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## Repaying Your Student Loan



### What you need to know as a borrower

**I**f you're a federal student loan recipient, there are two key points to remember. First, the interest you pay is lower than commercial rates because the federal government subsidizes the rate. Second, if you are a student borrower, you don't have to begin to repay your Perkins or Stafford Loans until you leave school or drop below half-time.\*

*As generous as these terms are, you shouldn't forget that you do have to repay your loan. Failure to do so could result in your loan(s) being declared delinquent or in default.\* This could have a negative impact on your financial status and creditworthiness in the future. This section outlines repayment requirements and describes the rare circumstances under which your obligation to repay can be reduced or forgiven.*

## Borrower's Responsibilities

When you obtain a federal student loan you have certain responsibilities. Here are some important ones:

### Think about how much you're borrowing

- Think about what your repayment obligation means before you take out a student loan.
- If you don't repay your student loan on time or according to the terms in your promissory note,\* you could default\* on this legal obligation, which has serious consequences and will adversely affect your credit rating.

### Signing a promissory note means you agree to repay the loan

- When you sign a promissory note,\* you're agreeing to repay the loan according to the terms of the note.
- The note states that except in cases of loan discharge (cancellation), you must repay the loan, even if you don't complete your education (in some cases, you may not have to repay a loan if you were unable to complete your education because the school closed).
- Also, you **must** repay your loan even if you can't get a job after you complete the program or you didn't like the education you paid for.

The U.S. Department of Education does not guarantee the quality of education you receive or that you will find a job in your field of study.

### Make payments regardless of receiving billing notices

- You must make payments on your loan even if you don't receive a bill or repayment notice.
- Billing statements (or coupon books) are sent to you as a convenience. You're obligated to make payments even if you don't receive any reminders.
- You must also make monthly payments in the full amount required by your repayment plan. Partial payments do **not** fulfill your obligation to repay your student loan on time.

### Continue to pay while waiting for deferment or forbearance approval

- If you apply for a deferment or forbearance, you must continue to make payments until you have been notified that your request has been approved.
- If you don't, you might end up in default.\*
- Keep a copy of any request form you submit, and document all contact you have with the holder of your loan.

### Notify your lender or loan servicing agency when you ...

- Graduate;
- Withdraw from school;
- Drop below half-time\* status;
- Change your name, address or Social Security number<sup>†</sup>; or
- Transfer to another school.

<sup>†</sup>Note: New Social Security numbers are issued only in very rare circumstances. See [www.ssa.gov/ssnumber/](http://www.ssa.gov/ssnumber/) for rules on changing them.

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Remember to keep in touch with your lender or loan servicing agency.

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### Receive entrance and exit counseling

- For Direct or FFEL Stafford Loans, you must complete an **entrance counseling** session before you're given your first loan disbursement, unless you've previously borrowed a Stafford Loan. This session provides you with useful tips and tools to help you develop a budget for managing your educational expenses and helps you to understand your loan responsibilities.
- For most federal student loans, you must receive **exit counseling** before you leave school to make sure you understand your rights and responsibilities as a borrower. You will receive information about repayment and your loan provider will notify you of the date loan repayment begins (usually six months after you graduated, leave school or drop below half-time\* enrollment).

\*See "Important Terms," page 38.

Terms frequently used in discussing financial aid throughout this publication will appear with an asterisk, and you'll find a description of them under "Important Terms," beginning on page 38.



## Borrower's Rights

### What you need to know about your loan

You have a right to know the details about your loan (depending on your loan, some of the following might be included as part of your entrance counseling). Below is what you need to know and must receive from your school, lender or the Direct Loan Servicing Center:

- The full amount of the loan and the current interest rate.
- The date you must start repayment.
- A complete list of any charges you must pay (loan fees) and information on how those charges are collected.
- Information about the yearly and total amounts you can borrow.
- Information about the maximum repayment periods and the minimum repayment amount.
- An explanation of default\* and its consequences.
- An explanation of available options for consolidating your loans and a statement that you can prepay your student loan(s) at any time without a penalty.

### Before you leave school

Before you leave school, you will receive the following information about your loan (as part of exit counseling) from your school, lender or the Direct Loan Servicing Center:

- A current description of your loans, including average anticipated monthly payments.
- The amount of your total debt (principal and estimated interest), your current interest rate and the total interest charges on your loan.
- If you have FFEL (Federal) Stafford Loans, the name of the lender or agency that holds your loans, where to send your payments and where to write or call if you have questions.
- If you have Direct Stafford Loans, the address and telephone number of the U.S. Department of Education's Direct Loan Servicing Center.

- An explanation of the fees you might be charged during the repayment period, such as late charges and collection or litigation costs if you're delinquent or in default.\*
- A reminder of available options for loan consolidation and a reminder that you can prepay your loan without penalty at any time.
- A description of applicable deferment, forbearance and discharge (cancellation) provisions.
- Repayment options and advice about debt management that will help you in making your payments.
- Notification that you must provide your expected permanent address and the name and address of your expected employer.
- Notification that you must also provide any corrections to your school's records concerning your name, Social Security number, references and driver's license number (if you have one).

### Grace period

If you are attending school at least half-time,\* you have a set period of time after you graduate, leave school or drop below half-time\* status before you must begin repayment on a Stafford or Perkins Loan. This period of time is called a grace period.

- You will receive a grace period before your repayment period begins on a Stafford or Perkins Loan.
- Parents and graduate and professional degree students do not have a grace period on a PLUS Loan.
- Your grace period will be six or nine months depending on the type of loan.
- If you are in active military duty for more than 30 days, the grace period will be delayed (for no more than 3 years) during that time.

### Loan repayment schedule

Your school, lender or the Direct Loan Servicing Center, as appropriate, must give you a loan repayment schedule that states:

- When your first payment is due,
- The number and frequency of payments, and
- The amount of each payment.

## Sale of loan

If you, or your parents borrow under the FFEL Program, you (or your parents, or graduate and professional degree students for PLUS Loans) must be notified when the loan is sold if the sale results in making payments to a new lender or agency. Both the old and new lender must provide this notification. You must be given:

- The identity of the new lender or agency holding the loan and
- The address where you or your parents must send payments, and the telephone numbers of both the old and new lender or agency.

## Loan Repayment

This section gives you basic information about loan repayment. For more information, go online to [www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov). In addition, see our publication *Repaying Your Student Loans*. Get the latest version online at [www.FederalStudentAid.ed.gov/pubs](http://www.FederalStudentAid.ed.gov/pubs). Or, you can request a paper copy from the Federal Student Aid Information Center by calling **1-800-4-FED-AID (1-800-433-3243)**.

### When do I start paying back my student loans?

- **Federal Perkins Loans**—The grace period is nine months. However, if you're attending less than half-time,\* check with your financial aid administrator to determine your grace period. During the grace period, you don't have to pay any principal, and you **won't** be charged interest.
- **Direct or FFEL Stafford Loans**—The grace period is six months.
- **Subsidized loan**—During the grace period, you don't have to pay any principal, and you **won't** be charged interest.
- **Unsubsidized loan**—You don't have to pay any principal, but you **will** be charged interest. Remember, you can either pay the interest as you go along or it will be capitalized\* (i.e., added to the principal loan balance) later.

Your lender will send you information about repayment, and you'll be notified of the date repayment begins. **However, you're responsible for beginning repayment on time, even if you don't receive this information.** Failing to make payments on your loan can lead to default.\* Default\* occurs when you fail to meet the terms and conditions of the promissory note,\* such as not making timely payments on the loan.

### How much time do I have to repay my student loans?

- **Federal Perkins Loans**—Up to 10 years.
- **Direct and FFEL Stafford Loans**—Your repayment period varies from 10 to 25 years, depending on which repayment plan you choose. See more on repayment options on page 30.

You'll get more information about repayment choices before you leave school (exit counseling), and later, during your grace period, from the holder of your loan(s).

### When do parents and graduate and professional degree students begin repaying a PLUS Loan?

Generally, within 60 days after the loan is fully **disbursed** (paid out). There is no grace period for these loans. This means interest starts to accrue as soon as the first disbursement is made. Your parents and graduate and professional degree students must begin repaying both principal and interest while in school. However, a graduate and professional degree student PLUS Loan borrower could get an in-school deferment while he or she is enrolled at least half-time.\*

### How much will I have to repay and how often do I make payments?

**Direct or FFEL Stafford Loan**—Usually, you'll make monthly payments. Your repayment amount will depend on:

- The size of your debt,
- The length of your repayment period, and
- The repayment plan you choose.

#### Direct Stafford Loan:

- You'll make payments to us through our Direct Loan Servicing Center. Direct Loan borrowers can view and pay their bills online using their PIN at: [www.dl.ed.gov](http://www.dl.ed.gov)

#### FFEL Stafford Loan:

- You'll repay the private lender that made you the loan.

#### Federal Perkins Loans:

- You'll make monthly payments to the school that loaned you the money.
- You'll have up to 10 years to repay your loan.
- Federal Perkins Loans do not have different repayment plans.

\*See "Important Terms," page 38.

Terms frequently used in discussing financial aid throughout this publication will appear with an asterisk, and you'll find a description of them under "Important Terms," beginning on page 38.



The chart below shows typical monthly payments and total interest charges for three different 5 percent Perkins Loan amounts over a 10-year period.

### Do I have repayment options?

**Yes.** Repayment plans offered for Direct Stafford Loans are generally the same as those offered for FFEL Stafford Loans. However, the Direct Loan program will continue to offer an income contingent repayment plan and the FFEL program will continue to offer an income-sensitive repayment plan.

The repayment periods for Stafford Loans vary from 10 to 25 years. When it comes time to repay, you can pick a repayment plan that's best-suited to your financial situation. The following repayment plans will be available to Direct Loan borrowers who started repaying their loans on or after July 1, 2006:

- A standard plan with a fixed annual repayment amount paid over a fixed period of time not to exceed 10 years.
- A graduated plan paid over a fixed period of time not to exceed 10 years. With this plan, your payments start with a relatively low amount and then increase, generally every two years.

- An extended plan (for new borrowers on or after Oct. 7, 1998, with more than \$30,000 in outstanding loans accumulated on or after that date) with a fixed annual or graduated repayment amount to be paid over a period not to exceed 25 years.
- A plan that bases the monthly payment amount on how much money you make. For **Direct Stafford Loans**, this plan is called the Income Contingent Repayment Plan (Direct PLUS Loans may not be repaid under the Income-Contingent Repayment Plan). For **FFEL Stafford Loans** and **FFEL PLUS Loans**, this plan is called the Income-Sensitive Repayment Plan. The terms of these plans vary.
- For Direct Loans, the U.S. Department of Education may offer alternative repayment plans to a borrower who demonstrates that other available repayment plans are not adequate and cannot accommodate the borrower's exceptional circumstances.

For a Perkins Loan, your school is the lender. Your school or its agent will provide you with the exact repayment amounts. The chart below is just an example of what a Perkins Loan repayment plan might be.

### Examples of Typical Perkins Loan Repayments

Total Loan Amount	Number of Payments	Approximate Monthly Payment	Total Interest Charges	Total Repaid
\$4,000	120	\$42.43	\$1,091.01	\$5,091.01
\$5,000	120	\$53.03	\$1,364.03	\$6,364.03
\$15,000	120	\$159.10	\$4,091.73	\$19,091.73

### Key Facts About Repayment

- If you don't choose a repayment plan when you first begin repayment, you'll be placed under the Standard Repayment Plan.
- You can change plans to suit your financial circumstances.

You'll get more information about repayment choices before you leave school and, later, from the holder of your loan. You can also

get more detail about repayment plans from *Repaying Your Student Loans* and by going to our Web site, [www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov). The following chart shows repayment plans for both programs and estimated monthly payments for various loan amounts under each plan.

### How do parents and graduate and professional degree students repay their PLUS Loan?

Your parents have nearly all the repayment options that Direct and FFEL Stafford Loan borrowers have. The exception is that the Direct Loan Income Contingent Repayment Plan is not an option for Direct PLUS Loan borrowers.

## Are there tax incentives while paying back student loans?

**Yes.** Tax benefits are available for certain higher education expenses, including a deduction for student loan interest for certain borrowers. This benefit applies to all loans used to pay for postsecondary education costs, including PLUS Loans.

The maximum deduction is \$2,500 a year. Internal Revenue Service (IRS) Publication 970, Tax Benefits for Higher Education, explains these credits and other tax benefits. You can get more information online at [www.irs.gov](http://www.irs.gov) or by calling the IRS at 1-800-829-1040. TTY callers can call 1-800-829-4059.

The results in the chart below assume that the student is paying the interest charges on any unsubsidized loans and is not capitalizing the interest while in school. If the student is capitalizing the interest, the cumulative payments and total interest charges will be higher than shown in the chart.

Examples of Typical Direct and FFEL Stafford Loan Repayments										
Estimated Monthly Payments and Total Amounts Repaid Under Different Repayment Plans							For Direct Loans Only: Income Contingent <sup>c</sup> Income = \$25,000			
Initial Debt When You Enter Repayment	Standard <i>Not to exceed 10 years</i>		Extended <sup>a</sup>		Graduated <sup>b</sup> <i>Not to exceed 10 years</i>		Single		Married/HOH <sup>d</sup>	
	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid
\$3,500	\$50	\$4,471	Not Available		\$25	\$5,157	\$27	\$6,092	\$25	\$6,405
\$5,000	\$58	\$6,905			\$40	\$7,278	\$38	\$8,703	\$36	\$9,150
\$7,500	\$83	\$10,357			\$59	\$10,919	\$57	\$13,055	\$54	\$13,725
\$10,500	\$121	\$14,500			\$83	\$15,283	\$80	\$18,277	\$76	\$19,215
\$15,000	\$173	\$20,714			\$119	\$21,834	\$114	\$26,110	\$108	\$27,451
\$40,000	\$460	\$55,239	\$227	\$83,289	\$316	\$58,229	\$253	\$72,717	\$197	\$84,352

Payments are calculated using the fixed interest rate of 6.8 percent for student borrowers for loans made on or after July 1, 2006.

<sup>a</sup>This repayment plan is available to borrowers who have no outstanding balance on a Direct Loan as of Oct. 7, 1998, or who have obtained a Direct Loan after Oct. 7, 1998, and have an outstanding balance on Direct Loans that exceeds \$30,000. The amounts were rounded to the nearest dollar and were calculated based on a 25-year repayment plan.

<sup>b</sup>This is an estimated monthly repayment amount for the first two years of the term and total loan payment. The monthly repayment amount will generally increase every two years, based on this plan.

<sup>c</sup>Assumes a 5 percent annual growth (Census Bureau) and amounts were calculated using the formula requirements in effect during 2006.

<sup>d</sup>HOH is Head of Household. Assumes a family size of two.

You can also find a repayment calculator at [www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov).

## Postponing Loan Repayment (Deferment and Forbearance)

Under certain circumstances, you can receive periods of deferment or forbearance that allow you to postpone loan repayment. These periods don't count toward the length of time you have to repay your loan. You can't get a deferment or forbearance for a loan that is already in default.\*

### What is deferment?

A deferment is a period of time during which no payments are required and interest does not accrue (accumulate), unless you have an unsubsidized Stafford Loan. In that case, you must pay the interest.

### How do I qualify for a deferment?

The most common loan deferment conditions are enrollment in school at least half-time,\* inability to find full-time employment (for up to three years) and economic hardship (for up to three years).

### Can my parents or graduate and professional degree students defer repayment of their PLUS Loan?

**Yes,** as long as the loan isn't in default.\* Generally, the same deferment provisions that apply to Stafford Loans apply to PLUS Loans. Because PLUS Loans are unsubsidized, **parents and graduate and professional degree students will be charged interest during periods of deferment.** If they don't pay the interest as it accrues, it will be capitalized\* (added to their outstanding principal balance).

\*See "Important Terms," page 38.

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## Is there deferment for active military service?

An active duty military deferment is available for loans first disbursed on or after July 1, 2001. The deferment may not exceed three years and is available only for periods when the borrower is serving on active duty during a war or other military operation, or national emergency or is performing qualifying National Guard duty under the same circumstances. Therefore, not all active duty military personnel are eligible for this new deferment.

Documentation for this deferment may include a copy of military orders or a written statement from the commanding officer or personnel officer verifying that you are on active duty under these circumstances.

Payments you made during a period that is now considered to have been covered by a military deferment cannot be refunded to you.

The Loan Deferment Summary Chart below shows Stafford and Perkins Loan deferments for loans disbursed on or after July 1, 1993. For information on deferments for loans received before that date, Direct Stafford Loan borrowers should contact the Direct Loan Servicing Center at **1-800-848-0979**. TTY users should call **1-800-848-0983**. Or, go online at **www.dl.ed.gov**. FFEL Stafford borrowers should contact their lender.

For more information on deferments, contact your lender or the financial aid office at your school.

You **MUST** continue making payments on your student loan until you have been notified that your request for deferment has been granted. If you don't, and your deferment is not approved, you will become delinquent and may default\* on your loan.

Loan Deferment Summary Chart			
Deferment Condition	Stafford Loans		Perkins Loans
	Direct Loans <sup>a,b</sup>	FFEL Loans <sup>a,c</sup>	
At least half-time* study at a postsecondary school	YES	YES	YES
Study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled	YES	YES	YES
Unable to find full-time employment	Up to 3 Years	Up to 3 Years	Up to 3 Years
Economic hardship (includes Peace Corps Service)	Up to 3 Years	Up to 3 Years	Up to 3 Years
Engages in service listed under discharge/cancellation conditions	NO	NO	YES <sup>d</sup>
Active Military Duty (for loans first disbursed on/after July 1, 2001; while borrower is on active duty during a war or other military operation, or national emergency)	Up to 3 Years	Up to 3 Years	Up to 3 Years

<sup>a</sup> For PLUS Loans and unsubsidized Stafford Loans, only principal is deferred. Interest continues to accrue.

<sup>b</sup> A Direct Loan borrower who had an outstanding balance on a FFEL Loan first disbursed before July 1, 1993, when the borrower received his or her first Direct Loan, is eligible for additional deferments.

<sup>c</sup> Applies to loans first disbursed on or after July 1, 1993, to a borrower who has no outstanding FFEL or Federal Supplemental Loans for Students (Federal

SLS) loan on the date he or she signed the promissory note.\* (Note that the Federal SLS Program was repealed beginning with the 1994-95 award year.) Different deferments are available for borrowers with pre-July 1, 1993 loans.

<sup>d</sup> More information on teaching service deferments and cancellations can be found online at [www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov). At the site, click on the "Students, Parents and Counselors" tab.

## What is forbearance?

If you temporarily can't meet your repayment schedule but you're not eligible for a deferment, your lender might grant you forbearance for a limited and specific period of time. Forbearance occurs when your lender or loan-servicing agency agrees to either temporarily reduce or postpone your student loan payments. Interest continues to accrue (accumulate), however, and you are responsible for paying it, no matter what kind of loan you have.

Generally, your lender can grant forbearance for periods up to 12 months at a time, for a maximum of three years. You'll have to provide documentation to the lender to show why you should be granted forbearance. The lender must send you a notice confirming the terms that were agreed to and record them in your file.

## Applying for deferment or forbearance

Receiving deferment or forbearance is not automatic. You or your parents must apply for it.

- **Federal Perkins Loans**—Contact the school that made your loan or the school's servicing agent.
- **Direct Loans (includes Direct PLUS Loans)**—Contact the Direct Loan Servicing Center at: **1-800-848-0979**. TTY users should call **1-800-848-0983**

Or, go to: [www.dl.ed.gov](http://www.dl.ed.gov)

- **FFEL Loans (includes FFEL PLUS Loans)**—Contact the lender or agency holding your loan.

**Regardless of which type of federal student loan you have, you must pay the interest that accrues (accumulates) during any period of forbearance.**

## Are there circumstances when I must be granted a mandatory forbearance?

**Yes.** There are certain mandatory forbearances. Examples include borrowers who:

- are in a medical or dental internship or residency;
- have student loan payments that are 20 percent or more of their monthly income;
- have payments being made for them by the Department of Defense.

Contact your lender or loan-servicing agent for more information on the mandatory forbearance benefit.

## Consolidating Your Loans

### What is loan consolidation?

Student and parent borrowers can consolidate (combine) multiple federal student loans with various repayment schedules into one loan: either a FFEL Consolidation Loan or a Direct Consolidation Loan, making a single monthly payment.

#### With a consolidation loan:

- Your monthly payment might be lower.
- You can take a longer time to repay (up to 25 years).
- You will receive a fixed interest rate on your Direct or FFEL Consolidation Loan.

Compare the cost of repaying your unconsolidated loans with the cost of repaying a consolidation loan. Things to consider are:

- Whether you'll lose any borrower benefits if you consolidate, such as interest rate discounts or principal rebates, as these benefits can significantly reduce the cost of repaying your loans.
- Whether you might lose some discharge and cancellation benefits if you include a Perkins Loan in your consolidation loan.

Carefully review your consolidation options before you apply.

Talk to the holder of your loan(s) for more information *before* you consolidate.

If you're in default\* on a federal student loan, you still might be able to consolidate if you make satisfactory repayment arrangements on the defaulted loan or agree to repay the consolidation loan under the Income-Contingent or Income Sensitive Repayment Plans, provided the defaulted loan is not subject to a judgment or wage garnishment.

### What kinds of loans can be consolidated?

**All federal student loans** discussed in this guide are eligible for consolidation, and others can be included. To get a complete list of your loans that are eligible for consolidation, contact your lender or the agent servicing your loan(s).

If you're applying for a:

- **FFEL Consolidation Loan**—Contact your lender or the agent servicing your loan(s).
- **Direct Consolidation Loan**—Contact the Loan Origination Center's Consolidation Department at **1-800-557-7392**. TTY users may call **1-800-557-7395**. Or, go to [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov).

\*See "Important Terms," page 38.

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## When can I consolidate my loans?

For both FFEL and Direct Loans you can consolidate:

- During your grace period.
- Once you've entered repayment (the day after the end of the six-month grace period).
- During periods of deferment or forbearance.

## How do I get a consolidation loan?

- **FFEL Consolidation Loan**—Contact the consolidation department of a participating lender for an application and more information. You may consolidate your loans with any eligible consolidation lender in the FFEL program.
- **Direct Consolidation Loan**—Contact the Direct Loan Origination Center's Consolidation Department at **1-800-557-7392**, or go to [www.loanconsolidation.ed.gov](http://www.loanconsolidation.ed.gov). TTY users may call **1-800-557-7395**.

## What's the interest rate on a consolidation loan?

The interest rate for both Direct and FFEL Consolidation Loans is a fixed rate for the life of the loan. The fixed rate is based on the weighted average of the interest rates on all of the loans you consolidate, rounded up to the nearest one-eighth of 1 percent. The interest rate will never exceed 8.25 percent.

## Are there any disadvantages to getting a consolidation loan?

Yes, there could be. For example, consolidation may significantly increase the total cost of repaying your loans. Because you may have a longer period of time to repay, you'll pay more interest.

## Where can I get more information on consolidation loans?

- You can contact the holder of your loans.
- You can read more about loan consolidation in our publication *Repaying Your Student Loans*. You can get a copy online at [www.FederalStudentAid.ed.gov/pubs](http://www.FederalStudentAid.ed.gov/pubs) or a paper copy by contacting the Federal Student Aid Information Center at **1-800-4-FED-AID (1-800-433-3243)**.

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Once made, consolidation loans cannot be revoked for any reason because the underlying loans that were consolidated have been paid off and no longer exist.

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## Loan Discharge or Cancellation

### Is it ever possible to have my federal student loan discharged or canceled?

Yes, but only under rare circumstances. A discharge or cancellation releases you from all obligation to repay the loan.

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#### Your loan cannot be discharged or canceled because you didn't:

- Complete the program of study at the school (unless you could not complete the program because the school closed),
  - like the school or program of study, or
  - obtain employment after completing the program of study.
- 

### What qualifies my loan for discharge?

Discharge refers to the cancellation of a loan, even one in default,\* due to school closure, false certification, your death or total and permanent disability.

### What qualifies my loan for cancellation?

Cancellation or sometimes "forgiveness" of a loan is based on the borrower performing certain types of service such as teaching in a low-income school. A defaulted\* loan cannot be canceled based on qualifying service (e.g. teaching).

For a complete list of discharge and cancellation provisions for Perkins Loans and Stafford Loans, check the following two charts: Perkins Loan Discharge and Cancellation Summary (page 35) and Stafford and PLUS Loan Discharge and Cancellation Summary (page 36).

### How do I find out if I can get a discharge or cancellation?

After reviewing the conditions, if you think you qualify, you must apply to the holder of your loan.

- **Federal Perkins Loans**—Check with the school that made you the loan or with the school's loan servicing agent.
- **Direct Stafford Loans**—Contact the Direct Loan Servicing Center at **1-800-848-0979**. TTY users can call **1-800-848-0983**. Or, go to [www.dl.ed.gov](http://www.dl.ed.gov).
- **FFEL Stafford Loans**—Contact your lender or its loan servicing agent.

## Can parents and graduate and professional degree students with PLUS Loans ever have their loan discharged or canceled?

These rules apply to Stafford and PLUS Loans (for parents and graduate and professional degree students):

- A PLUS Loan cannot be discharged because you or the student didn't complete your program of study at your school (unless you or the student couldn't complete the program because the school closed).

- A PLUS Loan cannot be canceled because you or the student didn't like the school or the program of study.
- A PLUS Loan cannot be canceled because you or the student didn't obtain employment after completing the program of study.

Perkins Loan Discharge and Cancellation Summary Chart	
Cancellation Conditions <sup>a</sup>	Amount Forgiven
Bankruptcy (in rare cases—cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship)	100 percent
Closed school (before student could complete program of study)—applies to loans received on or after Jan. 1, 1986	100 percent
Borrower's total and permanent disability or death <sup>b</sup>	100 percent
Full-time teacher in a designated elementary or secondary school serving students from low-income families <sup>c</sup>	Up to 100 percent
Full-time special education teacher (includes teaching children with disabilities in a public or other nonprofit elementary or secondary school) <sup>c</sup>	Up to 100 percent
Full-time qualified professional provider of early intervention services for the disabled	Up to 100 percent
Full-time teacher of math, science, foreign languages, bilingual education, or other fields designated as teacher shortage areas	Up to 100 percent
Full-time employee of a public or nonprofit child- or family-services agency providing services to high-risk children and their families from low-income communities	Up to 100 percent
Full-time nurse or medical technician	Up to 100 percent
Full-time law enforcement or corrections officer	Up to 100 percent
Full-time staff member in the education component of a Head Start Program	Up to 100 percent
Vista or Peace Corps volunteer	Up to 70 percent
Service in the U.S. Armed Forces	Up to 50 percent in areas of hostilities or imminent danger

<sup>a</sup> As of Oct. 7, 1998, all Perkins Loan borrowers are eligible for all cancellation benefits regardless of when the loan was made or the terms of the borrower's promissory note. \* However, this benefit is not retroactive to services performed before Oct. 7, 1998.

<sup>b</sup> Total and permanent disability is defined as the inability to work and earn money because of an illness or injury that is expected to continue indefinitely or to result in death. If you are determined to be totally and permanently disabled based on a physician's certification, your loan will be conditionally discharged for up to three years. This conditional discharge period begins on the date you became totally and permanently disabled, as certified by your physician. During this conditional discharge period, you do not have to make payments on your loan(s). To qualify for a final discharge due to total and permanent disability, you must meet the following requirements during the conditional

discharge period: (1) your earnings from employment must not exceed the poverty line amount for a family of two; and (2) you must not receive any additional loans under the FFEL, Direct Loan or Perkins Loan programs. If you do not continue to meet these requirements at any time during or at the end of the conditional discharge period, your loan(s) will be taken out of conditional discharge status and you must resume making payments on your loans. You cannot qualify for loan discharge based on a condition that existed before the loan was made, unless a doctor certifies that your condition substantially deteriorated after you obtained the loan. For more information on qualifying for this discharge, review your promissory note\* and Borrower's Rights and Responsibilities Statement or contact your loan holder.

<sup>c</sup> Detailed information on teaching service cancellation/deferment options can be found at [www.FederalStudentAid.ed.gov](http://www.FederalStudentAid.ed.gov). At the site, click on the "Students, Parents and Counselors" tab.

\*See "Important Terms," page 38.

Terms frequently used in discussing financial aid throughout this publication will appear with an asterisk, and you'll find a description of them under "Important Terms," beginning on page 38.



Stafford and PLUS Loan Discharge and Cancellation Summary Chart		
Discharge/Forgiveness Condition	Amount Discharged/Forgiven	Notes
Borrower's total and permanent disability or death*	100 percent	For a PLUS Loan, includes the death, but not disability, of the student for whom the parents borrowed.
Full-time teacher for five consecutive years in a designated elementary or secondary school serving students from low-income families. Must meet additional eligibility requirements	Up to \$5,000 (up to \$17,500 for teachers in certain specialties) of the total loan amount outstanding after completion of the fifth year of teaching.  Under the Direct and FFEL Consolidation Loan programs, only the portion of the consolidation loan used to repay eligible Direct Loans or FFEL Loans qualifies for loan forgiveness.	For Direct and FFEL Stafford Loan borrowers with no outstanding balance on a Direct or FFEL Loan on the date they received a loan. PLUS Loans are not eligible. At least one of the five consecutive years of teaching must occur after the 1997-98 academic year.*  To find out whether your school is considered a low-income school, go to <a href="http://www.FederalStudentAid.ed.gov">www.FederalStudentAid.ed.gov</a> . Click on the "Students, Parents and Counselors" tab. Or call 1-800-4-FED-AID (1-800-433-3243).
Bankruptcy (in rare cases)	100 percent	Cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship.
Closed school (before student could complete program of study) or false loan certification.	100 percent	For loans received on or after Jan. 1, 1986.
False loan certification now includes identity theft.	100 percent	Effective July 1, 2006.
School does not make required return of loan funds to the lender	Up to the amount that the school was required to return.	For loans received on or after Jan. 1, 1986.

\*Total and permanent disability is defined as the inability to work and earn money because of an illness or injury that is expected to continue indefinitely or to result in death. If you are determined to be totally and permanently disabled based on a physician's certification, your loan will be conditionally discharged for up to three years. This conditional discharge period begins on the date you became totally and permanently disabled, as certified by your physician. During this conditional discharge period, you do not have to make payments on your loan(s). To qualify for a final discharge due to total and permanent disability, you must meet the following requirements during the conditional discharge period: (1) your earnings from employment must not

exceed the poverty line amount for a family of two; and (2) you must not receive any additional loans under the FFEL, Direct Loan or Perkins Loan programs. If you do not continue to meet these requirements at any time during or at the end of the conditional discharge period, your loan(s) will be taken out of conditional discharge status and you must resume making payments on your loans. You cannot qualify for loan discharge based on a condition that existed before the loan was made, unless a doctor certifies that your condition substantially deteriorated after you obtained the loan. For more information on qualifying for this discharge, review your promissory note\* and Borrower's Rights and Responsibilities Statement or contact your loan holder.