

Loan Repayment Plans and Strategies

Use the Grace Period

- The federal Stafford Loans come with an automatic one-time six-month grace period before you need to enter repayment for the loans you have borrowed. The grace period is to permit time to find employment, relocate if needed, and research your loan repayment options.
- The accrued interest can be paid down during this grace period, which would reduce the amount of accrued interest which will be capitalized (added to the loan) when you enter repayment.
- If you used the one-time grace period at an earlier date, you may need to request *forbearance*. Any federal Graduate PLUS Loans you borrowed DO NOT come with a grace period. If you are not prepared to begin repayment immediately upon graduation, then you may need to contact the Loan Servicer to request forbearance.
- Review your federal loan records on-line at: www.NSLDS.ed.gov
You can also complete/review the on-line *Loan Counseling Exit Interview* on this web site.

Loan Repayment Plans:

You can change your repayment plan at least once each year, -- more often if you have a change in circumstances.

Standard

This is the least expensive way to repay the entire loan; the total loan is amortized over 10-years of equal monthly payments. Currently, this is the primary payment plan; if you do not request a different repayment plan, it is assumed you will repay using the Standard Repayment Plan.

Extended

Any student who has borrowed more than \$30,000 in total student loans can request an Extended Repayment Plan. The term in which to repay the loan will be extended into 15, 20, or 25 years, of equal monthly payments. More interest will be paid, but the required monthly payment will be less than the required payment in the Standard (10 year) plan.

Graduated

The first few years will have a lower required payment; then there will be an increase in the required payments, and sometimes an additional increase in a few years. This repayment plan assumes your income will increase over time to accommodate the increased payments.

Income-Based Repayment

A borrower must have a high federal student loan debt relative to their income, to qualify for this repayment plan. Once you qualify for the plan you are permitted to remain in the IBR plan. After 25 years of IBR payments the remainder of any Direct Loans will be forgiven by the federal government.

Specific eligibility criteria, more information, and calculators are available at: www.IBRinfo.org

The required monthly payments will be 15% of your disposable income, after protecting the first 150% of the federal poverty level (adjusted for family size) income for your survival expenses.

If you use the IBR plan, you will need to submit income documentation to your Loan Servicer each year, to determine the amount of the required payment in the next year. It is possible for the required payment to be “zero”, and it is possible that the loan balance will grow (negative amortization). If it is possible for you to make interest-only payments, you may be able to keep the loan balance from increasing.

Other plans may be available to you, consult with your Loan Servicer

Loan Forgiveness for Public Service

This program is separate from your loan repayment plan. However, a borrower who plans to work in government and/or in non-profit organizations should consider possible loan forgiveness as they make their loan repayment decisions.

- 120 monthly qualified payments must be made on-time, while also working full-time in a Public Service job. The job does not require that you are working in the field in which you earned your degree.
- The qualified Public Service jobs can be with different agencies/employers.
- The 120 qualified payments do not need to be consecutive; it could take a borrower more than 10 years to meet the 120 payments.
- The loan forgiveness will NOT be automatic. There will be an application/petition process to complete, and the borrower must maintain the qualified employment until the loan forgiveness process is complete.
- There is a form which can be submitted to your employer each year to certify that your employment qualified as Public Service. This will assist borrowers in knowing annually if their employment and their payments have contributed to the 120 qualified payments.
- Most borrowers who state that they intend to work toward the Loan Forgiveness for Public Service will have their federal loans transferred to FedLoan Servicing as their assigned loan servicer.

SALT

Lewis & Clark has partnered with non-profit American Student Assistance to bring our students and alumni a FREE loan management and financial literacy program called SALT. You can speak with a neutral loan payment expert about your loans and your situation, before you commit to a loan repayment plan with your Loan Servicer. SALT can provide tools to help not only with managing loan repayment, but with all things financial. Get money smart with SALT!

Register using your LC e-mail address: www.saltmoney.org/lclark

Tip Sheet prepared by:

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Contact us with any questions