

Repaying student loans

Evaluate different repayment plans for your student loans to find one that best fits your needs, making it easier to repay.

There are generally two types of student loans: federal and private.

Federal student loans are loans made or guaranteed by the Department of Education. They usually have names like Direct Loan, Stafford, PLUS, or Perkins. They're the most common type of student loans.

Private student loans are any other type of student loans. They can be made by a bank, a credit union, a state agency, or a college or university. They may have names like "alternative" or "institutional" loans.

If you're not sure whether your loan is federal or private, you can check the National Student Loan Data System, or NSLDS, at nslds.ed.gov. It provides a list of all your federal student loans, including which servicer is handling your account(s). If your loan is not listed in the NSLDS, it's most likely a private loan.

The loan servicer is the company that actually handles your loan—it's the company you get your billing statement from. Both federal and private student loans are serviced by many different companies, so it's not always accurate to assume what type of loan you have based on where you get your statements from.

What to do

- **Figure out if you have a federal or private student loan.**
- **Identify your loan repayment status** (for example, if your payments are on time, if you're late on payments, or if you're in default).
- **Review the repayment options and select one that's best for you.**
- **Apply for that repayment option** and keep following up until you get a confirmation from your loan servicer about your payment plan.



You may have options for **Repaying student loans** if you're struggling

1. Check the box that best describes where you are with your monthly student loan payments.
2. Review what options you may be eligible for based on what you checked and the type of student loan you have.
3. Learn more about your repayment plan options on the next pages.

| With my student loan payment... | If you have a federal student loan... | If you have a private student loan... |
|---|--|---|
| <p>I'm struggling to keep up.</p> <p>I've missed three or more payments.</p> <p>I've temporarily postponed my payments and am in deferment or forbearance.</p> | <p>Consider changing your repayment plan to decrease your monthly payments. There's never a fee to change your plan.</p> <p>With income-driven repayment plans, your monthly payments are based on your family size and household income. You don't need to have a job or income to qualify, and payment can be as low as \$0.</p> | <p>Contact your student loan servicer to find out if you're eligible for an alternative payment program that lowers your monthly payments for a limited time. (Your servicer is the company that sends your student loan bill each month, and their contact information is on the bill.)</p> |
| <p>I've missed my payments for over 270 days and have been contacted by a debt collector.</p> | <p>Get your loan back on track by contacting your debt collector and asking for a loan rehabilitation plan. They can set up affordable payments based on your family size and household income.</p> | <p>If your loan is in default, work with your debt collector to create a repayment plan that you can afford.</p> |
| <p>I don't know my loan repayment status.</p> | <p>Reach out to your student loan servicer (the company that sends your bill each month) and ask them about your repayment status. Then use this tool to review your options.</p> | |

If you have federal student loans, you may have options when it comes to how and when you repay them.

The government offers different repayment options for federal student loans. Some have longer repayment periods (meaning your monthly payments are lower), while others base your payment on your income and family size. Keep in mind that switching to a plan with a lower monthly payment often means paying more over the life of your loan.

There's never a fee to change your repayment plan. Learn more at studentaid.ed.gov/repay-loans.

Term to know: discretionary income

Some repayment plans are based on discretionary income. For most income-driven repayment plans, discretionary income is defined as the difference between your adjusted gross income and 150 percent of the Federal Poverty Guidelines. You can find this year's guidelines here: aspe.hhs.gov/poverty-guidelines

Standard repayment plans

| Plan name | Payments | Loan period | Terms | Forgiveness | Availability |
|---|--|--|---|-------------|--|
| Standard Most borrowers start with this plan | Payments of at least \$50 a month that stay the same each year | Up to 10 years (up to 30 years for consolidated loans) | Payment is fixed Pay less over time than other repayment plans | None | All borrowers with federal student loans |
| Graduated Payment starts low and increases over time | Lowest in the first year and gradually increases every two years | Up to 10 years (up to 30 years for consolidated loans) | Payments based on your remaining loan balance Pay more over time than with Standard 10-year repayment plan | None | All borrowers with federal student loans |
| Extended A longer loan period with smaller monthly payments | Lower than standard or graduated repayment plans | Up to 25 years | Payment can be fixed or graduated | None | You must have more than \$30,000 in outstanding federal loans to qualify |

Income driven repayment plans

| Plan name | Payments | Loan period | Terms | Forgiveness | Availability |
|--|---|---|---|---|---|
| <p>Revised Pay As You Earn (REPAYE)</p> <p>Payment based on 10 percent of your discretionary income</p> | <p>10 percent of discretionary income, recalculated each year based on updated income and family size</p> <p>Your payment may be as little as \$0</p> | <p>Up to 20 or 25 years, depending on if the loan was for undergraduate or graduate studies</p> | <p>Payments could be higher than Standard repayment plan</p> | <p>If you haven't repaid loan in full after 20 or 25 years, remaining amount is forgiven</p> <p>You may have to pay income tax on forgiven amount</p> | <p>For borrowers with federal Direct Loans</p> <p>No income requirement</p> |
| <p>Pay As You Earn (PAYE)</p> <p>Payment based on 10 percent of your discretionary income</p> | <p>Up to 10 percent of discretionary income, recalculated each year based on updated income and family size</p> <p>Your payment may be as little as \$0</p> | <p>Up to 20 years</p> | <p>Payments won't ever be higher than Standard repayment plan</p> <p>Pay more over time than with Standard 10-year repayment plan</p> | <p>If you haven't repaid loan in full after 20 years, remaining amount is forgiven</p> <p>You may have to pay income tax on forgiven amount</p> | <p>For borrowers with federal Direct Loans</p> <p>Must show partial financial hardship</p> <p>Must be a new borrower on or after Oct. 1, 2007 and must have received a payout of a Direct Loan on or after Oct. 1, 2011</p> |

| Plan name | Payments | Loan period | Terms | Forgiveness | Availability |
|---|--|--|--|--|--|
| Income-based repayment (IBR) Payment based on up to 10 or 15 percent of your income | If you're a new Direct Loan borrower on or after July 1, 2014: Up to 10 percent of discretionary income Borrowers with any outstanding federal loan issued before July 1, 2014: Up to 15 percent of discretionary income Recalculated each year based on updated income and family size | If you're a new Direct Loan borrower on or after July 1, 2014: Up to 20 years Borrowers with any outstanding federal loan issued before July 1, 2014: Up to 25 years | Payments won't ever be higher than Standard repayment plan Pay more over time than with Standard 10-year repayment plan | If you haven't repaid loan in full after 20 or 25 years, remaining amount is forgiven You may have to pay income tax on forgiven amount | All borrowers with federal student loans are eligible (except Parent Plus loans) Must show partial financial hardship |

Other temporary repayment options

In certain circumstances, you can work with your loan servicer to apply for deferment or forbearance on your student loans. This allows you to temporarily stop making payments or temporarily reduce the amount of your payment. But make sure you're still making payments on your loan until deferment or forbearance is set up. If you have federal student loans, both deferment and forbearance are options you can consider. Forbearance is also offered by many private student loan lenders.

DEFERMENT

In deferment, payment of both the principal loan amount and interest is delayed. If you have a subsidized federal loan, the government pays your interest during the deferment. If you have an unsubsidized loan, you must pay the accruing interest during the deferment or it will build up.

When interest builds up on deferred student loans and isn't paid, it can be capitalized, which means it becomes part of the original principal loan amount that you owe. This means you will end up paying interest on the interest and ultimately owing even more.

Deferments are only granted for specific circumstances including:

- At least half-time enrollment in college, trade school, a graduate fellowship, or a rehabilitation program for individuals with disabilities
- Unemployment
- Certain periods of military service
- Times of economic hardship
- Peace Corps service

FORBEARANCE

Forbearance means that you stop paying your loan or pay a lesser amount on your loan for up to 12 months.⁹ Like deferment, interest continues to build up during forbearance, even on subsidized federal loans. So if you don't pay the interest part during forbearance, it will be added to the loan principal and you'll pay interest on the interest.

Your loan servicer determines whether you qualify for forbearance. It can be granted if you're temporarily unable to make your loan payments because of:

- Financial difficulties
- Medical expenses
- Change in employment or loss of job
- Other reasons set by your loan servicer

LOAN FORGIVENESS

Certain federal student loans can be forgiven, which means you don't have to repay that amount. You may qualify for forgiveness due to a disability, the closure of your school, or due to your job. For instance, if you work as a public school teacher or for a qualified public service employer, you may be eligible for loan forgiveness. Find out if you might qualify for forgiveness at studentaid.ed.gov/sa/repay-loans/forgiveness-cancellation#when.

⁹ See studentaid.ed.gov/sa/repay-loans/deferment-forbearance#what-is-deferment.

TEACHER LOAN FORGIVENESS PROGRAM

You may qualify for loan forgiveness if you've taught full-time for five complete and consecutive academic years in a low-income school or educational service agency. Other factors may also affect your eligibility, such as when you took out the loan and when you started teaching. Under this program, teachers who qualify can be eligible for forgiveness of up to \$17,500 of their Direct Loans or Stafford Loans (it also applies to Direct Consolidation Loans and Federal Consolidation Loans in certain cases).

PUBLIC SERVICE LOAN FORGIVENESS PROGRAM

In order to qualify for this program, you must work full-time at a qualifying employer, regardless of the job you have there. If you work for a government organization or specific type of non-profit, you might be eligible to have the remaining balance of your Direct Loans forgiven. You must also make 120 qualifying monthly payments on your loan under a qualifying repayment plan in order to be eligible. If you want to try to qualify for this program now or in the future, you need to complete and submit an Employment Certification form—waiting to submit this could affect your ability to qualify. Find the form at studentaid.ed.gov/sa/sites/default/files/public-service-employment-certification-form.pdf.

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