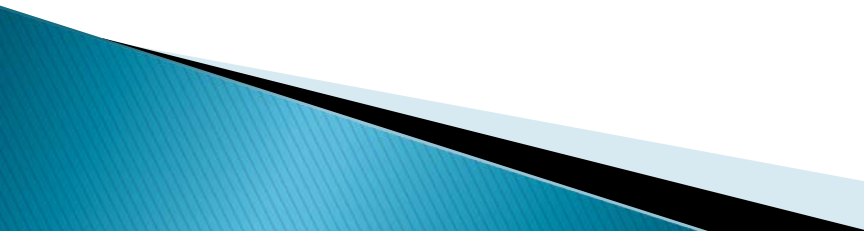


Direct Loan Borrowers

Essential Information You Need to Know
About Repayment

There is **NO EXCUSE** to Default on a Student Loan

- ▶ Protect yourself – borrow minimally and wisely. Every dollar must be repaid
 - ▶ Be aware of the “**Myths of Student Loans**”
 - ▶ Know the consequences of student loan debt
 - ▶ **Proactively** contact your **LOAN SERVICER** and identify them on **NSLDS.ED.GOV**
 - ▶ **Know your repayment options**: Standard, IBR, ICR, PAYE, deferment and forbearance
 - ▶ **Start making small payments now!**
- 

Myths About Student Loans #1

- ▶ “My student loan will be forgiven or forgotten.”

FACT:

- The federal government **WILL** get its money back. The contract you enter when borrowing a federal loan is binding and **must be repaid** (even bankruptcy does not release a student from federal loan debt).
- The IRS, Social Security Administration, Department of Homeland Security, Department of Education and other agencies all work together to **find and penalize persons who default on federal student loans.**

Myths About Student Loans #2

- ▶ “I will worry about my student loan debt later. I have to survive today.”

FACT:

- The decisions you make today about loan debt will impact the rest of your life.
- A good estimate: for every **\$1 borrowed, you must plan to repay at least \$1.38** due to interest costs (**can be much higher** if IBR, ICR or PAYE plans are utilized).
- Many students with high loan debt experience no improvement in their living conditions after graduation due to their student loan debt.
- A student with **\$10,500** in loan debt will end up repaying over **\$14,500** with a monthly payment of **\$120.83**.
- <http://mappingyourfuture.org/money/calculators.htm>


Myths About Student Loans #3

- ▶ “If I can’t repay, then I can’t repay. What can they do to me?”

FACT:

- You can have your **credit score drastically lowered**
- You can experience great difficulty trying to rent, buy a home, or qualify for most credit-based contracts
- You can have your **tax refunds garnished** (taken), **social security benefits reduced**, and **not qualify for additional financial aid support**
- You can ruin your financial future that education was meant to improve

Every Dollar Borrowed Must Be Paid Back – **with interest!**


- ▶ There is no such thing as “free money” in student loans
 - ▶ **All Federal Direct Stafford Loans must be repaid**; it is not a grant. This was covered in your entrance counseling
 - ▶ All loan funds you received enter the repayment process **as soon as you drop below ½ enrollment**
 - ▶ Borrowing funds for non-educational costs is illegal and could result in fraud investigation
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Debt, Default and Despair

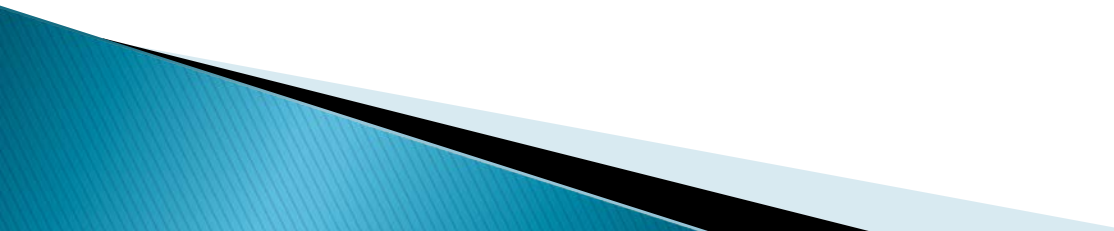
Defaulting (failure to repay) on a federal Stafford direct loan is a devastating situation for your future financial status

- ▶ Students default on school loans because they:
 - Drop out of school without completing program
 - **Fail to contact their Loan Servicer** to establish a repayment option that is best for their circumstances
 - Go into denial about student loan debt and hope that non-response will make the issue go away (it won't go away – it just gets worse!)
 - **Do not take their loan debt and repayment requirement seriously**


How to Avoid Debt and Default

- ▶ Borrow as little as possible!
- ▶ **Begin repayment even while you're still in attendance** (even \$20 per month goes a long way to help establish a positive repayment plan)
- ▶ **Immediately identify your **LOAN SERVICER** on www.nslds.ed.gov** 
- ▶ **Open an account with your Loan Servicer Right AWAY!!!**
- ▶ Borrowing the maximum loan amount is a **BAD IDEA!!!** (think about interest)
- ▶ Set up automatic direct deposit with your loan servicer to make payments so you won't forget

Connect with Your Loan Servicer!!!

- ▶ **Your Loan Servicer is your friend** to help you establish repayment options – work with them
 - ▶ Establish an account with your loan servicer (can be identified at **NSLDS.ED.GOV**) as soon as you receive your first loan disbursement
 - ▶ Be aware of repayment or hardship options so you don't go into default!!!
- 

Repayment Options to Discuss with Your **LOAN SERVICER**

- ▶ **Deferment** – not required to pay while you are enrolled ½ time at a college
 - ▶ **Forbearance** – loan repayments can be delayed for up to 1 year due to financial hardship
 - ▶ **Income-Based Repayment (IBR)** – extended loan repayment and/or reduced payments
 - ▶ **Income-Contingent Repayment (ICR)** – extended loan repayment periods and repayment sliding scale
 - ▶ **Pay-As-You-Earn (PAYE)** – extended loan repayment options and annual, fluctuating repayment plans
- 

“We care about you and your financial future. Be wise, know the consequences and risks of borrowing loans, and complete your educational journey to improve your life instead of becoming buried in high student loan debt! **Be a Wise Borrower!!!**”

Solano Community College...We care about the future of our students!

