Understanding Student Loan Repayment
What type of loan are you receiving?

- **Federal Student Loans**
  - Offered through the Department of Education
  - Low fixed interest rates
  - Income-driven repayment plans
  - Cancellation of loans for certain types of employment
  - Postponement options, including Deferment and Forbearance

- **Private Student Loans**
  - Offered by several different financial institutions including traditional banks, credit unions and community banks
  - Some may offer different repayment options while you are in school.
    - Full deferment
    - Interest only
    - Interest and principal
    - Flat payment
  - Interest rates vary between lender
    - Fixed Interest rate will remain the same for the life of the loan
    - Variable Interest rate may fluctuate over the lifetime of the loan
  - Requires a credit check and may require a cosigner for approval
  - Privately issued financing cannot be discharged during bankruptcy.
Types of Federal Student Loans

The Department of Education offers two federal student loan programs:

- The William D. Ford Federal Direct Loan (Direct Loan) Program. The U.S. Department of Education is your lender. There are four types of Direct Loans:
  - Direct Subsidized Loans are made eligible to undergraduate students who demonstrate financial need to help cover the costs of higher education at a college or career school.
  - Direct Unsubsidized Loans are loans made eligible to undergraduate, graduate and professional students and with this loan the student does not have to demonstrate financial need to be eligible.
  - Direct PLUS Loans are loans made to graduate or professional students and parents of dependent undergraduate students to help pay for education expenses not covered by other financial aid.
  - Direct Consolidation Loans allow you to combine all of your eligible federal student loans into a single loan with a single loan servicer.
- The Federal Perkins Loan Program is a school-based loan program for undergraduate and graduate students with exceptional financial need. Under this program the school is the lender.

*The Federal Perkins Loan Program is currently not offered through California State University Channel Islands*
Understanding the terms and conditions of your loan

- **Master Promissory Note (MPN)**
  - The MPN must be signed before you receive a federal student loan.
  - The MPN is a legal document in which you promise to repay your loan and any accrued interest and fees to your lender.
  - The terms and conditions of your loan are explained in the MPN. The repayment requirements and the types of deferment and cancellations options that are available to you are also included.
  - Your rights and responsibilities as a borrower are explained in the MPN.

- **Loan Disclosure Statement**
  - For each Direct Loan you receive under an MPN you will receive a disclosure statement that provides specific information about that loan, including the loan amount, loan fees, the expected disbursement dates and amount of the expected disbursements.
How much can you borrow in Federal Student Loans?

- **Undergraduates students**
  - $5,500 to $12,500 per year in Direct Subsidized Loans and Direct Unsubsidized Loans. The amount you are eligible for is based on your grade level in college.

- **Graduate students**
  - Up to $20,500 each year in Direct Unsubsidized Loans.
  - The remainder of your college costs not covered by other financial aid in Direct PLUS Loans. *A credit check is required for a PLUS Loan.

- **Parent of a dependent undergraduate student**
  - The remainder of the child’s college costs that are not covered by other financial aid. *A credit check is required for a parent PLUS loan.
## Annual Loan Limits

<table>
<thead>
<tr>
<th>Year</th>
<th>Dependent Students (except students whose parents are unable to obtain PLUS Loans)</th>
<th>Independent Students (and dependent undergraduate students whose parents are unable to obtain PLUS Loans)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-Year Undergraduate</td>
<td>$5,500</td>
<td>$9,500</td>
</tr>
<tr>
<td></td>
<td>*No more than $3,500 may be in subsidized loans</td>
<td>*No more than $3,500 may be in subsidized loans</td>
</tr>
<tr>
<td>Second Year Undergraduate</td>
<td>$6,500</td>
<td>$10,500</td>
</tr>
<tr>
<td></td>
<td>*No more than $4,500 may be in subsidized loans</td>
<td>*No more than $4,500 may be in subsidized loans</td>
</tr>
<tr>
<td>Third Year and beyond Undergraduate</td>
<td>$7,500</td>
<td>$12,500</td>
</tr>
<tr>
<td></td>
<td>*No more than $5,500 may be in subsidized loans</td>
<td>*No more than $5,500 may be in subsidized loans</td>
</tr>
<tr>
<td>Graduate or Professional Students</td>
<td>Not Applicable (graduate students are considered independent)</td>
<td>$20,500 (unsubsidized only)</td>
</tr>
</tbody>
</table>
## Aggregate Loan Limits

<table>
<thead>
<tr>
<th>Year</th>
<th>Dependent Students</th>
<th>Independent Students (and dependent undergraduate students whose parents are unable to obtain PLUS Loans)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate Students</td>
<td>$31,000</td>
<td>$57,500</td>
</tr>
<tr>
<td></td>
<td>*No more than $23,000 of this amount may be in subsidized loans</td>
<td>*No more than $23,000 of this amount may be in subsidized loans</td>
</tr>
<tr>
<td>Graduate or Professional Students</td>
<td>Not Applicable</td>
<td>$138,500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>*No more than $65,500 of this amount may be in subsidized loans. Effective for periods of enrollment beginning on or after July 1, 2012, graduate and professional students are no longer eligible to receive Direct Subsidized Loans.</td>
</tr>
</tbody>
</table>
What are the current interest rates?

*All interest rates for Direct Loans are fixed rates for the life of the loan. Interest rates on federal student loans are set by Congress.*

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Borrower Type</th>
<th>Loans first disbursed on or after 7/1/2016 and before 7/1/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Subsidized Loans</td>
<td>Undergraduate</td>
<td>3.76%</td>
</tr>
<tr>
<td>Direct Unsubsidized Loans</td>
<td>Undergraduate</td>
<td>3.76%</td>
</tr>
<tr>
<td>Direct Unsubsidized Loans</td>
<td>Graduate or Professional</td>
<td>5.31%</td>
</tr>
<tr>
<td>Direct PLUS Loans</td>
<td>Parents and Graduate or Professional Students</td>
<td>6.31%</td>
</tr>
</tbody>
</table>
### Federal Student Loan Fees

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>First Disbursement Date</th>
<th>Loan Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Subsidized Loans and Direct Unsubsidized Loans</td>
<td>On or after 10/1/2015 and before 10/1/2016</td>
<td>1.068%</td>
</tr>
<tr>
<td></td>
<td>On or after 10/1/2016 and before 10/1/2017</td>
<td>1.069%</td>
</tr>
<tr>
<td>Direct PLUS Loans</td>
<td>On or after 10/1/2015 and before 10/1/2016</td>
<td>4.272%</td>
</tr>
<tr>
<td></td>
<td>On or after 10/1/2016 and before 10/1/2017</td>
<td>4.276%</td>
</tr>
</tbody>
</table>

*Loans first disbursed prior to Oct. 1, 2015 have different loan fees.*
When do you begin repaying your federal student loan?

You will begin repayment on your federal student loans when one of the following occurs:

- The student graduates
- The student withdraws
- The student drops below half-time enrollment (below 6 units)
  - *PLUS loans enter repayment once the loan is fully disbursed

- Your loan servicer will provide a repayment schedule to include the first payment due date, the number of payments and the amount of each payment. Your loan may have a grace period of up to six months before your first payment is due.
What’s a grace period?

- The grace period is a set period of time after you graduate, leave school, or drop below half-time enrollment before you must begin repayment on your loan.

- Direct Subsidized, Direct Unsubsidized, Subsidized Federal Stafford Loans and Unsubsidized Federal Stafford Loans have a six-month grace period before payments are due.

- PLUS loans do not have a grace period. PLUS loans enter repayment once they are fully disbursed, however, a deferment may be available to temporarily postpone payments.

- Interest will accrue during your grace period for most loans.
Can my grace period change?

Your grace period may change for the following reasons:

- If you are called to active military duty for more than 30 days before the end of your grace period, you will receive the full six-month grace period when you return from active duty.

- Returning to school before the end of your loan’s grace period. If you reenroll in school at least half-time (6 units) before the end of your grace period, you will receive the full six-month grace period when you stop attending school or drop below half-time enrollment.

- Loan consolidation – If you consolidate your loans during your grace period, you forfeit the remainder of your grace period and begin repayment after your consolidation is disbursed. Your first payment will be due approximately 2 months after the Direct Consolidation is disbursed.
How much will you need to pay?

Your Student Loan Servicer will send you a statement informing you of the required payment. Your payment will most likely be scheduled as a monthly payment and depends on the following:

- The type of loan you received
- How much money you borrowed
- The interest rate on your loan
- The repayment plan you choose
### What Repayment Plans are available?

<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Eligible Loans</th>
<th>Monthly Payment and Repayment Schedule</th>
<th>Eligibility</th>
</tr>
</thead>
</table>
| **Standard Repayment Plan** | • Direct Subsidized and Unsubsidized Loans  
• All PLUS Loans  
• All Consolidation Loans  | • Payments are a fixed amount.  
• Minimum $50 monthly payment  
• 10 year repayment schedule  | • All borrowers are eligible for this plan.  
• You’ll pay less over time than under other plans.  |
| **Graduated Repayment Plan** | • Direct Subsidized and Unsubsidized Loans  
• All PLUS Loans  
• All Consolidation Loans  | • Payments gradually increase every two years  
• Payment will never be less than the interest that accrues between payments  
• 10 year repayment schedule  | • All borrowers are eligible for this plan.  |
| **Extended Repayment Plan** | • Direct Subsidized and Unsubsidized Loans  
• All PLUS Loans  
• All Consolidation Loans  | • Payments are a fixed or graduated amount  
• Payments are typically lower than the Standard and Graduated Repayment Plans  
• 25 year repayment schedule  | • Borrowers must have more than $30,000 in outstanding loans to qualify.  |
<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Eligible Loans</th>
<th>Monthly Payment and Repayment Schedule</th>
<th>Eligibility</th>
</tr>
</thead>
</table>
| Revised Pay As You Earn Repayment Plan (REPAYE) | • Direct Subsidized and Unsubsidized Loans  
• Direct PLUS loans made to students  
• Consolidation Loans that do not include Parent PLUS loans | • Payments will be 10% of discretionary income  
• Payments are recalculated each year and are based on income and family size  
• Any outstanding balance on your loan will be forgiven if you haven’t repaid your loan in full after 20 or 25 years | • Any Direct Loan borrower with an eligible loan type may choose this plan.  
• Your monthly payment may exceed the monthly payment under the Standard Plan.  
• You may have to pay income tax on any amount that is forgiven. |
| Pay As You Earn Repayment Plan (PAYE)    | • Direct Subsidized and Unsubsidized Loans  
• Direct PLUS loans made to students  
• Consolidation Loans that do not include Parent PLUS loans | • Payments will be 10% of discretionary income  
• Payments are recalculated each year and are based on income and family size  
• Any outstanding balance on your loan will be forgiven if you haven’t repaid your loan in full after 20 years | • You must be new borrower on or after Oct. 1, 2007 and must have received a disbursement of a Direct Loan on or after Oct. 1, 2011.  
• You must have a high debt to income ratio.  
• Your monthly payment will never be more than the 10-year Standard Plan  
• You may have to pay income tax on any amount that is forgiven. |
<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>Eligible Loans</th>
<th>Monthly Payment and Repayment Schedule</th>
<th>Eligibility</th>
</tr>
</thead>
</table>
| Income Based Repayment Plan (IBR) | • Direct Subsidized and Unsubsidized Loans  
• Direct PLUS loans made to students  
• Consolidation Loans that do not include Parent PLUS loans | • Your payments will be 10 or 15 percent of your discretionary income.  
• Payments are recalculated each year and are based on income and family size.  
• Any outstanding balance on your loan will be forgiven if you haven’t repaid your loan in full after 20 or 25 years | • You must have a high debt to income ratio.  
• Your monthly payment will never be more than the 10-year Standard Plan  
• You may have to pay income tax on any amount that is forgiven. |
| Income-Contingent Repayment Plan (ICR) | • Direct Subsidized and Unsubsidized Loans  
• Direct PLUS loans made to students  
• Direct Consolidation Loans | • Your monthly payment will be the lesser of 20% of discretionary income or the amount you would pay with a fixed payment over 12 years, adjusted according to your income.  
• Payments are recalculated each year and are based on income and family size.  
• Any outstanding balance on your loan will be forgiven if you haven’t repaid your loan in full after 20 or 25 years | • Any Direct Loan borrower with an eligible loan type may choose this plan.  
• Your monthly payment may exceed the monthly payment under the Standard Plan.  
• You may have to pay income tax on any amount that is forgiven.  
• Parent borrowers can access this plan by consolidating their Parent PLUS Loans into a Direct Consolidation Loan. |
<table>
<thead>
<tr>
<th>Repayment Plan</th>
<th>First Monthly Payment</th>
<th>Last Monthly Payment</th>
<th>Total Amount Paid</th>
<th>Repayment Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard</td>
<td>$272</td>
<td>$270</td>
<td>$32,431</td>
<td>120 Months</td>
</tr>
<tr>
<td>Graduated</td>
<td>$151</td>
<td>$453</td>
<td>$33,782</td>
<td>120 Months</td>
</tr>
<tr>
<td>Revised Pay As You Earn (REPAYE)</td>
<td>$102</td>
<td>$331</td>
<td>$38,486</td>
<td>197 Months</td>
</tr>
<tr>
<td>Pay As You Earn (PAYE)</td>
<td>$102</td>
<td>$270</td>
<td>$38,530</td>
<td>201 Months</td>
</tr>
<tr>
<td>Income-Based Repayment (IBR)</td>
<td>$152</td>
<td>$270</td>
<td>$34,783</td>
<td>151 Months</td>
</tr>
<tr>
<td>IBR for New Borrowers</td>
<td>$102</td>
<td>$270</td>
<td>$38,530</td>
<td>201 Months</td>
</tr>
<tr>
<td>Income Contingent Repayment (ICR)</td>
<td>$171</td>
<td>$209</td>
<td>$36,259</td>
<td>190 Months</td>
</tr>
</tbody>
</table>

*This summary is based on single individual with an annual income of $30,000. This individual has $26,946 in federal student loans with an interest rate of 3.8%. Their income is estimated to increase at a rate of 5% per year.*
How do you make your payments?

You will make your payments to your federal loan servicer. Your loan servicer will be able to provide you with information about your repayment terms and your repayment start date.

The Department of Education has selected the following loan servicers for loans held through the William D. Ford Federal Direct Loan (Direct Loan) Program and the Federal Family Education Loan (FFEL) Program.

- CornerStone
- FedLoan Servicing (PHEAA)
- Granite State – GSMR
- Great Lakes Educational Loan Services, Inc.
- HESC/Edfinancial
- MOHELA
- Navient
- Nelnet
- OSLA Servicing
What should you do if you are having trouble making your loan payment?

- Change your payment due date.
  - If your pay date is after your loan payment due date, you can contact your loan servicer and request a different due date.

- Change your repayment plan
  - If your current monthly payment is too high, you can contact your loan servicer to see if you qualify for a repayment plan based on your income and family size.

- Consolidate your loans
  - If you have multiple student loans, you can combine your federal student loans into one loan for one monthly payment.

- Apply for a deferment or forbearance
What is a Deferment?

- During a deferment, your payments are temporarily postponed.

- During a deferment, the government will pay the interest on your Subsidized Loans.
  - The interest on your Unsubsidized loan will continue to accrue as normal and will not be paid by the government. You are responsible for paying the interest that accrues during the deferment, but you will not be required to make a payment during the deferment period. If you don’t pay the interest on your loan during the deferment, it may be added to your principal balance, this will increase the amount you will have to pay in the future.

Types of Deferment:

- In-School (must be enrolled at least half-time, 6 units or more)
- Unemployment
- Economic Hardship
- Active Duty military service

- You can request a deferment from your federal student loan servicer.
What is a Forbearance?

- If you request temporary postponement of payments and don’t qualify for a Deferment, your loan servicer may be able to grant a Forbearance.

- During a Forbearance, interest will continue to accrue on all loan types.
  - You can pay interest on your loan during forbearance, but you are not required to. If you don’t pay the interest on your loan during forbearance, the interest will be added to your principal balance. The amount you pay in the future will be higher.

- You must apply for a forbearance by submitting a request to your loan servicer.
Avoid Default

- Default means you failed to make your payments on your student loan according to the terms of your Master Promissory Note (MPN).

- Your loan becomes delinquent the first day you miss a payment. You will be considered in default when you fail to make a payment for 270 days.

- Loan Servicers report all delinquencies of at least 90 days.

- Delinquencies are reported to all three major credit bureaus (Equifax, TransUnion and Experian)

- Understand your loan agreement and the types of loans you are receiving.
  - Understand the type of financial aid you are receiving. Unlike most grants and scholarships, loans must be repaid.

- Only borrow what you need to pay for your college expenses.

- Create a budget to determine how much you really need to borrow.

- Keep Records of important documents.
  - Financial aid award letters
  - Loan counseling information
  - Promissory notes
  - Loan servicer contact information
  - Record of monthly payments
  - Documentation that you paid your loan in full
What are the consequences of default?

- The entire unpaid balance is due immediately.
- You lose eligibility for deferment, forbearance and repayment plans.
- You lose eligibility for federal financial aid.
- Your loan account is assigned to a collection agency.
- The loan will be reported to credit bureaus, damaging your credit rating.

Negative reporting can make it difficult for you in the following ways:

- Buying a car or house
- Signing up for utilities
- Getting a cell phone
- Getting approval to rent an apartment

Negative reporting can increase the amount you are charged in interest.

- Your federal and state taxes may be withheld through tax offset.
- You may be charged late fees, court costs, collections fees and attorney’s fees.
- Your employer can withhold money from your pay and send the money to the government, this process is called wage garnishment.

Legal action may be taken against you by the lender.
Successful Repayment Tips

- Start thinking about repayment before it starts.
  - Develop a budget
  - Know when you have to start making payments

- Choose an affordable payment amount
  - Contact your loan servicer about your different payment plan options

- Make your loan payments on time.
  - If you know your payment is going to be late, contact your loan servicer.

- Sign up for automatic payments
  - By signing up for automatic debit through your loan servicer, your payments will be automatically deducted from your bank account each month. As an added bonus, you will receive a 0.25% interest rate deduction when you enroll.

- Pay early, pay often, pay extra. Inform your loan servicer to apply additional payments to your loan with the highest interest rate and not to future payments. By doing this, you can reduce the amount in interest you pay and the total cost of your loan over time.

- Stay in contact with your loan servicer and make sure to report the following changes:
  - Name change
  - Address change

- Keep copies of all of your important documents
Questions?