

# Loan Repayment Tips

## Consider

Consider student loans only after you have researched all the sources of free financial aid, including grants, scholarships and work study.

## Apply

[Apply for the loan](#) by completing Entrance Counseling and the Master Promissory Note. Also, students should complete a Direct Loan Request form, and Parents should complete a Federal Direct Parent PLUS Loan Request form.

## Don't Over-Borrow

Loans are intended to assist you with educational expenses. Do the homework to determine what kind of salary you can expect to make when you leave school and what kind of payments you can afford. Student loan debt should not be more than 8% of your annual income.

- Calculate Your Expected Salary (a full time position will be 2,080 hours a year) <http://www.payscale.com/salary-calculator>
- Compare Your Expected Salary to Your Expected Loan Debt <http://www.mappingyourfuture.org/paying/debtwizard/>

## Know the 4 W's of Your Loan

It is your responsibility to know where your loan is; what your current status of your loan is; when your loan payments are due and who you need to pay. In the last couple of years, many loans were bought by the Department of Education. In some cases you may have one loan with the original lender, one with a Department of Education Servicer and now have Federal Direct Loan that will be serviced by yet another servicer.

- Regularly check your loan and other financial aid history using NSLDS. NSLDS tracks your financial aid history from all schools in one place. When you are ready to leave school you can also do the **required** exit counseling at the NSLDS website, [www.nsls.ed.gov](http://www.nsls.ed.gov)
- Pay attention to the fact that you may have loans with different servicing companies. Discuss options to split payment amounts across the loans or make plans to pay higher interest rates first by contacting your servicers.

## Know Your Repayment Terms and What Payment Plans Are Available

Avoid making mistakes that can haunt you for years by repaying your loan on time. If you cannot pay the loan for some reason talk to your lender. Other repayment plans may be more affordable.

Repay your Direct Subsidized or Unsubsidized Loan / Federal Stafford Loan (subsidized or unsubsidized)

- After you stop attending school at least half time, a 6-month grace period begins. You receive only one grace period per loan.
- Repayment begins after the grace period ends, with your first payment usually due 45-60 days later.
- The maximum repayment period is 10 years.
- Payments are expected each month.
- The minimum monthly payment is \$50, but this amount may be higher depending on your loan balance.
- You may prepay your loan at any time without penalty. Prepayment may substantially reduce the amount of interest you pay. IF YOU PREPAY, YOU MUST INDICATE IN WRITING YOU WISH TO APPLY THE EARLY PAYMENT TO PRINCIPAL.

### **Payment plans**

#### **Standard:**

- Minimum monthly payment is \$50, but may be higher depending on balance
- Maximum repayment period of 10 years

#### **Graduated:**

- Begins with lower payments that increase over time
- Maximum repayment period of 10 years
- More interest accrues over the life of the loan because the principal balance decreases at a slower rate.

#### **Income-contingent for Direct Subsidized or Unsubsidized Loans:**

- Adjusted payments amount based on gross income and family size
- Payments cannot be lower than your monthly interest amount
- Eligibility and payment amount adjusted annually
- More interest accrues over the life of the loan because the principal balance decreases at a slower rate.
- If you do not repay your loan after 25 years, the unpaid portion is forgiven. You may have to pay income tax on any amount forgiven.

#### **Income-sensitive for Federal Stafford Loans (subsidized or unsubsidized):**

- Adjusted payment amount based on gross income
- Payment is the greater of your monthly interest amount or 4 percent of your gross monthly income
- Eligibility and payment amount verified annually
- More interest accrues over the life of the loan because the principal balance decreases at a slower rate.

#### **Income-based:**

- Available for payments made on or after July 1, 2009

- Adjusted payment amount based on income and family size
- Payment is not more than 15 percent of the amount by which your adjusted gross income exceeds 150 percent of the poverty line for your family size.
- If your monthly payment amount is not enough to pay accrued interest on a Direct Subsidized Loan/subsidized Federal Stafford Loan, the Department of Education will pay the remaining interest for a period of three years.
- Payments re-evaluated annually
- More interest may accrue over the life of the loan because the principal balance decreases at a slower rate.
- Any outstanding loan balance after 25 years is forgiven
  - Very few borrowers will have a remaining balance after 25 years.
  - The amount forgiven may be taxable.
- [Estimate payment under the income based repayment plan.](#)

#### **Extended:**

- Available to new borrowers on or after October 7, 1998, who have a minimum balance of \$30,000 in loans
- Payment amounts can be either fixed annually or graduated.
- Maximum repayment term is 25 years
- More interest may accrue over the life of the loan because the principal balance decreases at a slower rate.

## **Don't Disappear**

Talk to your lender about deferment, forbearance, discharge, cancellation and forgiveness options that may apply.

Keep your lenders and servicer's updated on changes in name, address and phone.

**When in doubt, call 281.425.6389 for assistance in preventing delinquent and defaulted loans, or email [finaid@lee.edu](mailto:finaid@lee.edu).**

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