Student Loans

Federal Perkins Loan • Campus based federal loan (not all colleges offer this loan). • Interest rate fixed at 5%. • Grace period – 9 months after borrower leaves school or drops to less than half-time classes. • Repayment - level monthly payments for 10 years • Most colleges outsource billing and collections to a third party. If you are not sure who to contact about your Perkins loan, contact the financial aid office at the college you attended when you borrowed your Perkins loan.

Federal Stafford Loan • Available at almost all colleges and universities. • Borrower may have received their Stafford Loans from a bank, private company or the federal government. • Borrower's Stafford loans may have been sold to another lender, loan servicing company or the federal government. • Grace period – 6 months after borrower leaves school or drops to less than half-time classes.

Stafford Loan Interest Rates • Interest rates on Stafford loans disbursed after July 1, 2006 are fixed. • Interest rates on Stafford loans disbursed between July 1, 1998 and June 30, 2006 are variable and will be adjusted annually on July 1.

Subsidized and Unsubsidized Stafford Loans • Subsidized Stafford Loan – the federal government pays all accruing interest during deferment periods. • Unsubsidized Stafford Loan – the federal government does not pay accruing interest during deferment periods. When the borrower begins repayment, all accrued interest will be capitalized and added into the principal amount of the loan. • Some borrowers may have only subsidized Stafford, or only unsubsidized Stafford. Most Stafford loan borrowers have a combination of both.

Federal Parent PLUS Loans • Parent loan for undergraduate students. • Fixed interest rate for all loans disbursed on or after July 1, 2006. • No deferment entitlement with PLUS, but most lenders will offer parents a forbearance option to delay payments while their son or daughter is enrolled at least half-time, and for 6 months after the student leaves school. • Interest will accrue and can be paid quarterly or capitalized.

Federal Graduate PLUS Loans • Available to students enrolled at least half-time in graduate school. • Same terms as Parent PLUS loan. • Interest is a fixed rate. (Program did not exist when rates were variable.)

Loan Consolidation • Student borrowers may consolidate Federal Perkins, Stafford and Grad PLUS loans into a single consolidation loan. • Interest rate is the weighted average of all loans being consolidated rounded up to the nearest 1/8% and no interest cap on federal loans • Borrowers must be in grace period or repayment to consolidate. • Borrowers who have consolidated once and then borrowed more federal student loans may consolidate one more time. • Due to current economic conditions, few banks or private lenders are offering consolidation. A borrower can always consolidate with the federal government's Direct Loan program.

Repayment • Standard o Level monthly payments for 10 years (120 months). • Extended o Level monthly payments for up to 25 years (300 months). o Available to borrowers with loan balances exceeding $30,000. • Graduated o Lower monthly payments (as low as interest only) for the first 2-4 years. o Payments then increase to cover the loan balance over the remaining term of the loan. • Income Sensitive o Payment based on a percentage of gross income (4% - 25%). o Monthly payment amount must be at least enough to cover the accrued interest for each month. o Borrower must apply for this payment plan annually. • Income Based Repayment o Borrower must demonstrate financial hardship. o Based on a percentage of discretionary income and household size. Repayment can extend up to 25 years. o Borrower may be eligible to have loan balances forgiven after 25 years.

Deferment and Forbearance • Deferment is the postponement of Stafford, Grad PLUS or Perkins loan payments under various circumstances including in school (at least halftime), internship, unemployment, economic hardship, military deployment and national service. • If borrower is eligible based on the above circumstances, the deferment is an entitlement. Borrower should contact lender to request a deferment. • During any deferment period, accruing interest will be paid for Perkins Loans and subsidized Stafford loans. Interest will accrue for unsubsidized Stafford loans and can be paid quarterly or capitalized. • Forbearance is the temporary suspension of student loan payments. Unlike a deferment, it is not an entitlement. However, lenders will usually grant deferment for legitimate economic reasons (unemployment of other financial issues). • Interest will accrue during a forbearance and all accrued interest will be added to the principal amount. • Contact the lender or loan servicing company to request a deferment.

Loan Cancellation or Discharge • In most cases, Perkins, Stafford, PLUS and Grad PLUS loans cannot be discharged in bankruptcy. The exception would be if the borrower can prove undue hardship. This must be a ruling from a judge. • Loans may be cancelled or discharged in some circumstances such as death of the borrower, total and permanent disability of the borrower, if the loan was falsely certified or if the school the borrower is attending closed before the student borrower completes his/her education. • Information

regarding loan discharge or cancelation exceptions can be found at the following web site: http://www.ed.gov/offices/OSFAP/DCS/loan.cancellation.discharge.html

Loan Forgiveness • A borrower's loan may be forgiven under certain circumstances that may include military service, public service, or teaching or practicing medicine in underserved communities. • Further information on loan forgiveness can be found at the following site: http://www.finaid.org/loans/forgiveness.phtml

Private or Alternative Loan • Private student loans are consumer loans designed for students. • Private loans are not backed or subsidized by the federal government. They are not subjected to the same entitlements as federal student loans. • Most private loans are deferred while the borrower is in school. However, unlike federal student loans, it is not an entitlement. If a borrower in repayment decides to return to school, they should check with their lender to see if they can be granted a deferment or forbearance. • Interest rates and loan terms vary from lender-to-lender. They are not regulated by the federal government. • Private student loans usually have higher interest rates than federal student loans. If a borrower with both federal and private loans has the resources to pay off their debt early, it is generally advisable to pay off the private loans first. • Like federal student loans, private student loans cannot be discharged in bankruptcy unless the borrower can prove undue hardship.

National Student Loan Data System (NSLDS) • A borrower's student loan data is housed at this site. • Only federal student loans (Stafford, Perkins, PLUS, Grad PLUS) will be on this site. Private loans are not on NSLDS. • The site will include all federal student loans for a borrower for all institutions he/she attended. • A borrower may access his/her student loan data at the following site: https://studentaid.gov/• A borrower should use his/her FSA ID to log on. For questions, call 1-800-4-FED-AID. • NSLDS also includes repayment calculators. Borrowers can calculate their approximate payments for all of the various payment plans (Standard, Graduated, Extended, Income Sensitive, Income Based).

Student Loan Ombudsman • Federal student loan borrowers that are involved in a dispute regarding their student loans can contact the Federal Student Loan Ombudsman for assistance. • Contact information: http://www.ombudsman.ed.gov/ or call 1-877-557-2575.