Federal Student Loan Debt Basics: Loan Management

Types of Student Loans: Differences

Federal student loans

- Low, fixed interest rates and fee regulations
- On default, the government can garnish your wages and withhold tax returns *without* a court order.
- *No statute of limitations!* The government can continue to pursue you for your federal student loan debt for as long as you live.
- Default bars you from future federal loans.
- Defaults will appear on your credit report.

Private student loans

- Higher interest rates, fewer regulations
- On default, lenders must sue you in court and obtain a judgment to garnish your wages. *No tax withholding power.*
- Statue of limitations applies. Under New York law, the lender must sue and obtain a judgment *within 6 years* of default. If a private loan is backed by a federal loan program, the lender may be able to collect indefinitely.
- Default does not bar you from future loans.
- Defaults will appear on your credit report.

Are my loans are federal or private?

Find out at www.nslds.ed.gov. Click on Financial Aid Review. If a loan appears on this report, it is most likely a federal loan. It is important to know whether your student loans are private or federal because there are different procedures and consequences for default for each type of loan. **The rest of this fact sheet refers to federal student loans.**

Postponing Repayment

◊ *Definition*: A temporary halt of loan payments.

◊ For subsidized loans, interest will not accrue. For unsubsidized loans, interest will continue to build.

You may qualify for a deferment if you are:

- Enrolled in undergraduate or graduate courses *at least half time.*
- In a graduate fellowship program.
- In a rehabilitation training program for the disabled.
- Unable to find full time employment.
  - -Three year limit
- Experiencing economic hardship.
  - -Three year limit
- In the Peace Corps.
- On active military duty.

◊ *Definition:* A temporary suspension of loan payments, or a reduction in the amount of loan payments.

◊ Subsidized and unsubsidized loans accumulate interest.

You may qualify for forbearance if you are:

- Serving in an approved service program. (ex.- Americorps)
- Experiencing temporary financial hardship. (ex.- illness)
- Paying over 20% of your total monthly income on student loan payments.
- In a medical/dental intern or residency program.
- Teaching in a low-income school and your outstanding debt can be satisfied under the Teacher Loan Forgiveness program. (See Loan Cancellation and Forgiveness Factsheet)

For more information, go to www.dl.ed.gov . Click on "Forms" in the navigation bar.
After reviewing "Requirements," you can download the appropriate form to submit to your loan servicer.

Updated 3/16

URBAN JUSTICE CENTER
COMMUNITY DEVELOPMENT PROJECT
123 William St. 16th floor
New York, NY 10038
Tel: 646-602-5200

Repayment Strategies to Keep from Defaulting:

If your monthly loan payments are too high, you can switch plans. Remember, you have much more flexible repayment options if you are not in default on your loans. Your loans enter default after you have missed 9 monthly payments. If you have missed 8 or fewer payments, you are considered delinquent on your loans but you are still eligible to switch plans.

Standard Repayment

- Most Direct federal loans start in this plan
- 10 years of payments
- Higher monthly payments
- Less interest over the course of the loan

Extended Repayment

- 25 years of payments
- Must have at least $30,000 in Direct loan debt
- Lower monthly payments than under Standard Plan
- More interest over the course of the loan

Graduated Repayment

- 10 years, or less, of payments
- Payments start out low and increase every two years
- Choose if you think your income will significantly increase over time and you are capable of repayment in 10 years.

Income Sensitive Repayment

- Only for FFEL loans
- Monthly payments based on your annual income
- 10 year maximum repayment period

Income Contingent Repayment (ICR)

- Only for Direct loans
- Monthly payments calculated annually
- Payments based on income, family size, and loan balance
- After 25 years of payments under ICR, the remaining balance will be forgiven.

Income Based Repayment (IBR)

This plan is designed so that the payments are reasonable and affordable.

- For both FFEL and Direct loans
- Cannot be in default
- Monthly payment calculated annually
- Payments based on income and family size
- Lower monthly payments than under Standard Plan
- After 25 years of payments under IBR, your remaining balance will be forgiven.
- For first three years, the government will pay the interest on your loan if your monthly payment does not cover it.

How to Apply for an IBR

1. Contact loan servicer to obtain form, *OR*
2. Apply online
   -go to www.studentloans.gov
   -in the 'Manage my Direct Loan' box, click the green Sign in button using your Federal Student Aid PIN (if you do not have a pin, visit www.pin.ed.gov to get one)
   -from there, follow directions on screen to access the IBR application form

Go to **studentaid.ed.gov** for more information.

Click on "Repaying your loans" on the left sidebar. Then click on "Repayment Plans and Calculators." The calculator lets you estimate your monthly payment under each plan.

Contact your loan servicer to change your repayment plan.

CDP-Urban Justice Center
123 William St. 16th floor
New York, NY 10038
Tel: 646-602-5200