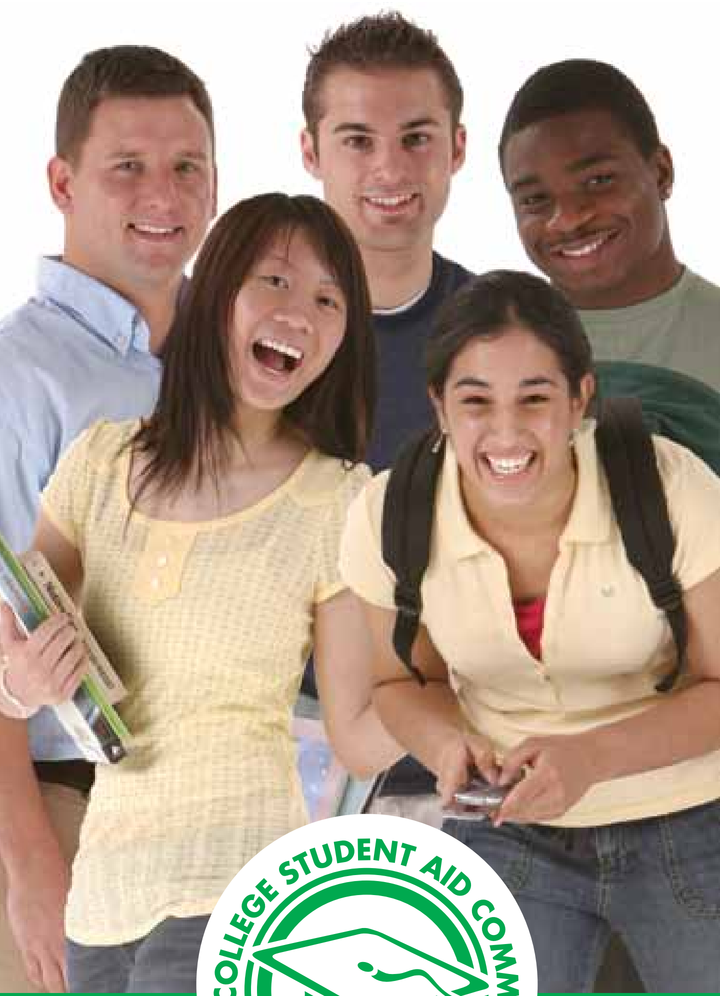
STUDENT LOAN REPAYMENT GUIDE

TIPS TO SUCCESSFULLY MANAGE STUDENT LOAN REPAYMENT



Iowa College Student Aid Commission

IowaCollegeAid.gov

Your Financial Aid Connection

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FINDING YOUR WAY

Whether you are graduating, starting a new career, or thinking about furthering your education, you will be facing many new challenges. One of those challenges may be repaying your student loans. Do not feel overwhelmed, there is help available!

This Student Loan Repayment Guide will answer many of your questions about student loans. It addresses repayment plans, deferment and forbearance options, budgeting, and your rights and responsibilities as a borrower. If you have questions after reviewing this guide, please call the Iowa College Student Aid Commission (Iowa College Aid). We will connect you to the information and resources you need to successfully repay your student loans.

You may reach us at:

Phone: 877-272-4456 or 515-725-3400
Fax: 515-725-3401
Email: info@iowacollegeaid.gov
Website: www.IowaCollegeAid.gov

Additional assistance is available through the U.S. Department of Education's (USDE) Student Financial Aid Ombudsman. They work with student loan borrowers to informally resolve loan disputes and problems. The Ombudsman will attempt to assist borrowers when other approaches have failed. When you have made a reasonable effort to resolve your problem through normal channels and still have concerns, contact the Ombudsman at:

877-557-2575
or
www.ombudsman.ed.gov

For more detailed information about federal grant and loan options, visit the USDE's publication Funding Education Beyond High School: The Guide to Federal Aid at http://studentaid.ed.gov/students/attachments/siteresources/FundingEduBeyondHighSchool_0910.pdf

You may have received several different types of loans during college, all with different terms and conditions. Know the facts!

Federal Loan Programs

Stafford Loans

Stafford Loans are delivered through two student loan programs: the Federal Family Education Loan (FFEL) Program and the William D. Ford Federal Direct Loan (DL) Program. Your college or university determines which loan program you borrow through. Regardless of which loan program:

- You have a six-month grace period (after you graduate, leave school or drop to less than half-time enrollment) before repayment begins.
- You will make your payments to your lender or your lender's servicer, and will be notified about where to send payments.
- The fees outlined in the chart below are deducted from each loan disbursement.

Federal Default[1] and Origination[2] Fees	FFEL	DL
Disbursed on or after July 1, 2007	1% default fee 1.5% orig. fee	2.5% orig. fee
Disbursed on or after July 1, 2008	1% default fee 1.0% orig. fee	2.0% orig. fee
Disbursed on or after July 1, 2009	1% default fee 0.5% orig. fee	1.5% orig. fee
Disbursed on or after July 1, 2010	1% default fee 0.0% orig. fee	1.0% orig. fee

There are two types of Federal Stafford Loans, subsidized and unsubsidized.

Subsidized Stafford Loans

These loans are based on financial need, which is determined by the information you submit on the Free Application for Federal Student Aid (FAFSA).

[1] Some guarantors or loan holders may pay this fee on behalf of borrowers.
[2] Some loan holders in the FFEL Program may pay this fee on behalf of borrowers. In the DL Program, some borrowers may qualify for a 1.5% rebate.
[3] Interest rates for loans disbursed prior to July 1, 2006 can be found at www.iowaCollegeAid.gov.
* Minus Subsidized Stafford loan amounts

The federal government pays the interest that accrues while you are enrolled in school at least half time, during your grace period, and during authorized deferments.

Unsubsidized Stafford Loans

These loans are not based on financial need and are available to all students (as long as you file a FAFSA and your financial assistance does not exceed your total cost of attendance).

You are responsible for the interest that starts to accrue the day the loan is disbursed.

Stafford Loan Interest Rates

Subsidized Stafford Interest Rates[3]	
Disbursed on or after July 1, 2006	6.8% fixed
Disbursed on or after July 1, 2008	6.0% fixed
Disbursed on or after July 1, 2009	5.6% fixed
Disbursed on or after July 1, 2010	4.5% fixed
Disbursed on or after July 1, 2011	3.4% fixed
Disbursed on or after July 1, 2012	6.8% fixed
Unsubsidized Stafford Interest Rates[3]	
Disbursed on or after July 1, 2006	6.8% fixed

Stafford Loan Yearly and Aggregate Limits**

	Max. Subsidized and Unsubsidized	**Max. Additional Unsubsidized**
Dependent	Aggregate: $23,000	Aggregate: $31,000*
First Year	$3,500	$2,000
Second Year	$4,500	$2,000
Third through Fifth Years	$5,500	$2,000
Independent	Aggregate: $23,000	Aggregate: $57,500*
First Year	$3,500	$6,000
Second Year	$4,500	$6,000
Third through Fifth Years	$5,500	$7,000
Graduate & Professional Students	Aggregate: $65,000	Aggregate: $138,500*
All Years	$8,500	$12,000

** The max. annual loan limit for dependent students enrolled in undergraduate preparatory coursework is $2,625 plus an additional $6,000 in unsubsidized stafford loan funds for independant students. It is $5,500 for dependent students enrolled in graduate preparatory or teacher certification coursework, plus an additional $7,000 in unsubsidized stafford loan funds for independant students.

Other Financial

You or your parents may have received other types of financial aid including scholarships, grants, Federal Parent PLUS, Grad PLUS or Perkins Loans, as well as non-federal loans.

Federal Parent PLUS & Grad PLUS Loans

These are federally-insured loans. Parent PLUS Loans are available to parents of dependent students. Grad PLUS Loans are similar to Parent PLUS Loans, except that the graduate or professional student is the borrower. These loans may be borrowed to cover up to the full cost of attendance, less any other financial aid received by the student.

- Repayment begins 60 days after the loan funds are fully disbursed. An in-school deferment can be used to postpone payments for Grad PLUS borrowers and parent borrowers while either the borrower or the student for whom the loan was borrowed is enrolled at least half time and for six months thereafter.
- Interest starts to accrue on PLUS Loans from the time they are first disbursed. The interest rate[1] for PLUS Loans first disbursed on or after July 1, 2006, is fixed at 8.5 percent in the FFEL Program and 7.9 percent in the DL Program.
- A fee of up to 4 percent of the loan may be deducted from each loan disbursement.
- Payments on PLUS Loans borrowed through the FFEL Program will be made to the commercial lender or servicer that holds the PLUS Loan. If the PLUS Loans are through the DL Program, payments will be made directly to the USDE.

1 Interest rates for PLUS Loans disbursed prior to July 1, 2006 can be found at www.IowaCollegeAid.gov.

2 $5,500 is the maximum award for the 2010-11 award year. The maxiumum amount depends on program funding and can change each award year.

Federal Perkins Loans

These loans are for students with exceptional financial need. Up to $5,500 may be borrowed for each year in an undergraduate program and up to $8,000 per year in a graduate program. There are cumulative limits of $27,500 for undergraduate, and $60,000 for undergraduate and graduate combined. The college or university acts as the lender using a limited pool of government funds.

- You have a nine-month grace period before repayment begins.
- The interest rate is fixed at 5 percent.
- You do not pay interest that accrues while you are in school or during your grace period.
- You will make your payments to your college or the college's servicer.

Private Education Loan Programs

Private/Alternative Education Loans

These non-federal loans are offered by private lenders. Unlike federally-insured Stafford and PLUS Loans you will have limited deferment, forbearance, and discharge options, making repayment difficult.

Institutional Loans

These non-federal loans are offered by some colleges and universities that choose to use their own resources to make loans available for students to borrow.

Gift Aid

Scholarships & Grants

Scholarships and grants, available through both federal and private sources, are considered gift aid and do not have to be repaid. If you are currently in college or plan to continue your education, make sure to exhaust all scholarship and grant opportunities, such as the Federal Pell Grant[2], before you borrow.

RIGHTS

When you signed your student loan master promissory note(s), you acknowledged the following rights and responsibilities:

Rights:

- You are entitled to a copy of your promissory note, repayment schedule and disclosure statement outlining your repayment start date, interest rate, fees, payment amount and total number of payments.
- You have the right to be notified in writing if your loans are sold or transferred for servicing.
- You are entitled to a repayment period of at least five years.
- You have the right to request a change in repayment plans annually, or prepay any part of your loan at any time without penalty.
- If you qualify, you have the right to defer your loan payments.
- You are entitled to have questions about your student loan answered by your loan holder, guarantor, or the U.S. Department of Education.
- Your Master Promissory Note (MPN) can be used as a single-year or multi-year note. You may be able to borrow new Stafford Loans using your existing MPN for a period of up to 10 years as long as you continue to borrow from the same loan provider.
- You are entitled to be notified when your loan is paid in full.

* For a complete list of your rights and responsibilities that pertain to your loan, refer to the copy of your original promissory note.

Responsibilities:

- You must notify your loan holder if you change your name, address, email address, employer, or enrollment status (i.e., you withdraw, graduate, drop to less than half-time enrollment, or transfer schools).
- You are responsible for knowing the terms of your student loans. You should keep copies of all student loan documents in a safe place.
- You must repay your loan(s) whether or not you complete your program at all or within the normal time the school allots for completion, are satisfied with the education you receive, or are able to find employment.
- Your signed MPN is a legally-binding agreement requiring you to repay all Federal Stafford Loans you borrow using the MPN.
- You must make your loan payments on time.
- You must begin making payments at the end of your grace period whether you have received a repayment schedule or not. If your first payment due date is nearing and you have not received a repayment schedule, you must immediately contact your loan holder.
- If you are unable to meet a scheduled payment, you must contact your loan holder as soon as possible. The loan holder may be able to help if you seek assistance before you are late making a payment.
- When you graduate, withdraw, or drop to less than half-time enrollment, you must give your school your expected permanent address, the name and address of your expected employer, and the address of your closest relative. Your school will forward this information to your guarantor and loan holder.

Your student loans helped you finance your education. Now you can use them to build good credit. Good credit is essential when it is time to finance your new home, automobile, or business venture. Some potential employers may even check your credit before offering you a job.

You can request a free credit report once a year from each of the three national credit bureaus (Equifax, Experian, Trans Union) online at www.annualcreditreport.com or by calling 1-877-322-8228.

Budgeting Your Money

A successful financial plan starts with a budget. The first step in developing a budget is to estimate your monthly income and expenses and track your spending. There are several simple methods of tracking expenses such as keeping a record of your purchases in a spiral pocket notebook or your check register or using a computer based money tracking program. Tracking expenses will give you a snapshot of your monthly finances and help you decide where to make adjustments.

The following tips will help you get started on an effective money-management strategy.

- Estimate your net income. Your net income is your gross monthly income less approximately 25 to 30 percent for federal and state taxes and Social Security contributions.
- Start your savings plan now. Deposit a portion of every check into two savings funds: short-term emergencies and long-range goals. A good goal is to put at least five percent of your monthly gross income into savings.

BUDGETING

- **Calculate your cash flow.** Cash flow is your income less monthly fixed and variable expenses. Fixed expenses include housing costs, loans, auto insurance, and anything else that requires a consistent monthly payment. Variable expenses include food, utilities, clothing, transportation, and anything that occurs monthly but not at a fixed amount.
- **Balance your bank account.** Avoid overdrawing your bank account by writing down all ATM withdrawals, check card purchases and checks you have written and watch for them to clear your account.
- **Use credit cards responsibly.** Credit cards should only be used when necessary. Avoid making only the minimum payment; when possible, pay the entire balance due on your credit cards each month.
- **Review your budget regularly.** You may need to revise your budget occasionally based on changing needs and priorities. Pinpoint where you can reduce spending and increase savings.

I really need to make a budget and stick to it! A savings plan will get me on the right track.

Higher Education Tax Benefits

When you file your federal income taxes, keep in mind you may be able to benefit from higher education tax credits and deductions available to individuals and families who have paid eligible higher education-related expenses during the tax year. Go to www.IowaCollegeAid.gov for more information about these tax benefits.

Student Loan Interest Deduction

Eligible borrowers may deduct interest paid on student loans (up to a maximum of $2,500 each year) to reduce the amount of taxable income.

The Hope Scholarship Tax Credit

Eligible taxpayers may claim a credit of up to $3,600 for Midwestern Disaster Areas ($1,800 for non Midwestern Disaster Areas) for the first two years of college to reduce the amount of income tax owed. Student must be Midwestern Disaster Area eligible or claimed on a tax form along with a Midwestern Disaster Area eligible student.

American Opportunity Tax Credit

A new provision available only for tax years 2009 and 2010. Eligible taxpayers may claim a credit of up to $2,500 for each eligible student within his/her first four years of college to reduce the amount of income tax owed. 40% of the credit is refundable.

Lifetime Learning Tax Credit

Eligible taxpayers may claim a credit of up to $2,000 ($4,000 for Midwestern Disaster Areas) per family per tax return for all years of postsecondary education to reduce the amount of income tax owed.

Tuition & Fees Deduction

Eligible taxpayers may deduct up to $4,000 paid for tuition and fees during the tax year to reduce the amount of taxable income.

This information is intended for educational purposes and should not be considered as legal or tax advice. You should consult your professional tax advisor or attorney for more information about the different higher education tax benefits and to determine your eligibility.

Repaying Your Loans

Once you have established your budget, choose the student loan repayment plan that works best for you. You will need to contact your loan holder if you want to repay your loans under any plan other than the standard repayment plan. If you are not sure who holds your loans or how much you owe, you can find out at www.nslds.ed.gov. You will need your U.S. Department of Education PIN to access your information. You can get your PIN at www.pin.ed.gov, or call 1-800-4-FED-AID for assistance.

If all or a portion of your loans were borrowed through the Federal Direct Loan Program, contact the Direct Loan Servicer at 800-848-0979 or www.dlservicer.ed.gov to change your repayment plan.

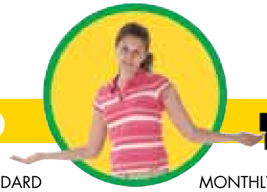
You can use the repayment plan examples on the following pages to help you determine which plan is best for your budget. Remember, you may request a change in repayment plans annually.

I wasn't sure where to send my loan payments. I checked the NSLDS website and now I know!

Repayment Plans

Standard Repayment

Under the standard repayment plan, you repay your student loan in equal monthly payments over a period that cannot exceed 10 years (120 monthly payments). The minimum payment amount on your Stafford Loans must total $600 per year or the outstanding balance of your loans including interest, whichever is less. Although the maximum repayment term is 10 years, your loan may be repaid in a fewer number of years, depending on the loan balance. You will repay your loans under a standard repayment plan unless you request a different plan. A standard repayment plan is the best choice because you pay less in interest over the life of the loan.



The Good

A STANDARD REPAYMENT PLAN HAS A PREDICTABLE PAYMENT SCHEDULE, ENSURES THE QUICKEST PAYOFF, AND MINIMIZES YOUR TOTAL INTEREST COSTS.

The Bad

MONTHLY PAYMENTS MAY BE TOO HIGH TO FIT WITHIN YOUR BUDGET IF YOU HAVE HIGH BALANCE LOANS. YOU MAY NEED TO CONSIDER OTHER REPAYMENT PLANS, DEFERMENT, FORBEARANCE, OR LOAN CONSOLIDATION.

Estimated Loan Repayment by Type and Debt Amount[a]

Loan Debt	Standard		Extended[b]		Graduated	
	Per Month	Total	Per Month	Total	Per[c] Month	Total
$3,500	$50	$4,471	Not Available		$25	$6,939
5,500	63	7,595	Not Available		43	8,007
10,500	121	14,500	Not Available		83	20,815
15,000	173	20,714	Not Available		119	21,834
18,500	213	25,548	Not Available		146	26,929
23,500	265	31,762	Not Available		182	33,479
30,000	345	41,429	Not Available		237	43,668
40,000	460	55,239	277	83,289	316	58,229
50,000	575	69,048	347	104,111	395	72,778
70,000	806	96,667	456	164,285	535	101,890

[a] The estimated payments were calculated using a fixed interest rate of 6.8%.
[b] Amts are fixed, rounded to the nearest dollar, and calculated based on a 25-year repayment term.
[c] This is a beginning payment, which may increase during a 10-year repayment term.

Extended Repayment

The extended repayment plan is available to borrowers who received their oldest outstanding loan on or after October 7, 1998, and owe more than $30,000 in principal and accrued interest. With this plan, your monthly payments can be equal or graduated for a period of up to 25 years.

THE GOOD

EXTENDED REPAYMENT LOWERS YOUR MONTHLY PAYMENTS OVER A LONGER PERIOD OF TIME AND HAS A PREDICTABLE PAYMENT SCHEDULE.

THE BAD

THE INTEREST PAID OVER A 25-YEAR PERIOD IS MORE THAN TWICE THE AMOUNT THAT WOULD BE PAID UNDER A STANDARD 10-YEAR REPAYMENT PLAN.

Graduated Repayment

If standard repayment requires payments higher than you can afford, you should consider a graduated repayment plan. Your monthly payment will begin low and increase gradually over a 10-year repayment period. There is no minimum monthly payment, but your payment must be high enough to cover the interest accruing each month.

THE GOOD

YOU MIGHT FIND YOUR INITIAL PAYMENTS MORE AFFORDABLE UNDER A GRADUATED PLAN. SIMILAR TO THE STANDARD PLAN, THE GRADUATED PLAN HAS A PREDICTABLE PAYMENT STRUCTURE. YOU ALSO MAY CHOOSE A REPAYMENT PERIOD SHORTER THAN THE MAXIMUM ALLOWED TO REDUCE YOUR TOTAL COSTS.

THE BAD

THE TOTAL AMOUNT YOU PAY OVER THE LIFE OF YOUR LOAN WILL BE HIGHER THAN THE AMOUNT YOU WOULD PAY UNDER A STANDARD REPAYMENT PLAN BECAUSE LOWER INITIAL PRINCIPAL PAYMENTS RESULT IN HIGHER INTEREST COSTS. ALSO, YOUR MONTHLY PAYMENT AMOUNT WILL INCREASE EVEN IF YOUR INCOME DOES NOT.

REPAYMENT PLANS

Income-Sensitive Repayment - FFEL

Your monthly payments are low initially and increase as your income rises. Your loan holder will work with you to set up a schedule that reflects your current income and potential for future earnings. Your loan holder may grant you a forbearance for a period of up to five years in cases where the effects of decreased payment amounts would result in your loan not being repaid within the maximum repayment period. You must verify your income each year to determine your new payment amount.

THE GOOD

YOUR PAYMENTS ARE STRUCTURED AND REVISED TO REFLECT CHANGES IN YOUR INCOME, MAKING INITIAL PAYMENTS AFFORDABLE. YOUR LOAN HOLDER WILL CALCULATE THE PAYMENT AMOUNT BASED ON YOUR CURRENT INCOME AND LOAN BALANCE.

THE BAD

REDUCING YOUR MONTHLY PAYMENT AMOUNTS AND EXTENDING THE REPAYMENT PERIOD WILL INCREASE OVERALL INTEREST COSTS. BECAUSE OF THIS, THE INCOME-SENSITIVE REPAYMENT PLAN MAY BE ONE OF THE MOST EXPENSIVE OPTIONS FOR REPAYING YOUR LOAN.

Estimated Loan Repayment by Type and Debt Amount

Loan Debt	Income Sensitive[a,b,e]			Income Contingent[a,b,c,d]	
	Per Month Year 1	Per Month Yrs 2-10	Total	Per Month	Total
$3,500	$32.93	$50.05	$4,599.36	$27	$6,092
5,500	42.17	66.54	7,692.36	42	9,574
10,500	70.50	128.57	14,731.56	80	18,277
15,000	96.00	184.39	21,066.12	114	26,110
18,500	115.83	227.81	25,993.44	140	32,203
23,500	144.17	289.83	33,031.68	174	40,036
30,000	181.00	370.47	42,185.76	228	52,221
40,000	237.67	494.52	56,260.20	253	72,717
50,000	294.33	618.57	70,337.52	253	103,268
70,000	407.67	866.67	98,492.40	253	148,551

[a] Based on a single income of $25,000.
[b] The estimated payments were calculated using a fixed interest rate of 6.8%.
[c] Assumes 5% annual income growth (Census Bureau).
[d] The estimated payments were calculated using the formula requirements effective during 2006
[e] The estimated payments were calculated at the following web site www.educationquest.org/calc.asp

Income Contingent Repayment - DL

Your monthly payment amount will be adjusted each year based on your adjusted gross income (AGI) as reported on your U.S. income tax return, family size, interest rate, and the total amount of your Direct Loan debt. You must authorize the IRS to provide your loan holder with your current income.

Income Based Repayment Plan - FFEL & DL

You may qualify if the annual amount due on your eligible loans exceeds 15% of your discretionary income as determined by the difference between your adjusted gross income (AGI) and 150% of the federal poverty line that corresponds to your family size and the state in which you reside. Federal Parent PLUS Loans and consolidation loans that paid off a Parent PLUS Loan do not qualify. Your payment amount will be adjusted annually and will not exceed 15% of your monthly discretionary income. You must authorize the IRS to provide your loan holder with your current income.

IBR Monthly Loan Payment*

	Family Size					
Annual AGI	1	2	3	4	5	6
$10,000	$0	$0	$0	$0	$0	$0
20,000	47	0	0	0	0	0
30,000	172	102	32	0	0	0
40,000	297	227	157	87	16	0

THE GOOD

INCOME-CONTINGENT & INCOME-BASED REPAYMENT PLANS ARE REVISED YEARLY TO REFLECT CHANGES IN YOUR INCOME AND FAMILY SIZE. AFTER 25 YEARS OF PAYMENTS, THE REMAINING DEBT MAY BE FORGIVEN.

THE BAD

YOU MAY PAY MORE INTEREST CHARGES OVER THE LIFE OF THE LOAN, ANY FORGIVEN AMOUNT WILL BE CONSIDERED TAXABLE INCOME, AND INTEREST NOT COVERED BY THE PAYMENTS MAY BE CAPITALIZED.

* Go to www.IowaCollegeAid.gov for an expanded list of IBR Monthly Loan Payments.

Consolidation

Student loan consolidation allows you to combine existing federal student loans into a single loan. Many FFEL Program loan providers have stopped making consolidation loans, so check out the company you are considering to be sure it is a reputable organization. Consolidation loans are also available through the DL Program. You can learn more at www.loanconsolidation.ed.gov.

Consolidation is a big decision that will impact your future for many years. There are ways to manage your student loan repayment successfully without the need to consolidate. You may find repayment options currently available through your loan holder will work within your budget. When making your decision about whether or not to consolidate, keep in mind the following:

- ➲ You may forfeit current benefits available on any loans you include in a consolidation including:
  - Your grace period on a Stafford or Perkins Loan.
  - Certain loan cancellation benefits on a Perkins Loan.
  - Interest subsidy on a Perkins Loan during authorized deferment.
  - The six-month extension of an in-school deferment on a Grad PLUS Loan.
  - Other benefits offered by your current loan holder.
- ➲ Benefits that may be available on consolidation loans vary by loan provider.

How to Apply

Once you select an eligible consolidation loan provider, you will need to complete a Consolidation Application and Promissory Note. You should contact the loan provider for assistance.

Eligible Loans

Loans eligible for consolidation include: Federal Stafford Loans (both FFEL and DL programs), Federal Insured Student Loans (FISL), Federal Supplemental Loans for Students (SLS), Federal Parent and Grad PLUS Loans, Federal Perkins Loans, Health Professions Student Loans (HPSL), and Health Education Assistance Loans (HEAL). Defaulted loans may be included if you have made satisfactory repayment arrangements with your loan holder or have agreed to repay the loans under an income-sensitive (FFEL) or income contingent (DL Program) repayment plan.

There are certain types of education loans that **cannot** be consolidated – private education loans, hardship and supplemental loans funded by your college, Iowa Teacher Shortage Forgivable Loans, other non-federally funded loans, and loans from family and friends.

Fees

Consolidation loans do not have application fees or prepayment penalties, and do not require credit checks.

Paying our student loans on time helped us build the good credit we needed to buy our first home.

Consolidation

Interest Rate

Interest rates are calculated by taking the weighted average of the interest rates for the loans to be consolidated and rounding up to the next one-eighth percent, not to exceed 8.25%. You can find the fixed interest rates for all loans disbursed on or after 7/1/06 on page 3 of this guide.

Terms and Conditions

You may consolidate more than once if:

- You did not include all existing eligible loans in the original consolidation. You will have up to 180 days after the consolidation is final to add them, or you may obtain a subsequent consolidation loan that repays all of your outstanding eligible loans.
- You borrowed additional loans after the original consolidation loan was finalized.
- On your FFEL Program loans:
  - You are delinquent or in default and wish to qualify for income-based or income-contingent repayment offered in the DL Program.
  - You wish to qualify for Public Service Loan Forgiveness offered in the DL Program.
  - You wish to qualify for the zero-interest accrual benefit for active duty U.S. military personnel offered only in the DL Program.

The Good

MONTHLY PAYMENTS ARE LOWERED THROUGH EXTENDED REPAYMENT PERIODS RANGING FROM 10 TO 30 YEARS.

YOU ONLY HAVE TO MAKE ONE MONTHLY PAYMENT TO ONE LOAN HOLDER.

The Bad

EXTENDED REPAYMENT PERIODS WILL INCREASE TOTAL INTEREST COSTS.

YOU MAY FORFEIT CURRENT BENEFITS AVAILABLE ON ANY LOANS THAT YOU CONSOLIDATE.

I was having difficulties repaying my student loan, so I called my lender. They helped me find the repayment plan that fits my budget!

Maximum Repayment Periods

The repayment period is based on the total balance of outstanding education loan debt. Non-federal loans that are ineligible for consolidation, up to the amount of federal debt consolidated, may be considered when determining the repayment period. Lengthening the repayment period increases the interest paid over the life of the loan.

Repayment Plans

Consolidation loans are eligible for the same repayment plans outlined on pages 11-15 of this guide. You may change repayment plans annually. Some loan holders may allow you to change plans more frequently. Regardless of which repayment plan you choose, you may prepay your loan at any time without penalty.

Maximum Repayment Periods

Example: If you have $23,000 in federal loans and $20,000 in other educational loans, you would be eligible to extend the repayment of your new $23,000 consolidation loan to as much as 25 years.

Sum of Consolidation Loan Balance plus Balances of Other Educational Loans	Maximum Repayment Period
$7,499.99 or less	10 years
$7,500 - $9,999.99	12 years
$10,000 - $19,999.99	15 years
$20,000 - $39,999.99	20 years
$40,000 - $59,999.99	25 years
$60,000 and above	30 years

1 Examples assumes all loans included in the consolidation are unsubsidized Stafford Loans at an interest rate of 6.8%. The interest rate is rounded up to the next eighth of a percent. Repayment term is based on maximum of 20 years on a standard repayment schedule.

There may be times when you are unable to make your monthly student loan payment. Rather than miss a payment, you should pursue deferments and forbearances with your loan holder.

Deferment

A deferment allows you to postpone your scheduled monthly payments. You may request deferments on all types of federal student loans.

Various deferments exist to accommodate situations that may occur. The length of your deferment depends on the type for which you qualify. Deferments available for Perkins Loans include in-school, graduate fellowship, rehabilitation training, seeking full-time employment and economic hardship. In addition, Perkins Loan borrowers are entitled to a post-deferment grace period of six consecutive months. Deferments for Stafford and PLUS Loans are shown in the chart on pages 22 - 23. Speak with your loan holder to determine your best option.

The federal government pays the interest on subsidized Stafford Loans and Perkins Loans during periods of authorized deferment, including the portions of a consolidation loan that paid off subsidized Stafford Loans. For all other student loans, accruing interest is your responsibility. However, you can save money by paying the interest that accrues at regular intervals, preventing interest capitalization (adding interest to the loan principal).

Forbearance

If you are having financial difficulties and do not qualify for a deferment, you may want to pursue forbearance options with your loan holder. Forbearance allows you to temporarily postpone your monthly payments, pay a lesser amount, or extend the time for making payments.

Forbearance

In most cases, you are not automatically entitled to forbearance; rather it is granted at the discretion of your loan holder in cases such as if you experience a temporary financial hardship, life-changing circumstance or are adversely affected by a natural disaster. However, if your Stafford Loan is not in default, and you qualify, you may be entitled to a mandatory forbearance if you meet one of the following conditions:

- You are in a dental or medical internship/residency program.
- The combined monthly payment on your federal student loans equals or exceeds 20 percent of your gross monthly income.
- You are performing service for which you qualify for:
  - A national Service Educational Award from Americorps.
  - The Federal Teacher Loan Forgiveness Program.
  - The Student Loan Repayment Programs administered by the U.S. Department of Defense.
- The USDE authorizes a postponement of repayment because you are subject to a military mobilization, affected by a local or national emergency, or live in a federally designated disaster area.

During forbearance interest will continue to accrue on both subsidized and unsubsidized Stafford Loans and Perkins Loans. You may pay the interest as it accrues or have any unpaid interest added to your principal balance at the end of the forbearance period. Keep in mind that capitalizing your interest will increase your total loan balance. Check with your college for more information on forbearance options available on Perkins Loans.

Deferment Eligibility

Form	Deferment Type	Time Limit	Stafford & Loans: Pre 7/1/87 Borrower	Stafford & Loans: New[1] 7/1/87-6/30/93 Borrower
SCH	In-School: Full Time	None	●	●
	In-School: Half Time[7]	None		●
EDU	Graduate Fellowship	None	●	●
	Rehabilitation Training	None	●	●
	Teacher Shortage	3 Years		●
	Internship/Residency Training	2 Years	●	●
TDIS	Temporary Total Disability[3]	3 Years	●	●
PUB	Armed Forces or Public Health Services[4]	3 Years	●	●
	National Oceanic and Atmospheric Administration Corps[4]	3 Years		●
	Peace Corps, ACTION Program and Tax-Exempt Organization Volunteer	3 Years	●	●
UNEM	Unemployment	2 Years	●	●
	Unemployment	3 Years		
PLWM	Parental Leave[5]	6 Months	●	●
	Mother Entering/Re-entering Work Force	1 Year		●
HRD	Economic Hardship	3 Years		
PLUS[6]	In-School: Full Time	None		
	In-School: Half Time	None		
	Rehabilitation Training	None		
MIL	Military Service[10]	None	●	●
	Post-Active Duty Student[11]	13 mos[12]	●	●

1. "New Borrower" 7/1/87 to 6/30/93: A borrower whose first FFEL loan was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan on or after July 1, 1993, or who had no outstanding balance on a Federal Consolidation loan made before July 1, 1993, that repaid a loan first disbursed before July 1, 1987.
2. "New Borrower" 7/1/93: A borrower whose outstanding FFEL loans were all made on or after July 1, 1993, and when his or her first FFEL loan was made on or after July 1, 1993, had no outstanding FFEL loans that were made before July 1, 1993.
3. A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower's spouse) who is temporarily totally disabled.
4. Borrowers are eligible for a combined maximum of 3 years of deferment for service in NOAA, PHS, and Armed Forces.
5. A parental leave deferment may be granted to a borrower in periods of no more than 6 months each time the borrower qualifies.
6. Deferment for parent borrower during which the dependent student for whom the parent obtained a PLUS loan meets the deferment eligibility requirements.

	SLS	PLUS Loans				Consolidation Loans	
	New[2] 7/1/93 Borrower	Loans Before 8/15/83	Pre 7/1/87 Borrower	New[1] Borrower 7/1/87-6/30/93	New[2] Borrower 7/1/93	Pre 7/1/93 Borrower[8]	New Borrower 7/1/93[9]
	●	●	●	●	●	●	●
	●			●	●	●	●
	●	●	●	●	●	●	●
	●	●	●	●	●	●	●
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	●	●	●	●	●	●	●

7. A borrower who received a Federal Consolidation loan before July 1, 1993, that repaid a loan made before July 1, 1987, or who had an outstanding balance on a FFEL loan obtained prior to July 1, 1987, when the Federal Consolidation loan was obtained, is eligible for in-school deferment only if the borrower attends school full-time.
8. A borrower with a Federal Consolidation loan made before July 1, 1993, or a borrower who receives a Consolidation loan on or after July 1, 1993, who has any outstanding FFEL loan(s) at the time of consolidation that was first disbursed before July 1, 1993.
9. A borrower who receives a Federal Consolidation loan made on or after July 1, 1993, who has no outstanding FFEL loans at the time of consolidation that were made on or before July 1, 1993.
10. A deferment may be granted to a borrower who is serving on active duty during a war or other military operation or national emergency (including qualifying National Guard duty).
11. A deferment may be granted to a borrower called to active National or State duty who is a member of the National Guard or Reserves (including retired members) and who was enrolled at least half time at an eligible school at the time of, or within 6 months prior to being activated.
12. A post-active duty student deferment may be granted to a borrower in periods of no more than 13 months each time the borrower qualifies. There is no limit to how many deferments of this type a borrower may receive.

CANCELLATION

Loan discharge and cancellation benefits are available to some borrowers. The following charts describe conditions when Stafford and Perkins Loans may be discharged or canceled.

Stafford Loans	Amount Forgiven
Total and permanent disability or death *(including the death of a student for whom a PLUS Loan was made)*	100%
Full-time teacher for 5 consecutive years in a designated school serving low-income families	Up to $5,000 of the aggregate loan amount that is outstanding after completion of the fifth year of teaching. Up to $17,500 of the aggregate loan amount that is outstanding after the fifth year of teaching as a highly qualified teacher in Special Education or secondary Science or Math.
Public Service	Remaining non-defaulted Federal Direct Loan balance that is outstanding if, after October 1, 2007, a borrower makes 120 payments on an eligible Direct Loan while employed full time in a public service job.
Bankruptcy (in rare cases)	100%
School does not make required return of loan funds to the lender for a student who withdraws	Up to the amount that the school was required to return to the lender.

You should contact your loan holder to determine your eligibility for these benefits when you begin repayment.

Notes

Total and permanent disability requires a physician or the Dept. of Veteran's Affairs to certify that you are unable to work and earn money.

Only available for loans received after 10/01/98 by a borrower with no outstanding FFEL or Direct Loan balances as of that date.

Qualifying employment must occur and all 120 payments must be made on or after October 1, 2007. Effective July 1, 2008, borrowers with FFEL loans can consolidate or reconsolidate loans into the Federal Direct Loan program in order to qualify.

Cancellation is rare and only if the bankruptcy court rules that repayment would cause undue hardship.

For loans received on or after January 1, 1986.

Cancellation

Stafford Loans	Amount Forgiven
Closed School (before student could complete program of study), false loan certification by a school, or identity theft	100%
Spouses and parents of September 11, 2001 victims	Loan amounts owed on September 11, 2001 that are still outstanding when discharge is requested.
Full time employees in over a dozen national need employment areas	Up to $2,000 per year; $10,000 maximum aggregate
Licensed attorneys	Up to $6,000 per year; $40,000 maximum aggregate

Perkins Loans	Amount Forgiven
Bankruptcy (in rare cases- cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship	100%
Closed School (before student could complete program of study)- applies to loans received on or after January 1, 1986	100%
Borrower's total and permanent disability of death	100%
Full-time teacher in a designated elementary or secondary school serving students from low-income families Full-time special education teacher (includes teaching children with disabilities in a public or private or other nonprofit elementary or secondary school)	Up to 100% Up to 100%
Full-time qualified professional provider of early intervention services for the disabled	Up to 100%

Notes

Notes
For loans received on or after January 1, 1986
Available to the spouse and parents of public servants and victims who died or became totally and permanently disabled (as certified by a physician) due to injuries suffered in the September 11, 2001 terrorist attacks
Qualifying loans are federal educational loans except Parent PLUS*
Qualifying loans are federal educational loans except Parent PLUS; recipients receive cancellation of funds in exchange for their commitment to serve at least three years as a full-time civil legal assistance attorney*

*Benefits are subject to annual funding by Congress.

Perkins Loans	Amount Forgiven
Full-time teacher of math, science, foreign languages, bilingual education, or other fields designated as teaching shortage areas	Up to 100%
Full-time employee of public or nonprofit child- or family- services agency providing services to high-risk children and their families from low-income communities	Up to 100%
Full-time nurse or medical technician	Up to 100%
Full-time law enforcement or corrections officer	Up to 100%
Full-time staff member in the education component of a Head Start Program	Up to 100%
Vista or Peace Corps volunteer	Up to 70%
Service in the U.S. Armed Forces in areas of hostilities or imminent danger	Up to 50%

Delinquency and

Your student loan is considered delinquent if your loan holder does not receive your monthly payment by the scheduled due date. Expect to receive multiple written notices and telephone calls from your lender and guarantor warning you of the serious consequences if you fail to pay as well as options to bring your loan current.

If you fail to make a payment for 241 days, you will receive a final written notice giving you 30 days to respond. If you fail to respond within 30 days, your loan will default.

Many of the tools you need to avoid default have been addressed in this guide. Remember the following important tips:

- Contact Iowa College Aid for assistance with your loan repayment questions.
- Keep your college, guarantor, and loan holder notified of your current address and telephone number. Be sure to contact them if you are having problems with your student loans.
- Establish a budget and stick to it.
- Avoid overusing credit cards! If you cannot pay cash for an item, consider waiting until you can.

I ignored my student loan payment. Now I am delinquent. I will call my loan holder to get help!

DEFAULT

If your federal student loan(s) becomes 270 days delinquent, it will go into default. Defaulting on your student loans would be a serious financial mistake. Like any other debt, these loans are important financial and legal obligations. Consequences of default are serious and may include:

- Collection costs of up to 25% of your loan's principal and interest can be charged to you.
- Garnishment of wages up to 15% of your disposable income.
- Loss of federal and state payments (including tax refunds and lottery winnings).
- The record of default can be reported to all major credit bureaus.
- Loss of certain professional, occupational, business, industry, recreational, and/or motor vehicle licences.
- A lawsuit can be brought against you by your guarantor or the U.S. Department of Education for non-payment.
- Loss of eligibility for any additional federal student financial aid.
- Loss of eligibility for deferments, forbearances, and repayment plan options.
- A demand for immediate payment of the entire balance of your loan, plus any unpaid interest.

Other facts you should know about your student loans:

- Filing bankruptcy will not automatically discharge your student loan debt.
- You will be responsible for legal costs if action is taken against you for non-payment.

What to Expect

You can expect to receive correspondence from your loan holder prior to repayment. This may include:

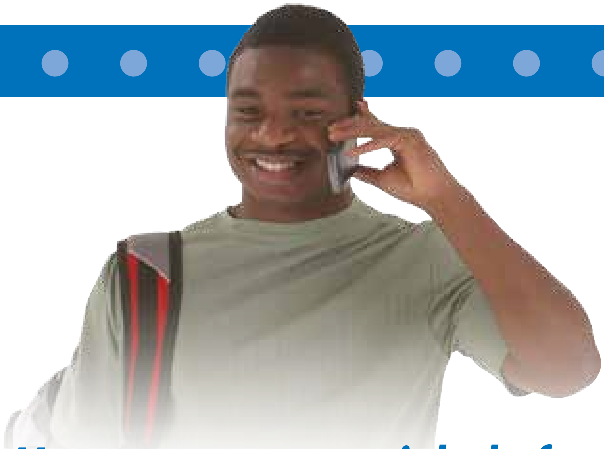
- **New Loan Contact**
  You will be notified in writing if your loans are sold or transferred for servicing and the sale changes the location to where you should send payments or other correspondence.

- **Repayment Plan Options**
  Your loan holder will send you information about selecting a repayment plan. Information on pages 11-15 describe the benefits of each plan.

- **Repayment Schedule & Disclosure Statement**
  Your loan holder will send this to you during your grace period. It informs you of the total amount you borrowed from your loan holder, the current interest rate, your monthly payment amount, the number of months in your repayment period, your monthly payment due date, and the total amount of principal and interest you will pay if you follow the repayment schedule.

- **Electronic Payment Options**
  Many loan holders will send you information about how to set up electronic payments. With this option you authorize withdrawal of funds for your student loan payment from your bank account each month. This option helps to ensure that your payment is made on time each month. In addition, many loan holders offer incentives if you sign up.

- **Monthly Statements**
  You should receive a billing statement or coupon book about one month before your first payment is due.



Money was pretty tight before I found my new job. I called my loan holder and they helped me out with a different repayment plan.

The Iowa College Student Aid Commission is here to help you understand your student loans and to guide you through repayment. We want to help you succeed! Some tips to help you keep your account current and in good standing are listed below:

- Sign up to have your monthly payments automatically withdrawn from your checking or savings account.

- Do NOT ignore mail and phone calls from your loan holder.

- Report all changes such as name (marriage and divorce), address, telephone number, email address, employment, and enrollment status immediately to your loan holder.

- Request deferments, forbearances, or other repayment options as needed to keep your account in good standing.

- Contact your loan holder immediately if you have difficulty making payments. Don't wait until you are already delinquent.

Terms to Know

Accrued Interest: Interest calculated daily on the unpaid principal balance of your loan.

Cancellation: (also called Loan Forgiveness or Discharge) Borrowers who meet certain requirements are released from their obligation to repay all or a portion of their student loans.

Capitalization: Occurs when unpaid interest is added to the principal balance of the loan.

Credit Bureau: An agency that compiles and distributes credit and personal information to creditors. This information may include payment habits, number of credit accounts, balance of accounts, and length and place of employment.

Default: Failure to make installment payments for 270 days or meet other terms of the Promissory Note.

Deferment: A temporary postponement of payments for borrowers who meet certain criteria. Deferments are an entitlement for qualified borrowers.

Delinquency: Failure to make payments when due. Loans at this stage may be brought current by working with your loan holder.

Federal Default Fee: A federally-required fee in the FFEL Program that is deducted from each loan disbursement. Some FFEL Program guarantors may pay this fee on behalf of the borrower.

Forbearance: A temporary postponement or reduction of payments. Forbearances are granted at the loan holder's discretion. However, forbearance is an entitlement for certain qualified borrowers (e.g. medical and dental interns and residents).

FSA Ombudsman: An office of the U.S. Department of Education that works with student loan borrowers to informally resolve disputes or problems.

Grace Period: A period of time between when you graduate or drop below half-time status and when repayment begins.

Guarantor: The state or non-profit agency that administers the FFEL Program in each state. The Iowa College Student Aid Commission is the designated guarantor for the state of Iowa.

Lender: The organization that originated the loan. The lender can be your school, a bank, a credit union, other lending institution, or the U.S. Department of Education.

Loan Holder: The organization that holds your student loan Promissory Note(s).

Master Promissory Note (MPN): A signed, legally-binding agreement to pay your student loan(s). An MPN can be used both as a single-year or a multi-year note, which allows borrowers to receive multiple loans from the same lender for up to 10 years.

Origination Fee: A federally-required fee in both the FFEL and DL Programs that is deducted from each loan disbursement.

Perkins Loans: Loans for undergraduate and graduate students with exceptional financial need. The college or university acts as the lender using a limited pool of funds provided by the federal government.

Prepayment: Payment on a loan by a borrower sooner than it is due under the terms of the promissory note.

Private Loans: Non-federally insured loans offered by private lenders.

Secondary Market: An organization that purchases loans from lenders. The Iowa Student Loan Liquidity Corporation is the designated secondary market in Iowa that services loans for many lenders.

Servicer: A company designated to track and collect a loan on behalf of the lender or loan holder.

Subsidized Loans: Loans on which the federal government pays accruing interest on your behalf while you are enrolled in school at least half-time, during grace, and during authorized deferment.

Unsubsidized Loans: Loans on which the interest is always the responsibility of the borrower from the date of disbursement.

U.S. Department of Education (USDE): Oversees the FFEL and Direct Loan Programs. The USDE sets the loan program regulations, requirements, and defines criteria for both programs.

Iowa College Aid offers reliable resources to help borrowers manage student loan debt. Contact us for answers and assistance.

IowaCollegeAid.gov
Your Financial Aid Connection

Our Mission

We advocate for, and provide a continuum of services to support, Iowa students and families as they explore and finance educational opportunities beyond high school.

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