

## ***Repayment of the Federal Stafford Loan***

### **You have the right to:**

Prepay all or part of the amount owed without penalty.

A "grace period" before repayment begins.

Appropriate deferments if eligibility requirements are met and documentation is submitted.

Examine applicable laws, regulations, and policies governing the Federal Stafford Student Loan Program (FFELP).

### **It is your responsibility to:**

Repay the loan in accordance with the established repayment schedule.

Contact your lender if you anticipate any problems repaying your loan,

Provide any necessary documentation for forbearance or deferment consideration

Report any of the following changes to the lender:

Failure to enroll in school for the period for which the loan is intended.

Withdrawal or graduation from school.

Transferring to another school.

Registration for or dropping to a less than half-time status.

Change of name, address, or phone number.

### **Facts About Repayment:**

Your repayment will begin after a "grace period" has ended. A grace period is the length of time between the time you leave school or are no longer enrolled on at least a half-time basis and when you begin repaying your loan. The average grace period is 6 months. (Remember, there is NO grace period for PLUS loans.)

During your grace period, you will receive a "Repayment Schedule and Disclosure Statement." This form will give you specific repayment information, including the terms of your repayment, the payment amount, your first due date, and subsequent due dates. You will receive a monthly billing statement from which to pay your account.

**REMEMBER** You must repay your loan even if you do not graduate or finish your educational program.

Also, you are still responsible for repayment even if you do not hear from your lender, so make sure you provide your correct address and phone number so you will receive the above mentioned documents.

If you have a dispute involving your Federal Family Education Loan that cannot be resolved by either your lender or guaranty agency, you may contact the Department of Education's Office of the Ombudsman toll free at: 1-877-557-2575;

or by mail at:

Office of the Ombudsman, Student Financial Assistance, US Dept. of Education,  
4th Floor, UCP-3/MS 5144 830 First Street, NE Washington, DC 20202-5144;

or by internet at:

<http://sfhelp.ed.gov> or <http://ombudsman.ed.gov>

or by e-mail at: [sfaombudsmanofce@ed.gov](mailto:sfaombudsmanofce@ed.gov)

There are several ways you can repay your loan. The key is finding out which way is right for you. Below are the different types of repayment plans you can choose from:

**Standard repayment** is where you make the same monthly payments throughout the life of your loan.

**Graduated repayment** is where you begin repayment at a lower monthly rate which gradually increases over the life of your loan.

**Extended repayment** is a schedule available to a new borrower on or after October 7, 1998, with outstanding principal and interest in FFELP loans totaling more than \$30,000. This may provide for a repayment period of no more than 25 years.

**Income-sensitive repayment** is where the borrower's monthly payment is adjusted annually, based solely on the borrower's expected total monthly income received from employment and other sources during the course of the repayment period.

Another option you may choose is **consolidation**. This process is actually the combining of several loans into one loan. The advantages of consolidation can include lower payments and longer repayment periods. However, consolidation loans do not benefit everyone, so make sure you check with your lender before deciding to take this route.

## **Forbearance & Deferments**

There are many reasons why you may, at some point, be unable to make your scheduled payment. Your lender is aware of this, and they can offer you several solutions through Forbearance and/or Deferments.

A **forbearance** is an option that lets you postpone your monthly loan payments for a certain period of time, usually three months. Remember that interest will continue to accrue on your account during this time. You may choose to pay the interest on your loan during forbearance, or you may opt to have it added to the principal balance of your loan.

A **deferment** is an option that allows you to postpone your monthly payments for certain periods of time, depending on the reason. Following are the types of deferments available:

**Educational** - for borrowers who are in school or returning to school.

**Public service** - for borrowers on full-time active duty in the Armed Forces, NOAA, Commissioned Officers in the Public Health Service, Peace Corps, Action program, or tax-exempt organizations.

**Disability** - for borrowers who are permanently or temporarily disabled.

**Unemployment**

**Family** - for borrowers who either are working mothers or on parental leave.

**Hardship** - for borrowers who are experiencing economic hardship.

TIP. You must return all required documentation to be considered for a forbearance or deferment, and some restrictions apply. Contact your lender for the correct form.

## The Consequences of Default

Loans are not gifts, and they must be repaid. If you fail to repay your loan, your account will go into default. Below is a list of some consequences of defaulting:

- Holds may be placed on your college records.
- You will be charged collection costs and, if applicable, attorney's fees and other costs necessary to collect the debt.
- South Carolina residents will have state tax refunds offset and applied to the debt. This applies to cosigners as well.
- Your Federal tax return will be requested and applied to the loan.
- You will be denied any state, city, county, or local government employment.
- Any employment obtained prior to default may be terminated.
- Your paycheck can be garnished (up to 10% of your earnings).
- Your default will be reported to the Credit Bureau and will be assigned the lowest rating possible. This will have severe consequences on your ability to borrow or purchase on credit.
- Your account will be assigned to the Guaranty Agency for collection and legal prosecution.
- Your loan may be assigned to the Federal Government for litigation.
- You may forfeit any further rights to additional financial aid and rights to future deferments of repayment and professional licenses may be denied.
- You may be charged collection fees up to 25% of the unpaid loan balance if you default.

Sample Standard Repayment Chart  
Based on 8.25% simple interest

Total Debt	Number of Months	Amount per Month	Total Interest Paid	Total Amount Repaid
\$2,500	62	\$50	\$574	\$3,074
5,000	119	62	2,323	7,323
7,500	120	92	3,539	11,039
10,000	120	123	4,696	14,696
15,000	120	184	7,077	22,077
20,000	120	246	9,392	29,392
25,000	120	307	11,772	36,772
30,000	120	368	14,153	44,154
40,000	120	491	18,848	58,848
50,000	120	614	23,244	73,544
60,000	120	736	28,305	88,305
75,000	120	920	35,381	110,381
100,00	120	1,227	47,153	147,153

TIP. • Know who the "Holder of your loan" is, or in other words, the Lender or the institution to which you owe the loan. Know the address and phone number. These are the people you need to talk to should you have any questions or problems.