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Muhlenberg College Office of Financial Aid

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## Federal Loan Repayment

- Locate your loans.
- Pick a repayment plan and calculate your loan repayment.
- Take a look at Federal Loan Consolidation
- Do you need to put your loans into deferment or forbearance
- Will you qualify for the Public Service Loan Forgiveness Program? Or Teacher Cancellation?

## Grace Periods

Subsidized & Unsubsidized Federal Direct Student Loans      6 months

(interest accrues payments are deferred deferred)

Federal Perkins Loans      9 months

Alternative Loans      Varies

## STEP ONE : Locate Your Student Loans

With all the changes that have taken place in the student loan industry while you were enrolled at Muhlenberg College, it is more important than ever (and a little harder) for students to A) Find current/ accurate information about their student loans and B) Know who and how much to pay.

All Federal Direct Student Loans are being serviced by companies hired by the Department of Education. Usually, all of your loans are "serviced" by the same company.

To locate your FEDERAL Student Loans, to find out who currently holds them, and to

find their website to see your outstanding balance, go to [studentaid.gov](http://studentaid.gov) You can log in using your FSA login. This is the Department of Education's central database for all FEDERAL loans (Subsidized and Unsubsidized Direct Student Loans and the Federal Perkins Loan).

Once you know who is servicing your loans, create an online account with them also. Their information will be more up-to-date than the government system.



**DON'T FORGET TO COMPLETE YOUR FEDERAL STUDENT LOAN EXIT COUNSELING at [studentaid.gov](http://studentaid.gov)**

## STEP TWO: Loan Repayment Options

Now that you know what kind of loans you have, it is time to determine how much you will owe. There are several student loan repayment calculators.

[Studentaid.gov/loan-simulator/](http://Studentaid.gov/loan-simulator/)

OR  
[www.mappingyourfuture.org/paying/standardcalculator.cfm](http://www.mappingyourfuture.org/paying/standardcalculator.cfm)

REMEMBER EACH type of loan you have will have its own repayment schedule. This may mean multiple monthly payments. For example, you

will calculate one repayment for your for your Federal Direct Student Loan (Usually the Unsubsidized and Subsidized are combined together). And, if you had a Perkins Loan, that will have its own repayment schedule.

### Most Popular Repayment Options:

#### Standard Repayment

you'll pay a fixed amount each month until your loans are paid in full. Your monthly payments will be at least \$50, and you'll have up to 10 years to repay your loans.

- **Extended Repayment** you'll pay a fixed annual or graduated repayment amount over a period not to exceed 25 years. You must have a minimum of \$30,000 in combined Stafford and Direct Loans.

- **Revised Pay As You Earn (REPAYE)**

your monthly payments will be 10% of discretionary income recalculated each year. Based on borrower's family income and size. Any outstanding balance will be forgiven after 20/25



Student loan debt is manageable. Use the student loan calculators to find the repayment plan that will work best for you!

**The average debt on all Federal Loans for the Muhlenberg College Class of 2020 is \$22,407.04**

## STEP TWO: Loan Repayment Options (Con't)

years. You may owe taxes on the amount forgiven.

- Income Based Repayment (IBR) Effective July 1, 2009** Under IBR, the required monthly payment is capped at an amount that is intended to be affordable based on income and family size. The monthly repayment amount under IBR will be less than the monthly amount calculated under a 10-year standard repayment plan. If you repay under the IBR plan for 25 years and meet other requirements you may have any remaining balance of your loan(s) cancelled. Additionally, if you work in public service and have reduced loan payments through IBR, the remaining balance after ten years in a public service job could be cancelled.

- Income Contingent Repayment (ICR) (Direct Loans Only)** This plan gives you the flexibility to meet your Direct Loans obligations without causing undue financial hardship. Each year, your monthly payments will be calculated on the basis of your adjusted gross income (AGI, plus your spouse's income if you're married), family size, and the total amount of your Direct Loans. Under the ICR plan you will pay each month the lesser of:

- The amount you would pay if you repaid your loan in 12 years multiplied by an income percentage factor that varies with your annual income OR

- 20% of your monthly discretionary income.

- The maximum repayment period is 25 years. If you haven't fully repaid your

loans after 25 years (time spent in deferment or forbearance does not count) under this plan, the unpaid portion will be discharged. You may, however, have to pay taxes on the amount that is discharged.

There are other options. Refer to [studentloans.gov](http://studentloans.gov) or your servicer's website for more information!

## STEP THREE: Consolidation

Don't like what you saw above in Step Two? Then maybe you want to consider Federal Direct Consolidation. This allows you to combine multiple FEDERAL loans into ONE loan with ONE monthly payment.

**[Studentaid.gov/manage-loans/consolidation](http://Studentaid.gov/manage-loans/consolidation)**

You may consolidate your FEDERAL Loans together. You MAY NOT consolidate your parent's PLUS loan with YOUR student loans. You also may NOT consolidate private educational loans (like Citiasist, Wells Fargo, Sallie

Mae Signature or PNC Resource loans) with your Federal Loans.

If you have a Federal Perkins Loan, you may want to add it to your consolidated Stafford and Direct Loans at a later date to take advantage of your full 9 month grace period. Some students may not even consolidate it at all to take advantage of its special cancellation benefits.

All of your loans will be combined with a new interest rate (a weighted average) and possibly an extended repayment

period (beyond 10 years).

Do some testing with the government's loan consolidation calculator to be sure you are happy with the loans you chose to consolidate AND the new interest rate.

**[www.studentaid.gov](http://www.studentaid.gov)**

**This process takes time. Plan ahead! Don't assume your loans are consolidated until you get official confirmation!**

## STEP FOUR: Loan Repayment

Loan repayment on Federal Direct Student Loans begins 6 months after your last class or final. For most graduates, that will be between November 1, 2020 and January 1, 2021. The COVID-19 Crisis may affect this. If you are experiencing financial difficulty prior to OR at any time during repayment, do not ignore this federal obligation. Failure to pay any Federal Loan (Stafford, Direct, Consolidation) has serious consequences. Beyond the obvi-

ous—affecting your credit rating—the Federal Government can :

- Have your employer garnish your salary to pay your loan
- Withhold your tax refunds to pay your loan
- Withhold your lottery winnings to pay your loan
- Bill you for the collection costs/court costs involved in getting payment from you
- Take away any eligibility you might have for federal aid in the future.

Instead, contact your loan servicer to see if you qualify for a different repayment plan, or for deferment or forbearance.



<https://www.studentloanborrowersassistance.org/repayment/repaying-out-of-default/consolidation/>

## Continuing your Education? Deferment Options

A deferment is a period of time during which your lender suspends your regular loan payments.

### What loans can be deferred?

- If a Federal subsidized loan (Subsidized Stafford, Subsidized Direct or Perkins) is in deferment, the government will pay the interest on the loan for you while it is in deferment.
- If you had an unsubsidized Federal loan, you will not be required to make loan payments, but your loan will increase by the amount of interest that accrues during the deferment period.
- Some alternative loans will allow you to defer payments, but interest will accrue.

### Who qualifies for deferment?

- Students who are enrolled in college, graduate school, law school, medical school etc on at least a half time basis
- Students in a graduate fellowship program
- Disabled borrowers enrolled in a rehabilitation training program
- Borrowers in military service
- Borrowers who meet the Federal definition of economic hardship

For more details and more deferment situations go to

<https://mappingyourfuture.org/money/deferments.cfm>

OR

[Studentaid.gov/manage-loans/lower-payments/get-temporary-relief](https://studentaid.gov/manage-loans/lower-payments/get-temporary-relief)

### How do you get a deferment?

You must apply for a deferment. If your loans are not consolidated, this application must be done with every holder of your Federal loans. Remember to keep a copy of your deferment application. AND do not stop making payments on your loan until you receive official notification that your application has been approved and your loan(s) are deferred!

*If you are not eligible for deferment keep reading and find out if student loan forbearance is an option for you!*



Have a dispute about your student loan? Contact the Federal Student Aid Ombudsman <https://studentaid.ed.gov/sa/repay-loans/disputes/prepare/contact-ombudsman>

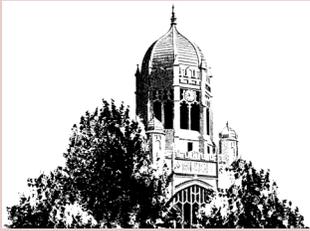
## Muhlenberg College

Office of Financial Aid  
Muhlenberg College  
2400 Chew Street  
Allentown PA 18104

Phone: 484-664-3175  
Fax: 484-664-3234  
E-mail: [finaid@muhlenberg.edu](mailto:finaid@muhlenberg.edu)

[www.muhlenberg.edu/finaid](http://www.muhlenberg.edu/finaid)

Laura Rasmussen  
Director of Financial Aid Operations  
[laurarasmussen@muhlenberg.edu](mailto:laurarasmussen@muhlenberg.edu)



## Federal Student Loan Resources

Federal Student loans : [studentaid.gov](http://studentaid.gov)  
Manage your direct loan: [studentaid.gov](http://studentaid.gov)  
Direct Consolidation: [studentaid.gov](http://studentaid.gov)  
Student Loan Calculator: [studentaid.gov/loan-simulator](http://studentaid.gov/loan-simulator)

Sallie Mae: [www.salliemae.com](http://www.salliemae.com)  
Chase: [www.chasestudentloans.com](http://www.chasestudentloans.com)  
Citibank/Discover: [www.studentloan.com](http://www.studentloan.com)  
PNC: [www.pnconcampus.com](http://www.pnconcampus.com)  
Student Loan Borrower Assistance Project:  
[www.studentloanborrowerassistance.org](http://www.studentloanborrowerassistance.org)

### Additional Resources

'Berg Office of Financial Aid: [www.muhlenberg.edu/finaid](http://www.muhlenberg.edu/finaid)  
(check out our "Recent Graduates" section)  
National Endowment for Financial Education:  
[www.smartaboutmoney.org](http://www.smartaboutmoney.org)  
Cost of Living Calculator: [www.bestplaces.net/col/](http://www.bestplaces.net/col/)

## What is Forbearance?

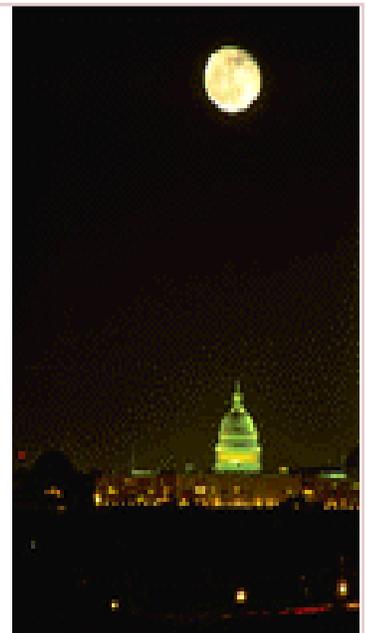
If you are not eligible for deferment, but need a way to reduce or postpone your FEDERAL student loan payments without adversely affecting your credit rating, you should consider applying for forbearance. The holder or holders of your loans may consider granting you forbearance. But, in most situations, forbearance is granted at the discretion of the holder of your loans.

If the holder of your loan(s) agrees and they are put into forbearance, interest will accrue on them during this time of forbearance. The holder of your loan may grant you forbearance in 12 month intervals at a time for up to 3 years.

If you are filing an application or supplying financial information, be sure to keep a copy of everything you submit for your records. **YOU MUST CONTINUE MAKING YOUR LOAN PAYMENTS** until you have officially been granted the forbearance. Otherwise you risk defaulting on your loan.

<http://mappingyourfuture.org/paying/forbearance.cfm>

[studentaid.gov/manage-loans/lower-payments/get-temporary-relief](http://studentaid.gov/manage-loans/lower-payments/get-temporary-relief)



National Consumer Law Center's Student Loan Borrower Assistance Project is a resource for borrowers, their families, and advocates representing student loan borrowers.  
[www.studentloanborrowerassistance.org](http://www.studentloanborrowerassistance.org)