

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 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.



CFNC.org

Helping you plan, apply, and pay for college

CFI  [®]
College Foundation, Inc.

Repayment Schedule Disclosure

Your lender 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 if you do not hear from them soon after graduating or withdrawing from college.

Most lenders will automatically set up a **Standard Repayment Schedule** for you. It requires a fixed, level payment amount throughout your repayment period. If you are able to handle the monthly payments, standard repayment will enable you to pay off your loan as soon as possible.

Alternate Repayment Schedules

If you have concerns about managing the standard repayment amount, talk with your lender about these other repayment options:

- **Graduated Repayment Schedule.** This begins with a lower monthly payment amount than the standard schedule and then increases the payment amount on a periodic basis over the repayment period. (This payment structure assumes your starting salary will gradually increase.)
- **Income-Sensitive Repayment Schedule.** Your monthly payments are calculated a year at a time based on your actual income.
- **Income-Based Repayment Plan.** This repayment plan became available July 1, 2009, to assist borrowers who have high student debt levels relative to their income and are having difficulty making their payments. The program is available for Stafford Loans, PLUS Loans to graduate students, and Consolidation Loans with no underlying parent PLUS Loans. Borrowers must exhibit a partial financial hardship as defined by federal regulations to enroll; hardship is based upon the borrower's income, poverty level for the borrower's state of residence, family size, and student loan indebtedness. Borrowers must re-certify family size and income each year.
- **Extended Repayment Schedule.** If your loan balance (including accrued interest) is over \$30,000 at the time the loan(s) is scheduled for repayment, you may qualify for an extended repayment period of 25 years. To be eligible for the extended repayment schedule, all of your outstanding loans must have been disbursed on or after October 7, 1998.

Consider a graduated, income-sensitive or income-based repayment schedule carefully before making your request. These modified repayment plans begin with lower payments, then gradually increase over time (or may be adjusted annually based on your income) and tend to be more expensive than normal repayment plans. Graduated, income-sensitive, and income-based plans should be used as a last resort if you are unable to make standard payments.

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

Prepayments

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

Cancellation or Forgiveness

Cancellation or forgiveness of loans is available under certain circumstances, including if you become completely or permanently disabled or if you die. Your loan may also 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. First, your lender will have to assign your loan to the loan guarantor, which will then report your default to all the national credit bureaus. Second, even if you default, collection efforts will not stop. Your guarantor or 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 lender as soon as you run into difficulty making your loan payments. Deferment, forbearance, or alternate repayment schedules should 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)	\$ _____
B. Take-Home Pay (approx. 70% of Gross)	\$ _____
C. Other Income	\$ _____
Total Monthly Income (add B and C)	\$ _____

Monthly Expenses

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

Totals

Total Income	\$ _____
Total Monthly Expenses	\$ _____
Remainder (Discretionary Income)	\$ _____

Still Have Questions?

Please contact your lender 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 anytime 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, the Repayment Wizard at CFNC.org/repaywiz takes 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.



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College
Foundation
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