan, you must make 12, on-time, monthly payments of an agreed amount to the Department. Rehabilitation terms and conditions vary for other loan types and can be obtained directly from loan holders.

Repayment Incentive

A benefit that the U.S. Department of Education offers borrowers to encourage them to repay their loans on time. Under a repayment incentive program, the interest rate charged on borrowers' loans might be reduced. Some repayment incentives programs require borrowers to make a certain number of payments on time to keep the benefits of the repayment incentive.

Repayment Plan

Changing repayment plans is a good way to manage your loan debt when your financial circumstances change. For example, you can usually lower your monthly payment by changing to another repayment plan with a longer term to repay the loan. There are no penalties for changing repayment plans.

Repayment Schedule

A statement provided by the loan servicer to the borrower that lists the amount borrowed, the amount of monthly payments, and the date payments are due.

Repayment Term

The number of months it will take to repay your federal student loans under a specific repayment plan.

Secondary Market

An organization that purchases student loans from originating lenders so these lenders can make additional student loans. If an organization buys the loans, that organization becomes the "loan holder." Only loans under the FFEL program are sold in the secondary market.

Servicer

An entity designated to track and collect a loan on behalf of a loan holder.

Simple Daily Interest

The method used to calculate interest on your student loans. To learn more about how interest is calculated see page 19.

Status

The present state of your Subsidized, Unsubsidized, PLUS, or Consolidation loan(s). An account will be either:

- in-School
- in-Military
- grace
- repayment-current
- repayment-delinquent
- deferment
- forbearance
- paid-in-full
- suspended
- default

Student Aid Report (SAR)

After you apply for federal student financial aid, you'll get your FAFSA results in an e-mail report within a few days after your FAFSA has been processed or by mail in a few weeks. This report is called a *Student Aid Report* or SAR. Your SAR details all the information you provided on your FAFSA. If there are no corrections or additional information you must provide, the SAR will contain your EFC, which is the number that's used to determine your eligibility for federal student aid. Whether you applied online or by paper, we will automatically send your data electronically to the schools you listed on your FAFSA.

Subsidized Loan

A loan for which a borrower is not responsible for the interest while in an in-school, grace, or deferment status.

Total Amount Repaid

The total amount you would be expected to pay over the life of the loan, including principal and interest.

Total Due

Total Due = Current Due amount + Past Due amount + Late Charges and Fees

Unsubsidized Loan

A loan for which the borrower is fully responsible for paying the interest regardless of the loan status. Interest on unsubsidized loans accrues from the date of disbursement and continues throughout the life of the loan.

Variable Interest

The rate of interest charged on a loan that changes annually and fluctuates with a stated index.

William D. Ford Federal Direct Loan Program (Direct Loan Program)

The federal program that provides loans to eligible student and parent borrowers. The loan programs include Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans. Funds are provided directly by the federal government to eligible borrowers through participating schools.

What types of federal student loans are there?

- **Federal Perkins Loans** are:
  - Made through participating schools to undergraduate, graduate and professional degree students.
  - Offered by participating schools to students who demonstrate financial need.
  - Made to students enrolled full-time or part-time.
  - Repaid by you to your school.
- **Stafford Loans** (**Direct or FFEL**) are for undergraduate, graduate and professional degree students. You must be enrolled as at least a half-time* student to be eligible for a Stafford Loan. There are two types of Stafford Loans: subsidized and unsubsidized made through these two U.S. Department of Education programs: Direct and FFEL (see next page regarding the distinction between these two programs). You must have financial need to receive a subsidized Stafford Loan.
  - *Subsidized Stafford Loan:* You are eligible for a subsidized Stafford Loan if you are in school at least half-time and have financial need. With a subsidized Stafford Loan, the federal government will pay the interest while you're enrolled at least half-time, during your grace period, and during deferment periods.
  - *Unsubsidized Stafford Loan:* Unsubsidized Stafford loans are for students who do not have financial need. With an unsubsidized Stafford Loan, you are responsible for paying the interest during all periods, starting from the date the loan is first disbursed.*
- **PLUS Loans** (**Direct or FFEL**) are loans parents can obtain to help pay the cost of education for their dependent undergraduate children. In addition, graduate and professional degree students may obtain PLUS Loans to help pay for their own education.
  - A biological or adoptive parent (and in some cases, a stepparent) who does not have an adverse credit history may receive a PLUS Loan to help pay for the educational costs of a dependent undergraduate student who is enrolled at least half-time in an eligible institution. The maximum PLUS Loan amount a parent can borrow is equal to the cost of attendance, as determined by the school, minus any other financial aid the student may be receiving.

(continues on next page)

(continued from page 39)

- If you are a graduate or professional student, you are eligible for a PLUS Loan if you do not have an adverse credit history and are enrolled at least half-time at an eligible institution. The maximum PLUS Loan amount you can borrow is equal to the cost of attendance, as determined by the school, minus any other financial aid you may be receiving, including any Stafford Loans you receive for the same period of enrollment.

- **PLUS Loans are unsubsidized**; the borrower is responsible for interest during the life of the loan. There is no grace period* on PLUS Loans.
- **Consolidation Loans (Direct or FFEL)** allow student or parent borrowers to combine multiple federal education loans into one loan with one monthly payment.

Stafford, PLUS and Consolidation Loans are made through one of two U.S. Department of Education programs—the Direct Loan Program or the FFEL Program.	
William D. Ford Federal Direct Loan (Direct Loan) Program. Loans made through this program are referred to as **Direct Loans**. Eligible students and parents borrow directly from the U.S. Department of Education at participating schools. Direct Loans include Direct Subsidized Loans and Direct Unsubsidized Loans, Direct PLUS Loans, and Direct Consolidation Loans. *You repay these loans directly to the federal government.*	**Federal Family Education Loan (FFEL) Program**. Loans made through this program are referred to as **FFEL Loans**. Banks or private lenders provide funds that are backed by the federal government. **FFEL Loans** include subsidized and unsubsidized FFEL Stafford Loans, FFEL PLUS Loans and FFEL Consolidation Loans. *You repay these loans to the bank or private lender that made you the loan.*

Note: Documents for federal student loans will state somewhere on the form that it is a *federal student loan*. Some private student loan lenders have forms that look similar to the federal forms and might confuse some students.

Sample *FAFSA4caster* Award Scenarios

Get an estimate of your federal student aid eligibility and compare costs at **www.FederalStudentAid.ed.gov**, click on *FAFSA4caster*.

START HERE GO FURTHER FEDERAL STUDENT AID

FAFSA4caster

Contact Us Live Help

Filling Out a FAFSA4caster

Sara's Estimated Federal Student Aid Eligibility

This is an estimate of your federal student aid eligibility based on national averages and your estimated EFC of 1549
Only your financial aid office can officially award you aid after you complete a *Free Application for Federal Student Aid* (FAFSA).

Estimate based on:

- Student attending a 4-year public college
- Student attending school full time and living on campus
- Student's grade level in college, which is never attended college/1st yr.

To receive an estimate for a different type of college, click here.

	In-state Resident	Out-of-state Resident
Average Cost of Attendance	$16,235	$24,091
Your Cost of Attendance includes:		
Tuition and Fees	$5,664	$13,520
Room and Board	$6,712	$6,712
Books	$1,066	$1,066
Other Expenses	$2,792	$2,792
Your college will try to cover your need through federal and state grants, scholarships, work-study, and loans. Below you will see a list of federal sources of aid for which you may qualify. Please note that these are estimates and not a guaranteed amount of aid. Not all schools participate in the federal student aid programs and there may be other qualifications you have to meet to receive these funds. Click on each type of aid listed to get more detailed information.		
Federal Pell Grante	$3,181	$3,181
Federal Stafford Loan *(Subsidized)*+	$3,500	$3,500
Federal Stafford Loan *(Unsubsidized)*+	$4,000	$4,000
+ Based on recent legislation, you may be eligible for an **Unsubsidized Federal Stafford Loan** amount not included in your estimate. Below you will see other sources of federal aid that you may receive. These amounts are based on the average award amount that other students have received.		
Federal Supplemental Educational Opportunity Grant (FSEOG)	$765	$765
Federal Work-Study	$1,455	$1,455
Federal Perkins Loan	$2,185	$2,185
Average Cost of Attendance	$16,235	$24,091
Total Estimated Aid Eligibility	$15,086	$15,086
Estimated Need	**$1,149**	**$9,005**

At *FAFSA4caster*:

- enter the required financial information,
- what type of school you would like to attend, and
- your housing plans

You can input various scenarios:

- Attending a 4-year public college
- Attending a 2-year public college
- Attending a 4-year private college
- Attending school full-time and living on campus
- Attending school full-time and living off campus

Then compare the outputs of various scenarios to determine which works best for your circumstances.

How much can I borrow?

Federal Student Loans for You

Loan Program	Eligibility	Award Amounts	Interest Rates	Lender/Length of Repayment
Federal Perkins Loans	Undergraduate and graduate students	Undergraduate—up to $5,500 a year (maximum of $27,500 as an undergraduate) Graduate—up to $8,000 a year (maximum of $60,000, including undergraduate loans) Amount actually received depends on financial need, amount of other aid, and availability of funds at school	5 percent	Lender is your school Repay your school or its agent Up to 10 years to repay, depending on amount owed
Direct Stafford Loans **Subsidized (financial need IS required)** **Unsubsidized (financial need is NOT required)**	Undergraduate and graduate students; must be enrolled at least half-time See next page.	**First Year (freshman)** $3,500 for dependent students (plus $2,000 in unsubsidized loans) $9,500 for independent students (no more than $3,500 can subsidized) **Second Year (sophomore)** $4,500 for dependent students (plus $2,000 in unsubsidized loans) $8,500 for independent students (no more than $4,500 can be subsidized) **Third Year (junior) and beyond** $5,500 for dependent students(plus $2,000 in unsubsidized loans) $12,500 for independent students (no more than $5,500 can be subsidized) **Graduate and Professional** $20,500 (no more than $8,500 can be subsidized) *Aggregate Loan Limits: Maximum Total Outstanding Loan Debt When You Graduate* **Undergraduate** $31,000 for dependent students (no more than $23,000 can be subsidized) $57,500 for independent students (no more than $23,000 can be subsidized) **Graduate and Professional** $138,000 (maximum $65,000 subsidized) **Certain Approved Health Professions** $224,000 The graduate debt limit includes Stafford Loans received for undergraduate study	Loans First Disbursed on or After July 1, 2006 —Fixed rate of 6.0 percent for subsidized loans made to undergraduate students —Fixed rate of 6.8 percent for unsubsidized loans made to undergraduate and graduate students. The federal government pays interest on subsidized loans during school and certain other periods The borrower pays all interest on unsubsidized loans	Lender is the U.S. Department of Education; repay the Department Between 10 and 25 years to repay, depending on amount owed and type of repayment plan selected

(continues on next page)

(continued from page 42)

Federal Student Loans for You				
Loan Program	**Eligibility**	**Award Amounts**	**Interest Rates**	**Lender/Length of Repayment**
FFEL Stafford Loans (subsidized and unsubsidized)	Same as above	Same as above	Same as above	Lender is a bank, credit union or other participating private lender Repay the loan holder or its agent Between 10 and 25 years to repay, depending on amount owed and type of repayment plan selected
Direct and FFEL PLUS Loans for Graduate and Professional Degree Students	Graduate and professional degree students enrolled at least half-time Must not have negative credit history	Student's Cost of Attendance – Other aid student receives = Maximum loan amount	Direct PLUS has a fixed rate of 7.9 percent FFEL PLUS has a fixed rate of 8.5 percent Borrower pays all interest	Same as for Direct and FFEL Stafford Loans above
Federal Student Loans for Your Parents				
Direct and FFEL PLUS Loans for parents	Parents of dependent undergraduate students enrolled at least half-time Parent must not have negative credit history	Student's Cost of Attendance – Other aid student receives = Maximum loan amount	Direct PLUS has a fixed rate of 7.9 percent FFEL PLUS has a fixed rate of 8.5 percent Borrower pays all interest	Same as for Direct and FFEL Stafford Loans above

Informed Borrowing: Selecting Loans and Selecting Lenders

Before you search for the best student loan out there, you need to take advantage of funds available through scholarships and grants offered by the government, charities, workplaces, professional organizations, etc.

After you have received all you can in scholarships and grants, your next option is a student loan.

Here are some things to remember:

- **Go with the federal student loan programs**. Federal programs such as Perkins and Stafford Loans for students and PLUS Loans for parents and graduate and professional degree students have fixed interest rates ranging from 5 to 8.5 percent. Private or alternative loans typically have interest rates that rise and fall with the economy. Private loans require credit reports; federal student loans don't (except for PLUS Loans).
- **Check the terms and fine print carefully**. Not all students can take advantage of all the benefits lenders advertise. Choose the loan that offers the best up-front discounts, such as waiving both origination and default fees, or other immediate discounts. Benefits that are promised several years down the road usually won't help you if you consolidate your loans or get into financial trouble.

There's an interactive repayment calculator at **www.studentaid.ed.gov/repaying**, click on "Paying Back Your Loan."

Borrower Rights and Responsibilities

Your Rights as a Borrower:

- Before you begin repayment, your loan holder is required to give you a repayment schedule and detailed information about interest rates, fees, the balance you owe and available repayment options.
- You have the right to defer repayment for certain defined periods, if you qualify.
- You have the right to request forbearance.
- You may prepay your loans in whole or in part at any time without penalty.

See page 26 for more information on deferment and forberance.

Your Responsibilities as a Borrower:

- Your primary responsibility is to repay your loans according to the terms and conditions of your loan agreement.
- You must attend entrance counseling before receiving loan funds and exit counseling before leaving school.
- You must make payments on time, or make other arrangements with your lender or loan holder.
- You must notify your lender if you change your name, address, phone number, or enrollment status.
- You must notify your lender if you're unable to make payments.

If You Need to Take a Break or Can't Go to School Full-Time

If your enrollment status changes, there are a few steps that you, as a borrower, must take care of.

If you / Steps to take	Withdraw from school	Drop your enrollment to less than half-time	Return to school at least half-time after a period of less than half-time enrollment or non-enrollment	Transfer to another school	Graduate	Go to graduate school
Contact your financial aid office	X	X				
Complete exit counseling	X	X			X	
Notify your lender	X	X				
Begin loan repayment after your grace period	X	X			X	
Apply for financial aid by completing the FAFSA			X	X		X
Request from your lender an in-school deferment			X	X		X

Worksheet to Calculate Your Budget When You Graduate

Your actual expenses depend on the area you live in, housing arrangements, and other expenses.

Monthly Net Income (work and other income)	Monthly Expenses	Your Budget
$	Rent/mortgage	
	Student loan payments	
	Car payments and insurance	
	Other debts (including credit card debt)	
	Utility bills (gas, electric, water, telephone, cable)	
	Groceries	
	Medical insurance (doctor visits, dentist, etc.)	
	Clothing	
	Entertainment and recreation (dining out, movies, music, vacation trips)	
	Miscellaneous/savings	
	Total	

Perkins Loan Discharge and Cancellation Summary Chart

Cancellation Conditions[a]	Amount Forgiven
Bankruptcy (in rare cases—cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship)	100 percent
Closed school (before student could complete program of study)—applies to loans received on or after Jan. 1, 1986	100 percent
Borrower's total and permanent disability[b] or death	100 percent
Full-time teacher in a designated elementary or secondary school serving students from low-income families[c]	Up to 100 percent
Full-time special education teacher (includes teaching children with disabilities in a public or other nonprofit elementary or secondary school)[c]	Up to 100 percent
Full-time qualified professional provider of early intervention services for the disabled	Up to 100 percent
Full-time teacher of math, science, foreign languages, bilingual education, or other fields designated as teacher shortage areas	Up to 100 percent
Full-time employee of a public or nonprofit child- or family-services agency providing services to high-risk children and their families from low-income communities	Up to 100 percent
Full-time nurse or medical technician	Up to 100 percent
Full-time law enforcement or corrections officer	Up to 100 percent
Full-time staff member in the education component of a Head Start Program	Up to 100 percent
VISTA or Peace Corps volunteer	Up to 70 percent
Service in the U.S. Armed Forces	Up to 50 percent in areas of hostilities or imminent danger

[a] *As of Oct. 7, 1998, all Perkins Loan borrowers are eligible for all cancellation benefits regardless of when the loan was made or the terms of the borrower's promissory note. However, this benefit is not retroactive to services performed before Oct. 7, 1998.*

[b] *Total and permanent disability is defined as the inability to work and earn money because of an illness or injury that is expected to continue indefinitely or result in death. Your loan may be discharged if you are determined to be totally and permanently disabled based on a physician's certification, and if you meet certain other requirements during a three-year conditional discharge period.*

[c] *Detailed information on teaching service cancellation/deferment options can be found at* **www.FederalStudentAid.ed.gov**. *At the site, click on "Students, Parents and Counselors."*

Stafford and PLUS Loan Discharge and Cancellation Summary Chart

Discharge/ Forgiveness Condition	Amount Discharged/ Forgiven	Notes
Borrower's total and permanent disability or death.+	100 percent	For a PLUS Loan, circumstances include the death, but not disability, of the student for whom the parents borrowed.
Full-time teacher for five consecutive years in a designated elementary or secondary school serving students from low-income families. Must meet additional eligibility requirements.	Up to \$5,000 (up to \$17,500 for teachers in certain specialties) of the total loan amount outstanding after completion of the fifth year of teaching. Under the Direct and FFEL Consolidation Loan programs, only the portion of the consolidation loan used to repay eligible Direct Loans or FFEL Loans qualifies for loan forgiveness.	For Direct and FFEL Stafford Loan borrowers with no outstanding balance on a Direct or FFEL Loan as of Oct. 1, 1998, or on or after the date they received a loan. PLUS Loans are not eligible. At least one of the five consecutive years of teaching must occur after the 1997–98 academic year. To find out whether your school is considered a low-income school, go to: **www.FederalStudentAid.ed.gov**. Click on "Students, Parents and Counselors." Or call **1-800-4-FED-AID** (**1-800-433-3243**).
Bankruptcy (in rare cases)	100 percent	Cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship.
Closed school (before student could complete program of study) or false loan certification.	100 percent	For loans received on or after Jan. 1, 1986.
False loan certification now includes identity theft.	100 percent	
School does not make required return of loan funds to the lender.	Up to the amount that the school was required to return.	For loans received on or after Jan. 1, 1986.
Loan forgiveness for public service employees.	100 percent of the remaining outstanding balance on an eligible Direct Loan.	For a borrower not in default and who makes 120 monthly payments on the loan after Oct. 1, 2007.

+Total and permanent disability is defined as the inability to work and earn money because of an illness or injury that is expected to continue indefinitely or result in death. Your loan may be discharged if you are determined to be totally and permanently disabled based on a physician's certification, and if you meet certain other requirements during a three-year conditional discharge period.

NOTES

Don’t Default

You’ve made a commitment to yourself and your future. Be a responsible borrower, loan default has serious consequences:

- Your entire loan balance (principal and interest) will be due in full immediately.
- Your college records may be placed on hold.
- You’ll lose your student loan deferment options.
- You won’t be eligible for additional federal student aid.
- Your account may be turned over to a collection agency and you’ll have to pay additional charges, late fees and collection costs, all of which become part of your debt.
- Your credit rating will be damaged for several years because defaulted loans are reported to national credit bureaus.
- You’ll have difficulty qualifying for credit cards, a car loan, a mortgage, or renting an apartment (credit checks are required to rent an apartment).
- Your federal and state income tax refunds can be withheld and applied to student loan debt. This is called a tax offset.
- You may have a portion of your wages garnished (withheld).
- You may not be able to obtain a professional license or get hired by an employer that performs credit checks.

Remember

- Student loans have become a fact of life.
- Make a budget and stick with it. Be careful with credit card spending.
- Borrow only what you need.
- If you don’t understand something, call your lender or your financial aid office.
- Keep all student loan documents in a file.
- Open all your mail and read everything pertaining to your student loans.
- Keep in contact with your lender or servicer.
- Make all regularly scheduled payments.
- Ask your lender for help if you have difficulty making payments. There are options for you.
- Borrowing is an investment in your future.

START HERE
GO FURTHER
FEDERAL STUDENT AID®