

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. In addition, see our publication *Repaying Your Student Loans*. Get the latest version online at 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

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. 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 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							For Direct Loans Only: Income Contingent ^c Income = \$25,000			
Estimated Monthly Payments and Total Amounts Repaid Under Different Repayment Plans										
Initial Debt When You Enter Repayment	Standard <i>Not to exceed 10 years</i>		Extended ^a		Graduated ^b <i>Not to exceed 10 years</i>		Single		Married/HOH ^d	
	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.

^aThis 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.

^bThis 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.

^cAssumes a 5 percent annual growth (Census Bureau) and amounts were calculated using the formula requirements in effect during 2006.

^dHOH is Head of Household. Assumes a family size of two.

You can also find a repayment calculator at 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).

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