

### Federal Student Loan Repayment Options

You have unique options to handle federal student loan debt.

#### Income Driven Repayment Plans

##### REPAYE/Pay As You Earn

Payment Amount: 10% of discretionary income

Repayment Period: 20 years (25 years for graduate loans in REPAYE); remainder of balance forgiven

Additional Consideration: Must show partial hardship; tax consequence

##### Income-Based Repayment

Payment Amount: 15% of discretionary income (10% if borrowed after Jul 1, 2014)

Repayment Period: 25 years (20 years if borrowed after Jul 1, 2014), remainder of balance forgiven

Additional Consideration: Must show partial hardship; tax consequence

##### Federal Debt Consolidation

Payment Amount: Varies (Lowers monthly payments by extending term)

Repayment Period: 30 years

Additional Consideration: May lose benefits in original loan

**Graduated Repayment:** a plan where your payments start out lower and gradually increase over time

**Extended Repayment:** a plan where you pay less each month but extend the life of your loan over a longer period of time

**Statutory Discharges:** Public service loan forgiveness, Teacher loan forgiveness, Total and permanent disability, Death (someone would apply on your behalf), Closed school.

**REMEMBER:** Failing to make federal student loan payments can result in serious consequences. If you fail to make payments on your student loan for **270 days**, your loans will go into **DEFAULT** status and will be sent to a **debt collector**. The government can then garnish part of your pay or federal benefits and report your loans in default to credit agencies. You also may lose access to additional federal student aid, or the ability to enter into deferment or forbearance or choose a repayment plan.

#### Private Student Loan Repayment

Private student loans don't offer as many repayment options as federal student loans. If you aren't able to make your payments, the debt will follow a path similar to other consumer debt (such as credit card debt).

Delinquency: Borrower is late on a payment.

Charge-Off: After 120 or 180 days, lender reports debt as loss for accounting purposes. Borrower is still liable for debt.

Sale to Debt Buyer: Original lender sells debt to debt buyer for much less than the debt balance.

Lawsuit: Owner of the debt (original lender or debt buyer) sues the borrower.

Judgment: A court judgment can result in garnishment of your wages or a lien on your property.



## Planning and Paying for College: Federal vs. Private Student Loans



# HERA

housing and economic rights advocates

P.O. Box 29435 Oakland, CA 94604

Phone: 510-271-8443 ext. 300

Fax: 510-868-4521

E-mail: [inquiries@heraca.org](mailto:inquiries@heraca.org)

[www.heraca.org](http://www.heraca.org)

Student loans are either federal or private. Students can take out loans to fund the remaining cost of college after any scholarships, grants, or other sources of financial aid that do not need to be repaid. Student loans will need to be repaid with interest.

### Federal Student Loan Examples

Direct Loans  
Federal Family Education Loan Program (FFEL)  
Perkins  
Includes Stafford, Subsidized, Unsubsidized, PLUS loans

### Private Student Loan Examples

Loans from Banks and Lenders (Discover Student Loans, Sallie Mae [also acts as a servicer for Federal Loans])  
Loans from Schools



**Federal student loans carry many advantages** over private student loans. It is generally better to pursue all options for federal student aid before entering a private loan. Compare:

#### Federal Student Loans

**Fixed interest rate**- usually lower than that of private loans and credit cards.  
**No credit check or a cosigner necessary** (exception: Direct Plus loans).  
**No repayment until after you leave college** or drop below half-time.  
**Government may pay the interest** on some loan types while you are in school and during some periods after school if you have financial need.  
**Flexible and income-driven repayment** plans and options to postpone your loan payments if you're having trouble making payments.  
**Loan forgiveness** for borrowers who work for the government or certain non-profit organizations after 120 qualifying payments.  
**Discharges** available under certain circumstances, like permanent disability.

HERA is a not-for-profit legal services organization dedicated to economic justice. For additional information or to request assistance, please contact us at [inquiries@heraca.org](mailto:inquiries@heraca.org) or (510) 271-8443 ext. 300

#### Private Student Loans

**Interest rates tend to be higher** than those of federal student loans.  
**Eligibility depends on your credit score.** Some lenders require **payments while you are still in school.**  
Private loans **do not have loan forgiveness or income-based repayment programs.** These are only available for federal student loans.  
Private student loan debt is **treated much like other consumer debt**, such as credit card debt (see page 2).



If you would like further advice about choosing a school, applying for financial aid, or dealing with your student loan debt, you can also contact us.

Housing & Economic Rights Advocates (HERA) P.O. Box 29435 Oakland, CA 94604 Phone: 510-271-8443 ext. 300 Fax: 510-868-4521 E-mail: [inquiries@heraca.org](mailto:inquiries@heraca.org) [www.heraca.org](http://www.heraca.org)