

Repaying Your Education Loan

Your loan for college may have been the first time you borrowed money. Paying your loan back on time and immediately seeking help from your lender at the first sign of any trouble making payments will help you establish and maintain a good credit history. Strong credit will help you get better rates on loans in the future—such as car or home loans.

Having borrowed for your education, you are now responsible for paying your loan back, with interest. The promissory note (the legal document you signed to get your loan) is your promise to pay and spells out terms for repayment.



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Repayment Schedule Disclosure

Your lender/servicer should send your repayment schedule disclosure before your repayment period begins.

This document shows the total amount borrowed, plus any capitalized interest, the current interest rate, payment due dates, and an estimate of the amount you will repay over the lifetime of the loan if you follow your repayment schedule.

Even if you do not receive a repayment schedule disclosure, you are still responsible for making payments. Contact your lender/servicer if you do not hear from them soon after graduating or withdrawing from college.

Alternate Repayment Schedules

You select your repayment plan as part of your exit counseling activity. Talk with your financial aid office, lender or loan servicer about the alternate repayment schedules. These are different schedules that offer you an opportunity to begin with a monthly payment amount lower than the standard schedule and then increase the payment amount on a periodic basis over the repayment period. There also are some alternate repayment schedules that base your monthly payment on your income and other repayment schedules that extend the repayment period.

Review the latest information about alternate repayment schedules at www.studentloans.gov.

To save money, be sure to take advantage of any borrower benefits your lender/servicer may offer during repayment, such as a reduced interest rate for making monthly payments by automatic draft.

Prepayments

Whatever your repayment schedule, you can make additional payments on your loan at any time if you want. Making additional payments reduces your principal balance faster, cutting the amount of interest you owe, and enables you to pay off your loan earlier, without penalty.

Cancellation or Forgiveness

Cancellation or forgiveness of loans is available under certain circumstances, including becoming completely or permanently disabled or death. Your loan also may be cancelled if your school closes and you are unable to complete your program or if the school falsely certified your eligibility for your loan.

Some loans may be eligible for partial or complete cancellation based on certain service or employment. In some cases, for example, loans to teachers, health care professionals, and law enforcement officers may be cancelled. For more information on the possible cancellation or forgiveness of your loan, contact the site director for the service program in which you participate.

Repayment Help

If you anticipate temporary difficulty making your monthly payments, there are other repayment options that may allow you to reduce or delay payment for a period of time.

Deferment

Under some conditions, you may qualify for a deferment (postponement) of your loan payments. Deferments are granted for specific time periods upon request to your lender. The types of deferments available to you are highlighted in the terms of your loan.

Forbearance

A forbearance is a short-term, temporary reduction or postponement of your student loan payments. It can help if you ever have financial hardship but do not qualify for a deferment. If you are unable to make your scheduled payments, contact your lender immediately to apply for a forbearance.

Consolidation Loan

Some borrowers who take out several types of student loans, who borrow from multiple lenders, or who have a large loan may consider a Federal Consolidation Loan. These loans allow you to extend your repayment period and make just one monthly student loan payment. However, there are many factors to consider first.

The interest rate on your new loan may be higher, and the lengthened repayment period will mean a higher total cost. You may also lose some options for deferment of payments and benefits on your old loan.

Repayment Trouble

Delinquency

Late payments or failure to repay your loan makes your loan delinquent. Any delinquencies must be reported to all national credit bureaus, leading to a negative credit history and making it difficult in the future for you to borrow money.

Default

If you fail to repay your loan as promised (also known as defaulting on your loan) you can get into serious trouble. Even if you default, collection efforts will not stop. The U.S. Department of Education may also take the following actions:

- Sue you
- Obtain a judgment for a lien against your current or future real property
- Garnish your wages
- Notify your employer, if you work for the state or federal government
- Report to all national credit bureaus that you did not fulfill your loan obligation
- Withhold your federal and state income tax refunds
- Seize any winnings you may receive from a state lottery
- Cause you to lose any professional license you may hold

To avoid these problems, contact your servicer as soon as you run into difficulty making your loan payments. Deferment, forbearance, or alternate repayment schedules could help.

Prepare for Repayment

Before beginning repayment, make a budget and stick to it. This is a vital step in handling your money and your responsibilities effectively.

The budget planning sheet in this brochure can help you estimate your monthly expenses. Don't forget to include expenses that come due annually or semi-annually, such as auto insurance. Just add up the cost for the year, then divide by 12 to compute a monthly expense figure. At CFNC.org, you'll find more financial literacy tools to walk you through setting up a budget.

In addition to budgeting carefully, consider ways you can save money such as:

- Finding a roommate to help share living costs.
- Purchasing a used car instead of a new car. (Insurance and operational costs may be lower too.)
- Limiting entertainment and clothing expenses by eating in more often and shopping for bargains.

Budget Plan

Monthly Income

| | | |
|---|----|----------------------|
| A. Gross Pay (before taxes and other deductions) | \$ | <input type="text"/> |
| B. Take-Home Pay (approx. 70% of Gross) | \$ | <input type="text"/> |
| C. Other Income | \$ | <input type="text"/> |
| Total Monthly Income (add B and C) | \$ | <input type="text"/> |

Monthly Expenses

| | | |
|--|----|----------------------|
| Housing (rent/mortgage) | \$ | <input type="text"/> |
| Utilities (lights, water, phone, heat, air conditioning) | \$ | <input type="text"/> |
| Food (meals at home and eaten out) | \$ | <input type="text"/> |
| Transportation (car payment, gas, maintenance) | \$ | <input type="text"/> |
| Student Loan Payment(s) | \$ | <input type="text"/> |
| Clothing (including laundry, alterations, etc.) | \$ | <input type="text"/> |
| Insurance (car, life, health, home) | \$ | <input type="text"/> |
| Gifts | \$ | <input type="text"/> |
| Entertainment | \$ | <input type="text"/> |
| Personal Care | \$ | <input type="text"/> |
| Other Debts | \$ | <input type="text"/> |
| Miscellaneous (savings and anything else not covered above) | \$ | <input type="text"/> |
| Total Monthly Expenses | \$ | <input type="text"/> |

Totals

| | | |
|-------------------------------------|----|----------------------|
| Total Income | \$ | <input type="text"/> |
| Total Monthly Expenses | \$ | <input type="text"/> |
| Remainder (Discretionary Income) | \$ | <input type="text"/> |

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Still Have Questions?

Please contact your lender or servicer whenever you have questions or concerns about your loan.

If you have borrowed from College Foundation, Inc. (CFI), you can get information about your loan online or by phone at the numbers below:

Phone:

Information Services
(Local) 919-821-4771
(Toll-free) 866-866-CFNC (2362) or 888-234-6400

Repayment Services
(Local) 919-821-4743
(Toll-free) 800-722-2838

Website:

CFNC.org

Mail:

College Foundation, Inc.
P.O. Box 41966 Raleigh,
NC 27629-1966

Repayment Wizard

For help with your CFI loan, a Repayment Wizard can take the guesswork out of selecting and requesting a deferment or forbearance.

The Repayment Wizard will ask you a series of questions. Your responses to these questions, combined with your CFNC profile, will direct you to the appropriate deferment and pre-fill the request.

Upon completion, all you have to do is print the forms and send them to CFI for processing.

If you are not eligible for a deferment, you may be able to request a period of discretionary forbearance to reduce or postpone your loan payments temporarily.

On occasion, the Repayment Wizard is off-line for updating. If you are unable to access it at CFNC.org/repaywiz and need help with a deferment or forbearance on your CFI loan, call Repayment Services for help.

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College
Foundation
of North Carolina