

Federal Student Loan Repayment

The Road to Zero

-  Know your financial goals.
-  Know what you owe.
-  Know what time it is.
-  Know your options.
-  Select your plan.
-  Manage your payments.

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The information in this book is accurate as of April 2016. Repayment plans and their requirements can change. Always check with your servicer to confirm current plan rules and requirements.



Know your financial goals.

Knowing your financial goals is the first step on **the road to zero** — the path you'll take to pay down your student loans to a zero balance. Like any decision, your plan to pay should be based on the long-term goals you have for your money and your future.

Consider:

- *Your desired career and anticipated salary*
- *Your desired lifestyle, and even*
- *Retirement planning*

... and your financial situation, including:

- *Immediate expenses you expect to incur, and*
- *Other debt you're paying off*

... when deciding if your goal is to:

- *Minimize monthly payments to maximize available cash*
- *Aggressively repay to minimize total interest paid*
- *Qualify for Public Service Loan Forgiveness, or to*
- *Make things easier by having only one servicer*

Your current situation, your future aspirations and your financial goals are what should together determine your **repayment strategy**.

Know what you owe.

Visit the **National Student Loan Data System** for a list of all your federal loans — including loan type, loan amount and loan servicer information.

nslds.ed.gov or 1-800-4FED-AID

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Know your options.

There's more than one way to repay.

When it comes to repaying your federal student loan(s), you have options. Unlike a traditional consumer loan (such as a car loan or a mortgage), student loans allow you to **choose the repayment plan that's the best fit for you.**

Choosing the right repayment plan can have a long-term effect on your financial situation, and it's worth taking the time to compare plans. There's not one right answer, but there's likely a right answer for you.

You have options in two major categories:

Repayment plans

and **Income-Driven Repayment plans.**



negative amortization

When payments on a loan are less than the interest that accrues. When this happens, the remaining amount of interest owed is added to the loan's principal.

Federal Repayment Plans

On these plans, your monthly payment is *not* determined by your income; it is determined by the amount of your total debt, your interest rate and the length of the repayment term you select. Typically, these plans are ideal for higher incomes in relation to their debt, or for those with the financial goal of paying off their debt as quickly as possible.

Standard Repayment

Eligible loan types:

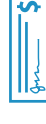
- ✓ Direct
- ✓ FFEL

Unless you select a specific repayment plan when you start making payments on your federal student loan, your servicer may automatically put you on the Standard Repayment plan.

Under the Standard Repayment plan, the term is ten years, or 120 monthly payments. The payment amount will be the same each month, and must be at least \$50.

Your payments under the Standard Repayment plan will be higher than other repayment options, but because you are paying off your loan faster, you'll also pay less interest over time. There is no negative amortization with the Standard Repayment plan — a situation that occurs when payments on a loan are less than the interest that accrues.

✓ **THE DEFAULT PLAN**
if you do nothing



Monthly payment determined by:
Total debt, interest rate and length of repayment term

- 👍 No negative amortization
- 👍 Lowest total interest paid
- 👏 Highest monthly payment

Payments over time:

STANDARD 10-YEAR

Payment



Graduated Repayment

If you choose Graduated Repayment, you'll also have a ten year repayment plan. However, your monthly payments will start lower and increase by designated amounts at designated intervals — typically every two years.

Initial payments will never be less than the amount of interest that would accrue on your loan, and subsequent increases will never be more than three times greater than the prior payment. Payments that are lower initially result in higher overall repayment costs when compared to the Standard Repayment plan. There is no negative amortization under the Graduated Repayment plan.

This might be a good option if your income is low now, but you expect it to increase steadily over time.

Eligible loan types:

- ✓ Direct
- ✓ FFEL

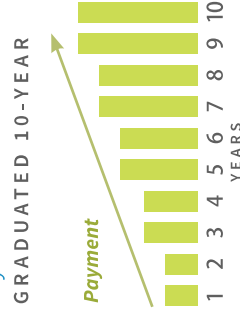


Monthly payment determined by:

Total debt, interest rate and length of repayment term

- 👉 No negative amortization
- 👉 Low payments to start

Payments over time:



Extended Repayment

You have two options with the Extended Repayment plan: fixed or graduated.

Fixed

Under the fixed option, borrowers have a repayment plan of up to 25 years, or 300 monthly payments, and the payment amount is the same each month. If you're considering this option, you should be aware that lower payments over an extended timeframe result in higher overall payment costs when compared to the Standard Repayment plan. There is no negative amortization under the Extended (Fixed) Repayment plan.

Graduated

The graduated option will also give you a repayment term of up to 25 years, or 300 monthly payments. However, payment amounts will vary throughout this period. Under the graduated option, monthly payments start lower, then increase by designated amounts at designated intervals (typically every two years). Be aware that lower payments over an extended timeframe can result in higher overall payment costs. There is no negative amortization under this plan.

Eligible loan types:

- ✓ Direct
- ✓ FFEL

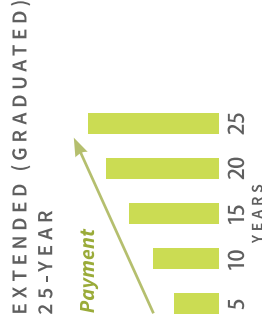
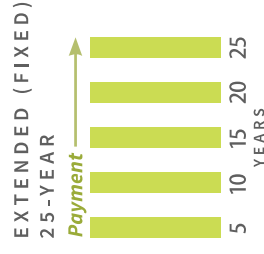


Monthly payment determined by:

Total debt, interest rate and length of repayment term

- 👉 No negative amortization
- 👉 Minimum \$30,000 debt

Payments over time:



Income-Driven Repayment (IDR) Plans

Income-Driven Repayment (IDR) plans are designed to help you manage your student loan debt by reducing the amount of your monthly payment. The monthly payment for these plans is based primarily upon your income, family size and state of residency, and these plans also qualify for Public Service Loan Forgiveness (PSLF). Most federal loans are eligible for at least one Income-Driven Repayment plan. IDR plans include:

- *Income-Contingent Repayment (ICR)*
- *Income-Based Repayment (IBR)*
- *Pay As You Earn (PAYE)*
- *Revised Pay As You Earn (REPAYE)*

Is an IDR plan right for you?

If your student loan debt is higher than your discretionary income, you may benefit from an IDR option.

Financial hardship

To be eligible for the Pay As You Earn and Income-Based Repayment plans, you must demonstrate a partial financial hardship: the annual amount due on your loan repayment must exceed either 10 or 15 percent (depending on your plan) of the difference between your adjusted gross income and 150 percent of the poverty guideline for your household size and state of residency.

How to apply

To apply for an Income-Driven Repayment plan, visit [StudentLoans.gov](https://studentloans.gov) or request an application from your servicer.

IDR eligibility

To maintain your eligibility for all IDR plans, you will need to re-certify your application annually or your payment will default to the Standard Repayment plan. Remember that any amount forgiven is subject to taxation during the year of forgiveness, so you may want to consult a tax accountant for more information.



Monthly payment determined by:
Income, total debt

Income-Contingent (ICR)

- 👍 Payment equals lesser of 20 percent of discretionary income or a 12-year fixed payment (income adjusted)
- 👍 Remaining debt forgiven after 25 years of qualifying payments
- No interest subsidy.

Must demonstrate financial hardship



Monthly payment determined by:
Income, family size, location

New Income-Based (New IBR)

- 👍 Payment equals 10 percent of discretionary income
- 👍 Remaining debt forgiven after 20 years of qualifying payments
- Any unpaid interest is capitalized (subsidy available for the first three years on subsidized loans only — as long as you remain eligible and stay on this plan).

Income-Based (IBR)

- 👍 Payment equals 15 percent of discretionary income
- 👍 Remaining debt forgiven after 25 years of qualifying payments
- Any unpaid interest is capitalized (subsidy available for the first three years on subsidized loans only — as long as you remain eligible and stay on this plan).

Must demonstrate financial hardship



Monthly payment determined by:
Income, family size, location

Pay As You Earn (PAYE)

- 👍 Payment equals 10 percent of discretionary income
- 👍 Remaining debt forgiven after 20 years of qualifying payments
- Unpaid interest is capitalized (subsidy may be available for the first three years on subsidized loans only — as long as you remain eligible and stay on this plan).
- BONUS:** Cap on unpaid interest that can be capitalized is limited to 10 percent of your original loan balance when you entered PAYE.

Revised

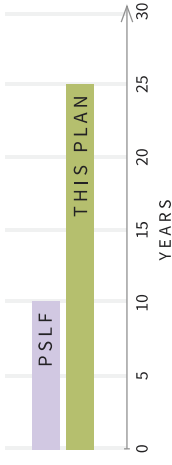
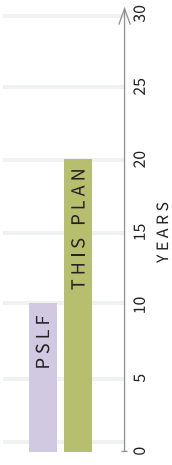
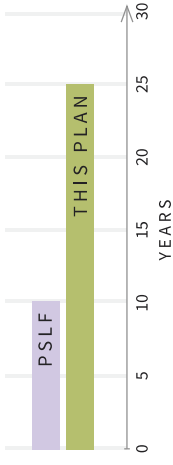
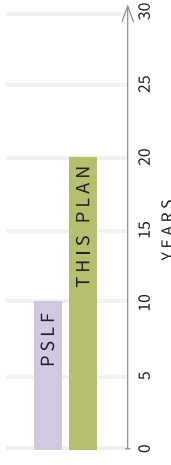
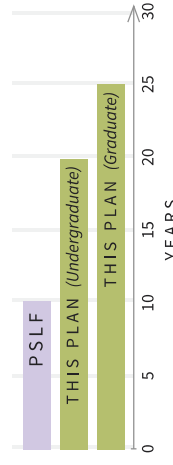
Pay As You Earn (REPAYE)



Monthly payment determined by:
Income, family size, location

- 👍 Payment equals 10 percent of discretionary income (no cap)
- 👍 Remaining debt forgiven after 20 years (undergrad) or 25 years (grad) of qualifying payments
- Any unpaid interest is capitalized (full subsidy available for the first three years on subsidized loans only, plus 50 percent of the interest on subsidized loans after the first three years, plus 50 percent of the interest on unsubsidized loans during any year — as long as you remain eligible and stay on this plan).

Federal Loan Repayment Plans at a Glance

Plan	Loan Types (Includes Subsidized, Unsubsidized, Grad PLUS, Consolidation — but not Parent PLUS)	Eligible Borrowers	% of Discretionary Income	Years to Forgiveness (After X years of qualifying payments)	Married Borrowers
Income-Contingent (ICR)	Direct Loans * Consolidation loans that repaid Parent PLUS are eligible	Direct Loan borrowers	<i>The lesser of:</i> 20% of discretionary income <i>or</i> a 12-year fixed payment (adjusted according to income)		Joint tax return = Combined debt + combined income Separate tax return = Your debt + your income (Plus option for joint repayment)
NEW Income-Based (New IBR)	Direct Loans	New borrower on or after 7/1/2014 (with no outstanding balance on any prior Direct or FFEL loans)	Generally 10% of discretionary income Never more than the 10-year Standard Repayment amount		Joint tax return = Combined debt + combined income Separate tax return = Your debt + your income
Income-Based (IBR)	Direct and FFEL Loans	Any borrower with eligible student loans	Generally 15% of discretionary income Never more than the 10-year Standard Repayment amount		Joint tax return = Combined debt + combined income Separate tax return = Your debt + your income
Pay As You Earn (PAYE)	Direct Loans	New borrower as of 10/1/2007 and Must have received a Direct Loan disbursement on or after 10/1/2011	Generally 10% of discretionary income Never more than the 10-year Standard Repayment amount		Joint tax return = Combined debt + combined income Separate tax return = Your debt + your income
Revised Pay As You Earn (REPAYE)	Direct Loans	Any borrower with eligible federal student loans	Generally 10% of discretionary income No cap on the monthly payment amount		Combined debt + combined income

Select your plan.

Now that you've determined your repayment strategy and reviewed your federal repayment plan options, it's time to choose a plan that works for you.

With the help of free **student loan repayment resources**, you can fully understand your estimated payment under each of the plans available to you, and make a decision that is truly best for your situation and goals.

Resources to help:

Have questions? Let's talk! 1

If you have questions, Access Assist® can help. A free service provided by Access Group, Access Assist is a student loan helpline that offers personal, accurate, unbiased information by phone, live chat or email. As a nonprofit, mission-driven organization, Access Group has over 30 years of experience helping students just like you. Our professional financial education counselors will walk you through the details and explain your options. Whether you want to better understand repayment plans or you need help estimating your future monthly payments, our team can help.

1-844-755-HELP
or AccessGroup.org/access-assist



2 Explore your numbers.

Before you select a repayment plan, you're invited to explore plans available to you using your own custom data, with **Access Group's Loan Calculator**. You'll see what your monthly payment will look like from plan to plan, and you'll be able to make an informed decision about borrowing and your budget — before, during and after graduate school.

You'll see customized results, like this:





Manage your payments.

No matter which plan you choose to meet your repayment goals, it's important to proactively manage your payments. The best way to do so is to choose the right plan for your financial success. However, if you have difficulty meeting your student loan payments along the way, remember that you have options.

The first step is to reach out to your student loan servicer as soon as possible. Your servicer will manage all of the billing associated with your student loan, so you'll make payments to them directly. If you need help making your payments, your servicer can work with you to come up with a solution.

If you qualify, your servicer may be able to set you up with an Income-Driven Repayment plan. Or you may be eligible for:

Federal Public Service Loan Forgiveness (PSLF),
loan consolidation,
deferment, or
forbearance.

Federal Public Service Loan Forgiveness (PSLF)

Public Service Loan Forgiveness is not a repayment plan, but an option you can work toward while utilizing an Income-Driven Repayment plan. The PSLF program was established by the College Cost Reduction and Access Act of 2007 to encourage individuals to enter and continue to work full time in public service jobs. Under this program, **federal student loan borrowers may qualify for forgiveness of the remaining balance of their Federal Direct Loans** after making 120 qualifying payments on those loans while employed full-time by certain public service employers.

Where do I apply? There is no application for PSLF, currently. Track your progress toward qualifying for forgiveness by submitting an Employment Certification Form with the U.S. Department of Education. This form is not required; however, it is advised that you submit this form to the Department annually. The form and instructions for completing it are available at studentaid.ed.gov/publicservice.

Will the forgiven amount be taxable? No, the forgiven amount is not subject to federal tax under current law.

More information can be found by visiting studentaid.ed.gov/publicservice. Additionally, you can contact your school's financial aid office to learn more. Be sure to ask your financial aid office about any public interest programs the school or state may offer, and be sure to know how payments from other programs may affect your eligibility for PSLF.

NOTE: Payments under the 10-year Standard Repayment plan — and any other Income-Driven Repayment plan where payments are at least equal to the monthly payment amount that would have been required under the 10-year Standard Repayment plan — are considered eligible payments for PSLF. Keep in mind, under a Standard Repayment plan, a borrower's loan obligation typically will be repaid in full over the course of the 10-year repayment plan, and therefore generally would not have an outstanding balance remaining to forgive. Employment at a qualifying employer must be maintained at the time of forgiveness.

Do you qualify for PSLF Public Service Loan Forgiveness?

TO QUALIFY, YOU NEED: ☒ ELIGIBLE LOANS ☒ ELIGIBLE PAYMENTS ☒ AN ELIGIBLE JOB

☐ ELIGIBLE LOANS

Only Federal Direct Loans not in default are eligible for PSLF. If you have loans under the Federal Family Education Loan Program, you must consolidate those loans into a Federal Direct Consolidation Loan for those loans to be eligible for this forgiveness. Once consolidated, these loans must be in an eligible payment plan to be eligible for PSLF.

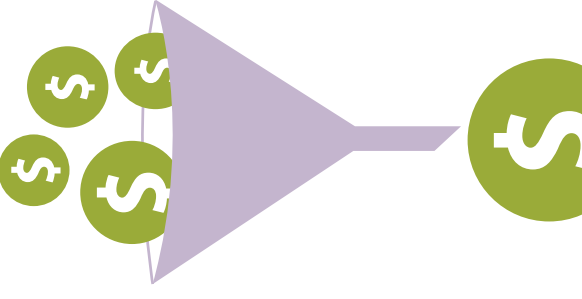
☐ ELIGIBLE PAYMENTS

Make 120 on-time, full, scheduled monthly payments under one of the eligible repayment plans listed below. Payments do not need to be consecutive, but only payments made after October 1, 2007 qualify.

ELIGIBLE PLANS **Income-Based Repayment (IBR)**
Income-Contingent Repayment (ICR)
Pay As You Earn (PAYE)
Revised Pay As You Earn (REPAYE)
10-Year Standard Repayment Plan

☐ AN ELIGIBLE JOB

Be employed full time by a federal, state, local or governmental agency, or a nonprofit, tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, or for a private not-for-profit employer that provides certain specified public services.



Loan Consolidation

Loan consolidation might be the right option for you, but there are a few things to consider. First, know that if you have multiple loans but they are all with the same servicer, then you will only have one bill. No need to consolidate to make that happen! But, if you have multiple loans with different servicers, and you're looking for a way to pay just one bill — or if you have FFEL loans and you are interested in PSLF — consolidation may be what you need.

In general, newly issued Federal Direct Consolidation Loans:

- Are made through the U.S. Department of Education, which serves as the lender for all new Federal Direct Consolidation Loans
- Are available after you graduate, leave school, or drop below half-time enrollment
- Allow you to choose your servicer
- Allow you to choose which of your federal loans you want to consolidate
- Allow you to prepay your loan at any time without penalty
- Carry an interest rate based on the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of one percent
- Have repayment terms up to 30 years
- Are not available to borrowers in default

consolidation

Combining multiple federal student loans into one loan with one servicer.

- May not include Parent PLUS loans
- Cannot include private education loans

Consolidation can simplify your loan portfolio, may help you with PSLF eligibility and may help reduce your monthly payment amount — but it will also typically increase the overall amount you will pay over the life of the loan, as well as the length of time your loan(s) is in repayment. More time to pay means more interest paid.



Heads up, PSLF repayers!

If you are pursuing PSLF, you should know that consolidation restarts your PSLF payment schedule. By only consolidating some of your loans, you'll avoid losing out on the "PSLF time credit" for your previous payments.

As a result, carefully consider what consolidation will mean to you financially in the short- and long-term. Consider the following questions before consolidating:

- Will consolidation result in a higher interest rate than I currently pay?
- Will consolidation result in the loss of a grace period?
- Will I lose any borrower benefits offered with the original loans?
- How much more will I pay over the life of a consolidation loan than I will if I don't consolidate?
- Will I lose the subsidized status — or any loan forgiveness options — of any Perkins loan(s) that may be included in the consolidation?

You should know the pros and cons of consolidation before agreeing to this loan. Also, if you decide that consolidation is in your best interest, keep detailed financial records and document the entire application process.

To learn more about federal loan consolidation or to start the process, go to studentloans.gov/consolidation.

Federal Loan Prepayment

If you choose to make extra payments on your student loans, you can reduce the interest that accrues on your outstanding balance and reduce the overall amount you'll pay on your loan — without penalties. Just like regular payments, all prepayments are processed through your student loan servicer(s).

To find your servicer, visit the National Student Loan Data System at [NSLDS.ed.gov](https://nslds.ed.gov).

Your servicer will apply your payments toward any outstanding charges, collection costs, fees and interest before applying funds to the outstanding principal. Once those costs are covered, you can choose to have your prepayment applied evenly across all loans (if you have more than one), or have the entire amount dedicated to one loan.

- Consider the benefit of targeting prepayments to the principal of your most expensive loan first (typically, those with the highest interest rates).
- Be strategic. Unless you offer specific direction, your prepayment will be applied to your future monthly payments and will not automatically pay down your principal.

If you'd like to prepay your loans, contact your servicer and ask questions such as:

- What is the current outstanding balance of my loan? (This is particularly important if you are making a lump sum prepayment.)
- Can I include a prepayment with my regular monthly payment, or should I send it as a separate payment?
- Where/how do I add a message to specify how my prepayment should be applied?

Check back with your federal student loan servicer in a week or so to ensure the prepayment was applied correctly, and follow up with your servicer promptly if you need to correct any prepayment issues. Keep records of all of your communications with your servicer, and any prepayments you make.

Other Options

Deferment

When your loan is deferred, repayment of the principal and interest of your loan is temporarily suspended. If you choose to defer your student loan, you'll remain in good standing on your loan obligation — i.e., not delinquent or in default.

Deferments are not automatic, so you'll need to submit a request to your loan servicer. If you're enrolled in school at least half time and you would like to request an in-school deferment, contact your school's financial aid office as well.

Deferment application forms should be available on your loan servicer's website. If you do not know which entity services your loan(s), visit the National Student Loan Data System at [NSLDS.ed.gov](https://nslds.ed.gov) to identify the entity that services your loan(s).

The federal government may pay the interest on your loan(s) during a period of deferment if it is a Federal Perkins or subsidized loan, but it will not do so for unsubsidized or PLUS loans. In those cases, you can pay the interest during a deferment or you can allow the interest to accrue (accumulate). If you decide not to pay the interest on your loan during deferment, it will be capitalized (added to your principal balance), and the amount you pay in the future will be higher.

Forbearance

If you have difficulty making your scheduled loan payments, but you don't qualify for a deferment, your loan servicer(s) may be able to grant you a forbearance.

With a forbearance, you may be able to stop making payments or reduce your monthly payment for up to 12 months.

Before pursuing forbearance, it may make more financial sense to pursue IDR plans. Remember, your payments are based on your income and family size and a qualifying payment could be \$0 (zero). That zero payment counts toward the years of forgiveness for that given repayment plan. Remember, you must complete an annual recertification for these plans.



Access Assist® — We've got answers.

With over 30 years of experience helping borrowers successfully navigate loan repayment, we've advised thousands of students just like you. Our team of expert financial education counselors works closely with students to provide clear, unbiased information and set them on a sound financial path. And the best part? **It's completely free.**

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Founded in 1983, Access Group is a nonprofit membership organization comprised of nearly 200 nonprofit and state-affiliated ABA-approved law schools. From providing financial education resources and services for students and schools, to supporting research and grant programs, data collection and analysis, to driving policy advocacy, we work to promote broad access, increased affordability and the value of legal education. Access Group is headquartered in West Chester, PA; its Center for Research and Policy Analysis is located in Washington, DC.

AccessGroup.org

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