

## Borrower Responsibilities and Options

Whether using federal or private student loans, students should be aware of the details of their loan(s), as well as their responsibilities and options as borrowers. Some questions to ask are:

- Is it necessary to accept the full loan amount that is offered?
- When does the repayment period begin?
- Does interest accrue while the student is enrolled in school?
- How long is the repayment period?
- When will a loan be considered delinquent?
- If a loan becomes delinquent, when will it enter default?
- Can a defaulted loan be rehabilitated?
- What are the repayment options and when is it necessary to select one (e.g., at time of origination versus upon graduation)?
- What can be done to reduce debt burden (e.g., pay interest or a small amount of loan principal) while in school?

## REPAYMENT

### Understanding Repayment

Educating borrowers about their responsibilities and options will help decrease default and delinquency rates. Schools can help students significantly by counseling them and/or reviewing with them the repayment process prior to originating the loan, and by revisiting the loan information prior to graduation. Students are required to complete entrance counseling before receiving their first loan. FSA's online entrance counseling [StudentLoans.gov/myDirectLoan/counselingInstructions.action](https://studentloans.gov/myDirectLoan/counselingInstructions.action) includes a financial literacy component.

Students can use the Financial Awareness Counseling Tool (FACT) to access their loan balances, understand their repayment options, and use helpful interactive budgeting tools. FACT and other counseling tools can be accessed, with or without a student login, at [StudentLoans.gov/myDirectLoan/financialAwarenessCounseling.action?execution=e1s1](https://studentloans.gov/myDirectLoan/financialAwarenessCounseling.action?execution=e1s1).

Students should be encouraged to explore their repayment plan options, including income-based repayment plans. Federal Student Aid's *Repayment Estimator* is a useful tool which can help borrowers get an early look at which plans they might be eligible for and see estimates for how

much they would pay monthly and overall. It is available at [StudentAid.gov/repayment-estimator](https://studentaid.gov/repayment-estimator). Exercising basic money management skills will reduce students' chances of making repayment mistakes that may adversely impact their credit scores.

Establishing contact with their loan servicer(s) prior to beginning repayment will help avoid misunderstandings about the payment amount and schedule. Students should be mindful of keeping the school and loan servicer updated on any changes in their contact information, such as their mailing address, that could lead to missing important notices or correspondence.

As a reminder, private loans have different repayment options and requirements than federal loans. Borrowers of private loans should be encouraged to contact their loan holders for relevant repayment information.

Borrowers experiencing difficulty meeting their repayment obligations may have options, including loan consolidation, changing repayment plans, deferment, or forbearance. Educated borrowers are more likely to appropriately use these options to avoid delinquency or default. Schools should strive to educate students about these options, as borrowers lacking the ability to repay their loans often let them lapse into default or delinquency when they could benefit from those options available to them.

Students can contact their loan servicers with any questions regarding repayment at [StudentAid.gov/servicer](https://studentaid.gov/servicer).

### Federal Direct Loan Repayment Options

#### *Standard Repayment Plan*

- Time borrower has to repay: Up to 10 years. (10- to 30-year repayment period for Direct Consolidation Loans)
- Payments remain constant throughout the repayment period.
- Borrower will pay less interest for the loan over time under this plan than he or she would under the other plans.
- The loan will be paid in full by the end of the repayment period.

#### *Graduated Repayment Plan*

- Time borrower has to repay: Up to 10 years. (10- to 30-year repayment period for Direct Consolidation Loans)
- Payments start low and gradually increase every two years over life of loan.
- The loan will be paid in full by the end of the repayment period.

### *Extended Repayment Plan*

- Time borrower has to repay: Up to 25 years.
- Payments will be an amount that ensures the loan will be paid in full in 25 years. Borrower can choose to make either fixed or graduated payments.
- Borrower must have more than \$30,000 in Federal Direct Loans to qualify.
- The loan will be paid in full by the end of the repayment period.

### *Income-Driven Repayment Plans (Income-Based Repayment Plan, Pay as You Earn Repayment Plan, and Income-Contingent Repayment Plan)*

- Time borrower has to repay: Up to 20 or 25 years depending on the repayment plan.
- Monthly payment amount tied to borrower's income and adjusted annually.
- Any outstanding balance remaining at end of loan repayment period will be forgiven.
- Learn more about income-driven repayment plans at [StudentAid.gov/idr](http://StudentAid.gov/idr).

### *Perkins Loan Repayment Options*

- Time borrower has to repay: Up to 10 years.
- The loan servicer will most likely be the school the student attended when the loan was received, and payments are made to the school. Some schools may have a loan servicer handle the billing services on their behalf.

For more information about federal student loan repayment plans, visit [StudentAid.gov/plans](http://StudentAid.gov/plans).

## **Public Service Loan Forgiveness**

The Public Service Loan Forgiveness (PSLF) Program is intended to encourage individuals to enter and continue to work full-time in public service jobs. PSLF allows certain borrowers who work in public service to qualify for forgiveness of the remaining balance of their Direct Loans after they have made 120 qualifying payments on those loans while employed full-time by certain public service employers.

Details on qualifying loans and employment sectors can be found at [StudentAid.gov/publicservice](http://StudentAid.gov/publicservice).

## **RESOURCES**

### **Tips for Working with Students**

**Financial Coaching:** Students identify their goals and financial coaches provide accountability and assistance in reaching them.

**Train the Trainer:** Resources throughout campus can be identified and used to train, counsel, and coach students.

### **Peer-to-Peer Financial Counseling:**

- People relate to peers with shared experiences; and positive role models exhibiting positive behaviors encourage the same in others.
- Those with positive peer-to-peer counseling experiences often are willing to share their knowledge with their fellow students.

### **Resources for Counselors and Mentors**

#### **FinancialAidToolkit.ed.gov**

- Provides information and resources to help counselors and mentors reach and work with students, families, and borrowers, including outreach resources such as financial-aid-night materials, facts sheets, videos, infographics, and presentations; social media content; and FSA publications.
- **FinancialAidToolkit.ed.gov/resources**—Search FSA's consolidated online database of resources. Try searching Financial Literacy.

**www.FSAPubs.gov**—Counselors and mentors can order FSA publications for free.

- *2015–16 Counselors and Mentors Handbook on Federal Student Aid: A Guide for Those Advising Students About Financial Aid for Higher Education.* Find the Handbook at [FinancialAidToolkit.ed.gov/resources/counselors-handbook-2015-16.pdf](http://FinancialAidToolkit.ed.gov/resources/counselors-handbook-2015-16.pdf).

*Federal Student Aid: Find the Information You Need*—Provides a list of common financial aid topics and the website addresses where you can find information:

**StudentAid.gov/sites/default/files/federal-student-aid-info-online.pdf**



## Federal Student Loan Servicers

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FSA assigns federal student loans to loan servicers to handle the billing and other repayment services. Many servicers offer free financial literacy resources:

**StudentAid.gov/servicer**

## Resources for Students

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### StudentAid.gov

- Comprehensive, detailed information on federal student aid from preparing financially for college through loan repayment
- **StudentAid.gov/resources**—See fact sheets, publications, videos, and infographics on various financial aid topics

*College Navigator*—Interactive website that helps students explore and compare features of different schools including programs and majors, admissions considerations, campus crime statistics, and more: **nces.ed.gov/collegenavigator**

*College Scorecard*—Provides essential information about a particular school's costs, graduation rates, and the average amount students borrow, all in a standardized easy to read format: **www.collegecost.ed.gov/scorecard**

*Net Price Calculator* at **www.collegecost.ed.gov/netpricecenter.aspx**

- Tool that helps students find the net price calculator for a particular school
- Students can input personalized information into a school's net price calculator in order to determine how much a school's program may cost after subtracting any financial aid the student is likely to receive

*Financial Awareness Counseling Tool (FACT)*—Interactive resource that helps students understand their student loan obligations and provides money management tips and tools: **StudentLoans.gov/myDirectLoan**

**/financialAwarenessCounseling.action?execution=e1s1**

*Federal Student Aid Information Center (FSAIC)*—Resource for questions about federal student aid and completing the FAFSA:

- E-mail: **studentaid@ed.gov**
- Toll-free number: 1-800-4-FED-AID (1-800-433-3243)
- TTY (for the hearing impaired): 1-800-730-8913
- Toll number: 319-337-5665

## Social Media

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**/FederalStudentAid**



**/FAFSA**



**/FederalStudentAid**

Counselors and mentors can learn how to leverage Federal Student Aid's social media content at

**FinancialAidToolkit.ed.gov/social**

## Other Federal Resources

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*FDIC Money Smart*—Comprehensive financial education curriculum designed to help low- and moderate-income individuals enhance their financial skills and create positive banking relationships: **www.fdic.gov/moneysmart**

**MyMoney.gov**—U.S. Treasury Department provides financial capability information for youth, lesson plans for teachers, and research reports about money, saving, and planning for the future.

*Consumer Financial Protection Bureau (CFPB)*—Provides help for making informed financial decisions about paying for college, such as how to compare financial aid offers, choosing a loan, managing money, and repaying debt:

**www.consumerfinance.gov/students**

*U.S. Department of Agriculture's Cooperative Extension System*—Education network that takes research and knowledge to people where they live and work with user-friendly resources and learning lessons:

**www.extension.org/personal\_finance**

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Photos: U.S. Department of Education