

# Repaying your federal student loans

Many borrowers don't worry about their student loans until they graduate or leave school. But you should immediately notify your loan servicer and school in writing if you:

- Change your address or phone number. (Filing an address change with the post office isn't enough.)
- Change your name.
- Transfer to a new school.
- Drop below half-time enrollment, withdraw or graduate.
- Change your anticipated graduation date.

You should check with your loan servicer about your repayment, deferment, forbearance, cancellation and consolidation options.

## Things to know about repayment

The federal government offers several repayment plans. Your options depend on whether your federal loans came directly from the U.S. Department of Education (Direct Loans) or from a state agency or bank (FFELP loans). Your monthly payment and how long it takes you to repay your loans depends on the plan you choose.

### Standard Repayment

- You pay a fixed amount each month.
- Your payment amount will change each year if you have a variable interest rate on your loan.
- You must pay at least \$50 per month.
- You have up to 10 years to repay your loans.
- Your monthly payment may be higher than under other plans.

### Extended Repayment

- You can't owe on a federal student loan taken out before October 7, 1998.
- You must owe more than \$30,000 in federal student loans.
- Your payments are fixed or graduated.
- You have up to 25 years to repay your loans.

### Graduated Repayment

- Payments start small and increase over time.
- No installment can be more than three times greater than any other installment.

### Pay As You Earn (Direct Loans only)

- Your payment is based on your discretionary income (the difference between your adjusted gross income and 150% of the poverty guideline for your family size and state of residence).
- Loans must have been made after September 30, 2007, and you must have received a loan disbursement after September 30, 2011.
- Your loan repayment term is 20 years.

Parent Direct PLUS Loans are not eligible for Pay As You Earn.



### Revised Pay As You Earn (Direct Loans only)

- Your monthly payment is 10% of your discretionary income.
  - Your loan repayment term is 20 or 25 years.
- Parent PLUS Loans are not eligible for Revised Pay As You Earn.

### Income-Sensitive Repayment (FFELP loans only)

- Your payment amount is based on your expected total gross monthly income.
- You must provide income information each year.

### Income-Based Repayment (IBR)

- Your monthly payment is capped based on your income and family size and must be less than the monthly standard repayment amount.
- Your repayment period is up to 20 years if you have no student loans taken out before July 1, 2014. If you do, you have up to 25 years to repay your loans.

Parent PLUS or Consolidation Loans that repaid a parent PLUS Loan are not eligible for IBR. The U.S. Department of Education provides an [IBR Fact Sheet](#) in PDF format.

### Income-Contingent Repayment (ICR) (Direct Loans only)

- Your monthly payment is based on your family size, adjusted gross income and total borrowed.
- Your monthly payment is the lesser of (1) the amount you would pay if you repaid the loan in 12 years, multiplied by a percentage based on your annual income or (2) 20% of your monthly discretionary income.

- The unpaid interest will be capitalized once a year (no more than 10% of the total you owed when you entered repayment).
- You have up to 25 years to repay your loans. Parent Direct PLUS Loans are not eligible for ICR.

### Deferments

A deferment lets you temporarily postpone payment. Interest may not accrue during a deferment if the loan is subsidized.

You may qualify for a deferment while you are:

- Enrolled at least half time in an eligible postsecondary school or studying full time in a graduate fellowship program or an approved disability rehabilitation program.
- Unemployed or meet the rules for economic hardship (limited to three years).

You may be eligible for a deferment based on service in the Armed Forces or National Guard. Refer to your MPN or contact your servicer for more information about a deferment based on military service.

In most cases, you must request a deferment and document your eligibility.

If you've gone back to school and your servicer receives enrollment information that shows you're enrolled at least half time, it should automatically put your loans into deferment and notify you. You can cancel the deferment and continue to make payments.

### Forbearances

If you can't make your payments but don't qualify for a deferment, you may be eligible for a forbearance. Forbearance lets you temporarily stop making payments on your loan, temporarily make smaller payments or extend the time for making payments. Some common forbearances include illness, financial hardship or serving in a medical or dental internship or residency.

Under certain circumstances, your servicer can automatically grant you a forbearance — for instance, while processing a deferment, forbearance, cancellation, change in repayment plan or consolidation, or if you are mobilized for active duty or a local or national emergency.

### Loan cancellation

Under certain circumstances, all or part of your federal student loans may be cancelled.

### Teacher service

If you teach full-time in an elementary or secondary school in a low-income area for five consecutive years, you may qualify to have up to \$17,500 in federal student loans forgiven. This does not apply to Federal PLUS Loans. For more information, contact your servicer.



### Public service (Direct Loans only)

If you work in certain public service jobs and made 120 full, on-time payments on your Direct Loans after October 1, 2007, the remaining balance may be forgiven. Only payments made under certain repayment plans count toward the required 120 payments. You must not be in default on the loans that are forgiven. **You may have to pay taxes on the amount that is forgiven.**

### School-related discharges

You may be able to have all or a part of your loan cancelled if:

- Your school closed before you completed your program.
- Your school falsely certified you were eligible for a loan.
- Your loan was falsely certified because of identity theft (additional requirements apply).
- You withdrew from school, but the school didn't pay a refund it owed under its written policy or federal regulations. Check with the school to see how refund policies apply to federal aid.

### Disability, bankruptcy or death

Your loan may be discharged if you're totally and permanently disabled and you meet certain requirements during a three-year conditional discharge period. You must provide a physician's statement that you became totally and permanently disabled after the loan was made.

Your loan may be cancelled in bankruptcy if you can prove to the court that repaying the loan would cause undue hardship. **Few student loans are discharged in bankruptcy.**

If you die, your loan will be cancelled if a family member or other representative provides an original, a copy of the original or a certified copy of your death certificate to your servicer.

### Loan Consolidation

Consolidation generally extends the repayment period, resulting in a lower monthly payment. This may make it easier for you to repay your loans. However, you'll pay more interest since you'll be making payments for a longer period of time. Contact the Direct Loan Consolidation Center for more information at 1.800.557.7392, TTY for the hearing-impaired at 1.800.557.7395.

Amount Consolidated	Maximum Repayment Term
Up to \$7,499	10 years
\$7,500–9,999	12 years
\$10,000–19,999	15 years
\$20,000–39,999	20 years
\$40,000–59,999	25 years
\$60,000 or more	30 years

### Protecting your credit score

Student loans are reported to national consumer reporting agencies every month. To maintain a healthy credit score:

- Make loan payments on time.
- Maintain accurate payment records.
- Keep important documents, such as promissory notes and disclosure statements.
- Respond immediately to any errors on billing statements or disclosures.
- Keep your contact information up to date.

### Loan default

If you default on a loan, it will be assigned for collection. Any or all of the following may occur:

- The full balance of the loan becomes due immediately.
- A collection fee of 24.34% is added to the account.
- The default is reported to consumer reporting agencies.
- Requests for future federal student aid may be denied.
- You lose forbearance and deferment eligibility.
- Your income tax refunds or other monies owed to you may be taken.
- Your wages may be garnished.
- A lien may be placed on your property and financial accounts.
- Loans may be reassigned to the Department of Education for further collection activity.