STATE BAR of NEW MEXICO
BRIDGE THE GAP
MENTORING PROGRAM

Bridge the Gap Mentoring Program
Managing Law School Debt
Resource 17

This resource will begin a discussion about practical ways to manage law school debt.

- Share with the new lawyer tips on creating a reasonable budget. Discuss ways to analyze and make decisions about spending habits so that the new lawyer can begin to eliminate debt. The new lawyer may, on his or her own, complete the example budget worksheet that is attached. Discuss the benefits and possible consequences of consolidating student loans, including consolidating federal and private loans together and consolidating your student loans with your spouse's student loans. If this option interests the new lawyer, see the attached information from the Federal Consolidation Loans Information Center, Borrower Services, at United States. Dept. of Education. Federal Student Aid. "Welcome Burrowers, Schools and Loan Holders to the…Federal Direct Consolidation Loans Information Center." www.loanconsolidation.ed.gov and the United States Department of Education, at United States. Dept. of Education. Federal Student Aid. "Student Aid on the Web." *Start Here Go Further Federal Student Aid.* Dept. of Education, 25 March. 2011. Web. http://studentaid.ed.gov.
- Discuss risks and benefits of different types of loan re-payment options, automatic withdrawal plans, loan deferment and forbearance and the Student Loan Interest Deduction for federal income taxes. See the attached *Trouble Making Payments* page from the US Department of Education, at United States. Dept. of Education. Federal Student Aid. "Welcome Burrowers, Schools and Loan Holders to the…Federal Direct Consolidation Loans Information Center." *Direct Consolidation.* Dept. of Education, www.loanconsolidation.ed.gov.
- If the new lawyer has a job in public service, discuss the attached summary of Loan Forgiveness for Public Service Employees Program taken from – United States. Dept. of Education. Federal Student Aid. "Public Service Loan Forgiveness." *Start Here Go Further.* Dept. of Education, 16 Feb. 2010. Web. http://studentaid.ed.gov/PORTALSWebApp/students/english/PSF.jsp
- Talk about the importance of financial planning for the future.
- Discuss the following issues concerning responsible financial planning which the new
- lawyer should evaluate:
  - Plans that allow one to save and invest for both the long and the short term.
  - Insurance needs, including life insurance, disability insurance, long term care insurance, etc.

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www.nmbar.org/Attorneys/mentorship/mentorship.html
5/6/2011

- Federal Consolidation Loans Information Center United States. Dept. of Education. Federal Student Aid. "Welcome Burrowers, Schools and Loan Holders to the…Federal irect Consolidation Loans Information Center." *Direct Consolidation*. Dept. of Education, n.d. Web. www.loanconsolidation.ed.gov.
- United States Department of Education United States. Dept. of Education. Federal Student Aid. "Student Aid on the Web." *Start Here Go Further Federal Student Aid*. Dept. of Education, 25 March. 2011. Web. http://studentaid.ed.gov.
- Equal Justice Works. *Equal Justice Works: Helping Lawyers Help Community*. EJW, 2011. Web. http://www.equaljusticeworks.org/.

Should I Consolidate?

Here are some factors you should consider when deciding if consolidation is right for you.

Are your monthly payments manageable? If you have trouble meeting your monthly payments, have exhausted your deferment and forbearance options, and/or want to avoid default, a Direct Consolidation Loan may help you. Use our **online calculator** to find out what your monthly payments would be under each of our repayment plans.

Too many monthly payments driving you crazy? If you send payments to more than one lender every month, and want the convenience of a single monthly payment, consolidation may be right for you. With a Direct Consolidation Loan, you will have a single lender - the U.S. Department of Education - and a single monthly payment.

What are the interest rates on your loans? If you have variable interest rates on your Federal education loans, you may want to consolidate. The interest rate for a Direct Consolidation Loan is fixed for the life of the Direct Consolidation Loan. The rate is based on the weighted average interest rate of the loans being consolidated, rounded to the next nearest higher one-eighth of one percent and can not exceed 8.25 percent. Use our **online calculator** to find out what your weighted average interest rate would be if you consolidate with us.

How much are you willing to pay over the long term? Like a home mortgage or a car loan, extending the years of repayment increases the total amount you have to repay.

How many payments do you have left on your loans? If you are close to paying off your student loans, it may not be worth the effort to consolidate or extend your payments.

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Resource 17

No Permission Needed

BUDGET PLANNING WORKSHEET

Estimated Income	Yearly Amount	Monthly Amount	Estimated Expenses	Yearly Amount	Monthly Amount
Salary & Adjustments			**Housing**		
Net Salary Federal			Rent/Mortgage		
(Gross Salary less					
FICA/Medicare,			**Utilities**		
Tax, and State and			Gas & Electricity		
Local Tax)			Telephone		
			Water		
Non-Taxable Income					
AFDC			**Transportation**		
Veterans Benefits			Bus/Train		
Social Security			Gas/Maintenance		
Other			Parking		
Other Income			**Food & Personal**		
Interest Income			Groceries		
Investment Income			Clothing		
			Dining Out		
			Laundry/Dry Cleaning		
			Entertainment		
			Other		
			Debt Obligations		
			Student Loans		
			Car Payment		
			Credit Cards		
			Other Loans		
			Insurance		
			Car		
			Rent/Home		
			Health		
			Life		
			Health Care		
			Deductible/Copayments		
			Doctor/Dentist Visits		
			Prescriptions		
			Savings		
			Miscellaneous		
Total Income			**Total Expenses**		

YOUR BALANCE: ____________ Yearly ____________ Monthly

Am I eligible?

To qualify for a Direct Consolidation Loan, borrowers must have at least one **Direct Loan** or **Federal Family Education Loan (FFEL)** that is in grace, repayment, deferment or default status. Loans that are in an **in-school status** cannot be included in a Direct Consolidation Loan.

NOTE: Borrowers whose consolidation applications are received on or after July 1, 2010 and before July 1, 2011 may qualify to consolidate loans that are in an in-school status into a Direct Consolidation Loan. **Click here** for more information and the eligibility requirements for this temporary provision.

Borrowers can consolidate most **defaulted** education loans, if they make **satisfactory repayment arrangements** with the current loan holders or agree to repay their new Direct Consolidation Loan under the Income Contingent Repayment Plan.

Borrowers who do not have Direct Loans may be eligible for a Direct Consolidation Loan if they include at least one FFEL Loan and have been unable to obtain a Federal Consolidation Loan with a FFEL consolidation lender **or** have been unable to obtain a Federal Consolidation Loan with income-sensitive repayment terms acceptable to them **or** intend to apply for loan forgiveness under the Public Service Loan Forgiveness Program.

Borrowers who have only a Direct Consolidation Loan cannot consolidate again unless they include an additional loan.

NOTE: The **Direct Loan Servicing Center** has information on the Public Service Loan Forgiveness Program.

How Do I Benefit?

Direct Consolidation Loans allow borrowers to combine one or more of their Federal education loans into a new loan that offers several advantages.

One Lender and One Monthly Payment

With only one lender and one monthly payment due for student loans, it is easier than ever for borrowers to manage their debt. Borrowers have only one lender, the U.S. Department of Education, for all loans included in a Direct Consolidation Loan.

Flexible Repayment Options

Borrowers can choose from **multiple repayment plans with various term selections to repay their consolidation loan(s),** including an Income Contingent Repayment and an Income-Based Repayment Plan. These plans are designed to be flexible to meet the different and changing needs of borrowers. With a consolidation loan, borrowers can **switch repayment plans** at anytime. If you select the IBR Plan and want to change at a later date, your only option will be the Standard Plan.

No Minimum or Maximum Loan Amounts or Fees

There is no minimum amount required to qualify for a Direct Consolidation Loan! In addition, consolidation is *free*.

Varied Deferment Options

Borrowers with consolidation loans may qualify for renewed **deferment** benefits. If borrowers have exhausted the deferment options on their current Federal education loans, a consolidation loan may renew those deferment options. In addition, borrowers may be eligible for additional deferment options if they have an outstanding balance on a FFEL Program loan made before July 1, 1993, when they obtain their first Direct Loan.

Reduced Monthly Payments

A consolidation loan *may* ease the strain on a borrower's budget by lowering the borrower's overall monthly payment. The minimum monthly payment on a consolidation loan may be lower than the combined payments charged on a borrower's Federal education loans.

Retention of Subsidy Benefits

There are two (2) possible portions to a consolidation loan: **Subsidized** and **Unsubsidized**. Borrowers retain their subsidy benefits on loans that are consolidated into the subsidized portion of a consolidation loan.

Temporary In-School Consolidation Authority

During a one (1) year period, borrowers who meet certain requirements may consolidate loans that are in an **in-school status** into a Direct Consolidation Loan. Direct Consolidation Loans may be made under this temporary provision to borrowers whose consolidation applications are received on or after July 1, 2010 and before July 1, 2011.

Borrowers will lose the **grace period** on a FFEL Subsidized/Unsubsidized Stafford Loan or Direct Subsidized/Unsubsidized Loan by consolidating the loan while it is in an in-school status. Similarly, PLUS borrowers who consolidate a Federal PLUS Loan or Direct PLUS Loan that was first disbursed on or after July 1, 2008 will lose the six (6) month post-enrollment deferment period. Parent PLUS borrowers who consolidate a Federal PLUS Loan or Direct PLUS Loan that was first disbursed on or after July 1, 2008 will lose eligibility to defer repayment while the student for whom the loan was obtained is in school.

Click here for information on the eligibility requirements for this temporary provision.

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What Loans Can I Consolidate?

Eligible Loans

The following federal education loans are eligible for consolidation into a Direct Consolidation Loan:

Subsidized Loans:

- Subsidized Federal Stafford Loans
- Direct Subsidized Loans
- Subsidized Federal Consolidation Loans
- Direct Subsidized Consolidation Loans
- Federal Insured Student Loans (FISL)
- Guaranteed Student Loans (GSL)

Unsubsidized Loans:

- Unsubsidized and Nonsubsidized Federal Stafford Loans
- Direct Unsubsidized Loans, including Direct Unsubsidized Loans (TEACH) (converted from TEACH Grants)
- Unsubsidized Federal Consolidation Loans
- Direct Unsubsidized Consolidation Loans
- Federal PLUS Loans (for parents or for graduate and professional students)
- Direct PLUS Loans (for parents or for graduate and professional students)
- Direct PLUS Consolidation Loans
- Federal Perkins Loans
- National Direct Student Loans (NDSL)
- National Defense Student Loans (NDSL)
- Federal Supplemental Loans for Students (SLS)
- Parent Loans for Undergraduate Students (PLUS)
- Auxiliary Loans to Assist Students (ALAS)
- Health Professions Student Loans (HPSL)
- Health Education Assistance Loans (HEAL)
- Nursing Student Loans (NSL)
- Loans for Disadvantaged Students (LDS)

Ineligible Loans

Some loans are always ineligible for consolidation. While these loans may not be included in a Direct Consolidation Loan, they may be considered in the calculation of the maximum repayment period under the Graduated or Extended Repayment Plan. These include but are not limited to the following:

- Loans made by a state or private lender and not guaranteed by the federal government
- Primary Care Loans
- Law Access Loans
- Medical Assist Loans
- PLATO Loans

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How Do I Apply?

There are several ways that you can apply for a Direct Consolidation Loan:

Online Web Application - Apply online. Visit our Application and Promissory Note Home Page.

Express Phone Application - 1-800-557-7392. Apply over the phone if you have all Direct Loans.

Paper Application

- **Download a paper copy** of the application and promissory note - including the complete contents of the application package.

OR

- Request an application package be mailed to you:
  - Phone at 1-800-557-7392 8AM to 8PM (EST)
    (TDD 1-800-557-7395) or (334) 206-7400 outside USA
  - E-mail at **loan_consolidation@mail.eds.com**

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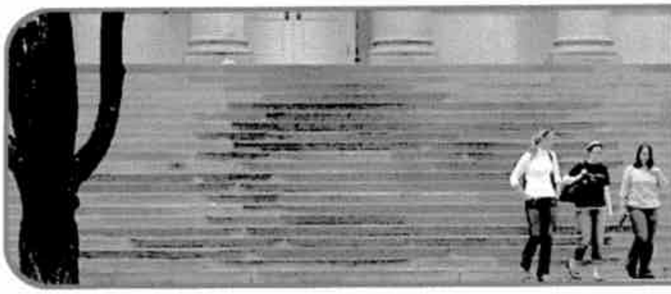
Welcome to
Student Aid on the Web



Your source for free information from the U.S. Department of Education on preparing for and funding education beyond high school.

Applying for College

- Preparing for Your Education
- Choosing a School
- Applying for Admission

Applying for Financial Aid

- FAFSA SM
- FAFSA4caster SM
- Funding Your Education
- While Attending School

Repaying Your Loans

- Repayment Information
- Repayment Plans & Calculators
- Public Service Loan Forgiveness
- Postponing Repayment

MyFSA

- Introduction to MyFSA
- Set Up Your Account
- Financial Aid and Scholarship Wizard
- Career Finder
- College Savings Calculator
- College Matching Wizard

MyFSA LOGON

Announcements

- Update on Student Loan Programs
- Direct Loan and FFEL Interest Rates Effective July 1, 2010
- Federal Stafford, PLUS, SLS and Consolidation Interest Rate Calculations July 1, 2010 - June 30, 2011
- Income Based Repayment Plan (IBR) and Calculator
- Public Service Loan Forgiveness Program Q&As
- New Publications —
  - College Preparation Checklist
  - Grant and Loan Programs Fact Sheets
- FEDERAL STUDENT AID NATURAL DISASTER INFORMATION
- Other Publications

Last updated/reviewed March 25, 2011

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Loan Consolidation

English | Español

Checklist Tool for Consolidation

A Consolidation Loan allows you to combine your federal student loans into a single loan with one monthly payment, which can be significantly lower than the payment required under the standard 10-year repayment option. Under the Federal Family Education Loan (FFEL) Program, banks, secondary markets, credit unions, and other lenders provide the Consolidation Loans. Under the William D. Ford Federal Direct Loan (Direct Loan) Program, the federal government provides the loans.

Most federal education loans are eligible for consolidation, including subsidized and unsubsidized Direct and FFEL Stafford Loans, SLS, Federal Perkins Loans, Federal Nursing Loans, and Health Education Assistance Loans. Private education loans are not eligible. PLUS Loan borrowers (parent borrowers) also can consolidate their loans.

To obtain a complete list of the federal student loans that can be consolidated

- contact the Direct Loan Origination Center's Consolidation Department if you're applying for a Direct Consolidation Loan. You can reach them by calling 1-800-557-7392. TTY users may call 1-800-557-7395. Or visit loanconsolidation.ed.gov.
- contact a participating FFEL lender if you're applying for a FFEL Consolidation Loan.

Eligibility rules - All FFEL and Direct Stafford Loan borrowers are eligible to consolidate after they graduate, leave school, or drop below half-time enrollment.

You can also get a Direct Consolidation Loan (but not a FFEL Consolidation Loan) while you're in school. You must, however, be attending at least half time and have at least one Direct Loan or FFEL in an "in-school period." (Generally, your loan is in an in-school period if you have been continuously enrolled at least half time since the loan was disbursed.) In addition, if the school you're attending does not participate in the Direct Loan Program, at least one of the loans you consolidate must be a Direct Loan.

PLUS loans are eligible for consolidation once they are fully disbursed.

Borrowers who are delinquent or in default must meet certain requirements before they may consolidate their loans. Contact your loan holder for more information.

Under FFEL consolidation, if the same holder holds all the loans you want to consolidate, you must obtain the Consolidation Loan from that holder, unless you haven't been able to get a loan with income-sensitive repayment terms that are acceptable to you.

To get a Direct Consolidation Loan, you must consolidate at least one Direct Loan or FFEL. If you don't have a Direct Loan but you have a FFEL, you must first contact a FFEL lender that makes FFEL Consolidation Loans to ask about obtaining a FFEL Consolidation Loan. If you can't get such a loan, or you can't get one with acceptable income-sensitive repayment terms, *and* you're eligible for the Direct Loan Income Contingent Repayment Plan, you can apply for a Direct Consolidation Loan. Note that borrowers with one or more Direct Loans, including Consolidation Loans, can consolidate under the FFEL Consolidation Loan Program if they choose.

If you want to consolidate during your grace period and you have a Direct Consolidation Loan, you'll still keep your grace period after you leave school. If you have a FFEL Consolidation Loan, you won't keep your grace period, so it's best to consolidate near the end of the grace period so you keep as much of it as possible.

Interest rate - The interest rate for FFEL and Direct Consolidation Loans is set according to a formula established by federal statute. The fixed rate is based on the weighted average of the interest rates on the loans *at the time you consolidate*, rounded up to the nearest one-eighth of a percent. The interest rate does not exceed 8.25 percent. The consolidation rate is fixed for the life of the loan, which protects you from future increases in variable rate loans but prevents you from benefiting from future decreases in variable rates.

Borrowers with Stafford Loans issued on or after July 1, 1995, can reduce the consolidation rate by up to half a percentage point or more by consolidating before the end of the grace period.

If a borrower wanted to consolidate ***only*** Direct or FFEL Stafford Loans made

Last updated/reviewed October 30, 2006

on or after July 1, 1998, the 2003-04 Consolidation Loan interest rate for loans that have entered repayment would be 3.5 percent (down from 4.125 percent). To consolidate those same loans during a grace or deferment period, the rate would be 2.875 percent (down from 3.5 percent). The interest rate for PLUS Consolidation loans would be 4.25 percent.

The interest rate you would receive, however, depends on which federal student loans are being consolidated. For example, your rate would be higher if you consolidated a 5 percent Federal Perkins Loan along with a 3.42 percent Direct or FFEL Stafford Loan.

Obtaining a Consolidation Loan - For a FFEL Consolidation Loan, contact the consolidation department of a participating lender for an application or more information. (Your parents should do the same thing if they want to apply for a FFEL PLUS Consolidation Loan.)

For Direct Loans, you (and your parents, for a Direct PLUS Consolidation Loan) can contact the Direct Loan Origination Center's Consolidation Department at the Web site given above.

Note that if your parents want to apply for a FFEL PLUS Consolidation Loan, no credit checks are required. If they want to apply for a Direct PLUS Consolidation Loan, they are subject to a check for adverse credit history.

Repayment period - Repayment of Consolidation Loans begins within 60 days of the disbursement of the loan. The payback term ranges from 10 to 30 years, depending on the amount of education debt being repaid and the repayment option you select. Education loans not included in the Consolidation Loan are considered in determining the maximum payback period. You may elect to repay your loans under a shorter period than the maximum allowed.

All the FFEL repayment plans are available to FFEL Consolidation Loan borrowers. For Direct Consolidation Loan borrowers, most of the Direct Loan repayment plans are available, except that Direct PLUS Consolidation Loans are not eligible to be repaid under the Income Contingent Repayment Plan and might not be eligible for some discharge/cancellation benefits. Check with the holder of your loan. You can also read more about repayment plan choices here.

- **Fees** - Borrowers who consolidate will not pay any application fees or prepayment penalties.
- **Credit checks** - Under FFEL Consolidation Loans, no credit checks are required, even for PLUS borrowers. Under Direct Loan consolidation, PLUS borrowers are subject to a check for adverse credit history.

Always Consider the Cost

You should keep in mind that although consolidation can simplify loan repayment and lower your monthly payment, it also can significantly increase the total cost of repaying your loans. Consolidation offers lower monthly payments by giving borrowers up to 30 years to repay their loans. So, you'll make more payments and pay more in interest. In fact, in some situations consolidation can double your total interest expense. If you don't need monthly payment relief, you should compare the cost of repaying your unconsolidated loans against the cost of repaying a consolidation loan. You also should take into account the impact of losing any borrower benefits offered under non-consolidated repayment plans. Borrower benefits, which may include interest rate discounts, principal rebates, or some loan cancellation benefits can significantly reduce the cost of repaying your loans.

Once made, Federal Consolidation Loans cannot be unmade. That's because the loans that were consolidated have been paid off and no longer exist. Take the time to study your consolidation options before you submit your application. This checklist has been designed to help you determine whether and how you should consolidate your loans.

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Consolidation Checklist

English | Español

If you are considering consolidating your loans, review the steps below to see whether this is the best option for you.

Step 1: Take an Inventory of Your Current Student Loans
For information on your student loans, review your loan documents or contact your lender or loan servicer. If you are uncertain of your current lenders or loan servicers, you can find them by going to www.nslds.ed.gov.

Step 2: Determine Your Monthly Payment Amount
You can find out your payment amounts by calling your lender or loan servicer, or by checking your account if you are already in repayment.

Step 3: Evaluate Your Monthly Payment Against Your Budget

- Review your monthly income and determine how much of your income can be used to repay your student loans. This amount should be based on a realistic review of your personal budget and your necessary expenses.
- Compare the amount of your income you have set aside for student loan repayment against the monthly payment amount in Step 2.
- If your monthly budgeted amount is less than the monthly payment in Step 2:
  - Reevaluate your budget and income situation.
  - Consider your repayment plan options, such as the Income Based Repayment plan, which may result in lower monthly payments (see Repayment Plans and Calculators).
  - Consider deferment or forbearance for short-term payment relief needs.
  - If debt relief needs are long-term, consider consolidation.

Step 4: Consider Consolidation

- Decide which loans you would like to consolidate.
- Determine monthly payment and total interest costs for the Consolidation Loan and compare to cost of repaying loans without consolidation.
  - Use our online calculator or call the Federal Direct Consolidation Loans Information Center at 1-800-557-7392 to estimate your weighted average interest rate and to see what your loan payments might be under the available repayment plans.

- Consider the impact of consolidation on future deferment options, cancellation options, and other borrower benefits such as interest rate discounts or principal rebates. You might lose some cancellation (discharge) benefits or deferment benefits if you include certain types of loans (such as Federal Perkins Loans) in your Consolidation Loan. To learn more about how consolidation might impact your deferment and cancellation benefits, contact your lender or loan servicer.
- If you decide consolidation is right for you, contact the Direct Loan Consolidation Information Center to begin the consolidation process. You also may read about applying for a consolidation loan on the loan consolidation page.
- If you are already in repayment, be sure to continue making payments on your loans until consolidation is completed.
- If you have questions about consolidation, go to www.loanconsolidation.ed.gov or call 1-800-557-7392 (TDD/TTY: 1-800-557-7395).

Last updated/reviewed June 29, 2010

START HERE GO FURTHER FEDERAL STUDENT AID

Postponing Repayment

English | Español

If you have trouble making your education loan payments, contact immediately the organization that services your loan. You might qualify for a deferment, forbearance, or other form of payment relief. It's important to take action before you are charged late fees. For Federal Perkins Loans, contact your loan servicer or the school that made you the loan. For Direct and FFEL℠ Stafford Loans, contact your loan servicer. If you do not know who your servicer is, you can look it up in the U.S. Department of Education's National Student Loan Data System℠ (NSLDS℠).

Note to PLUS Loan borrowers: Generally, the eligibility requirements and procedures for requesting a deferment or forbearance for Stafford Loan borrowers also apply to you. However, since all PLUS Loans are unsubsidized, you'll be charged interest during periods of deferment or forbearance. If you don't pay the interest as it accrues, it will be capitalized (added to the principal balance of the loan), thereby increasing the amount you'll have to repay.

- **Deferment**: You can receive a deferment for certain defined periods. A deferment is a temporary suspension of loan payments for specific situations such as reenrollment in school, unemployment, or economic hardship. For a list of deferments, click here. You don't have to pay interest on the loan during deferment if you have a subsidized Direct or FFEL, Stafford Loan or a Federal Perkins Loan. If you have an unsubsidized Direct or FFEL Stafford Loan, you're responsible for the interest during deferment. If you don't pay the interest as it accrues (accumulates), it will be capitalized (added to the loan principal), and the amount you have to pay in the future will be higher. You have to apply for a deferment to your loan servicer (the organization that handles your loan), and you must continue to make payments until you've been notified your deferment has been granted. Otherwise, you could become delinquent or go into default.
- **Military Service Deferment**

  An active duty military deferment is available to borrowers in the Direct, FFEL, and Perkins Loan programs who are called to active duty during a war or other military operation or national emergency. This deferment is available while the borrower is serving on active duty during a war or other military operation or national emergency or performing qualifying National Guard duty during a war or other military operation or national emergency and, if the borrower was serving on or after Oct. 1, 2007, for an additional 180-day period following the demobilization date for the qualifying service.
- **Post-Active Duty Student Deferment**

  A Direct, FFEL, or Perkins Loan borrower who is a member of the National Guard or other reserve component of the U.S. Armed Forces (current or retired) and is called or ordered to active duty while enrolled at least half-time at an eligible school, or within six months of having been enrolled at least half-time, is eligible for a deferment during the 13 months following the conclusion of the active duty service, or until the borrower returns to enrolled student status on at least a half-time basis, whichever is earlier.
- **Economic Hardship Deferment**

  A Direct, FFEL, or Federal Perkins Loan borrower may qualify for an economic hardship deferment for a maximum of three years if the borrower is experiencing economic hardship according to federal regulations. The Loan Deferment Summary Chart here shows Stafford and Perkins Loan deferments for loans disbursed on or after July 1, 1993. For information on deferments for loans received before that date, Direct Stafford Loan, FFEL, and PLUS Loan borrowers should contact their loan servicer.
- **Forbearance**: Forbearance is a temporary postponement or reduction of payments for a period of time because you are experiencing financial difficulty. You can receive forbearance if you're not eligible for a deferment. Unlike deferment, whether your loans are subsidized or unsubsidized, interest accrues, and you're responsible for repaying it. Your loan holder can grant forbearance in intervals of up to 12 months at a time for up to 3 years. You have to apply to your loan servicer for forbearance, and you ***must*** continue to make payments until you've been notified your

forbearance has been granted.

- **Other Forms of Payment Relief**

  Although you're asked to choose a repayment plan when you first begin repayment, you might want to switch repayment plans later if a different plan would work better for your current financial situation. Under the Federal Family Education Loan Program℠, you can change repayment plans once a year. Under the Federal Direct Student Loan Program℠, you can change plans any time as long as the maximum repayment period under your new plan is longer than the time your Direct Loans have already been in repayment. Go to the Repayment Plans and Calculators section to learn more about options available to you to repay your loans.

Last updated/reviewed December 3, 2010

FEDERAL STUDENT AID
Loan Forgiveness for Public Service Employees

www.FederalStudentAid.ed.gov

February 2009

What is the Public Service Loan Forgiveness Program?
Through the College Cost Reduction and Access Act of 2007, Congress created the Public Service Loan Forgiveness Program to encourage individuals to enter and continue to work full-time in public service jobs. Under this program, borrowers may qualify for forgiveness of the remaining balance due on their eligible federal student loans after they have made 120 payments on those loans under certain repayment plans while employed full time by certain public service employers. Since borrowers must make 120 monthly payments on their eligible federal student loans beginning after October 1, 2007 before they qualify for the loan forgiveness, the first cancellations of loan balances will not be granted until October 2017.

This fact sheet summarizes the terms and conditions of the Public Service Loan Forgiveness Program.

What federal student loans are eligible for forgiveness under the Public Service Loan Forgiveness Program?
Any non-defaulted loan made under the William D. Ford Federal Direct Loan Program (Direct Loan Program) is eligible for loan forgiveness. (See below for information on how non-Direct Loans may be eligible.) The Direct Loan Program includes the following types of loans–

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans) – for parents and graduate or professional students
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

How can other federal student loans qualify for loan forgiveness?
Although loan forgiveness under this program is available only for loans made and repaid under the Direct Loan Program, loans made under other federal student loan programs may qualify for forgiveness if they are consolidated into a Direct Consolidation Loan. However, only payments made on the Direct Consolidation Loan will count toward the required 120 monthly payments.

The following types of loans may be consolidated into the Direct Loan Program –

- Federal Family Education Loan (FFEL) Program loans, which include –
  - Subsidized Stafford Loans
  - Unsubsidized Stafford Loans
  - Federal PLUS Loans – for parents and graduate or professional students
  - Federal Consolidation Loans (excluding joint spousal consolidation loans)
- Federal Perkins Loans
- Certain Health Professions and Nursing Loans

NOTE: *To consolidate a Federal Perkins Loan or Health Professions/Nursing Loan into the Direct Loan Program, you must also consolidate at least one FFEL Program loan or Direct Loan. If you are unsure about what kind of loans you have, you can find information about your federal student loans in the U.S. Department of Education's National Student Loan Data System at http://nslds.ed.gov.*

What are the borrower eligibility requirements for loan forgiveness under the Public Service Loan Forgiveness Program?

- The borrower must not be in default on the loans for which forgiveness is requested.
- The borrower must be employed full time by a public service organization –
  - When making the required 120 monthly loan payments (certain repayment conditions apply – see below);
  - At the time the borrower applies for loan forgiveness; and
  - At the time the remaining balance on the borrower's eligible loans is forgiven.

What are the specific loan repayment requirements for loan forgiveness under the this program?

- The borrower must have made 120 separate monthly payments beginning after October 1, 2007 on the Direct Loan Program loans for which forgiveness is requested. Earlier payments do not count toward meeting this requirement. Each of the 120 monthly payments must be made for the full scheduled installment amount within 15 days of the due date
- The 120 required payments must be made under one or more of the following Direct Loan Program repayment plans–
    - Income Based Repayment (IBR) Plan (not available to parent Direct PLUS Loan borrowers)
    - Income Contingent Repayment Plan (not available to parent Direct PLUS Loan borrowers)
    - Standard Repayment Plan with a 10-year repayment period
    - Any other Direct Loan Program repayment plan, but only payments that are at least equal to the monthly payment amount that would have been required under the Standard Repayment Plan with a 10-year repayment period may be counted toward the required 120 payments.

For more information about the repayment plans available in the Direct Loan program, please visit: www.ed.gov/DirectLoan.

IMPORTANT NOTE: *The Public Service Loan Forgiveness Program provides for forgiveness of the remaining balance of a borrower's eligible loans after the borrower has made 120 payments on those loans. In general, only borrowers who are making reduced monthly payments through the Direct Loan Income Contingent or Income Based repayment plans will have a remaining balance after making 120 payments on a loan.*

What types of public service jobs will qualify a borrower for loan forgiveness under this program?

The borrower must be employed full time (in any position) by a public service organization, or must be serving in a full-time AmeriCorps or Peace Corps position. For purposes of the Public Service Loan Forgiveness Program, the term "public service organization" means –

- A federal, state, local, or Tribal government organization, agency, or entity (includes most public schools, colleges and universities);
- A public child or family service agency;
- A non-profit organization under section 501(c)(3) of the Internal Revenue Code that is exempt from taxation under section 501(a) of the Internal Revenue Code (includes most not-for-profit private schools, colleges, and universities);
- A Tribal college or university; or
- A private organization that is not a for-profit business, a labor union, a partisan political organization, or an organiza tion engaged in religious activities (unless the qualifying activities are unrelated to religious instruction, worship services, or any form of proselytizing) and that provides the following public services –
    - Emergency management;
    - Military service;
    - Public safety;
    - Law enforcement;
    - Public interest law services;
    - Early childhood education (including licensed or regulated health care, Head Start, and state-funded pre-kin dergarten);
    - Public service for individuals with disabilities and the elderly;
    - Public health (including nurses, nurse practioners, nurses in a clinical setting, and full-time professionals engaged in health care practioner occupations and health care support occupations);
    - Public education;
    - Public library services; and
    - School library or other school-based services.

NOTE: *To qualify for forgiveness of a parent PLUS loan the parent borrower, not the student on whose behalf the loan was obtained, must be employed by a public service organization.*

Where can I find additional information?

This fact sheet provides only a summary of the basic requirements of the Public Service Loan Forgiveness Program. For more detailed information, refer to the final regulations for this program (34 C.F.R. 685.219) that the U.S. Department of Education issued on October 23, 2008. You may view the final regulations by linking to http://www.ed.gov/legislation/FedRegister/finrule/2008-4/102308a.html.

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Repayment Information

Borrower Grace Periods

After you graduate, leave school, or drop below half-time enrollment, you have a period of time before you have to begin repayment. This "grace period" will be

- **Six months** for a Federal Stafford Loan (Direct Loan Program℠ or Federal Family Education Loan (FFEL℠) Program).
- **Nine months** for Federal Perkins Loans.

PLUS Borrowers—The repayment period for a Direct PLUS Loan begins at the time the PLUS loan is fully disbursed, and the first payment is due within 60 days after the final disbursement. However, a graduate student PLUS Loan borrower (as well as a parent PLUS borrower who is also a student) can defer repayment while the borrower is enrolled at least half-time, and, for PLUS loans first disbursed on or after July 1, 2008, for an additional six months after the borrower is no longer enrolled at least half-time. Interest that accrues during these periods will be capitalized if not paid by the borrower during the deferment.

Parent PLUS Loan borrowers whose loans were first disbursed on or after July 1, 2008, may choose to have repayment deferred while the student for whom the parent borrowed is enrolled at least half-time and for an additional six months after that student is no longer enrolled at least half-time. Interest that accrues during these periods will be capitalized if not paid by the parent during the deferment.

Make Your Payments on Time

Your loan servicer will provide information about repayment and will notify you of the date loan repayment begins. It is very important that you make your ***full*** loan payment ***on time*** either monthly (which is usually when you'll pay) or according to your repayment schedule. If you don't, you could end up in default, which has serious consequences (see Default below). Student loans are ***real*** loans—just as real as car loans or mortgages. You have to pay back your student loans.

Get Your Loan Information

The U.S. Department of Education's National Student Loan Data System℠ (NSLDS℠) provides information on your federal loans including loan types, disbursed amounts, outstanding principal and interest, and the total amount of all your loans. To access NSLDS, go to www.nslds.ed.gov.

If you're not sure who your loan servicer is, you can look it up on www.nslds.ed.gov or call the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243; TTY 1-800-730-8913). To see a list of Federal Student Aid servicers for the Direct Loan Program and for FFEL Program Loans purchased by the U.S. Department of Education, go to the Loan Servicer page.

Repayment Plans

You have a choice of several repayment plans that are designed to meet the different needs of individual borrowers. The amount you pay and the length of time to repay your loans will vary depending on the repayment plan you choose. Go to Repayment Plans and Calculators for more information about the various repayment plans and to calculate your estimated repayment amount under each of the different plans.

If you have specific questions about repaying FFEL, Direct, or Perkins Loans, contact your loan servicer. In the case of Perkins Loans, your servicer will be the school that made the loan. If you don't know who your loan servicer is, go to www.nslds.ed.gov to find out.

Loan Interest Rates

The following table provides interest rates for Direct and FFEL Program Loans.

	Loan Interest Rates by Disbursement Dates

Repaying Your Loans

- Borrower Grace Periods
- Make Your Payments on Time
- Get Your Loan Information
- Repayment Plans
- Loan Interest Rates
- Why does the amount of interest I pay vary from month to month?
- Electronic Payment
- Trouble Making Payments
- Loan Discharge (Cancellation)
- Cancellation and Deferment Options for Teachers
- Loan Forgiveness for Public Service Employees
- Civil Legal Assistance Attorney Student Loan Repayment Program (CLAARP)
- Loan Consolidation

Loan Type	First Disbursed between July 1, 2010 and June 30, 2011 (Direct Loans Only)	First Disbursed between July 1, 2006 and June 30, 2010	First Disbursed between July 1, 1998 and June 30, 2006
Direct and FFEL Subsidized Loans (Undergraduate Students)	Fixed at 4.5%	7/1/2006-6/30/2008: Fixed at 6.8% 7/1/2008-6/30/2009: Fixed at 6.0% 7/1/2009-6/30/2010: Fixed at 5.6%	The interest rate is variable (adjusted annually on July 1st) and will not exceed 8.25%. Between 7/1/2010 and 6/30/2011, loans in repayment or forbearance have an interest rate of 2.47%, and loans in an in-school, grace, or deferment period have a lower rate of 1.87%.
Direct and FFEL Subsidized Loans (Graduate Students) Direct and FFEL Unsubsidized Loans	Fixed at 6.8%	Fixed at 6.8%	
Direct PLUS Loans (Parent, Graduate and Professional Students)	Fixed at 7.9%	Fixed at 7.9%	The interest rate is variable (adjusted annually on July 1st) and will not exceed 9.0%. Between 7/1/2010 and 6/30/2011, the interest rate is 3.27%.
FFEL PLUS Loans (Parent, Graduate and Professional Students)	Not Applicable	Fixed at 8.5%	

Last updated/reviewed February 16, 2011

Additional Interest Rate Information:

- To access information on your federal loans including interest rates, go to www.nslds.ed.gov.
- For additional details on Direct Loan and FFEL interest rates effective July 1, 2010, click here

Why does the amount of interest I pay vary from month to month?
Interest accrues on a daily basis on your loans. Factors such as the number of days between your last payment, the interest rate, and the amount of your loan balance determine the amount of interest that accrues each month.

You can calculate the monthly interest on your loan by using the Simple Daily Interest Formula.

Electronic Payment
In some cases, you might be able to reduce your interest rate if you sign up for electronic debiting. To learn more, go to the Electronic Payment page on this website.

Trouble Making Payments
If you're having trouble making payments on your loans, contact your loan servicer as soon as possible. Your servicer will work with you to determine the best option for you. Options include:

- Changing repayment plans.
- Requesting a deferment—If you meet certain requirements, a deferment allows you to temporarily stop making payments on your loan.
- Requesting a forbearance—If you don't meet the eligibility requirements

- for a deferment but are temporarily unable to make your loan payments, then (in limited circumstances) a forbearance allows you to temporarily stop making payments on your loan, temporarily make smaller payments, or extend the time for making payments.

If you stop making payments and don't get a deferment or forbearance, your loan could go into default (see Default section below), which has serious consequences.

Default
If you default, it means you failed to make payments on your student loan according to the terms of your promissory note, the binding legal document you signed at the time you took out your loan. In other words, you failed to make your loan payments as scheduled. Your school, the financial institution that made or owns your loan, your loan guarantor, and the federal government all can take action to recover the money you owe. Here are some consequences of default:

- National credit bureaus can be notified of your default, which will harm your credit rating, making it hard to buy a car or a house.
- You will be ineligible for additional federal student aid if you decide to return to school.
- Loan payments can be deducted from your paycheck.
- State and federal income tax refunds can be withheld and applied toward the amount you owe.
- You will have to pay late fees and collection costs on top of what you already owe
- You can be sued.

For more information and to learn what actions to take if you default on your loans, see the Department of Education's Default Resolution Group Web site.

Loan Cancellation (Discharge)
In certain circumstances, your loan can be cancelled/discharged. Read about cancellation provisions here.

Cancellation and Deferment Options for Teachers
If you're a teacher serving in a low-income or subject-matter shortage area, it may be possible for you to cancel or defer your student loans. Find out whether you qualify.

Loan Forgiveness for Public Service Employees
Under the Public Service Loan Forgiveness Program, if you are employed in a public service job, you may have the balance of your loans forgiven if you make 120 on-time monthly payments under certain repayment plans after October 1, 2007. You must be employed full-time in a public service job during the same period in which the qualifying payments are made and at the time that the cancellation is granted. The amount forgiven is the remaining outstanding balance of principal and accrued interest on eligible Direct Loans that are not in default. For additional details, go to the Public Service Loan Forgiveness page on this website.

Civil Legal Assistance Attorney Student Loan Repayment Program (CLAARP)
The Civil Legal Assistance Attorney Student Loan Repayment Program was established to encourage qualified individuals to enter and continue employment as civil legal assistance attorneys. Note — The 2010 application process closed August 16, 2010.

Loan Consolidation
A Consolidation Loan allows you to combine your federal student loans into a single loan. Visit the Loan Consolidation page to see whether consolidation is right for you.